Valuation Office Agency

Annual Report and Accounts 2014-15

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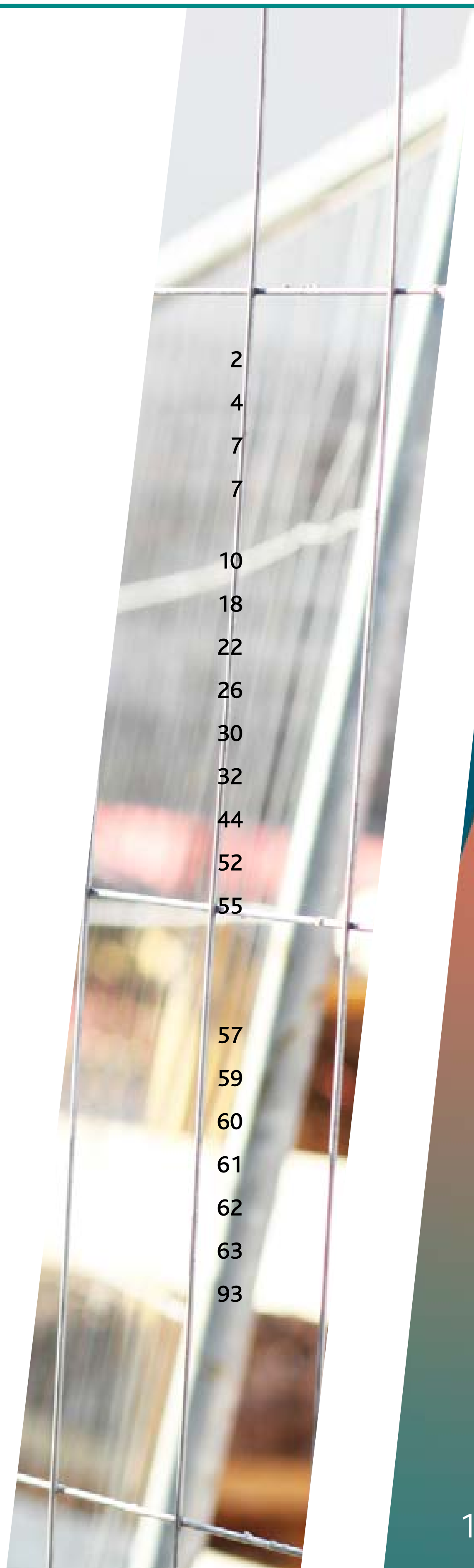


Annual Report

Annual Accounts

DELIVERING FOR OUR CUSTOMERS: OUR ACHIEVEMENTS 2014-15

£48bn

of **Non-Domestic Rates** and **Council Tax** collected using the rating and valuation lists maintained by the VOA.

In March 2015 alone, we received **113** compliments from our customers on the service that we provide.

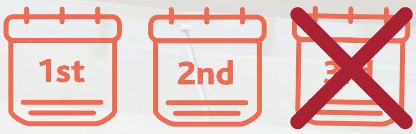
As of 31 March 2015 88% of **Non-domestic Rating appeals cleared** as part of the **Chancellor's 2013 Autumn Statement commitment** to clear 95% of appeals in England outstanding on 30 September 2013 by July 2015.

Over **500,000** items of rental data collected by our **Housing Allowances team** to help maintain the UK's most comprehensive source of contractual residential lettings information.

3,300m²

7.25% **reduction** in our estate, which will result in a full year's equivalent running costs saving of **£825k**.

Decisions made on **99%** of **Council Tax band challenges** within two months.



Worked closely with the Office for National Statistics to develop a new measure of consumer price inflation - CPI(H).

Statutory Valuations Team fully achieved its

£11.1m

income plan and **exceeded** all service level agreement targets.

CHIEF EXECUTIVE'S FOREWORD

I am pleased to introduce the Valuation Office Agency's Annual Report and Accounts for 2014-15. We are particularly proud of our ability to deliver successfully our core services year on year, and 2014-15 has been another good year.

...developing expertise within the Agency, improving our systems, improving our leadership capability, or moving to locations which improve our capacity to deliver and improve the working environment for the people who work in the Agency.

The work that the Valuation Office Agency delivers for the taxpayer, local and national Government is diverse and far-reaching.

Through our core work we: support the full range of land and property taxes, including enabling the collection of £48bn each year to fund local public services; underpin the housing benefits system; help tenants and landlords through the setting of Fair Rents; help several thousand wider public sector bodies make best use of their property assets; and provide a wide range of valuation and property advice services to the devolved administrations.

As a result of this activity we are increasingly able to support other public policy priorities by making the data we collect more widely available, while protecting personal data and taxpayer confidentiality.

Highlights this year include: helping householders at risk of flooding to get insurance by supplying the council tax data that underpins the Flood Reinsurance scheme; further refining our provision of housing rental market data to the Office for National Statistics, for use in the CPI(H) measure of inflation; and deepening our ability to support the development of policy, where we have partnered with Her Majesty's Treasury and the Department for Communities and Local Government (DCLG) on the Chancellor's Review of Business Rates Administration.

At the heart of these far-reaching contributions lie our skilled and committed people. We are, not surprisingly, the largest employer of surveyors in the UK and we are proud both of the deep technical knowledge of our specialist surveyors, and the wider property and delivery skills of many others in our organisation, who support high volumes of interactions with our customers each year.

We are particularly proud of our ability to deliver successfully our core services year on year, and 2014-15 has been another good year. We responded flexibly to increased numbers of transactions in the property market and changes to properties requiring alterations to valuations. This was apparent in our performance at the end of the year when we registered a very significant influx of last minute business rates appeals as the Non-Domestic Rating lists closed to backdating.

Our Non-Domestic Rating teams, who deal with valuations for business rates, are making good progress in delivering the Chancellor's 2013 Autumn Statement commitment to clear 95% of appeals in England outstanding on 30 September 2013 by July 2015. As at 31 March 2015 we had cleared 149,000 (88%) of the 168,000 appeals covered by this commitment.

We also began work on our major delivery programme - a complete revaluation of non-domestic properties in England and Wales based on the rental value of properties on 1 April 2015. During the last six months of the year teams began collecting data to inform the valuations of 1.9m properties, in a programme which will culminate in the publication of draft lists on 30 September 2016, on which business rates bills will be based from 1 April 2017.

Since the introduction of the Business Rates Retention (BRR) scheme in 2013, the VOA has supported its implementation through the regular provision of new data products to Local Authorities, providing them with appeals information at set times in the year. The scheme allows Local Authorities to retain 50% of the business rates collected at local level and the option to come together with other Local Authorities to pool their business rates. In 2014-15 we worked closely with Local Authority representatives and the Department for Communities and Local Government to extend and improve the information that we provide. This includes providing appeals data on a monthly basis since January 2015 and providing bi-annual summary statistics. This creates a greater understanding of the rating and appeals landscape, helping in the management of the BRR scheme which in turn allows for more robust financial planning at local level.

Making property valuation alterations promptly is important to our customers, who want certainty about their bills, and to Local Authorities whose income it affects. We provided decisions to our customers on Council Tax band challenges within two months in over 99% of cases and, in response to customer feedback, we revised our decision letters so that they are written in a more straightforward way.

Our Housing Allowances Team, who support customers claiming housing benefits, exceeded all casework timeliness and quality targets over the last year. They also improved the quality of the data they collect from an increasingly diverse range of sources to inform the setting of housing benefit rates. Similarly, our Statutory Valuations Team, who provide valuations to support inheritance tax, capital gains tax and other HMRC administered taxes, met or exceeded all timeliness and quality targets.

Our Property Services team delivered £15.9m - marginally lower than our stretching target - of professional property advice to customers across the wider public sector, including for high-profile projects such as the High-Speed 2 rail link.

All of this work has been supported by our Network Support Offices who, through their dedication and hard work, continue to improve the quality and consistency of the services we provide to our customers through centralising our processing and customer contact.

In terms of our transformation agenda, this year we moved our internet presence to the GOV.UK website so that our customers can access our information alongside related information from across government. We are also committed to rationalising our estate to meet the government target of 8m^2 per full time equivalent (FTE). Over the last year, this has included being among the first in the civil service to participate in a government 'hub' in Bristol, and has resulted in the reduction of our estate by almost 3,300m^2 over the year. We also shared our longer term location strategy with our people. This envisages us reducing our current network of 70 offices to around 25 by 2020. We announced the first stage of this – the closure of eight offices during 2015-16 – in March 2015.

With so much to do in terms of delivery and our transformation agenda, building capability is very important to the Agency. Whether that is bringing in new skills, developing expertise within the Agency, improving our systems, improving our leadership capability, or moving to locations which improve our capacity to deliver and improve the working environment for the people who work in the Agency.

I would like to thank colleagues across the Agency for their hard work and commitment which have made all our achievements over the past year possible. With the investment we have secured to date from our clients, I am confident that our transformation plans will enable us to modernise the infrastructure and capabilities of the Agency so that we can continue to take pride in our delivery of high-quality services to our customers and partners in the coming years.

Penny Ciniewicz

Chief Executive
18 June 2015

STRATEGIC REPORT

OUR PURPOSE, SERVICES AND ORGANISATION

We are an executive agency of HM Revenue and Customs (HMRC).

Our Purpose

To provide the valuations and property advice required to support taxation and benefits.

Our Vision

The VOA's customers have confidence in its valuations and advice. As a modern professional organisation, with expert and committed people, it acts fairly, consistently and efficiently.

Our Strategic Objectives

We have four strategic objectives to help us achieve this vision:

- Target and achieve customer trust;
- Drive quality and consistency through improved processes;
- Develop and sustain the right capabilities; and
- Sustainably reduce cost and improve value for money.

OUR SERVICES

We maintain rating and valuation lists of approximately 1.9m commercial properties and 24.8m domestic properties in England and Wales. This enables the collection of approximately £48bn in Non-Domestic Rates and Council Tax. The Department for Communities and Local Government (DCLG) and the Welsh Government fund us to deliver this work.

HMRC

- Capital Gains Tax
- Inheritance Tax

DWP

- Housing Benefit Cases
- Benefit Referrals

DCLG

- Fair Rent Cases
- Maintenance of NDR and CT lists
- Business Rates Retention scheme
- NDR Revaluation

DEFRA

- Flood Reinsurance Scheme

ONS

- Retail Prices Indices
- Consumers Prices Indices
- Index of Private Housing Rental Prices

We support the Department for Work and Pensions (DWP) to deliver Housing Benefit and Local Housing Allowances by determining Allowances in over 150 Broad Rental Market Areas[1]. We dealt with over 191,000 Housing Benefit referrals this year for DWP. We also determined approximately 47,500 Fair Rent cases for DCLG.

We support HMRC's work on Capital Gains and Inheritance Tax and other areas of tax compliance.

We also provide a range of valuation and surveying services to customers in the wider public sector, including central and local government, and information and analysis for partners in the public sector. We also advise Ministers on valuation and property matters.

[1] Broad Rental Market Areas are geographic areas, whose boundaries are used to underpin the calculation and administration of housing benefit payments.

OUR ORGANISATION

We employ 3,475 people, based on full time equivalents (FTE) as at 31 March 2015, in 70 offices across England, Wales and Scotland. We deliver our services through our four main business streams:

- Non-Domestic Rating (NDR)
- Council Tax and Housing Allowances
- Statutory Valuations Team (SVT)
- Property Services

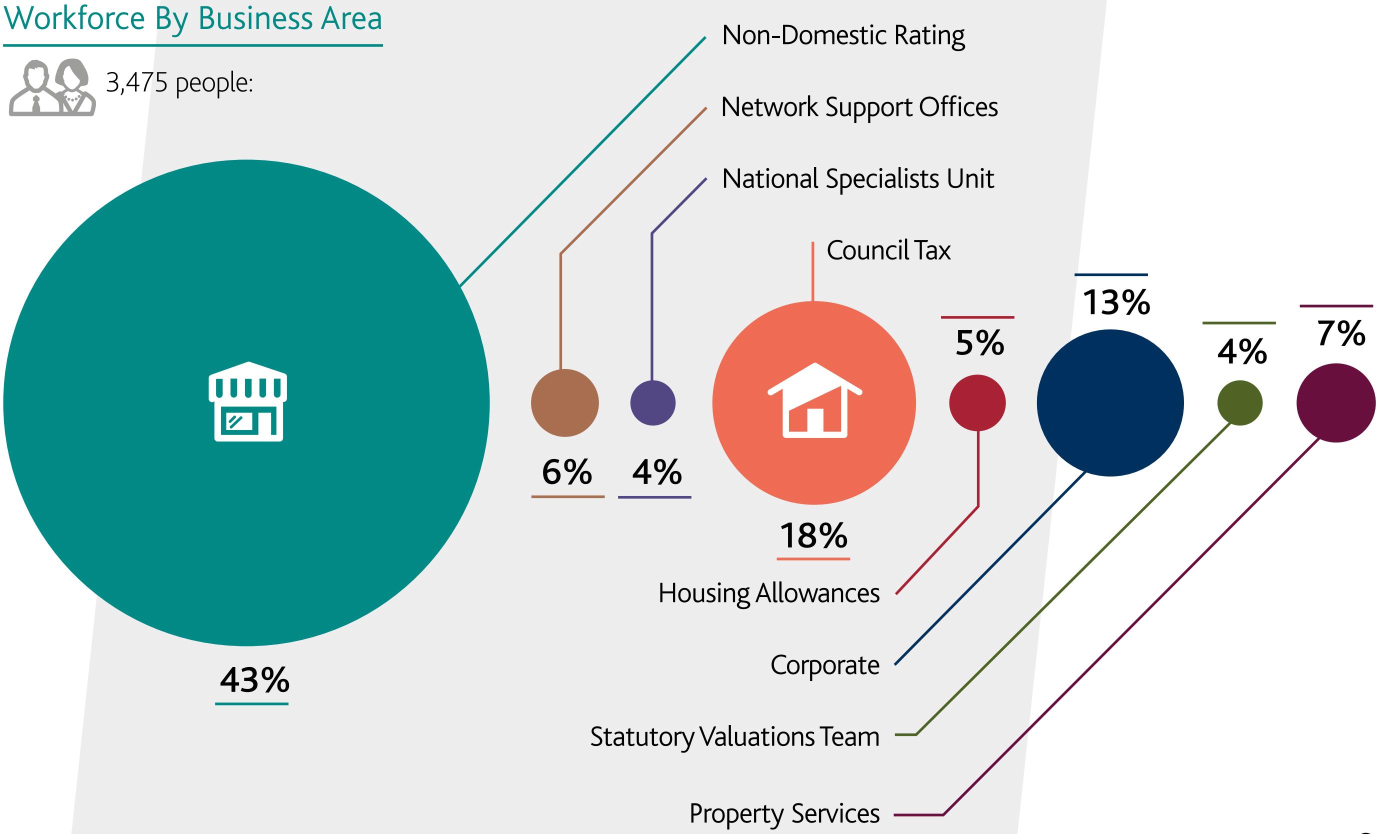
This operational structure allows us to focus on specific customer and client groups so that we can better understand their needs, adjust what we do accordingly and provide a consistent service to all our customers. It also enables us to make the best and most flexible use of our skills, ensuring our people have the right skills and are in the right roles.

We operate four Network Support Offices (NSOs) in Durham, Rhyl, Halifax and Plymouth. The NSOs handle our centralised processing work, including much of our initial telephone and post contact with customers. By providing these services centrally, they ensure greater consistency in the service we provide our customers and deliver better value for money.

The delivery work of our business streams and NSOs is supported by our corporate services. These include our Strategy and Policy, Information and Analysis, Human Resources, Digital and IT, Finance, Portfolio and Estates teams.

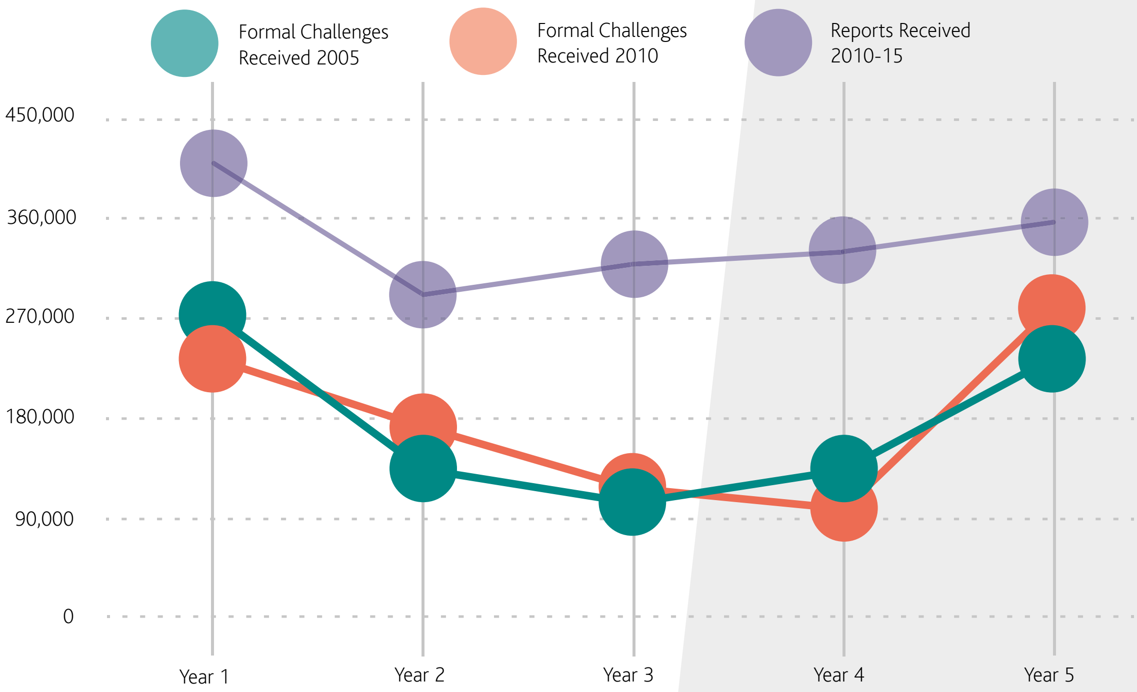
Workforce By Business Area

3,475 people:



DELIVERING STRONG PERFORMANCE FOR OUR CUSTOMERS, STAKEHOLDERS AND DELIVERY PARTNERS

NDR Challenges Received: 2005 and 2010 Rating Lists



Non-Domestic Rating (NDR)

Any customer who considers their valuation to be incorrect can contact the Agency by submitting a proposal. This is the first stage of the appeal process. If an agreement cannot be reached then appeals can be heard by an independent Valuation Tribunal.

This year we have focused on the commitment made by the Chancellor in his 2013 Autumn Statement that 95% of NDR appeals outstanding in England on 30 September 2013 would be cleared by July 2015. As at 31 March 2015, we had cleared 149,000 (88%) of these appeals and are working closely with the Valuation Tribunal Service to ensure they continue to be prioritised in the first quarter of 2015-16.

We also continued to clear outstanding NDR appeals which are not included in the Chancellor's target. As at 31 March 2015, there were 272,000 appeals outstanding which is 112% higher than at the same point in 2013-14. The number of appeals we received each month increased significantly in the last quarter of the year to a peak of 195,000 in March 2015, from an average of 8,000 per month prior to this. This was due to new regulations in England, announced in the Autumn Statement in December 2014, which restricted the backdating of most appeals made after 1 April 2015 to that date.

We also started work on Revaluation 2017, with 1 April 2015 confirmed as the Antecedent Valuation Date (the date on which all valuations are based) in England and Wales. To ensure that we deliver an accurate and timely revaluation, we began the collection and analysis of market information.

In addition to appeals (which can be initiated by either a customer or an agency acting on their behalf), reports can be created by either the VOA or Local Authorities. A report may be initiated for a number of reasons including a demolition, new property build or physical changes to a property. The VOA is responsible for maintaining rating lists of all rateable values (our assessment of the open market rental value of a property) in England and Wales and to ensure the NDR lists include new properties and reflect changes to properties. Between 1 April 2014 and 31 March 2015 we made over 339,000 amendments to the lists as a result of reports being raised. This represented an increase of 5% compared with the same period in 2013-14, due in part to increased property market activity and greater focus by Local Authorities on maintaining their lists.

In response to feedback from our customers and delivery partners, particularly Local Authorities, this year we moved away from just measuring 'average elapsed time' on reports to measuring the following three performance indicators:

Non-Domestic Rating timeliness targets

Result:
Target:

- 50% of reports resolved within 12 working days – we achieved 62%
- 75% of reports resolved within 25 working days – we achieved 78%
- 99% of reports resolved within 90 working days – we achieved 98%

The indicators better reflect the differing complexity of the reports we handle and help guard against the possibility that timeliness is prioritised over quality.

We continued to work closely with Local Authorities to understand their developing needs in terms of information and support in relation to the Business Rates Retention (BRR) scheme. Our team of Relationship Managers worked proactively with Local Authority Chief Finance Officers to help them understand and manage the impact of changes to the local NDR lists.

As part of this we continued to meet and build strong relationships with the 326 Local Authorities in England, handling over 2,600 requests for information this year.

The VOA won the Silver Award for Excellence in Innovation at the Institute to Revenues, Rating and Valuation (IRRV) Annual Performance awards in October 2014.

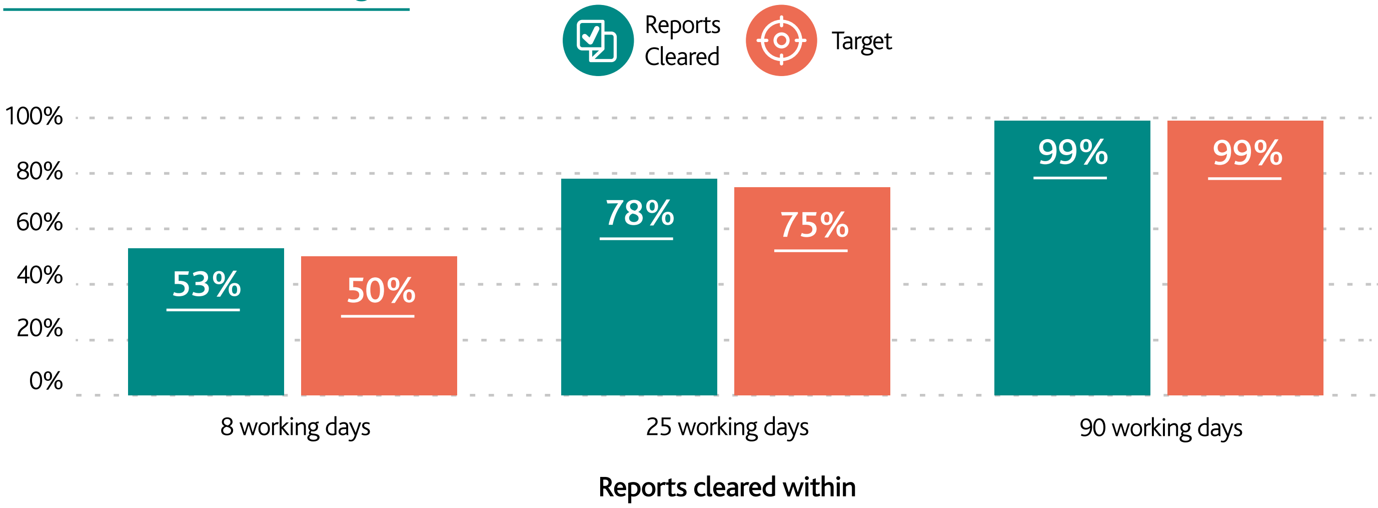
This recognises the hard work put in across the Agency in response to the introduction of the Business Rates Retention (BRR) scheme and the success of the new Local Authority Relationship Manager (LARM) role.

(Above) Picture of the LARM team picking up their Silver Award for Excellence in Innovation

Our latest customer tracking survey[2], where we invited views from ratepayers who have appealed against their valuation, showed that 46% of unrepresented NDR appellants had a good overall experience of dealing with us, compared to 38% who said they felt their experience was poor. The outcome of their appeal had a significant bearing on customers' views of VOA service and staff; those who received a reduction in their rateable value (RV) tend to hold more positive views of the VOA and the appeal process. Three in five unrepresented NDR customers (62%) whose RV was reduced rated their overall experience as good, compared with 37% of those whose RV was unchanged or increased.

[2] VALUATION OFFICE AGENCY (2014). Customer Tracking Survey. Final report available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385935/20141208-CTS-Report.pdf

Council Tax Timeliness Targets



Council Tax

This year we focused on strengthening further the high quality of our banding decisions and on communicating our decisions more clearly to our customers. Our progress is evident in the quality measure for our casework, called Valuation Integrity, which has increased from just over 93% to 95%.

To improve our already strong performance, we enhanced our internal processes and implemented a new Quality Assurance system. As part of this, we introduced new, clearer letters, and built our people's capability by providing training in writing more clearly to customers. Through this we aim to make our banding decisions more understandable, as well as improving the overall quality of our work.

Our Network Support Offices (NSOs) continued a programme this year designed to deliver improved call resolution at the first point of contact as well as providing more consistent handling of band challenges submitted by agents. These improvements meant that more customers were able to get the answer they needed without having to request an informal review of their council tax band. As a consequence, cases reviewed by caseworkers were, in the main, more complex and as a result, the cost per case increased from £45 in 2013-14 to just under £49 in 2014-15.

We also met our new timeliness targets in our day-to-day work of keeping council tax valuation lists up-to-date

Improved call handling allowed us to redeploy people to deal with proposals from taxpayers formally challenging their council tax band. We continued to prioritise proposals in 2014-15 and have moved people into this area to ensure that almost 99% of customers received considered decisions within two months. More detailed statistics summarising the number of band reviews and proposals received and cleared will be available as Official Statistics on GOV.UK in September 2015.

We also met our new timeliness targets in our day-to-day work of keeping council tax valuation lists up-to-date by clearing:

- 53% against a target of 50% of reports within 8 working days
- 78% against a target of 75% of reports within 25 working days
- 99% against a target of 99% of reports within 90 working days.

According to our latest customer tracking survey[3], 55% of unrepresented Council Tax customers had a good overall experience of dealing with us, compared to 30% who rated their experience as poor. Those who received a reduction in their Council Tax band tended to give more positive responses. For example, 86% of unrepresented customers whose band was reduced rated their overall experience as good, compared with 41% of those whose band was not reduced.

[3] VALUATION OFFICE AGENCY (2014). Customer Tracking Survey. Final report available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385935/20141208-CTS-Report.pdf

Network Support Offices (NSOs)

Our four NSOs handle centralised processing work which includes much of our initial telephone and post contact with customers. In 2014-15, we continued to improve the quality and consistency of the services we provide to our customers through further centralising the Agency's processes, operating as a virtual unit from four sites across the UK.

This year our NSOs used Continuous Improvement tools and techniques to further streamline internal processes, ensure consistency, reduce work turnaround times and produce better quality outcomes. We did this by analysing availability which allowed us to make better decisions about how to move work between sites to deliver priorities and ultimately provide an enhanced service for our customers. We also improved the management information we collect which helped us to forecast, and plan for, when we expect high volumes of work.

In 2014-15 we continued to move work into the NSOs including the registration and manual inputting of hard copy Forms of Return which we use to collect information for Revaluation 2017. We also improved the rate at which we process more complex Stamp Duty Land Tax (SDLT) data which provides a vital source of sales and rental data used as comparable evidence for our property valuations.

We continue to focus on resolving calls at the first point of contact where we can, enabling colleagues in Council Tax and NDR to focus on specialist and more complex enquiries. We have also piloted a service which enables us to provide a more comprehensive service for people making basic Council Tax band enquiries.

Housing Allowances

Our Housing Allowances team provide property rental valuations and information to Local Authorities, landlords and tenants. There are two main areas of work in the team – valuations for Fair Rents and determinations for Local Housing Allowance and Housing Benefit purposes. We delivered a strong performance again this year, delivering all of our targets on timeliness and quality.

> **Our impartiality and specialism in public sector work are highly valued and provide a cost-effective service for our customers.**

Fair Rent and Housing Benefits referral work continued to decline this year. As we require a minimum number of staff to deliver this work, and to provide contingency, the decline led to a slight increase in the average cost of dealing with each Housing Benefits referral. This is shown in our performance data.

To mitigate this, we reorganised the Housing Allowances team in 2014-15 and undertook a targeted training programme so that more people have the capability to change or combine roles, enabling us to be more flexible in meeting customer needs.

We have continued to focus on increasing the quality of the data that we collect, including collecting data from an increasingly diverse range of sources and beginning work to improve our understanding of residential lettings markets so we can provide more contextual commentary on our data for our customers.

We have also piloted a secure digital transfer service for landlords or letting agents providing the VOA with rental data, and we expect to use the lessons we have learned from this to increase the amount of rental data we receive digitally in future.

We have continued to work with the Rent Officer Services in Wales and Scotland to ensure that legislative requirements are delivered consistently for all customers.

We continued to work with our Information and Analysis team to ensure that VOA data is available to contribute to the Office for National Statistics' (ONS) Retail and Consumer Prices Indices (RPI and CPI) and new experimental Index of Private Housing Rental Prices (IPHRP).

Statutory Valuations Team (SVT)

Our SVT continued to deliver timely and high-quality property valuation advice for Inheritance Tax, Capital Gains Tax, Annual Tax on Enveloped Dwellings and other taxes administered by HMRC, ensuring the right amount of tax is paid. We met or exceeded all casework timeliness targets.

This year we received 2,188 Right to Buy Determination requests in England and Wales, a 6.7% increase compared to 2,050 cases received in 2013-14. In Scotland, we delivered a 10.0% increase in the number of Right to Buy valuations provided, from 3,471 cases reported in 2013-14 to 3,819 in 2014-15.

We continued to develop our Community Infrastructure Levy (CIL) dispute resolution role further, meeting our delivery time targets and publishing redacted appeal decisions.

In providing valuations to support Jobcentre Plus, Pension Service and Local Authority customers' benefits such as Housing Benefit and Council Tax Benefit, we exceeded both our timeliness and quality targets.

Our latest customer satisfaction survey results showed that over 95% of customers rated their most recent dealing with the SVT as good overall. The average cost per case for Capital Taxes casework has reduced from £406 in 2013-14 to £367 in 2014-15.

Property Services

This year our Property Services team (also known as DVS) generated £15.9m from the provision of professional property advice to customers across the public sector, compared to £16.0m last year. Although we were not able to increase income in line with the original target (£16.5m) we have maintained our income in a challenging market despite some resourcing constraints.

We continued to see sustained demand for Property Services' advice as clients recognise the value for money of using existing property skills and expertise within Government. Our impartiality and specialism in public sector work are highly valued and provide a cost-effective service for our customers.

In 2014-15 we provided property advice on high-profile projects such as the proposed High-Speed 2 (HS2) rail link, the proposed Lower Thames Crossing and Plymouth City Airport. We were also appointed to the Thames Tideway panel and advised the Education Funding Agency on the provision of new schools.

Our latest annual customer satisfaction survey indicated that 94% of customers were satisfied with our service in their most recent dealing with us.

Complaints

Our work affects every household and business in England and Wales and although we strive to deliver the best service we can, from time to time things go wrong. When this happens, we consider what went wrong, and look to improve the service we deliver by learning lessons from the complaints we receive.

We have two Tiers to our internal complaints procedure. At Tier 1 complaints are considered by a network of customer service managers who will look at the specific concerns a customer has brought to our attention, when it happened, what impact it had and what we can do to put things right. At Tier 2, our central customer service team will consider complaints where a customer remains unhappy with the Tier 1 investigation.

Tier 2 will carry out a further investigation into matters to consider if there is anything more Tier 1 could have done to resolve the complaint.

This year we received[4]:

Tier 1 875 complaints

Tier 2 130 complaints

We responded to 75% of Tier 1 and 2 complaints within 20 working days.

If a customer is unhappy with our final response at Tier 2 they have the right of further independent scrutiny by the Adjudicator's Office and then the Parliamentary Ombudsman.

The Adjudicator acts as a fair and unbiased referee and will investigate complaints which we have been unable to resolve at Tier 2. They will consider whether or not we have handled a complaint appropriately and given our customer a reasonable decision. Where the Adjudicator thinks we have fallen short, she will recommend what we need to do to put things right.

In 2014-15 the Adjudicator's Office investigated 32 complaints, of which:

- 0 were substantially upheld
- 15 were partially upheld
- 17 were not upheld.

The Ombudsman are a free and independent service, set up by Parliament, to investigate complaints that individuals have been treated unfairly or have received a poor service from government departments. They make the final decisions on complaints about public services and use their investigations to help improve public services.

In 2014-15 the Ombudsman investigated five complaints, of which:

- 0 were substantially upheld
- 0 were partially upheld
- 5 were not upheld.

[4] Last year's reported figures included complaints received. Any subsequent correspondence received following a complaint case being closed was classed as another complaint. We are now only reporting new complaints received with subsequent correspondence being dealt with as part of the original case.

Performance Data

Our Input and Impact indicators are set out in our published Business Plan. This is the fourth year we have reported against these measures. Our performance against them is set out below.

Input Indicators (Annual Measures)	2011-12	2012-13	2013-14	2014-15
Average staff cost of dealing with a case for NDR	£139.00	£112.00	£126.20	£129.00
Average staff cost of dealing with a case for Council Tax	£53.60	£52.40	£45.00	£48.91
Average staff cost of dealing with a Housing Benefits referral	£5.40	£6.60	£6.80	£6.84
Average cost per case for Capital Taxes casework	£350.10	£338.70	£406.00	£367.30

Impact Indicators (Annual Measures)	2011-12	2012-13	2013-14	2014-15
Compiling and maintaining lists to support overall Council Tax and NDR receipts (£bn)	£46bn	£47bn	£48bn	£48bn
Proportion of VOA Service meeting timeliness service levels	97.4%	94.7%	69.2%	100.0%[5]
Proportion of VOA Service meeting quality standard levels	99.9%	100%	99.9%	100%
Proportion of VOA Service meeting accuracy levels	100%	100%	100%	100%
The Agency will operate within its budget reduction of 20% (in real terms) over the Spending Review period (cumulative figures)	5.3%	10.0%	11.1%	12.2%

Our performance indicators, which have previously been reported as Key Performance Indicators (KPIs), are shown in the table below for information.

Year		2012-13	2013-14	2014-15	2014-15 Target met?
Operations	To contain reductions in the 2010 rating lists to a maximum of 3.6% of the total compiled list rateable value, over the entire life of the lists.	1.0%	1.4%	1.9%	On Target
	To ensure 96% of new Council Tax bandings are right first time.	98.4%	98.5%	98.2%	Met
	To determine 95% of Housing Benefit claims where no inspection is required in 3 working days.	99.9%	100.0%	99.9%	Met
	To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases within an average of 5 working days.	3.0 days	3.0 days	3.5 days	Met
Value for Money	To achieve income from non-statutory services of at least £16.5m.[6]	£15.7m	£16.0m	£15.9m	Not Met
Data Security	To have zero data incidents reportable to the Information Commissioner.	Nil	Nil	Nil	Met

[5] This measure is a weighted combination of 14 timeliness measures. To improve the customer focus of our work on NDR and CT maintenance it was agreed with colleagues in DCLG to change the measure from a single measure for each area to this new three layered approach.

[6] The target figure of £16.5m.was £17.0m for 2013-14.

ENHANCING OUR ABILITY TO DELIVER FOR OUR CUSTOMERS

In January 2015, the VOA's Bristol Office was highly commended by judges at the Civil Service "The Way We Work" (TW3) awards in recognition of the work done in preparation for the move to their new office building in a new government shared workspace. The awards panel were impressed by the way the Bristol team had embraced change, engaged staff in the process and delivered a culture of smart working that is now being taken forward across the VOA estate.

Building Our Capability

The Agency Blueprint

Our Blueprint Change Programme is designed to deliver the Agency's long-term strategy, and is the most complex and ambitious programme of change we have undertaken to date.

The VOA will continue to be an organisation that provides professional, high quality services. However, we expect to deliver these services in very different ways; we recognise the need to be more accessible and transparent for our customers, and deliver our services more efficiently, consistently and at lower cost. Over the next five years, the Blueprint programme will help us to:

- Reduce our estates footprint to meet Government Property Unit (GPU) standards and ensure we have quality workplaces in the right locations for our business
- Modernise our IT systems and develop digital services that enable our customers and clients to do business with us quickly and intuitively
- Improve the quality of service we provide to our customers and clients and increase overall customer satisfaction levels
- Improve the quality of the information and data we hold, and how we use it, to enable us to deliver our services more efficiently and effectively
- Ensure we have the right skills, capabilities and ways of working to deliver our services in a more modern way
- Achieve an overall sustainable reduction in the cost base of the Agency and an increase in productivity

We continued to lay the foundations for the Blueprint this year by scoping the programme and major work streams, identifying resource requirements, securing funding for its first year and improving our programme and project management capability to enable successful delivery.

Our Contribution to Delivering the Civil Service Reform Plan

In addition to implementing our own change programme, the VOA is committed to contributing to the Civil Service Reform Plan (CSRP). This year the Agency concentrated in particular on:

- **Digital by default:** We focused on building our digital capability and started work on designing our future digital services. As part of this, we completed transition of the VOA website to GOV.UK in December 2014.
- **Programme and project management:** This year we set up a portfolio office which oversees all the programmes, projects and change activity in the VOA. Using standardised processes and procedures, including governance and reporting, priorities, progress and risks can be compared across the Agency's portfolio and resources can be allocated appropriately.
- **Skills**: We are strengthening our workforce planning to ensure we have the skills and capabilities we will need in the future. We introduced talent management processes for all staff at Grade 6 and 7, and expanded this to include SEOs. This enables us to offer development opportunities for our most talented people and build a pipeline of talent to assist with succession planning in the Agency.

  We continued to build our line management and leadership capability through targeted learning and development activity. Developing our people remains a priority, and we supported over 80 staff from across the Agency in obtaining professional qualifications in fields such as surveying, IT, HR, Finance and Risk.
- **Modernising the workspace**: Our long term strategy includes modernising our technology, increasing our use of mobile technology, rationalising our physical office space, and developing digital services. We communicated our Estates strategy in 2013-14 which outlined our move towards a more modern way of working, including centralised, and a smaller number of, offices and more mobile people or remote workers only visiting a VOA office occasionally. We are now working to meet government accommodation targets and have received positive feedback on our progress from the Cabinet Office and Government Property Unit.

...the VOA is committed to contributing to the Civil Service Reform Plan (CSRP).

Our IT and Digital Capability

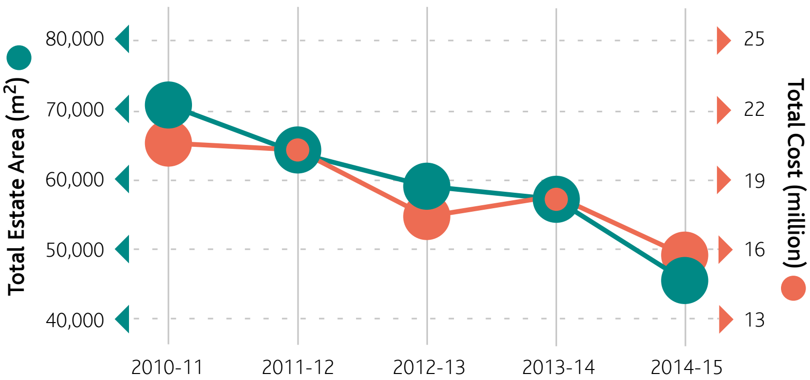
To improve our customers' experience of interacting with us, as part of our modernisation work we have commenced a series of projects to create and deploy improved applications and help us move to more digital interactions.

This year we ensured our existing IT applications are stable and recoverable, and increased our network and web resilience, including making network upgrades to offices.

We moved our web presence to the GOV.UK website, enabling customers to access our information alongside related information from other Departments. This made it easier for people to access the information they need and resulted in the number of visits to our webpages increasing by over 200%.

We are also refreshing our technology to support new ways of working and continued to roll-out new SMART rooms which are a modern way of sharing files, documents and presentations between multiple locations from a laptop or PC whilst teleconferencing. We also continued with desktop upgrades to Windows 7 and expanded and improved remote access to our systems. We will continue to develop these changes around the needs of our customers and our staff to make our systems as modern, efficient and intuitive as possible.

Estates Reduction 2010-2015



Our Estates

We continued transforming our estate and shared our proposed office locations for the future with our staff and key stakeholders. We also announced the first tranche of estates closures as part of this work and these will begin in 2015-16.

This year we continued to rationalise our estate, reducing its size by approximately 3,300m^2 (7.25%) during the year, which will result in a full year's saving of £825k and contribute to delivering the Civil Service Reform Plan's aim of a smaller and more unified Civil Service. We reduced our space utilisation rate through the year from 13.0m^2 to 11.9m^2 per full time equivalent (FTE) and are planning to reach the government target of 8m^2 per FTE by the completion of the Blueprint change programme.

Our Bristol Office is now co-located with other government agencies and departments which has allowed us to embed new ways of working there, and we are in the process of moving a further five sites, adopting this approach.

Our Data and Information and Analysis

We continued to develop our Information and Analysis function to assist the Agency in making better decisions and support our customers and delivery partners. A large part of this work involved making the Agency's data, information and analysis more widely available to support the UK's economy, policy debate and decision making.

We moved our web presence to the GOV.UK website, enabling customers to access our information alongside related information from other Departments... and resulted in the number of visits to our webpages increasing by over 200%.

This has included:

- Working with the Office for National Statistics (ONS) to improve the methodology for calculating price changes in house rents which contribute to the Retail and Consumer Prices Indices (RPI and CPI) and ONS' new experimental Index of Private Housing Rental Prices (IPHRP).
- Working with DEFRA to make council tax data available to the insurance industry in order to support the Flood Reinsurance Scheme.
- Supplying Council Tax record level data to the ONS for the purposes of developing their House Price Index and population Census.
- Providing analytical support to the Administrative Review of Business Rates, including producing the Technical Annex published alongside the review's main report.
- Providing data to Local Authorities to inform their forecasts for the Business Rates Retention Scheme.
- Continuing to develop our Performance Framework to improve the Agency's performance reporting and management.

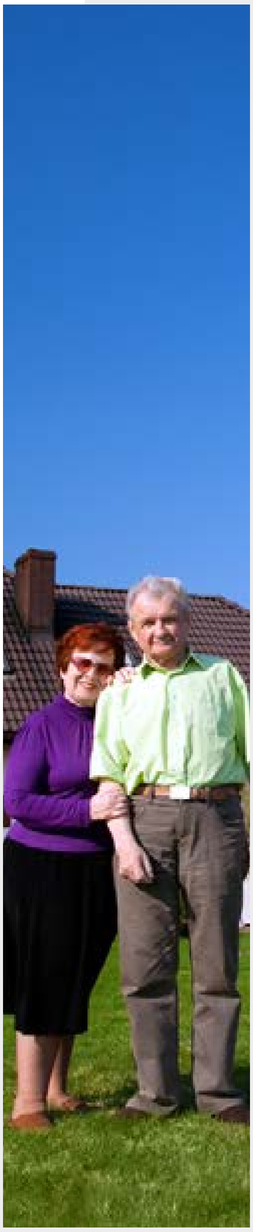
Our Customer Research

We have further invested in our customer research this year so that we can continue to improve the service we provide. This has included projects to identify how we can improve our communications with customers, surveys to measure customers' views of our service and supporting a pilot looking at the secure transfer of rental data to Rent Officers.

The findings of some of this research informed trials of new personalised information sheets to help customers better understand their valuation and new approaches to resolving more enquiries at the first point of contact.

We developed our regular surveys, which we use to understand our performance and identify how we can improve our customer service. In the last year we expanded the surveys to include Council Tax and NDR appellants represented by agents. This helped us to understand the views of a wider range of customers who come into contact with us.

...in April we launched the Local Authority Partnership Charter. This sets the standards for the work we aim to provide to Local Authorities as our key delivery partners, to ensure that we jointly provide excellent levels of service to customers as well as value for money.



Our Stakeholder Engagement

We continued to build our stakeholder engagement, working with our partners within and outside government to deliver government's objectives.

We worked closely with HM Treasury (HMT) and DCLG on the Administrative Review of Business Rates in England, announced by the Chancellor in his 2013 Autumn Statement. This review explores how the NDR system can be made simpler, more transparent and more responsive to economic circumstances. A summary of the interim findings was published in December 2014. We provided evidence, analysis and advice for the review, and worked with HMT and DCLG to engage with a wide range of stakeholders.

At the request of Ministers and in partnership with the Valuation Tribunal Service and DCLG, in the first half of the year we also looked at how the NDR appeals system could be improved. The decision was subsequently made to incorporate this work into the wider Administrative Review, and we continue to work with HMT and DCLG on this.

We established an Agents' Forum with leading professional representatives in order to involve them in discussions and respond more effectively to their concerns. The Forum will continue to meet and inform the Agency's work, alongside the pre-existing Professional Bodies Liaison Group.

In addition, in April we launched the Local Authority Partnership Charter. This sets standards for the work provided to Local Authorities (LAs) as our key delivery partners, to ensure that we jointly provide excellent levels of service to customers as well as value for money. Around three quarters of our Local Authority partners attended a series of meetings which accompanied this, providing positive and productive feedback. We also conducted a survey of Local Authority Chief Finance Officers in early 2014. This survey showed that over half (56%) of LAs thought that we provide a good overall service.

Our links across government are strengthened by our involvement with the Government Property Profession (GPP) and there are three VOA members of staff on the GPP Board. The GPP plays a key role in raising the skills and capability of those who work in the profession, building capability across government as a whole.

Our Programme and Project Management

To ensure we are able to deliver the changes we have planned, this year we continued to develop our capabilities in portfolio, programme and project management. This has included building our capability at a senior level to manage our transformation programme and the full portfolio of change in the Agency.

During the year we brought in specialist expertise from outside the Agency to support the design and delivery of our programmes, as well as developing our own people. This has helped us strengthen our approach to programme and project management, including how we manage risks.

As well as developing our internal capability, we have recruited programme management specialists and established a portfolio office to coordinate and lead delivery of the Blueprint programme. We built a flexible resource pool of project managers that can be deployed across the Blueprint programme or other Agency projects as required.

We started to deploy an 'Agile' approach to developing IT solutions across our technology-related projects. Agile develops technology and digital solutions iteratively, enabling us to make changes incrementally and deliver benefits for the business and our customers earlier.

Our Performance Management and Continuous Improvement

We continued to mature our approach to business performance management based on the principles of visual management. Our focus has been on refining the Key Performance Indicators we use to manage performance and on enhancing our individual and collective capability.

Our Agency Performance Hub, chaired by the Chief Finance Officer, is now well established. We have been working with our business stream leaders to introduce a connected system of visual Performance Hubs that enable them to manage and improve operational performance using up-to-date data in an aligned way.

We began to implement continuous improvement which, over time, will involve the entire Agency in improving the services we deliver to our customers. This began with trials in our Durham NSO and the Southampton Council Tax team, and has since been extended across our NSOs and Council Tax West. This will help us to:

- Simplify our processes, improve the quality of outcomes and reduce costs so that we can provide the best possible service for our customers.
- Prepare the Agency to work flexibly in the future, enabling the implementation of key parts of our Blueprint change programme, including our planned IT changes.
- Help colleagues develop existing skills or obtain new continuous improvement skills that can be used more widely.
- Build our leadership and management capability.

As part of this we introduced team-level visual management, started to coach teams in how to identify waste in processes, and are working to build people's skills in visual management and problem solving.

Our People

Our Engagement

The VOA's engagement score from the 2014 Civil Service People survey was 43%, a two percentage point increase on 2013. This reflected people's improved experience of our learning and development offer and interest in their work, but there remain concerns about the leadership and management of change.

As we increase the pace of implementation of our Blueprint change programme, it will be more important than ever that we build people's trust in our ability to deliver change in a way that helps us all to deliver for our customers.

We worked with people across the Agency to agree the actions we will take together to improve engagement by asking focus groups from across the business to advise the Board on its action plan. The Board adopted their priorities including: investing in line managers; communicating change more clearly; making more use of focus groups; creating more opportunities for Directors to listen to people; investing in good leadership; introducing an innovations scheme; and communicating new roles and innovations more effectively.

Building Our Capability

This year, we invested in the leadership skills of our senior leaders, collectively through our 'High Performing Teams' programme (a team coaching initiative for all our Senior Civil Service and Grades 6 and 7), and individually through 'Future, Engage, Deliver' workshops. These workshops have helped people to reflect on their own personal leadership style and how their teams can work together more effectively.

We embedded the Civil Service talent identification and development processes for all staff at Grade 7 and above and extended this to Senior Executive Officers (SEOs), offering targeted development opportunities to those identified as high potential.

As we move towards a year of peak activity with a focus on Reval 2017, where we value all non-commercial properties in England and Wales, we have recruited more senior surveying professionals. To deliver our ambitious change programme we have also attracted into the Agency professionals from across a range of other professions including IT, digital, analysts and project and programme managers.

We continued to develop our Heads of Profession Forum, which this year coordinated maturity assessments of each of our professions and supported the development of action plans to increase necessary capability. This year we supported over 80 of our people in achieving new qualifications across our professions, including surveying, project management, IT and HR.

We hosted 25 fast streamers in the Agency, including generalists and those from HR, Analytical, Communications and Digital specialisms. In addition to the well established apprenticeship programme within our Digital Group, we plan to bring in 10 to 15 apprentices on the new Trailblazer Apprenticeship Standard in 2015-16 which, for the first time, offers apprentices the opportunity to study for a degree leading to qualification as a Chartered Surveyor.

Our Reward, Recognition and Performance Management

In 2014-15, we completed work that aligns our pay and grading system with the rest of the Civil Service. This ensures that our people are rewarded fairly for the roles that they perform. We also started work to ensure that our overall reward package aligns with what we want to achieve in our Blueprint transformation programme.

We put a greater emphasis on recognising and celebrating success this year. We invite teams to come to the Board to celebrate what they have achieved, so that we can learn lessons from their ways of working and spread good practice across the Agency. Our senior leadership community and individual management teams also increasingly find ways of celebrating good performance.

We have continued to improve individual performance management with more managers having regular performance conversations with their direct reports. In addition we have held workshops with all our line managers on how to use the Civil Service Competency Framework to set effective objectives and have career development conversations.

Our Equality and Diversity

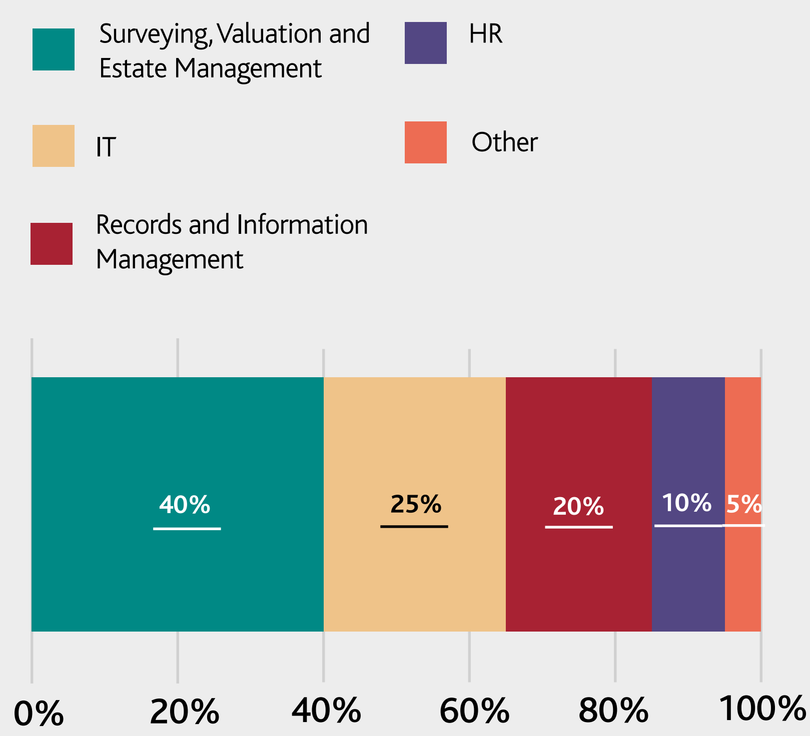
We recognise that diversity is important to the VOA's success and that organisations which have a range of skills, experiences and approaches are always stronger, fitter and more adaptable than organisations which have a single dominant culture. If we can make the most of the diversity we have and look to attract and encourage a wider range of people we will thrive and we will be able to understand our customers and their needs too.

We are committed to attracting and encouraging a wide range of people to work in the Agency, and to enable this we follow Civil Service wide policies on equality and diversity. This includes promoting equal opportunities regardless of gender, age, ethnicity, religion, disability or sexual orientation. More detail on the Civil Service approach to diversity can be found at www.civilservice.gov.uk.

This year we focused on improving the quality of our diversity data and worked with our Trade Unions to this end. More accurate data on diversity will enable us to target interventions more effectively, such as nominations for the Civil Service Positive Action Pathways.

As part of our commitment to diversity we operate a guaranteed interview scheme for anyone with a disability whose application meets the minimum criteria for the post. We also ensure that our managers support employees with disabilities and that our HR team provides advice on putting in place reasonable adjustments. When implementing workplace changes we undertake Equality Impact Assessments to make sure we embed diversity and equality into everything we deliver. We match or exceed statutory requirements in offering our people a range of flexible working contracts and are continuing to review and improve the options that are available to our people.

Accredited Qualifications Received in 2014-15



...the new Trailblazer Apprenticeship Standard which, for the first time, offers apprentices the opportunity to study for a degree leading to qualification as a Chartered Surveyor.

Our Well-being, Health and Safety

Our sickness absence levels increased this year with our total average working days lost at 6.1 days per person per year from 5.4 in 2013-14. This was well within the Civil Service target of not exceeding 7.0 days.

We continue to monitor sickness absence through our attendance management systems so that we can take early action if problems are identified. Our objectives in this area are to:

- Reduce sickness absence by managing attendance effectively.
- Encourage managers and employees to take action when health and well-being are at risk.
- Take a work-focused approach to minimise the impact of ill-health on an employee's attendance.

This year we trained our most senior leaders in understanding their Health and Safety responsibilities. We now survey our people on Health and Safety matters on a regular basis through an industry standard safety climate tool. The responses to these regular surveys show that our people understand health and safety and the usability of our procedures has improved.

We recently undertook an internal audit of the approach to gain more of an understanding of how our people view health and safety and received a green light. Of particular note were two areas: we were endorsed for meeting good standards and in some cases going further. We have worked with our auditors to ensure that our measures are fit for purpose and not overly burdensome.

We have encouraged better compliance with health and safety standards by our lone workers and have a roster to ensure that all lone workers return to home or their place of work safely. We regularly undertake Health and Safety assurance checks including but not limited to lone worker compliance, slips, trips and falls, driver documentation and transfer of vehicle registrations, personal protection equipment and display screen equipment. Our work has shown a marked improvement in understanding the need for health and safety, an issue which colleagues across the Agency take seriously.

ENSURING OUR SUSTAINABILITY

This year we have:

- Completed a project of installing programmable timers on hot water boilers so that they only use electricity during normal office hours.
- Introduced the Green Volunteer Network to raise our people's awareness of the difference they can make in helping the organisation meet its environmental targets.
- Monitored and reported on progress against the Cabinet Office's cross-government Greening Government Commitments.

This year we continued to ensure that our activities and operations are, as far as practicable, environmentally, socially and economically sustainable. We worked closely with HMRC to share resources and best practice in these areas.

Our Performance

We projected a saving of 284 carbon tonnes in energy usage in our 2014-15 Carbon Abatement Plan but last year saved 297 carbon tonnes due to continued estate rationalisation and the measures taken to reduce energy consumption.

We also continued to monitor the carbon emissions from travel and have seen a further significant decrease of 267 carbon tonnes, resulting from changes to the way we work.

For example:

- Better journey planning reducing the overall miles travelled;
- Increased use of public transport; and
- Greater use of teleconferencing for meetings.

Our Plans for the Future

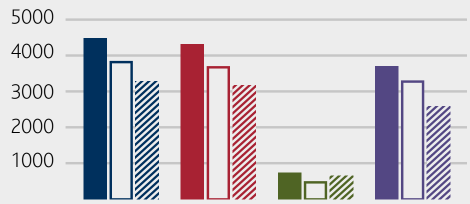
The Agency Blueprint strategy for future estates transformation will play a large part in enabling us to meet our targets for reducing carbon emissions. Furthermore we will also be carrying out appraisals to identify sustainable options that we can incorporate into our major estates projects.

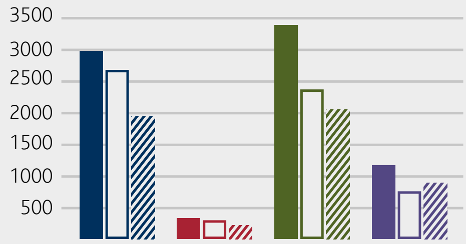
We will also focus on improving:

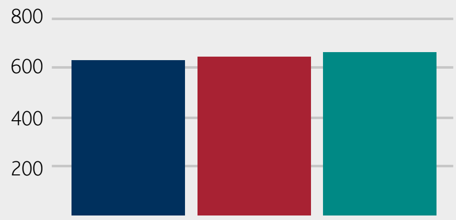
- Waste management and recycling;
- Targeting areas where travel for business purposes can be reduced;
- Awareness and engagement across the organisation through the Green Volunteer Network and by encouraging colleagues to adopt environmentally friendly ways in how they work.

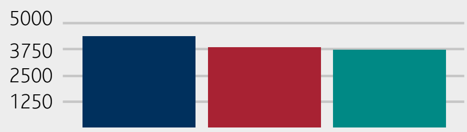
Greenhouse Gas (GHG) Emissions

The Greening Government Commitment is to achieve a 25% reduction in carbon emissions by 2015, (from a 2009-10 baseline of 6,739 carbon tonnes.) During the last five years we have reduced our emissions by 3,441 carbon tonnes - a saving of over 50%.

Greenhouse Gas Emissions		2012-13	2013-14	2014-15	Graphical analysis
Non-Financial Indicators (000's tCO2e)	Total gross emissions	4,479	3,860	3,298	
	Total net emissions	4,315	3,716	3,181	
	Gross emissions Scope 1 (direct)	768	538	691	
	Gross emissions Scope 2 and 3 (indirect)	3,711	3,322	2,607	

Energy Consumption		2012-13	2013-14	2014-15	Graphical analysis
Related Energy Consumption (000's kWh)	Electricity: Non-Renewable	2,980	2,686	1,953	
	Electricity: Renewable	331	298	217	
	Gas	3,395	2,376	2,059	
	Oil	1,171	758	889	
	Whitehall District Heating	-	-	-	

Expenditure on Energy		2012-13	2013-14	2014-15	Graphical analysis
Financial Indicators (£'000)	Expenditure on Energy	629	643	661	
	CRC License Expenditure	-	-	-	
	Expenditure on accredited offsets (e.g. GCOF)	-	-	-	

Expenditure on official business travel	2012-13	2013-14	2014-15	Graphical analysis
Expenditure on official business travel (£'000)	4,370	3,846	3,724	

Performance commentary

The Greening Government Commitment is to achieve a 25% reduction in carbon emissions by 2015, from a 2009-10 baseline. By 31 March 2015 we had reduced emissions by 51%. We plan to continue reducing our emissions through the Agency Blueprint Estates Transformation programme and to continue to monitor travel. The VOA has one location where oil is the heating fuel and in 2014-15 we saw an increase in carbon emissions for this fuel, as a result of a rise in seasonal usage. The overall energy usage is lower than the previous year however the cost of electricity remained high during the early part of the year. This factor has impacted on the overall costs for the year.

Controllable impacts commentary

The main direct impacts for the Agency are not just related to consumption of electricity, gas and oil. The Agency operations involve a significant amount of travel. To reduce travel emissions the Agency will encourage the use of SMART room video conferencing technology which was introduced in 2014-15.

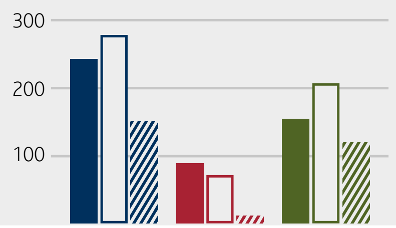
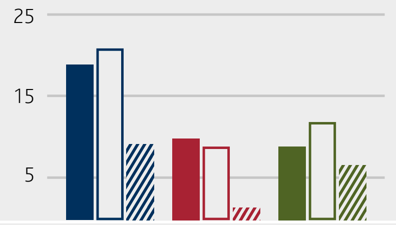
Overview of influenced impacts

We are continuing to collaborate with our PFI accommodation provider (Mapeley) and our sponsor department (HMRC) to examine opportunities to reduce greenhouse gas emissions and improve our sustainability performance.

Waste

We have seen a significant decrease in the total waste for the year, with the amount being diverted to landfill now accounting for approximately 7% of our waste (in 2010-11 it was over 25%).

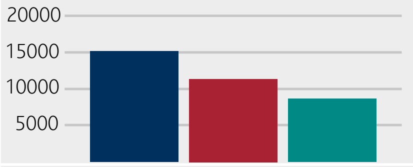
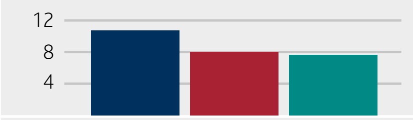
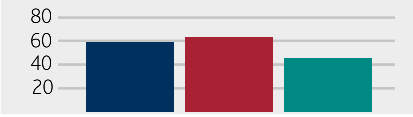
The proportion of our waste that is reused or recycled has also risen from 68% in 2010-11 to almost 80% in 2014-15.

Waste			2012-13	2013-14	2014-15	Graphical analysis
Non-Financial Indicators (tonnes)	Total waste		242	277	150	
	Hazardous waste	Total	-	-	-	
	Non-hazardous waste	Landfill	88	71	11	
		Reused/Recycled	154	206	119	
		Incinerated with energy recovery	-	-	20	
		Incinerated without energy recovery	-	-	-	
Financial Indicators (£'000)	Total disposal cost		19.0	21.0	9.3	
	Hazardous waste	Total	-	-	-	
	Non-hazardous waste	Landfill	10.0	9.0	1.5	
		Reused/Recycled	9.0	12.0	6.7	
		Incinerated with energy recovery	-	-	1.1	
		Incinerated without energy recovery	-	-	-	

Use of Resources

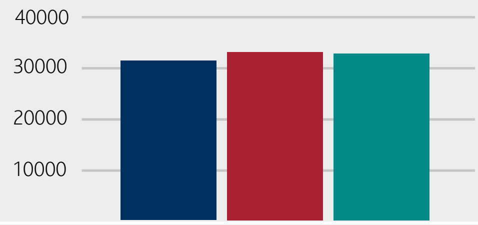
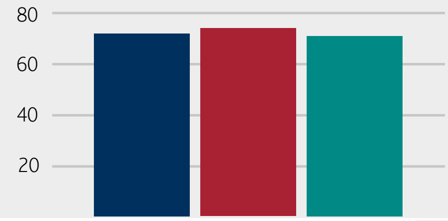
Water

We reduced our water consumption by 2,709m³ over the last 12 months, this figure reflects savings from our reduced estate. Our aim is to meet the government target of improving water efficiency to 6 cubic metres of usage per FTE. This will be done through increasing staff awareness, and where possible we will also target sites with excessive usage.

Finite Resources Consumption - Water			2012-13	2013-14	2014-15	Graphical analysis
Non-Financial Indicators (m^3)	Water Consumption (Office Estate)	Supplied	15,161	11,373	8,664	
		Abstracted	-	-	-	
Non-Financial Indicators (m^3)	Water Consumption (Office Estate)	Per FTE	10.74	8.06	7.66	
Financial Indicators (£'000)	Water Supply Costs (Office Estate)		59	63	45	

Paper

The Agency has made an overall reduction on paper usage of 39% since 2010-11. Our future plans to implement digital by default, our IT modernisation and our continuing drive on behavioural change should improve the performance next year.

Resource Consumption – Paper		2012-13	2013-14	2014-15	Graphical analysis
Non-Financial Indicators (A4 Reams Equivalent)	Copier paper	31,461	33,191	32,891	
Financial Indicators (£'000)	Copier Paper	72	74	71	

Our Procurement

Our Procurement Framework promotes the principles of sustainable procurement to generate social, economic and environmental benefits and opportunities.

The framework encourages sustainable considerations as standard, for example environmental accreditations, reductions in costs and use of sub-contractors to support the Small and Medium-sized Enterprise agenda. This will ensure that our procurement and our contract documents will take into account an evaluation of sustainability considerations where appropriate.

Our Construction

We have an agreement with Mapeley, who manage the majority of our accommodation, which complies with our environmental requirements and includes a number of conditions which ensure that any new construction or refurbishment is sustainable.

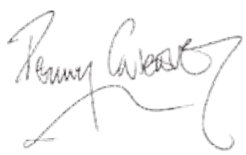
At all times Mapeley will, so far as is reasonably practicable:

- conserve resources;
- reduce pollution;
- protect bio-diversity; and
- support the Government's vision of sustainable development.

Our People

In 2015-16 we will work to improve awareness of the impact our people can have on our sustainability by encouraging changes in behaviour. In response to the Green Volunteer Network, which we introduced in 2014-15, we are recruiting green volunteers in every location to publicise initiatives our people can support to help reduce their environmental impact.

The Agency Blueprint programme will enable us to meet the accommodation related aspirations in the Civil Service Reform Plan. We will continue to incorporate into our designs improved lighting, better controlled heating levels and better ergonomic design.



Penny Ciniewicz

Chief Executive
18 June 2015

DIRECTORS' REPORT

Our Board
(as at 31 March 2015)

Janet Alexander	Craig Pemberton	Niall Walsh	Dyfed Alsop	Penny Ciniewicz	Alison Hewett
Chief People Officer	Chief Finance Officer	Chief Operating Officer and Chief Valuer	Chief Strategy Officer	Chief Executive (Chair)	Non-Executive Director

Non-Executive Directors

Janet Grossman

Alison Hewett (appointed 21 November 2014)

Alex Jablonowski

Non-Executive Directors who left during the year

Elizabeth McLoughlin CBE (stepped down 20 November 2014)

Directors who stepped down during the year

David Ede, Director People and Engagement (stepped down 3 April 2014)

Philip Macpherson Chief Digital and Information Officer

Mary Hardman Director, Non-Domestic Rating

Janet Grossman Non-Executive Director

Alex Jablonowski Non-Executive Director

Our Sickness Absence Levels

This year sickness absence levels and our total average working days lost rate increased from 5.4 days per person at March 2014 to 6.1 days by March 2015. For more information on our objectives in this area, see 'Our People' in the Strategic Report.

Our Pensions

For information on how our pension liabilities are treated in the accounts and more details on the pension schemes we operate, please see the Remuneration Report and Notes 3 and 16.

Remuneration to auditors for non-audit work

The VOA did not pay any remuneration to its auditors for non-audit work.

Register of Interests

Directors and Non-Executive Directors are required to complete a declaration of interests. The Register of Directors Interests is open to the public for inspection Monday to Friday at the Valuation Office Agency, Wingate House, 93-107 Shaftesbury Avenue, London W1D 5BU between the hours of 9:00 am and 5:00 pm. Note 22 to the accounts confirms that we had no material transactions with any party related to us because of a Board member's interest in it or influence over it.

Disabled employees

The VOA participates in the Guaranteed Interview Scheme (GIS) when disabled employees or candidates apply for roles. Any disabled employee is supported in the workplace with reasonable adjustments for their disability. All employees are supported in their careers with appropriate training and development opportunities.

Engagement

There is regular engagement with our two recognised unions, Prospect and PCS, on matters concerning their members. The VOA provides relevant information to all our employees regarding the challenges we face and our planned transformation programme.

Penny Ciniewicz

Penny Ciniewicz

Chief Executive
18 June 2015

GOVERNANCE STATEMENT

> My colleagues and I continue to address the challenge of delivering our business while embracing the changes necessary to achieve our vision.

In my sixth year as Chief Executive of the Agency I am pleased to introduce our 2014-15 Governance Statement.

The purpose of this statement is to provide assurance to our many stakeholders that the Agency operates within good standards of governance. My colleagues and I continue to address the challenge of delivering our business while embracing the changes necessary to achieve our vision. This statement summarises how we are going about this, and explains how our corporate governance and risk management has supported the stewardship of the VOA. It shows how we comply with the principles of the Code of Good Practice 2011, and where it has not been practical to do so explains why.

Penny Ciniewicz

Chief Executive
18 June 2015

Board Attendance

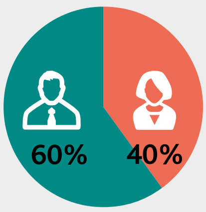
The Board (From left to right)
Elizabeth McLoughlin CBE
Janet Grossman
Alex Jablonowski
Niall Walsh
Philip Macpherson
Penny Ciniewicz
Dyfed Alsop
Mary Hardman
Alison Hewett
Craig Pemberton
Janet Alexander (appointed 30 April 2014)
David Ede (stepped down 3 April 2014)

Chief Executive
Non-Executive Director
Executive Director

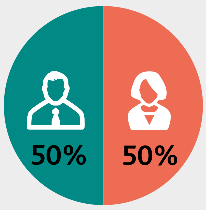
Changes to our Board membership during the year include:

- Non-Executive Director, Elizabeth McLoughlin CBE stepping down from the Board on 20 November 2014;
- Alison Hewett joining our Board as a Non-Executive Director with effect from 21 November 2014. Alison has been a member of our Audit and Risk Assurance Committee since May 2011.
- David Ede, Director People and Engagement stepping down from the Board in April 2014 to allow Janet Alexander, our new Chief People Officer, to be appointed to the Board.

Board Diversity Composition



As at 1 April 2014



As at 31 March 2015

The Cabinet Office is supporting efforts to raise the proportion of women on public boards to 50% by 2015.

Cabinet Office - 25 June 2013

How does our Board operate?

As Chief Executive and Accounting Officer I have overall responsibility and accountability for the conduct of the VOA's operations, and ensuring that we deliver value for money and operate with regularity and propriety. To support me in my role, the VOA's Board (which I chair) scrutinises and advises on the following areas:

- Strategy (setting the vision and strategic objectives and ensuring all activities contribute towards it);
- People (including reward and recognition);
- Financial reporting and controls;
- Performance (including agreeing the business plan);
- Strategic risks and risk appetite;
- External stakeholder relationships;
- Corporate governance; and
- Key policies.

Our Board Operating Framework sets out the role and responsibilities of our members, including mine as Chair. Best practice is to regularly review and update the framework and we will be completing one such review shortly to reflect amended delegations to Committees of the Board.

Our Board meets every month except August and December. In the last year our Board was supported by six Committees as shown overleaf.

The Agency's Board and Committee Governance Framework

Board Chair:
Penny Ciniewicz
(Chief Executive)

Audit and Risk Assurance Committee
Chair:
Alex Jablonowski
(Non-Executive Director)

Portfolio Executive Committee
Chair:
Dyfed Alsop
(Chief Strategy Officer)

People Committee
Chair:
Janet Alexander
(Chief People Officer)

Investment Committee
Chair:
Rosemary Braithwaite
(Director Finance and Business Planning)

Change Implementation Committee
Chair:
Niall Walsh
(Chief Operating Officer and Chief Valuer)

Agency Performance Hub
Chair:
Craig Pemberton
(Chief Finance Officer)

The Board's key focus areas for 2014-15

The Agency's Board agreed that it would focus on the following key business areas in 2014-15:

- **Blueprint – the Agency's long-term Change Programme**
- **Revaluation 2017 – the exercise to revise the rating lists for England and Wales which come into effect in 2017**
- **Support for Non-Domestic Rating reviews**
- **Leadership and Engagement**

How we manage any conflicts of interest

At the beginning of every Board and Committee meeting all members are asked to declare any potential conflicts of interest. These are noted in the minutes, along with any action taken to manage them.

Board and Audit and Risk Assurance Committee members are also asked to review and update their conflict of interests record annually which is maintained by the Board Secretariat.

Board meetings

On three occasions during the year our Board members visited local offices the day before our Board meeting. In April 2014 we visited Bromley, Barking, Tower Hamlets, Enfield, and Wimbledon offices; in September 2014 we visited Birmingham, Wolverhampton, Gloucester, Coventry, and Worcester and in March 2015 we visited Reigate, Chatham, Guildford, Eastbourne and Worthing. Our Board appreciates these visits because it provides us with the opportunity to understand and resolve issues for staff, identify what is working well and also let them know directly how grateful we are for their hard work and dedication.

This year we have continued to formally recognise and celebrate the success of VOA teams at our Board meetings and actively learn from their achievements. This year we have received presentations from Council Tax, Property Services, Business Services, National Specialists Unit, Digital Group, Statutory Valuations Team, NDR Business Managers and Health and Safety Assurance Leads. Our Board values these opportunities and we will continue to invite teams to celebrate success with the Board in 2015-16.

Highlights from the Board Calendar 2014-15

Apr
- Blueprint
- Key Performance Indictors
- Estates

May
- Annual Report and Accounts
- Engagement
- Review of Administration of Business Rates

Jun
- Engagement
- Reval 2017
- Blueprint

Jul
- Blueprint
- Pay Remit
- Portfolio Management

Sep
- Estates
- Cyber Security
- Reval 2017

Regular Standing Items
- Strategic Risk Register
- Performance Update
- Management Accounts
- Audit and Risk Committee Feedback
- Celebrating Success
- Conflict of Interests
- Meeting Reviews

Oct
- Delegated Authorities
- Risk Appetite
- Civil Service Reform Plan
- Trust

Nov
- Reward and Recognition
- People Strategy
- Customer Strategy

Jan
- People Survey
- 2015-16 Planning
- Data Strategy

Feb
- People Survey
- Key processes / internal controls
- Non-consolidated Pay

Mar
- Board & Committees' Effectiveness Evaluation
- Target Operating Model
- 2015-16 Targets

Audit and Risk Assurance Committee Chair's Overview of 2014-15

The Agency has begun a journey to transform itself to become dynamic and flexible enough to meet the current and future needs of its customers, clients and Ministers. This cannot be achieved without managing the risks arising as a result of its change journey and business as usual. The role of the Audit and Risk Assurance Committee (ARAC) is to advise and support the Accounting Officer and Board in their responsibilities for risk, controls and governance. To help them with this we completed a total of eight deep dives into the Blueprint programme, Reval 2017 and IT during the year. We reviewed the reliability and integrity of assurances around these as well as assessing how comprehensive the assurances were. We were satisfied by the assurances given.

Over the year, an emerging theme arose from Internal Audit reports. Basic processes, common to many organisations, showed some more investigative and mapping work is required in order to identify (and where appropriate remedy) our control structures. Our advice to the Board was to ensure that clear process ownership and management was put in place. The Board immediately initiated action in response.

Communicating and Reporting

Best practice for the Audit and Risk Assurance Committee is to ensure it has effective communication with all its stakeholders. We extend regular meeting invites to the Agency's Accounting Officer, Chief Finance Officer and Head, Governance and Risk. As Chair, I also provide written and verbal updates to the Board following our meetings. HMRC's Audit and Risk Committee Chair has attended the Agency's ARAC on two occasions.

Members of our Committee meet separately at the start of each meeting to discuss matters in the absence of any invitees. Internal Audit and External Audit are also given the opportunity to join us to discuss matters without executive management being present. Both have direct access to me should they wish to raise any concerns outside formal Committee meetings.

Performance Evaluation

ARAC's annual performance self-evaluation, carried out using the NAO's Audit Committee self-assessment checklist, identified some aspects for improvement, but overall we considered ourselves to be effective in fulfilling our role throughout 2014-15.

ARAC Attendance

Alex Jablonowski Chair and Non-Executive Director	7/7
Alison Hewett Non-Executive Director	6/7
Kenneth Hunt Non-Executive Member	6/7
Angela Marshall Non-Executive Member	7/7
Elizabeth McLoughlin CBE Non-Executive Director (to 20 November 2014)	3/4

Note: Standing invitees at ARAC are the Chief Executive, Chief Finance Officer, Head of Internal Audit and the National Audit Office.

Highlights from the Audit and Risk Assurance Committee

Purpose:
Advise and support the Accounting Officer and Board with their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances and reviewing the reliability and integrity of those assurances.

Number of meetings:
7

Highlights:
- Collectively assured the Internal Audit plan for 2015-16 and recommended to the Board for approval;
- Debated and recommended the 2014-15 Annual Report and Accounts to the Chief Executive for signing;
- Guided the process of, reviewed and provided steers on the developing Operating Risk Register;
- Reviewed and provided steers on the Strategic Risk Register;
- Assured the annual Fraud Risk Assessment and Whistle-blowing policy; and
- Discussed and debated how key risks are being mitigated in the Agency by undertaking deep dives into IT, the Long Term Change Programme and Reval 2017.

Other Agency Governance Committee highlights

Chair:
Dyfed Alsop
Chief Strategy Officer

Portfolio Executive Committee

Purpose:
The senior executive decision making body overseeing the whole of the Agency's work.

Number of meetings:
16

Highlights:

- Managed and guided the Agency's SMART rooms e-meeting conference initiative;
- Discussed and approved 2014-15 Research Programme;
- Guided organisation designs for People Group and Information and Analysis Team;
- Discussed and agreed the Agency's Performance Framework mandate;
- Approved priority weightings for projects within the Agency's Portfolio;
- Provided a steer on roll-out of the Risk Management Maturity Model;
- Approved estate transformation proposals for 2015-16;
- Reviewed and challenged 2015-16 budget bids; and
- Approved Non-Domestic Rating work prioritisation.

Chair:
Janet Alexander
Chief People Officer

People Committee

Purpose:
Advises on the design and implementation of the Agency's people and reward strategies, workforce change activity and health and safety.

Number of meetings:
11

Highlights:

- Debated and agreed the Agency's learning and development budget allocations for business areas;
- Guided the Board on the 2014-15 pay award;
- Approved recruitment for the Blueprint Programme Management Office;
- Debated and shaped the Agency's Workforce Plan;
- Approved the Partial Retirement policy; and
- Approved Shared Parental Leave policy.

Chair:
Niall Walsh
Chief Operating Officer and Chief Valuer

Change Implementation Committee

Purpose:
Responsible for implementing and embedding change into the business and ensuring the realisation of agreed benefits.

Number of meetings:
8

Highlights:

- Shaped the implementation of the Agency's Health and Safety project and its closure;
- Debated and provided a steer on the Council Tax process improvement pilot implementation;
- Approved Continuous Improvement pilot evaluation;
- Agreed the Agency's VOA2015 Change Programme closure;
- Approved implementation of plan to improve additional risk management capability in NDR;
- Approved the deployment of Windows 7; and
- Reviewed realisation of all the change related benefits.

Chair:
Rosemary Braithwaite
Director Finance and Business Planning

Investment Committee

Purpose:
Supports the Chief Finance Officer in the discharge of his accountabilities.

Number of meetings:
12

Chair: Craig Pemberton (April 2014 to January 2015)
Chair: Rosemary Braithwaite (February 2015 to present)

Highlights:

- Debated and the agreed the Agency's updated Delegated Authority Framework;
- Managed and reviewed the Agency's monthly management accounts and related risks and opportunities;
- Approved the Agency's project lifecycle tolerance policy for spend agreed;
- Monitored, discussed and reviewed key business cases throughout the year;
- Reviewed contracts on a rolling basis throughout year;
- Reviewed and challenged 2015-16 budget bids.

Chair:
Craig Pemberton
Chief Finance Office

Agency Performance Hub

Purpose:
Reviews in-year performance against key performance indicators and agrees any required corrective action.

Number of meetings:
11

Highlights:

- Reviewed performance framework measures and targets;
- Used '3C' problem solving tool (Concern / Cause / Countermeasure) to review performance against measures and targets; and
- Developed, shaped and guided the use of the Agency's Operating Risk Register.

Board and Committee Effectiveness Review

We regularly review our Board's and Committees' effectiveness using questionnaires and supporting performance data. The questionnaires were sent both to members of the Board and Committees and also to authors of papers. Performance data showed that our Board's decision making effectiveness (being able to make a decision on the first presentation of a paper) was excellent. However members felt meetings were sometimes too long. The Board agreed to reduce the length of meetings somewhat, where possible. Other agreed actions included:

- Holding regular horizon scanning sessions;
- Assessing Board member skills against current and future requirements to support Board development; and
- A mid-year review of the Board's focus.

Each supporting Committee also identified its own areas for improvement and agreed actions to improve their own effectiveness, which were shared with the Board. Common themes included improving the quality of papers and reducing the number of items on agendas presented for information.

Board and Committee Governance Framework Changes

At the time of preparing this governance statement we were reviewing our Board and Committee structure to reflect the introduction of portfolio management, as part of which Terms of Reference are being reviewed. The outcome of the review will be reported in full in my next governance statement.

Complying with the Code of Good Practice 2011

The focus of the Code of Good Practice 2011 is on Ministerial Departments and smaller bodies are encouraged to adopt the practices set out in the Code wherever relevant and practical. We adopt the Code wherever it is practical for us to do so. The following are areas it is not feasible or sensible to comply with:

- As set out in the Agency's Framework Document I chair the Board, rather than a Secretary of State.
- We have not appointed a lead Non-Executive Director as the Non-Executives have unfettered access to me.
- The Non-Executives agree that as they have many opportunities to challenge areas of concern, they will not provide a separate report within this annual report.
- The Audit and Risk Assurance Committee agrees that it will not provide an annual report because the Chair provides written and verbal feedback to the Board following every meeting. Members agree an annual report would provide no further added value. The Audit and Risk Assurance Committee chair does however provide an overview of the year, as summarised on page 35.
- We have not had independent input to our Board effectiveness review in the last three years but we have had independent input to our executive team development and effectiveness which I believe has added more value.
- As we do not have a lead Non-Executive Director, the skills and experience of Board members is reviewed as part of the Board effectiveness evaluation (supported by Secretariat) and also as part of members' individual performance appraisals.
- As an Executive Agency our Non-Executives are appointed on approval from the Accounting Officer of HMRC not the Secretary of State.
- The Board does not include Ministers as we are an Executive Agency of a non-Ministerial government department. We do have three Non-Executive Directors.
- We do not have a nominations and governance committee given the Agency's executives are members of HMRC's Senior Civil Service (SCS) and HMRC determines their remuneration within Senior Civil Service pay policy guidelines. We do have a Senior Appointments, Remuneration and Talent Committee chaired by the Chief People Officer of which our Non-Executives are members, together with the Chief Executive, and which guides performance moderation for the Agency's SCS.
- The Head of Internal Audit is not invited to attend Board meetings but papers are sent to Internal Audit before every meeting. He discusses key issues relating to governance, risk management and control with me at regular meetings. He holds similar meetings with the Chief Finance Officer, and Internal Audit attend Audit and Risk Assurance Committee meetings.

Internal Controls and Stewardship

We have further developed our approach to our Risk Assurance Framework. This framework aims to provide a cohesive overview of the organisation's risk profile and the adequacy of sources of assurance and controls. It is supported by the HM Treasury Assurance Frameworks guidance Three Lines of Defence model which helps identify and understand the different sources of assurance. This year we have further developed our people's knowledge and expertise by introducing this framework and defence model at senior levels.

It is not possible to eliminate or entirely mitigate all risk. Compliance with our policies, processes and controls can only provide a reasonable level of assurance and the checks that take place annually include:

- Mandatory e-learning for all our people on Security, Fraud Awareness, Health and Safety and VOA Business Awareness;
- Business continuity and disaster recovery plans for all offices;
- Annual programme of asset management compliance audits and a year-end asset verification exercise;

- Controls on the transfer of personal data to outside organisations, for example, pension data to My Civil Service Pension and the Local Government Pension Fund;
- Activities to ensure compliance with the Cabinet Office Spending Controls including procurement, recruitment, marketing and technology;
- Mandatory Non-Domestic Rating Transitional arrangements and independent peer quality assurance checks on cases where we make adjustment to the rating list;
- Annual audit assurance programme of Property Services reports and processes in place for monitoring cash flow forecasts and controls for Property Services work in progress;
- Maintaining and updating our Bribery Act and Whistle-blowing arrangements and ensuring all staff are aware of the process.

Performance Data and Hubs

The Agency has an increasingly maturing culture of business performance management through visual performance hubs, which is spreading through the organisation. Senior Executives meet monthly at the Agency Performance Hub to discuss progress against the VOA's key performance indicators. Senior leadership teams across the Agency are increasingly holding monthly Performance Hubs which feed into the Agency Hub. In addition, we revisited and strengthened the Strategic Deployment Matrix (SDM) planning tool that we used last year to link performance to our strategic aims and objectives. This year, the SDM was shared more widely and formed the basis of discussions about 2015-16 performance expectations and challenges with all our line managers.

Managing Risk

The Agency recognises the critical importance of having an effective and integrated approach to the management of risks and issues, underpinned by continual development in the organisation's risk and issue management capability.

Risk Management continues to embed in the organisation. During the period, the VOA Board and ARAC has continued to closely monitor risks on the Strategic Risk Register, with deep dives being undertaken on specific risks. In addition, an Operating Risk Register (ORR) is being developed to reflect significant risks to business as usual delivery.

A view from Internal Audit for 2014-15

Building on the progress made in previous years, and with the intention of further enhancing our Assurance capability, our focus over the past year has included:

- **Developing risk management and assurance capability** - We have actively engaged key operational colleagues in improving our risk management capacity through establishing 'Risk Champions' and embarking on targeted training.

  In order to track and monitor our progress we have built on the pilot we ran in 2013-14, and begun to roll out a structured Risk Management Maturity assessment model across operations which we are using to map out our progress in integrating Risk Management into our decision making process at all levels of the business.

- **Embraced an Agency-wide approach to Risk Management** - We are developing four key types of Risk Registers - each one supports risk management at a given level and to an agreed timeframe. In practice organisational refers to the cross cutting registers that span the Agency.

Delegate feedback from the Agency's Risk Management training programme…

> Our Risk Management Agency colleagues were engaging and well informed and passionate about the subject ...Useful in providing the framework to risk assessor role and presented well, interesting, and entertaining.

Risks are managed within the Agency as follows:

Risk Register Hierarchy	Type of Document	Owned By	Horizon	Updated/ Reviewed
Governance	Governance Statement	VOA Board	Previous year / coming year	Annually
Organisational	Strategic Risk Register	VOA Chief Officer	12 to 18 months and beyond	Monthly
Organisational	Operating Risk Register	VOA Chief Officer	Now to 12 months	Monthly
Business Stream	Business Stream/ Directorate Risk Registers	Chief Officers	Now to 12 months	At least monthly and as required
Business Stream	Business Stream / Unit Risk Registers	Unit Heads	Now to 12 months	Weekly
Project / Task	Project / Task Specific or Ad hoc Risk Registers	Project / Task Leads	Project / Task Life	Planned

- **Established an Issue Management Forum** - Working strategically we have established a Chief Officer led issues management process. Meeting weekly, this forum addresses and mitigates key Agency-wide issues in a timely manner.
- **Annual assessment of fraud risk** - In the latter part of the year, the Agency carried out its annual review of fraud risk. The assessment showed that mitigating actions had been taken on medium and high risks as a result of which the overall assessment moved from Low/Medium to Low.

Principal Risks

Executive and Non-Executive Board Members and I have reviewed our strategic and operating risk horizons and re-invigorated our approach to managing risks in a controlled and planned manner. We have introduced a process for measuring the level of risk endurance the Agency is managing at any given time to give us a holistic understanding of Agency-wide risk management.

Our principal risks are as follows:

- **There is a risk that** – The Agency fails to transform successfully and becomes unable to deliver effective services in line with government requirements and expectations of the public. The Agency will ensure that:
  - Transformational change is effectively managed; and
  - Services are delivered effectively at a sustainable cost
- **There is a risk that** – We are unable to realise the key benefits we have identified, and committed to achieving. The Agency will ensure that:
  - It has the ability to transform and deliver key programmes and projects, within agreed timeliness; and
  - Process and assurances are in place in order to identify, track and manage the realisation of key benefits.
- **There is a risk that** – We are unable to meet the demands of the future with a supply of good people with the necessary skills. The Agency will ensure that:
  - It is able to attract, recruit and retain the right calibre of people;
  - Appropriate investment in developing leaders and managers is made; and
  - A change culture is in place that embraces flexible ways of working in order to meet customers' needs and to enable the delivery of major change programmes.
- **There is a risk that** – In transforming our organisation we fail to cherish the elements of our culture that will continue to make it successful and we fail to grow the elements of our culture that will enable us to thrive in the future. The Agency will ensure that:
  - Specialist knowledge is retained within key areas of the organisation; and
  - Leadership and capability is developed and enhanced at all levels in order to meet the transformation change agenda.
- **There is a risk that** – If our tools do not keep pace with the Agency's business demands we will be unable to deliver our key services. The Agency will ensure that:
  - Its services keep pace with change and provide a viable offering;
  - It is able to meet the expectation of how customers expect to interact with organisations in the modern service world; and
  - Its service offering remains current and viable.
- **There is a risk that** – We are challenged in terms of our ability to provide a resilient and robust service to our customers. The Agency will ensure that:
  - Its services and way of working are flexible enough in order to respond to an ever changing and more dynamic working environment;
  - Services are robust and all possible eventualities and responses are planned and where appropriate mitigated against; and
  - Business continuity plans are in place that are robust enough to respond to major service issues in a timely and effective manner.

Developing Risk Management in 2015-16:

The Agency will deliver on the following areas:

- Continued development of the risk management and assurance capability and expertise across the organisation;
- Further enhancement of risk awareness training package and supporting reference material on our intranet;
- Developing risk assurance mapping for our key processes and assessing the maturity of our controls and assurance;
- Developing a common risk management language across the Agency and a

"The framework of governance, risk management and control is adequate and effective, except that some improvements are required to enhance it"

A view from Internal Audit for 2014-15.

consistent understanding of escalation procedures and risk tolerance levels; and

- Continuing to develop and enhance our Internal Audit activity.

Assurance from Internal Audit

Public Sector Internal Audit Standards require Internal Audit to provide me, as the Accounting Officer, with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of our framework of governance, risk management and control. Internal Audit base their opinion on four levels of assurance:

- Strong assurance
- Satisfactory assurance
- Limited assurance
- Weak assurance.

Internal Audit's assessment for 2014-15 is that the Agency is at **satisfactory level.** Internal Audit are content this Governance Statement is consistent with their opinion.

Areas of our VOA business we audited in 2014-15

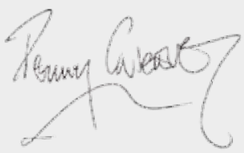
In 2014-15 the Agency completed 30 Internal Audit assignments to provide a meaningful assurance and opinion on the core areas of governance, risk management and control – 39% of reports received a 'green' opinion in 2014-15, comparative to 19% in 2013-14:

- 11 resulted in a 'green' opinion - there is an acceptable level of risk exposure.
- 15 resulted in an 'amber' opinion' - corrective action is required to reduce risk exposure to an acceptable level.
- 2 resulted in a 'red' opinion, both of which were robustly addressed and mitigated / resolved during the year.
- 2 did not attract an opinion rating due to the consultancy nature of the work.

Aligning our Audit plans for 2015-16

The Agency has, working closely with Executive and Non-Executive members of the Board, developed a comprehensive Audit Plan for 2015-16. This plan builds in feedback from Internal Audit and will focus on the following risks, opportunities and dependencies that are critical to the business:

- **Delivering effective change management**, in particular programme and portfolio governance, controlled delivery, managing change fatigue and effectively managing customer, stakeholder and industrial relations.
- **Managing transformation and business as usual** within planned and allocated funding, particularly given the need to react to potential policy changes and changing business requirements within a challenging operating and commercial environment.
- **Effective engagement with internal stakeholders**, within the context of a demanding programme of change coupled with the demands of business as usual activity. The Agency needs to continue to embed effective risk and issue management techniques and practices.
- **Developing, retaining and up-skilling existing staff (and where appropriate attracting new staff)** in the areas of programme management, risk management and information technology.
- **Delivering business as usual** against increasing or changing volumes and/ or demands, whilst maintaining focus on delivering change and responding to policy changes.
- **Ensuring continuing compliance with key processes and procedures**, including those linked to core systems, in the face of competing priorities.



Penny Ciniewicz

Chief Executive
18 June 2015

There is excellent engagement between the VOA and Internal Audit, particularly with the VOA Chief Executive and Senior Executives. Customer engagement is working well in most areas of the business. The Executive recognises the importance of maintaining the highest standards of performance, integrity and professionalism in its core operations and corporate functions.

A view from Internal Audit for 2014-15.

REMUNERATION REPORT

Directors' remuneration

Executive Directors are members of the Senior Civil Service and are subject to the terms and conditions applicable across our sponsor department, HM Revenue and Customs (HMRC). HMRC determines their remuneration within Senior Civil Service pay policy guidelines. There is a separate remuneration committee within the Agency which inputs to performance moderation and objective setting but the Main Pay Committee in HMRC makes the final policy decisions.

Specific objectives are set for the Executive Directors using the Senior Civil Service performance management processes. Objectives are regularly reviewed and formally reported on at the end of each year. The Chief Executive also has regular reviews with the Non-Executive Directors. The Chief Executive of HMRC reviews the performance of the Agency's CEO against objectives.

Contracts, notice periods and termination periods

The majority of our people, including the Executive Directors, are employed on a permanent basis and are subject to statutory and civil service conditions of service. The Non-Executive Directors are on renewable three year fixed-term contracts, with the assumption that we will not renew their contracts more than once. We employ a small number of our people on short-term contracts.

We did not make any awards to past managers this year or in the previous year.

We did not make non-cash awards to Board members this year or in the previous year.

Salary and pension entitlements

The following section details the remuneration and pension interest of our most senior people.

Salaries

These include:

- gross salary;
- overtime[7];
- reserved rights to London weighting or London allowances[8];
- recruitment and retention allowance[9]; and
- private office allowances and any other allowance to the extent that it is subject to UK taxation[10].

Bonus payments

These are based on the performance level an individual achieves and are part of our appraisal process. The bonuses reported in 2014-15 relate to performance in 2013-14. We pay performance-related pay and bonuses in line with the scheme which applies to the Senior Civil Service as a whole.

Benefits in kind

The monetary value of benefits in kind covers any benefits an employer provides that HMRC treats as a taxable emolument. The benefits in kind in the table on page 49 for Board members relate to travel and subsistence payments paid for travel to a location which, due to the frequency of travel, is deemed to be a permanent place of work.

Compensation / third party payments

We did not make compensation payments to former senior managers this year or in the previous year.

We did not pay any amounts to third party entities for Directors' services this year or in the previous year.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with a small percentage of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

On 1 April 2015 the majority of active members of classic, classic plus, premium, and nuvos will be moving into alpha.

From 1 April 2015 new contribution arrangements come into effect. There will be a single set of contribution rates across Civil Service Pensions, regardless of whether you are a member of classic, classic plus, premium, nuvos or alpha. Employee contributions will range between 1.5% and 8.05% of pensionable earnings.

[7-10] No such payments were made during 2014-15.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website: http://www.civilservice.gov.uk/pensions

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV):

- is the actuarially assessed capital value of the pension scheme benefits which a member accrues at a particular point in time. (The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme);
- is paid by a pension scheme or arrangement to secure pensions benefits in another pension scheme or arrangement, when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme;
- is calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations; and
- does not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

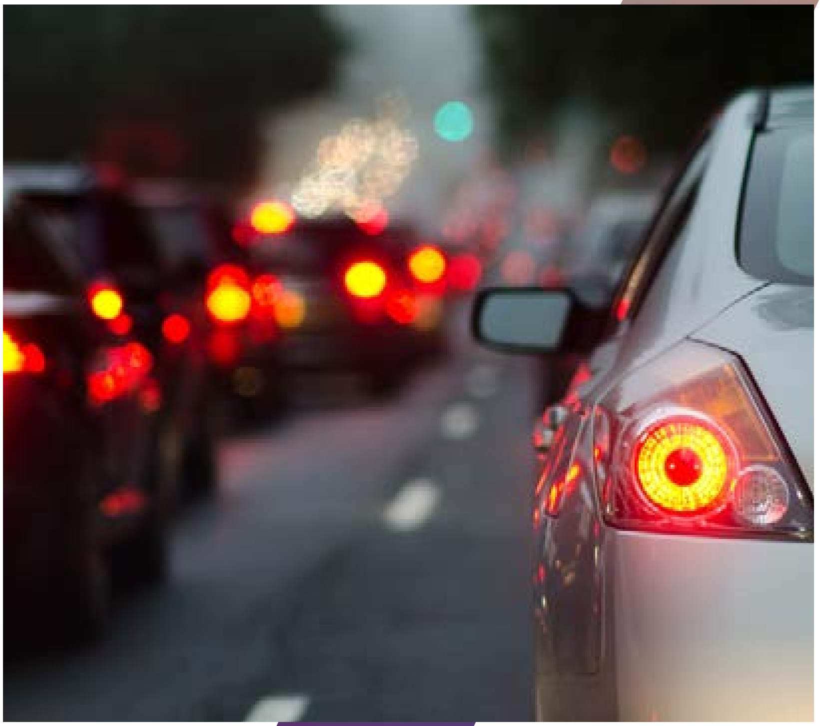
The pension figures shown relate to the benefits that individuals accrued as a result of their total membership of the pension scheme, not just their service in a senior capacity, to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued as a result of the member buying additional pension benefits at their own cost.

Real increase in CETV is the increase that the employer funds. It does not include:

- the increase in accrued pension due to inflation;
- contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Travel and Subsistence reimbursements

Board members received payments to reimburse the out of pocket expenses they incurred in carrying out their duties as set out in the table on page 51. Except where identified as such, the payments in the table on page 51 do not form part of remuneration.



Pay multiples

The pay multiple of the remuneration of the highest-paid Board member compared to the average remuneration of workforce is in the table on page 49.

The banded remuneration of the highest paid Board member in the Agency in 2014-15 was:

£155-160k (2013-14: £155-160k).

This was 5.8 times (2013-14: 5.9) the average remuneration of the workforce, which was:

£26,978 (2013-14: £26,750).

Total remuneration includes:

- salary;
- non-consolidated performance-related pay;
- benefits in kind; and
- employee pension benefits.

It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The ratio of the remuneration of our highest paid Board member to the average remuneration of our people has decreased since 2013-14. This is due to the average remuneration for the workforce increasing from £26,750 in 2013-14 to £26,978 in 2014-15.

In 2014-15 (also in 2013-14) no employee received remuneration in excess of the highest-paid Director. Remuneration for all employees ranged from £15,050 to £155,000-160,000 (2013-14: £14,500 to £155,000-160,000).

The information in this table is subject to audit.

Board Members' Remuneration Information

	2014-15					2013-14				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total remuneration £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total remuneration £'000
Penny Ciniewicz Chief Executive	100 - 105	10 - 15	-	15 - 20	130 - 135	100 - 105	10 - 15	-	10 - 15	125 - 130
Janet Alexander Chief People Officer (appointed 30 April 2014)	75 - 80 (80 - 85 full year equivalent)	-	-	15 - 20 (20 - 25 full year equivalent)	95 - 100 (95 - 100 full year equivalent)	-	-	-	-	-
Dyfed Alsop Chief Strategy Officer	90 - 95	-	-	50 - 55	145 - 150	70 - 75	5 - 10	-	15 - 20	100 - 105
David Ede Director, People and Engagement (stepped down 3 April 2014)	0-5 (85 - 90 full year equivalent)	-	-	0-5 (30 - 35 full year equivalent)	0-5 (115 - 120 full year equivalent)	70 - 75 (80 - 85 full year equivalent)	-	-	10 - 15 (15 - 20 full year equivalent)	85 - 90 (90 - 95 full year equivalent)
Janet Grossman Non-Executive Director	10 - 15	-	-	-	10 - 15	10 - 15	-	-	-	10 - 15
Mary Hardman Director, Non-Domestic Rating	70 - 75	5 - 10	30,600 [1a]	30 - 35	145 - 150	70 - 75	5 - 10	46,300	25 - 30	150 - 155
Alison Hewett Non-Executive Director	10 - 15	-	-	-	10 - 15	-	-	-	-	-
Alex Jablonowski Non-Executive Director	10 - 15	-	-	-	10 - 15	10 - 15	-	-	-	10 - 15
Elizabeth McLoughlin Non-Executive Director (stepped down 20 November 2014)	5 - 10 (10 - 15 full year equivalent)	-	-	-	5 - 10 (10 - 15 full year equivalent)	10 - 15	-	-	-	10 - 15
Philip Macpherson Chief Digital and Information Officer	85 - 90	5 - 10	-	15 - 20	110 - 115	80 - 85	-	-	10 - 15	95 - 100
Craig Pemberton Chief Finance Officer	90 - 95	-	-	30 - 35	120 - 125	95 - 100	-	-	25 - 30	120 - 125
Niall Walsh Chief Operating Officer and Chief Valuer	85 - 90	-	44,600 [1b]	25 - 30	155 - 160	80 - 85	-	52,200	15 - 20	155 - 160
Band of Highest Paid Director's Total Remuneration (£'000)	155 - 160					155 - 160				
Median Total Remuneration (to nearest £1)	26,978					26,750				
Ratio	5.8					5.9				

The 2013-14 comparators in the above table have been restated due to the inclusion of pension benefits in the Board Members' total remuneration.

In addition Janet Alexander received a bonus of £9,500 from her previous employer HMRC.

[1] The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

[1a] The benefit in kind for the Director, Non-Domestic Rating, is £18,400 (2013-14: £22,800) for the payment of hotel and travel costs travelling to their second permanent workplace incurred from 1 April 2014 to 31 March 2015. Taxation and National Insurance contributions relating to these payments amount to £12,200 (2013-14: £23,500).

[1b] The benefit in kind for the Chief Operating Officer and Chief Valuer is £25,800 (2013-14: £27,800) for the payment of hotel and travel costs travelling to their second permanent workplace incurred from 1 April 2014 to 31 March 2015. Taxation and National Insurance contributions relating to these payments amount to £18,800 (2013-14: £24,400).

The information in this table is subject to audit.

Board Members' Pensions

	Real increase in pension and related lump sum at pension age £'000	Accrued pension at pension age - as at 31 March 2015 and related lump sum £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2015 £'000	Real increase in CETV £'000
Penny Ciniewicz Chief Executive	0 – 2.5 plus 2.5 – 5.0 lump sum	20 – 25 plus 70 – 75 lump sum	388	422	11
Janet Alexander Chief People Officer (appointed 30 April 2014)	0 – 2.5 plus 0 – 2.5 lump sum	25 – 30 plus 35 – 40 lump sum	446	470	13
Dyfed Alsop Chief Strategy Officer	2.5 – 5.0 plus 7.5 – 10.0 lump sum	10 – 15 plus 40 – 45 lump sum	132	169	26
David Ede Director, People and Engagement (stepped down 3 April 2014)	0 – 2.5	0 – 5	20	45	17
Janet Grossman Non-Executive Director	- [1]	- [1]	- [1]	- [1]	- [1]
Mary Hardman Director, Non-Domestic Rating	0 – 2.5 plus 5.0 – 7.5 lump sum	25 – 30 plus 85 – 90 lump sum	507	562	28
Alison Hewett Non-Executive Director	- [1]	- [1]	- [1]	- [1]	- [1]
Alex Jablonowski Non-Executive Director	- [1]	- [1]	- [1]	- [1]	- [1]
Elizabeth McLoughlin Non-Executive Director (stepped down 20 November 2014)	- [1]	- [1]	- [1]	- [1]	- [1]
Philip Macpherson Chief Digital and Information Officer	0 – 2.5 plus 2.5 – 5.0 lump sum	20 – 25 plus 65 – 70 lump sum	306	333	9
Craig Pemberton Chief Finance Officer	0 – 2.5	15 – 20	203	240	20
Niall Walsh Chief Operating Officer and Chief Valuer	0 – 2.5 plus 2.5 – 5.0 lump sum	25 – 30 plus 80 – 85 lump sum	387	426	15

[1] Fee paid consultant – not in civil service pension scheme

The information in this table was not subject to audit.

	Non-taxable expenses not a part of remuneration (£)	Taxable expenses included in remuneration (£)	Total expenses reimbursed during 2014-15 (£)
Penny Ciniewicz	66	-	66
Janet Alexander	4,133	17	4,150
Dyfed Alsop	1,100	-	1,100
David Ede	230	-	230
Janet Grossman	80	-	80
Mary Hardman	1,325	18,439	19,764
Alison Hewett	-	-	-
Alex Jablonowski	414	-	414
Elizabeth McLoughlin	-	-	-
Philip Macpherson	194	-	194
Craig Pemberton	764	-	764
Niall Walsh	4,668	25,844	30,512

This table excludes the costs of hotels and travel met centrally by the VOA under the Redfern contract.

Penny Ciniewicz

Chief Executive
18 June 2015

FINANCIAL COMMENTARY

Our financial performance is set out in the accounts attached to this report.

2014-15 was the fourth year of the 2010 Spending Review (SR10) and our principal financial objective was to break even. We finished the year with a small operating surplus of £1.4m, 0.7% of our operating income.

Income

Our income for 2014-15 was £193.2m; £2.8m (1.4%) lower than the previous year after returning £3m of funding to DCLG.

Our Property Services division contributed £16.0m of income (2013-14: £16.0m).

Managing Costs

Our total spending for 2014-15 was £191.8m. Staff costs were 72% (£139.0m) of our total costs, which was a 0.5% decrease on the previous year (£139.7m). Staff costs were lower than anticipated due to difficulties in recruiting people to both our corporate and our operations teams.

Our accommodation costs of £15.7m were £2.6m less than the prior year due to our estate rationalisation programme continuing to show positive results. This included reduced running costs, PFI property related rent and VAT reductions.

Our IT costs were £10.4m (2013-14: £10.5m). The majority of this relates to payment to Aspire for IT services.

Our depreciation and amortisation charge of £8.3m was similar to the prior year. An impairment of £0.5m was made during the year to NDR appeal software within our intangible assets. The impairment was made following a decision by Government to fold the reform of NDR appeals into a broader review of business rates administration.

The net liability of our pension scheme reduced to £8.7m during the year (2013-14: £37.7m). This was following a one off payment of £48.0m into the scheme by DWP under our service level agreement with them (see note 16 in the accounts), and a £19.6m increase in liabilities due to a change in the actuary's financial assumptions.

As part of the government's transparency agenda the VOA publishes its data on the GOV.UK and www.data.gov.uk websites.

Controlling Cash Flow

Our cash levels remain positive with £17.9m (2013-14: £15.7m) at year end.

Our cash forecasting is working effectively. We aim to pay 80% of valid invoices within five days of receipt of the goods in line with guidance issued by the Department of Business, Innovation and Skills. This year we paid 93% of our invoices within five days. Our trade creditor days, or the average time it takes us to settle our debts with trade suppliers, were eight days.

Investing in Our Services

We invested £7.9m in our IT and accommodation capital assets in 2014-15 which was £1.1m below our planned budget due to resourcing constraints leading to project delays.

We invested £2.4m capital in accommodation to reduce the size of our estate by 3,300m^2, a 7.5% reduction. We will continue to reduce our accommodation costs in future years.

Financial Outlook

In 2015-16 the VOA funding requirement has increased by £18m from 2014-15 due to two main reasons: (i) Supporting the Agency's long term transformation programme – Blueprint; and (ii) funding the Non-Domestic Rating Revaluation.

Blueprint is a key enabler for delivering future efficiencies; modernising our IT; reducing and modernising our Estate and building the capability required for ongoing delivery of services for our clients. Our investment will be approximately £10m in 2015-16 and this will create a return on that investment with ongoing savings in future years which will benefit all of our funding clients.

NDR Revaluation is a legal requirement, and this is the first significant year of activity in this new cycle. The cost of this in 2015-16 is approximately £26m.

The VOA has invested in Continuous Improvement techniques and instigated year on year efficiency challenges in all operational areas to continue to deliver value for money to funding clients and to taxpayers.

In 2015-16, we will continue to focus on increasing our understanding of our cost drivers in preparation for the next Spending Review and for driving value for money.

Adoption of Going Concern

We have prepared our accounts on a going concern basis. There is no reason to believe we will not continue in operational existence for the foreseeable future.

Accounts

The Accounting Officer is not aware of any relevant audit information that the auditor is unaware of, and has taken all steps she ought to have in order to make herself aware of any relevant audit information and ensure that the auditor is aware of it.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000 HM Treasury has directed the Valuation Office Agency (VOA) to prepare for each financial year a statement of accounts 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 VOA and of its income and expenditure, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Permanent Secretary and Principal Accounting Officer of HMRC has designated the Chief Executive of the Valuation Office Agency as Accounting Officer for the VOA. 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 VOA's assets, are set out in Managing Public Money, published by HM Treasury.

ANNUAL ACCOUNTS

For the Year Ended 31 March 2015

Contents

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. 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 Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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 Office Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Valuation Office Agency; 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 Office Agency's affairs as at 31 March 2015 and of the net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued there under.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report entitled Strategic Report, Directors' Report, and Financial Commentary 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
23 June 2015

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

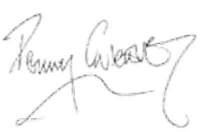
		2014-15	2013-14
		Total	Total
	Note	£'000	£'000
Programme Costs:			
Income	5	193,155	195,958
Staff costs	3	(138,968)	(139,694)
Non-staff costs	4	(52,797)	(55,231)
Gross operating cost		(191,765)	(194,925)
Net Operating Surplus		**1,390**	**1,033**
Other Comprehensive Expenditure:			
Net gain on revaluation of tangible assets		389	-
Net gain on revaluation of intangible assets		408	320
Actuarial loss on pension fund	16	(17,336)	(2,899)
Total Comprehensive Net (Expenditure)		**(15,149)**	**(1,546)**

The notes on pages 63 to 92 form part of these accounts.

Statement of Financial Position

as at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	9,898	8,765
Intangible assets	7	18,160	20,181
Total non-current assets		**28,058**	**28,946**
Current assets			
Trade and other receivables	9	7,380	6,589
Work in progress	10	2,341	2,247
Cash and cash equivalents	11	17,949	15,744
Total current assets		**27,670**	**24,580**
Total assets		**55,728**	**53,526**
Liabilities			
Current liabilities			
Trade and other payables	12	(11,086)	(12,220)
Employee leave accrual	12	(9,059)	(9,491)
Short term provisions	14	(1,141)	-
Amounts payable to the Consolidated Fund	15	(264)	(257)
Total current liabilities		**(21,550)**	**(21,968)**
Total assets less current liabilities		**34,178**	**31,558**
Non-current liabilities			
Long term provisions	14	(635)	(1,904)
Pension liability	16	(8,679)	(37,700)
Liability in respect of PFI assets	12	(143)	(157)
Total non-current liabilities		**(9,457)**	**(39,761)**
Total assets less total liabilities		**24,721**	**(8,203)**
Taxpayers' Equity			
General Fund		23,336	(9,419)
Revaluation Reserve		1,385	1,216
Total Taxpayers' equity		**24,721**	**(8,203)**



Penny Ciniewicz

Chief Executive
18 June 2015

The notes on pages 63 to 92 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Cash flows from operating activities		**1,390**	**1,033**
Net operating surplus			
Adjustments for:			
Depreciation of property, plant and equipment	6	3,063	3,215
Amortisation of intangible assets	7	5,232	5,063
Net loss/(gain) on disposal of non-current assets	4	752	(13)
Net loss on impairment of non-current assets	8	541	-
Creation and reversal of provisions	14	942	725
Use of provisions	14	(1,091)	(2,502)
Unwinding of the discount on provisions	14	13	31
Change in the discount rate on provisions	14	8	68
Notional auditor's remuneration	4	73	75
Movements on pension liability charged to operating costs	16	2,987	2,754
Cash contributions to pension fund not charged to operating costs	16	(1,375)	(988)
Increase in trade and other receivables	9	(790)	(567)
Increase in work in progress	10	(94)	(294)
Increase/(Decrease) in trade and other payables	12	(1,573)	2,355
Less movements in payables relating to items not passing through operating costs		5	219
Net cash inflow from operating activities		**10,083**	**11,174**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3,986)	(2,817)
Purchase of intangible assets	7	(3,887)	(4,343)
Net cash outflow from investing activities		**(7,873)**	**(7,160)**
Cash flows from financing activities			
Receipts on behalf of the Consolidated Fund	15	7	37
Capital element of payments in respect of on balance sheet PFI assets		(12)	(28)
Net cash (outflow)/inflow from financing activities		**(5)**	**9**
Net increase in cash and cash equivalents in the period		**2,205**	**4,023**
Cash and cash equivalents at the beginning of the period		**15,744**	**11,721**
Cash and cash equivalents at the end of the period		**17,949**	**15,744**

The notes on pages 63 and 92 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

		2014-15			2013-14		
	Note	General Fund	Revaluation Reserve	Total Reserves	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Opening balance		**(9,419)**	**1,216**	**(8,203)**	**(8,089)**	**1,357**	**(6,732)**
Changes in Taxpayers' Equity for the period							
Comprehensive Net Expenditure							
Net gain on revaluation of property, plant and equipment		-	389	389	-	-	-
Net gain on revaluation of intangible assets		-	408	408	-	320	320
Operating surplus for the year		1,390	-	1,390	1,033	-	1,033
Actuarial loss on pension fund	16	(17,336)	-	(17,336)	(2,899)	-	(2,899)
Total Other Comprehensive Net Expenditure		(15,946)	797	(15,149)	(1,866)	320	(1,546)
Transfers and other reserve movements							
Third party pension liability payment	16	48,000	-	48,000	-	-	-
Realised and transferred to General Fund		628	(628)	-	461	(461)	-
Notional charges - auditor's remuneration	4	73	-	73	75	-	75
Total recognised income and expense for the year		**32,755**	**169**	**32,924**	**(1,330)**	**(141)**	**(1,471)**
Balance carried forward		**23,336**	**1,385**	**24,721**	**(9,419)**	**1,216**	**(8,203)**

The notes on pages 63 and 92 form part of these accounts.

NOTES TO THE VOA'S ACCOUNTS

1. Statement of accounting policies

As the VOA is a government entity, we have prepared these financial statements in accordance with the 2014-15 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.

Where the FReM permits a choice of accounting policy, we have selected the accounting policy which is most appropriate for giving a true and fair view. Our accounting policies are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared using the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets (see Notes 1.2 and 1.3).

The accounts have been prepared on a going concern basis.

1.2 Property, plant and equipment

On initial recognition, we recognise property, plant and equipment assets at cost, including all costs directly attributable to making them available for use. Cost is the amount of cash or cash equivalent paid or the fair value of any consideration given to acquire or construct the asset.

We carry the costs of the refurbishment of office accommodation on the Statement of Financial Position as non-current assets where the work results in additional and/or extended service potential to the VOA.

In subsequent periods, we account for these assets using their fair values.

Land and buildings are valued professionally on an existing use basis every five years, supplemented by such interim valuations as are necessary to ensure that the recorded values of the assets materially reflect their fair values.

The fair value of IT developed software assets are assessed annually using a relevant revaluation index. Where the difference between the fair value and carrying value is material we recognise this movement in the Statement of Comprehensive Net Expenditure. Apart from property and IT developed software, we consider all other assets' fair values to be comparable to their carrying values in the accounts.

We recognise increases in asset value in the Revaluation Reserve within Taxpayers' Equity. Any subsequent revaluations of these assets are matched off against the amount of the reserve relating to the asset. However if the devaluation exceeds the amount in the Revaluation Reserve an impairment results; see Note 1.4.

When we dispose of revalued property, plant and equipment, any remaining value attributable to the asset held in the Revaluation Reserve is transferred to the General Fund.

Depreciation

We depreciate property, plant and equipment over its estimated useful life in order to write it down to its estimated residual value. A straight line method of depreciation is used. The useful lives of property, plant and equipment are detailed in the accompanying table.

We review the assets' residual values, useful lives and method of depreciation at each financial reporting year end, and adjust them if appropriate.

Asset class	Recognition Threshold	Estimated useful life
Accommodation Refurbishments	£15,000	4 years or period of lease, whichever is shorter
Office Equipment	£1,500	3 - 7 years
IT Hardware	£1,500	Up to 5 years
Furniture and Fittings	£1,500	Up to 10 years
Telecommunications equipment	£1,500	5 years

Where appropriate, individual assets falling below the minimum value for capitalisation are grouped and thus capitalised. Individual assets above the recognition threshold are also grouped, usually at the time of purchase, and within asset classes where the estimated useful lives are the same. This can also occur within intangible assets (see 1.3 below).

Only our Shrewsbury office is recorded as a non-fully depreciated asset being accounted for as a service concession under International Financial Reporting Interpretations Committee interpretation 12 (IFRIC 12) and is held under a PFI contract (see Note 1.10 below). This building is depreciated over the shorter of the estimated useful economic life of the building or the remaining lease term. The lease term and estimated useful life of Shrewsbury office is set out in the table below. The estimated useful life was revised in this year's revaluation to 12 years.

Office	Lease Term at inception (remaining at 31 March 2015)	Estimated useful life at 31 March 2015
Shrewsbury	20 years (6 years)	12 years

Assets under construction costs are accumulated until the asset is completed and ready to be brought into service when the asset is transferred to the relevant asset class and depreciation commences.

1.3 Intangible assets

Our intangible assets consist of developed software and software assets under construction. We recognise intangible assets under construction only if:

- it is technically and economically feasible to complete the asset;
- we intend to complete the asset; and
- we are able to use the asset generated by the project.

On initial recognition, we value intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, we account for developed software on a fair value basis using modified historical cost. This involves applying a revaluation index using appropriate indices from the Office for National Statistics (please see note 1.16). Indices are applied annually on 31 March if there is any material change in the carrying values of the assets. The treatment of changes in valuation is the same as that used for property, plant and equipment (see Note 1.2 above).

Amortisation

We amortise intangible assets over their estimated useful lives in order to write them down to their estimated residual value. A straight line method of depreciation is used. The useful lives of intangible assets are detailed in the table below.

Asset class	Recognition Threshold	Estimated useful life
Developed Software - new projects	£15,000	Up to 5 years
Developed Software - existing projects	£15,000	Up to 10 years
Developed Software - enhancements	nil	As per the enhanced asset
Software Licences	£1,500	Up to 5 years

We review intangible assets' residual values, useful lives and methods of amortisation at each financial reporting year end, and adjust them if appropriate.

Assets under construction costs are accumulated until the asset is completed and ready to be brought into service when the asset is transferred to the relevant asset class and amortisation commences.

1.4 Impairment of non-financial assets

We consider events and changes of circumstances annually and review property, plant and equipment and intangible assets for potential impairment losses whenever there is an indication that the carrying amount may not be recoverable. We review assets that are not yet ready for use annually. An impairment loss occurs when the carrying amount of the asset exceeds its recoverable amount. The asset's recoverable amount is the higher of its net selling price or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows or future service potential.

Where an impairment results from a loss in economic value or service potential, the loss is recognised as an operating cost in the Statement of Comprehensive Net Expenditure. Any Revaluation Reserve balance associated with the impaired assets is then released to the General Fund. Impairment losses that do not result from such consumption of economic benefits are first applied against any existing amounts in the Revaluation Reserve before any remaining loss is recognised as an operating cost.

1.5 Financial assets

We recognise a financial asset when we gain a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases we recognise the financial asset when our revenue recognition criteria are met (set out in Note 1.12). We remove a financial asset from our Statement of Financial Position when we no longer have a contractual right to the asset, or when the asset is transferred to another party.

Our financial assets are measured at fair value and consist of trade and other receivables, work in progress, and cash and equivalents.

We regularly review our allowance for doubtful debts. Invoices which are more than six months overdue are provided for unless they are covered by credit balances. We also review our allowance for work in progress (WIP). Cases which are older than six months, or where a future loss is forecast, are provided for.

We assess, at each reporting date, whether there is objective evidence that our financial assets are impaired. Assets are impaired if the future cash flows associated with the asset have been reduced by events before the reporting date, and if the effect on future cash flows can be reliably estimated. Events that could trigger impairments include a breach of terms or default by a counter-party on a contract, significant financial hardship of a counter-party or an emerging pattern of lower than expected recovery on a class of assets.

We measure the amount of impairment loss as the difference between the asset's carrying amount and the revised recoverable amount. The amount of the loss is recognised in the Statement of Comprehensive Net Expenditure in the period of impairment.

1.6 Work in progress

Our work in progress is classed as a financial asset. It is valued at amortised cost. It represents income recognised due to progress on work that is not yet complete (see Note 1.12). The cost is calculated using records of time spent on the work and our hourly charge rate which reflects the estimated full cost of the service, as required by Managing Public Money. Work in progress is measured net of provisions for foreseeable losses on current contracts and for irrecoverable amounts (see Note 10).

1.7 Cash and cash equivalents

Cash and cash equivalents represent cash balances in hand and cash balances held in the Government Banking Service.

1.8 Liabilities

We recognise a financial liability when we become a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. We remove a financial liability from the Statement of Financial Position when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires.

Our financial liabilities are our trade payables and accruals. On recognition they are measured at fair value.

Our other liabilities consist of PFI-related liabilities, provisions and statutory liabilities, as well as any trade payables, accruals or deferred income that are not financial liabilities. On initial recognition they are measured at fair value. Subsequently, accruals and trade payables are measured at amortised cost and deferred income is measured at cost. The treatment of PFI related liabilities is described in Note 1.10.

Our statutory liabilities consist of our obligations to make payments into the Consolidated Fund and to pay over National Insurance and tax relating to our employees. They are short term in nature and are held at fair value until paid. If material, liabilities that fall due after one year of the reporting date are discounted to take account of the time value of money.

We make provisions for liabilities and charges where, at the reporting date, a legal or constructive liability (a present obligation arising from a past event) exists, for a probable transfer of economic benefits and for which a reasonable estimate can be made. Where obligations are less certain, or cannot be reliably estimated, we disclose them as contingent liabilities in Note 20.

1.9 Employee benefits

Pensions

We operate two different pension arrangements.

Principal Civil Service Pension Scheme (PCSPS)

The majority of past and present permanent staff members are part of the PCSPS. The PCSPS is accounted for as a defined contribution scheme despite being a defined benefit scheme. Owing to the largely unfunded, multi-employer nature of the scheme, it is not possible to identify the assets and liabilities associated with any one employer. Actual contributions to the scheme are used as the basis for the charge to the Statement of Comprehensive Net Expenditure. We do not recognise any PCSPS assets or liabilities.

Pension scheme members who first joined the Civil Service pension's arrangements by 30 July 2007 have their benefits calculated as a fraction of their final salary. Members first joining the arrangements after this date are entitled to benefits based on career average salary.

Local Government Pension Scheme (LGPS)

We merged with The Rent Service in April 2009, taking on staff who are members of the LGPS. This is a funded defined benefit scheme. Entitlement to benefits is based on a scheme member's final salary.

The Statement of Financial Position includes an LGPS liability, which is the present value of the defined benefit obligation to staff minus the fair value of the scheme assets attributable to the VOA.

Independent actuaries value the defined benefit obligation using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees.

The scheme managers carry out a formal valuation of the scheme's assets and liabilities for the purpose of setting employers' contributions every three years.

We charge service costs, net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate, and administration expenses as operating costs in the Statement of Comprehensive Net Expenditure in the period in which they occur.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in reserves in the period in which they arise.

Annual leave

We recognise employee entitlements to untaken annual leave when they accrue to employees. We accrue for the estimated liability for leave earned but not taken by employees at 31 March each year.

Early departure costs

Costs of early departures are recognised when we are committed to the departure without reasonable possibility of withdrawal. They are disclosed in Note 3b. The increased pension liabilities in respect of LGPS members due to early departures are recognised within the pension liability (Note 16). Liabilities in respect of other departures are recognised in the provision for early departure and additional pension commitments.

1.10 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes 'on balance sheet' where:

- we control the service provided using the infrastructure; and
- we control a significant residual interest in the infrastructure at the end of the arrangement; or
- the arrangement meets the definition of a finance lease under IAS 17.

'On balance sheet' means that an asset and corresponding liability appear in our Statement of Financial Position. This year we have one 'on balance sheet' PFI asset (Shrewsbury office) that meets this criteria. The in-year services received under the contract are recorded as operating expenses. We continue to treat 'off balance sheet' PFI-procured assets as operating leases, and do not recognise assets and liabilities in respect of them. The land elements of all leases are treated as operating leases.

For 'on balance sheet' PFI schemes, we separate the annual payments into the following component parts, using appropriate estimation techniques where necessary:

- repayment of the principal element of the imputed financing arrangement;
- interest charged on the imputed principal outstanding; and
- the remaining expenditure for services associated with the buildings.

The first element is treated as repayment of financing and used to write down the PFI liability in the Statement of Financial Position. The final two elements are charged to the Statement of Comprehensive Net Expenditure.

Details of our PFI arrangements can be found in Note 19.

1.11 Leases

Our non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by us under operating lease agreements are charged to the Statement of Comprehensive Net Expenditure over the period of the lease term, in order to reflect the consumption of economic benefit. Our future obligations for the lease rentals for the period ended 31 March 2015 are disclosed in Note 18.

1.12 Operating income

Operating income comprises fees and charges for services provided to other government departments, agencies, non-departmental public bodies and external customers and is recorded net of Value Added Tax.

We recognise revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to us; and
- the services for which the revenue is receivable or has been received have been performed.

We set our charges for our statutory and non-statutory work in order to recover the full cost of services from clients. We recognise revenue as we incur the costs of providing the services.

For most statutory work, our service level agreements with our customers are for year-long periods matching our reporting years. We recognise the revenue for an agreement in the year to which the agreement pertains.

For non-statutory services and a small amount of statutory work, we record the time worked on each customer contract and recognise as revenue an amount equal to the estimated fully-absorbed cost of each hour of work as the hour is recorded. Where there is indication that costs incurred on a contract will not be recoverable, for example if costs exceed the value of a fixed price contract, further revenue is not recognised. Revenue is measured net of an estimate of foreseeable losses on current contracts and of an estimate of amounts that we are unlikely to recover from clients.

1.13 Administration and programme expenditure

As a net-funded Agency, the VOA's expenditure does not fall inside the administration budgets set in the 2010 Spending Review. All of our expenditure is therefore classified as programme expenditure.

Operating costs are recognised when, and to the extent that, the goods or services for which they are incurred have been provided.

1.14 Value Added Tax

Apart from some Property Services income, most of our activities are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable. Some input VAT on a restricted number of services is recovered under Section 41(3) of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41(3) is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. In addition, we recover a portion of the VAT on our inputs calculated to reflect the portion of our output services which are within the scope of VAT. We charge irrecoverable VAT to the relevant expenditure category or include it in the capitalised purchase cost of non-current assets.

1.15 Civil penalties

We levy civil penalties for the failure to submit Forms of Return deemed essential for the assessment of rateable values. We do not account for receipts of these penalties in the Statement of Comprehensive Net Expenditure as we have no claim on them and must surrender them to the Consolidated Fund. Therefore they are recognised as a liability on the Statement of Financial Position and shown as receipts and payments in the Cash Flow Statement.

1.16 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions. Although we base judgements and estimates on our best knowledge of current events and actions, actual results may differ from our assumptions. The most significant estimates and areas of management judgement made in the accounts relate to:

- **Provisions for legal claims and early departures (Note 14)**

Concerning legal claims, judgement is required to estimate the likelihood of a case being found against us and to estimate the most likely amount that we would be required to pay. Both estimates are made based on past experience and the advice of our legal advisors.

Regarding early departures, there is not normally any doubt that the liability exists, but it is necessary to estimate the future cash flows based on quotes from our pensions administrator. Cash flows are also subject to a discount factor. We apply the Treasury pensions discount rate, currently 1.3%. In certain cases there may be doubt as to whether past events create an obligation on us to pay early departure costs. We consider the status of our plans, announcements to staff and other factors and use our judgement to determine whether we have an obligation.

- **Estimation of recoverability and foreseeable losses on work in progress (Note 10)**

We estimate the extent to which work in progress will not be recovered by referring to historical trends which indicate that balances relating to cases that have not been worked on for more than six months are unlikely to be billed and recovered.

Similarly, an estimate is made for foreseeable losses on fixed term contracts by considering past performance on such contracts.

- **Treatment of the STEPS and ASPIRE contracts (Note 19)**

Both contracts are complex and it has been necessary for us to use judgement in determining the economic substance of the arrangements.

A number of judgements have been made regarding the treatment of the STEPS contract. The extent of our residual interest in the properties beyond the end of the contract is a matter of judgement, as the contract gives us some rights. We have judged that for all but one property these rights do not currently grant significant control. In addition, the classification of properties between on and off balance sheet requires judgements to be made about the useful lives of the buildings and the extent of the other rights that the leases grant us.

The principal judgements of the ASPIRE contract are that the contract does not give us the use of particular assets and that it does not give any continuing right to use any assets throughout and beyond the contract period. The contract is therefore not accounted for on balance sheet.

- **Measurement of the LGPS pension liability (Note 16)**

The present value of our net pension obligation under the LGPS depends on a number of factors which are actuarially determined on the basis of a set of assumptions. Key assumptions include the discount rate to be applied, inflation forecasts, long term changes in member salaries, future return on assets and member mortality.

Assumptions are determined annually with the advice of the scheme actuary. Financial assumptions are made on the basis of market conditions at the reporting date. The post retirement mortality assumptions have been based on Club Vita analysis.

The net liability is particularly sensitive to variations in the discount rate and in mortality. A change in the discount rate assumption by 0.1% would change the net liability by £2.6m. A one year increase in the mortality age would change the net liability by £5.1m.

- **Revaluation of assets using indices (Note 7)**

We only apply indexation to developed software consistent with the approach followed by HMRC. Software has been indexed using the K5EX (Employment & Earnings – Average Weekly Earnings – Information & Communication) which is published on the Office for National Statistics' website at: http://www.statistics.gov.uk/statbase/tsdtimezone.asp. We have used the average of the monthly index across 2014-15.

- **Measurement of the employee leave accrual (Note 12)**

We use an employee-by-employee breakdown of actual leave balance and salary to calculate our liability for employee leave. The principal uncertainty is in respect of when the untaken leave balance will be used. In the absence of information on the timing of staff members' future use of their leave, we neither discount the liability nor include any forecast of future salary increases.

2. Operating segments for the year ended 31 March 2015

In accordance with IFRS 8, we have identified four key factors to distinguish our reportable operating segments. These are:

- That the reportable operating segment engages in activities from which we earn revenues and incur expenses;
- That the reportable operating segment's financial results are regularly reviewed by the chief operating decision maker to make decisions about allocation of resources to the segment and assess its performance;
- That the reportable operating segment has discrete financial information; and
- That the reportable operating segment provides a distinct service to its customers.

We consider our chief operating decision maker to be our Board. The segmental information below is based on the information presented to the Board. The Board reviews financial information based on four reportable segments:

Non-Domestic Rating and Council Tax

Compilation and maintenance of the non-domestic rating and council tax lists that support the collection of council tax and non-domestic rates.

The major client for this service is the Department for Communities and Local Government (DCLG), which contributes £142m, or 94% of the segment's income. DCLG is also a major customer of other segments, as described below, contributing overall £146m, or 76%, of our total income.

Statutory Valuations Team

Delivery of valuation advice for national taxes, principally inheritance tax and capital gains tax to HMRC; for the operation of Right To Buy and Community Infrastructure Levy provisions for the DCLG (£1.5m) and for the assessment of entitlements to benefits from the Department for Work & Pensions (DWP).

Property Services

Delivery of valuation services and property advice to other public sector bodies.

Local Housing Allowances and Fair Rents

Rent assessment services which are used for assessing Housing Benefit claims and for determining fair rents in accordance with the Rent Act 1977. The segment's principal client is the DWP, but additional work done is carried out for DCLG (£2.4m).

Corporate services costs are distributed across all four operating segments.

2014-15	Non-Domestic Rating and Council Tax	Statutory Valuations Team	Property Services	Local Housing Allowances and Fair Rents	Total
	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	150,896	11,220	15,999	15,040	**193,155**
Full cost of providing services	150,435	10,742	15,657	14,931	**191,765**
Surplus	461	478	342	109	**1,390**

2013-14	Non-Domestic Rating and Council Tax	Statutory Valuations Team	Property Services	Local Housing Allowances and Fair Rents	Total
	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	153,094	11,850	15,974	15,040	**195,958**
Full cost of providing services	152,257	11,902	16,064	14,702	**194,925**
Surplus	837	(52)	(90)	338	**1,033**

3. Staff Numbers and Related Costs

(a) Staff Numbers and Costs

	2014-15			2013-14		
Average number of persons employed:	**Permanently employed staff**	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
The average number of full-time equivalent persons (including senior management) employed during the year was as follows:						
Non-Domestic Rating, Council Tax and Corporate Services	2,787	74	2,861	2,852	103	2,955
Property Services and Statutory Valuations Team	364	-	364	355	-	355
Local Housing Allowances and Fair Rents (former Rent Service)	195	-	195	201	-	201
	3,346	74	3,420	3,408	103	3,511

It is not possible to split staff numbers between Property Services and the Statutory Valuation Team as the work is performed by an overlapping pool of staff.

Staff cost comprise:	2014-15			2013-14		
	Permanently employed staff	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	104,548	3,484	108,032	106,391	2,866	109,257
Social security costs	8,094	56	8,150	8,012	88	8,100
Other pension costs	22,194	177	22,371	21,645	259	21,904
	134,836	**3,717**	**138,553**	**136,048**	**3,213**	**139,261**
Less recoveries in respect of outward secondments	(127)	-	(127)	(152)	-	(152)
Total staff costs	**134,709**	**3,717**	**138,426**	**135,896**	**3,213**	**139,109**

Pension past service cost

A number of our people are members of the Local Government Pension Scheme. Details of this scheme can be found in Note 16.

Civil Service pensions

The majority of our people are members of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a largely unfunded multi-employer defined benefit scheme. We are unable to identify our share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found at http://www.civilservice.gov.uk/pensions. The accounts of the scheme will be published on http://www.official-documents.gov.uk, within the Cabinet Office Civil Superannuation Resource Accounts.

For 2014-15, employer contributions of £19,266,748 (2013-14: £19,066,875), were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £78,834 (2013-14: £76,202) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings. We also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £6,034, 0.8% (2013-14: £5,838, 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £7,907.

No employees have retired on ill-health grounds during 2014-15, total additional accrued pension liabilities were therefore £nil (there were three in 2013-14 with a total additional accrued pension liability of £7,463).

(b) Early departure costs

	2014-15	2013-14
	£'000	£'000
Additional provisions made	226	366
Costs during the year	374	120
Unwinding of one year's discount	13	31
Change in the discount rate	8	68
Unused amounts reversed	(79)	-
Total in-year costs	**542**	**585**

Details of the opening and closing balances of the provision for early retirement and pension obligations can be found in Note 14.

The table below sets out the number of formally agreed exit packages in the year, divided into bands of cost.

	2014-15			2013-14		
Exit package cost by band	**No. compulsory redundancies**	**No. other departures**	**Total no. exit packages by band**	**No. compulsory redundancies**	**No. other departures**	**Total no. exit packages by band**
< £10,000	-	-	-	-	-	-
£10,001 - £25,000	6	1	7	5	2	7
£25,001 - £50,000	-	1	1	-	3	3
£50,001 - £100,000	-	2	2	-	2	2
£100,001 - £150,000	-	-	-	-	-	-
Total no. exit packages by type	**6**	**4**	**10**	**5**	**7**	**12**
Total operating cost (£'000)	**100**	**212**	**312**	**119**	**247**	**366**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year they become a binding obligation. Where we have agreed early retirements, the additional costs are met by us and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The numbers included in the table above include departures of staff who are members of the Local Government Pension Scheme. Their compensation arrangements are outside the scope of the Civil Service Compensation Scheme. The cost of their early retirements reflects the cost of providing any lump sum due on retirement together with the cost associated with the increase in liability to pay future pensions.

Next year we have an approved scheme for £1.6m of exit costs as a consequence of our ongoing estates rationalisation programme that continues to deliver overall savings from relocating our offices.

4. Non-staff programme costs

for the year ended 31 March 2015

	Note	2014-15 £'000	2013-14 £'000
Accommodation costs			
PFI finance charges	19	40	79
Movement on restructuring provision		138	-
Accommodation excluding non-domestic rates		12,637	15,058
Accommodation - non-domestic rates		2,843	3,163
		15,658	**18,300**
Running costs			
HM Revenue and Customs service charges		3,470	3,557
Capgemini IT service charges	19	8,272	9,093
Other computing costs		2,088	1,430
Management and IT consultancy		16	25
Telephone charges		1,448	1,806
Travel and subsistence		4,890	5,558
External training		760	581
Printing, stationery and distribution		531	376
Subscriptions		877	1,037
Postage and couriers		1,351	1,399
Rentals under operating leases		113	159
Legal claims and services (excl movement in provisions)		868	715
Contracted-out services		974	697
Losses and special payments	21	63	116
Sundry costs		1,377	1,569
		27,098	**28,118**
Non-cash costs			
Legal claims and compensation (movement in provisions)		332	359
Auditors' notional remuneration		73	75
Net loss/(profit) on disposal of non-current assets		752	(13)
Increase in provision for doubtful debt		48	114
Impairment of non-current assets	8	541	-
		1,746	**535**
Other operating costs		**44,502**	**46,953**
Depreciation and amortisation			
Depreciation of property, plant and equipment	6	3,063	3,215
Amortisation of intangible assets	7	5,232	5,063
		8,295	**8,278**
Total non-staff programme costs		**52,797**	**55,231**

We are audited by the Comptroller and Auditor General, who has not carried out any non-audit work for us in either year above.

5. Operating Income

for the year ended 31 March 2015

	2014-15	2013-14
	£'000	£'000
Non-Domestic Rating and Council Tax	150,896	153,094
Statutory Valuations Team	11,220	11,850
Property Services	15,999	15,974
Local Housing Allowances and Fair Rents (former Rent Service)	15,040	15,040
	193,155	**195,958**

We must disclose performance results for the areas of our activities where fees and charges are made (see Note 2). This information is provided for Fees and Charges purposes and not for IFRS 8 purposes. The financial goal of all our fees and charges is to recover the full cost of providing the service, in accordance with Chapter 6 of Managing Public Money (http://www.hm-treasury.gov.uk/psr_mpm_index.htm). Where we charge for access to our information, we comply with Treasury and National Archives guidance.

6. Property, plant and equipment

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2014	570	9,439	1,918	9,925	4,713	**26,565**
Additions	-	-	3,986	-	-	**3,986**
Disposals	-	(60)	-	(588)	(316)	**(964)**
Reclassifications	-	1,607	(4,333)	1,926	800	**-**
Revaluations	1,297	-	-	-	-	**1,297**
At 31 March 2015	**1,867**	**10,986**	**1,571**	**11,263**	**5,197**	**30,884**
Depreciation:						
At 1 April 2014	371	7,809	-	7,210	2,411	**17,801**
Charged in the year	84	1,211	-	1,354	414	**3,063**
Disposals	-	(57)	-	(571)	(158)	**(786)**
Revaluations	908	-	-	-	-	**908**
At 31 March 2015	**1,363**	**8,963**	**-**	**7,993**	**2,667**	**20,986**
Net Book Value:						
At 31 March 2015	**504**	**2,023**	**1,571**	**3,270**	**2,530**	**9,898**
At 31 March 2014	**200**	**1,630**	**1,918**	**2,715**	**2,302**	**8,765**

Our buildings (£504k) are PFI financed. All remaining property, plant and equipment are owned. We held no donated assets during the year (2013-14: nil). Our buildings were valued by Property Services, a unit of the VOA, on 31 March 2015. The revaluation related to our Shrewsbury office which is held in our Statement of Financial Position as our only remaining service concession asset under IFRIC 12. As no revaluation of buildings took place last year, this year's revaluation resulted in an increased net book value.

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2013	2,388	9,032	845	9,486	4,472	**26,223**
Additions	-	-	2,565	226	26	**2,817**
Disposals	(440)	(576)	-	(24)	(57)	**(1,097)**
Reclassifications	-	983	(1,492)	237	272	**-**
Revaluations	-	-	-	-	-	**-**
At 31 March 2014	**1,948**	**9,439**	**1,918**	**9,925**	**4,713**	**27,943**
Depreciation:						
At 1 April 2013	1,983	7,037	-	5,789	2,036	**16,845**
Charged in the year	49	1,324	-	1,440	401	**3,215**
Disposals	(284)	(552)	-	(19)	(26)	**(881)**
Revaluations	-	-	-	-	-	**-**
At 31 March 2014	**1,748**	**7,809**	**-**	**7,210**	**2,411**	**19,178**
Net Book Value:						
At 31 March 2014	**200**	**1,630**	**1,918**	**2,715**	**2,302**	**8,765**
At 31 March 2013	**405**	**1,995**	**845**	**3,697**	**2,436**	**9,379**

There is no material difference between the gross value of buildings disclosed above and open market value. Our accounting policy for revaluation is described in Note 1.2.

7. Intangible assets

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2014	45,234	4,065	**49,299**
Additions	-	3,887	**3,887**
Disposals	(134)	(545)	**(679)**
Impairments	*(1,169)	-	**(1,169)**
Reclassifications	4,078	(4,078)	**-**
Revaluations	1,036	-	**1,036**
At 31 March 2015	**49,045**	**3,329**	**52,374**
Amortisation:			
At 1 April 2014	29,118	-	**29,118**
Charged in the year	5,232	-	**5,232**
Disposals	(107)	-	**(107)**
Impairments	*(628)	-	**(628)**
Reclassifications	-	-	**-**
Revaluations	599	-	**599**
At 31 March 2015	**34,214**	**-**	**34,214**
Net book value:			
At 31 March 2015	**14,831**	**3,329**	**18,160**
At 31 March 2014	**16,116**	**4,065**	**20,181**

*Net impairments of £541k

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2013	43,694	632	**44,326**
Additions	16	4,327	**4,343**
Disposals	-	-	**-**
Reclassifications	894	(894)	**-**
Revaluations	630	-	**630**
At 31 March 2014	**45,234**	**4,065**	**49,299**
Amortisation:			
At 1 April 2013	23,747	-	**23,747**
Charged in the year	5,063	-	**5,063**
Disposals	-	-	**-**
Reclassifications	-	-	**-**
Revaluations	308	-	**308**
At 31 March 2014	**29,118**	**-**	**29,118**
Net book value:			
At 31 March 2014	**16,116**	**4,065**	**20,181**
At 31 March 2013	**19,946**	**632**	**20,579**

The Developed Software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £13,808k (2013-14: £19,116k).

8. Impairments

	Impairment taken through to the Revaluation Reserve	Impairment charged to operating costs	Total
	£'000	£'000	£'000
Intangible assets	-	541	541
Impairment charged for the year ended 31 March 2015	**-**	**541**	**541**
Impairment charged for the year ended 31 March 2014	**-**	**-**	**-**

Impairments of £0.541m consist of NDR appeal software within our intangible assets. The impairment was made following a decision by Government to fold the reform of NDR appeals into a broader review of business rates administration.

9. Trade receivables and other current and non-current assets

	31 March 2015	31 March 2014
(a) Trade receivables and other current assets:	£'000	£'000
Trade receivables	6,013	5,455
Other receivables	222	254
Allowance for doubtful debt	(344)	(296)
Prepayments	1,489	1,176
	7,380	**6,589**
Non-current financial assets:		
Prepayments	-	-
	7,380	**6,589**

	Receivables: Current	Receivables: Non-current
(b) Intra government balances:	£'000	£'000
Balances with other central government bodies	1,783	-
Balances with local authorities	942	-
Balances with NHS Trusts	2,749	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	1,906	-
At 31 March 2015	**7,380**	**-**
Balances with other central government bodies	2,582	-
Balances with local authorities	1,500	-
Balances with NHS Trusts	687	-
Balances with public corporations and trading funds	14	-
Balances with bodies external to government	1,806	-
At 31 March 2014	**6,589**	**-**

10. Work in progress

	31 March 2015	31 March 2014
	£'000	£'000
Opening balance	2,247	1,953
Written-off	(22)	(77)
Movement in work in progress	2	261
Movement in provision for foreseeable losses and irrecoverable amounts	114	110
Closing balance	**2,341**	**2,247**

i. As at 31 March 2014 we have a business policy of not invoicing for work in progress where a period of 36 months has elapsed since we last did work on the specific case and the monetary value of the work in progress is less than £100, or the case worker is of the view that the client will not pay if invoiced. In line with this policy and due to other exceptional situations we have written off £22k for the year ending 31 March 2015 (2013-14: £77k).

ii. As at 31 March 2015 we carried out a review of the current fixed price contracts. The purpose of this review was to ascertain if any of these contracts were likely to realise less than the cost of the work required to complete them and to estimate the potential loss. As a result of this review, we have recognised a provision for future losses on these contracts of £90k (2013-14: £96k).

iii. As at 31 March 2015 we also carried out a review of work in progress that relates to contracts on which work has not been carried out for more than six months. It is estimated that £21k of this balance may not be recoverable (2013-14: £45k).

11. Cash and cash equivalents

	31 March 2015	31 March 2014
	£'000	£'000
Balance at 1 April	15,744	11,721
Net change in cash and cash equivalent balances	2,205	4,023
Balance at 31 March	**17,949**	**15,744**
The following balances as at 31 March were held at:		
Government Banking Service	17,949	15,744
Balance at 31 March	**17,949**	**15,744**

The cash balance disclosed above includes £264k (2013-14: £257k) of civil penalties which have been collected on behalf of the Consolidated Fund (see Note 1.15). We have no claim on these receipts and will pay them into the Consolidated Fund.

12. Trade payables and other current and non-current liabilities

	31 March 2015	31 March 2014
(a) Current financial and other liabilities:	£'000	£'000
Trade payables	887*	3,403*
Accruals and deferred income	9,122	8,501
VAT	1,063	304
Current liability in respect of on balance sheet PFI assets	14	12
	11,086	**12,220**
Employee leave accrual	9,059	9,491
Amounts payable to the Consolidated Fund	264	257
	20,409	**21,968**

*The Agency succeeded in reducing the level of trade payables at the current year end by improving the time it takes on average to pay suppliers.

	31 March 2015	31 March 2014
Non-current financial and other liabilities:		
Non-current liability in respect of on balance sheet PFI assets	143	157
	143	**157**
	20,552	**22,125**

	Payables: Current	Payables: Non-current
(b) Intra government balances:	£'000	£'000
Balances with other central government bodies	3,217	-
Balances with local authorities	46	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	17,146	143
At 31 March 2015	**20,409**	**143**
Balances with other central government bodies	3,523	-
Balances with local authorities	29	-
Balances with NHS Trusts	23	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	18,393	157
At 31 March 2014	**21,968**	**157**

13. Financial instruments

As the cash requirements of the Agency are largely met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit or market risk. The Agency does not face a liquidity risk as its operations are financed by the Exchequer.

14. Provisions

(a) Movements in provisions

	Early departure and additional pension commitments	Provision for legal claims and compensation	Provision for accommodation costs	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	**1,527**	**377**	**-**	**1,904**
Increase/(decrease) in provision	300	929	138	1,367
Provisions not required written back	(79)	(346)	-	(425)
Provisions utilised in the year	(714)	(377)	-	(1,091)
Change in the discount rate	8	-	-	8
Unwinding of discount	13	-	-	13
Balance at 31 March 2015	**1,055**	**583**	**138**	**1,776**
Short term (under 1 year)	573	568	-	1,141
Long term (over 1 year)	482	15	138	635
	1,055	**583**	**138**	**1,776**

Provisions for early departure and additional pension commitments

The detailed accounting policy for early departure costs is set out in Note 1.9, the costs are expected to fall due as shown below in Note 14b, and the total in-year costs are detailed in Note 3b.

Provisions for legal claims and compensation

There is uncertainty regarding the timing of the transfer of economic benefits in relation to the legal claims due to risk of appeals and counter appeals, which delay the final outcome. As many of the cases included in the provision are still undecided we do not provide details in case this prejudices the outcome. These provisions are short term in nature and are expected to be used within the next two years.

The write back of unused amounts is a result of more cases than expected being resolved without cost, or being resolved at smaller cost than expected.

(b) Expected payment profile of early departure and additional pension commitments

	31 March 2015	31 March 2014
	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	573	799
Between one and two years	279	306
Between two and five years	198	417
After five years	5	5
	1,055	**1,527**

15. Consolidated Fund income and amounts payable to the Consolidated Fund

	31 March 2015	31 March 2014
	£'000	£'000
Operating receipts payable to the Consolidated Fund	-	-
Civil Penalties receipts on behalf of the Consolidated Fund	264	257
Total Payable to the Consolidated Fund	**264**	**257**

We hold sums payable to the Consolidated Fund in respect of civil penalties. Our Valuation Officers impose civil penalties for failure to submit Forms of Return deemed essential for assessment of rateable value. We collect these penalties as an agent of the Consolidated Fund and have no claim on the amounts received (see Note 1.15).

16. Pension benefit obligations

Introduction

We merged with The Rent Service on 1 April 2009, taking on employees who are members of the Local Government Pension Scheme. The fund is administered by London Pension Fund Authority (LPFA) and the trustees are appointed by the Mayor of London. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for us. The Local Government Scheme is accounted for as a defined benefit scheme. The Annual Report and Accounts of the LPFA can be found on their website, www.lpfa.org.uk.

The accounting entries in respect of the year ended 31 March 2015 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation, performed as at 31 March 2013 and completed in March 2014. The actuary allows for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward our share of the scheme's assets at the last formal valuation, allowing for investment returns and the effect of payments in and out of the fund. Service costs have been estimated using contribution information supplied to the actuary.

The Department for Work and Pensions have actively managed the LGPS liability by paying £48m into the scheme in March 2015 to reduce the liability. Thus effectively indemnifying the VOA for scheme liabilities pre The Rent Service merger. The effect of this payment, which has been offset by an actuarial loss on the pension fund of £19.6m, has been to reduce the liability from £37.7m in 2013-14 to £8.7m in 2014-15. The actuarial loss has occurred because of changes in the financial assumptions used by the actuary to calculate the value of the VOA's portion of the scheme assets and liabilities. The discount rate reduction (from 4.4% to 3.2%) offset by the CPI inflation assumptions have had the biggest impact on this loss.

In 2014-15, we made contributions at a rate of 18.2% (2013-14: 22.2%) of pensionable salary. In 2015-16 we will continue to make contributions at 18.2% of pensionable salary. The total cash contribution that we expect to make to the LGPS scheme in the year to 31 March 2016 is £1,960k.

Transactions relating to the Local Government Pension Scheme

Recognised as operating costs	2014-15		2013-14	
	£'000	% of pay	£'000	% of pay
Service cost	1,208	25.5%	1,271	28.5%
Net interest on defined liability	1,629	34.4%	1,335	29.9%
Administrative expenses	150	3.2%	148	3.3%
	2,987	63.1%	**2,754**	61.7%
Actual return on scheme assets	**6,621**		**3,474**	

The service cost is the increase in scheme liabilities as a result of employees' services. Net interest cost is the increase in the present value of the scheme's liabilities due to moving one year closer to payment.

Recognised in Statement of Changes in Taxpayers' Equity	2014-15	2013-14
	£'000	£'000
Return on plan assets in excess of interest	2,290	(505)
Other actuarial gains/(losses) on assets Experience gain/(loss) on assets	-	1,195
Actuarial gains and (losses) arising from changes in financial assumptions	(19,624)	2,553
Actuarial gains and (losses) arising from changes in demographic assumptions	-	(942)
Experience gain/(loss) on defined benefit obligation	(2)	(5,200)
Actuarial gain/(loss) recognised in Statement of Changes in Taxpayers' Equity	**(17,336)**	**(2,899)**

Actuarial gains and losses may arise on both scheme assets and liabilities. For assets, the gains and losses are as a result of the differences between the actual and expected return. This figure may be volatile from year to year because of sensitivity to the market values of scheme assets at 31 March each year.

Actuarial gains and losses on liabilities arise because of differences between actuarial assumptions and actual experience during the period, and the effect of changes in actuarial assumptions.

Assets and Liabilities relating to the Local Government Pension Scheme

	31 March 2015	31 March 2014
	£'000	£'000
Fair value of scheme assets	151,342	99,966
Present value of funded liabilities	(159,688)	(137,361)
Net liability	(8,346)	(37,395)
Present value of unfunded obligations	(333)	(305)
Net Liability in the Statement of Financial Position	**(8,679)**	**(37,700)**

Reconciliation of fair value of the scheme liabilities

	31 March 2015	31 March 2014
	£'000	£'000
Opening defined benefit obligation at 1 April	137,666	131,691
Service Cost	1,208	1,271
Interest cost	5,960	5,314
Remeasurements (gains)/losses arising from changes in financial assumptions	19,624	(2,553)
Remeasurements (gains)/losses arising from changes in demographic assumptions	-	941
Experience loss/(gain) on defined benefit obligation	2	5,200
Estimated benefits paid	(4,710)	(4,466)
Contributions by scheme participants	287	284
Estimated unfunded benefits paid	(16)	(16)
Closing defined benefit obligation at 31 March	**160,021**	**137,666**

Reconciliation of fair value of the scheme assets

	31 March 2015	31 March 2014
	£'000	£'000
Opening fair value of assets at 1 April	99,965	98,655
Interest on assets	4,331	3,979
Return on assets less interest	2,290	(505)
Other actuarial gains/(losses)	-	1,195
Administration expenses	(150)	(148)
Contributions by the employer including unfunded	49,370	988
Contributions by scheme participants	287	284
Estimated benefits paid plus unfunded net of transfers in	(4,751)	(4,482)
Estimated fair value of scheme assets at 31 March	**151,342**	**99,966**

Indemnity for pension liability from the Department for Work and Pensions (DWP)

We have a service level agreement with DWP who have accepted that if the pension scheme liability was to crystallise then they would be liable. They also accept that if the DWP cannot meet these costs they will seek additional funding from HM Treasury to address any shortfall. We are effectively therefore indemnified against this liability.

Sensitivity analysis

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of pension entitlements.

	£'000	£'000	£'000
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	157,437	160,021	162,651
Projected service cost	1,438	1,468	1,499
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	160,260	160,021	159,783
Projected service cost	1,469	1,468	1,467
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	162,432	160,021	157,650
Projected service cost	1,499	1,468	1,438
Adjustment to mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	154,900	160,021	165,142
Projected service cost	1,424	1,468	1,512

History of surplus or deficit in the scheme

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	151,342	99,966	98,655	89,166	91,186
Fair value of defined benefit obligations	(160,021)	(137,666)	(131,691)	(117,986)	(103,059)
Net liability arising from defined benefit obligation	**(8,679)**	**(37,700)**	**(33,036)**	**(28,820)**	**(11,873)**

Financial assumptions

	31 March 2015	31 March 2014
	% per year	% per year
RPI Increases	3.1%	3.5%
CPI Increases	2.3%	2.7%
Salary increases	4.1%	4.5%
Pension increases	2.3%	2.7%
Discount rate	3.2%	4.4%

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond yield curve.

Composition of scheme assets

	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Equities	65,659	43.4%	72,975	73.0%
Target return funds	43,751	28.9%	9,997	10.0%
Alternative assets	24,556	16.2%	14,995	15.0%
Cash	17,376	11.5%	1,999	2.0%
	151,342		**99,966**	

Demographic and statistical assumptions

The following life expectancy assumptions are used by the actuary in calculating the accounting entries:

Life expectancy from age 65 (years)	31 March 2015	31 March 2014
Retiring today:		
Males	22.6	22.5
Females	25.3	25.2
Retiring in 20 years:		
Males	24.9	24.8
Females	27.6	27.4

The post retirement mortality is based on the Club Vita mortality analysis, projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum. In addition, it has been assumed that members will exchange half of their commutable pension for cash at retirement, that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age and no members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

17. Capital Commitments

	31 March 2015	31 March 2014
	£'000	£'000
At 31 March the following future capital commitments had been authorised and contracted:		
Property, plant and equipment	220	928
Intangible assets	215	-
	435	**928**

18. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases (excluding PFI contracts), analysed according to the period in which the payments fall due.

	31 March 2015	31 March 2014
	£'000	£'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	4,349	4,331
Later than one year and not later than five years	5,482	8,014
Later than five years	-	-
	9,831	**12,345**
Other		
Not later than one year	91	39
Later than one year and not later than five years	168	90
Later than five years	-	-
	259	**129**

Obligations have reduced during the year as we have vacated a number of properties where the leases have expired. This was in line with our estates rationalisation strategy.

We have no right to purchase the land and buildings leased under operating leases.

The commitments presented in this note do not include our commitments with regard to the STEPS PFI contract for accommodation services or the ASPIRE contract for IT services. These are discussed in Note 19.

19. Commitments under PFI contracts

Our sponsor department, HMRC, has entered into a PFI contract with Mapeley Estates Limited for the provision of office accommodation and facilities management. The VOA is not itself a party to the contract, which was negotiated by HMRC, but, as part of the sponsor department, we are effectively bound by the contract's terms. As such we record liabilities and commitments in respect of the buildings we are responsible for. The contract commenced in April 2001 and ends in March 2021. The estimated capital value of the contract in respect of the Agency is £2.421m, as measured at the inception of the contract.

(a) On balance sheet

Our Shrewsbury office is under the PFI contract with Mapeley Estates Limited and is treated as our asset in accordance with IFRIC 12. We have control over the services provided using the asset and control of its residual interest.

	31 March 2015	31 March 2014
	£'000	£'000
Total obligations under on balance sheet PFI contracts for the following periods comprises:		
Not later than one year	52	52
Later than one year and not later than five years	207	207
Later than five years	51	103
	310	362
Less interest element	(153)	(193)
Liability on Statement of Financial Position (see Note 12a)	**157**	**169**

	31 March 2015	31 March 2014
	£'000	£'000
Present value of total obligations under on balance sheet PFI contract for the following periods comprises:		
Not later than one year	14	12
Later than one year and not later than five years	101	82
Later than five years	42	75
Liability on Statement of Financial Position (see Note 12a)	**157**	**169**

Upon transfer, we received a consideration from the PFI provider of £1.5m in respect of the transferred assets. The remaining capital value of the assets resulted in a PFI prepayment of £921k. This was immediately offset against the opening liability in respect of the relevant properties, rather than being capitalised and amortised over the period of the contract. This prepayment has therefore resulted in reduced interest and capital repayment costs over the life of the contract.

The commitments above consist of the minimum lease payments for each property, over the term running from the reporting date to the earliest date that we can vacate the property without penalty.

Our Shrewsbury office is accounted for under IFRIC 12. We have the right to require that a new lease be granted so that it can remain in occupation beyond the end of the STEPS agreement. It is unlikely our Shrewsbury office will remain open as it has been excluded from the list of properties the VOA intends to retain under the estates rationalisation strategy.

(b) Off balance sheet

The total payments we are committed to make in respect of off balance sheet PFI properties, analysed by the period in which they are due, are set out below:

	31 March 2015	31 March 2014
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,247	5,639
Later than one year and not later than five years	1,561	3,041
Later than five years	110	344
	5,918	**9,024**

The commitments above consist of the minimum lease payments for each property, over the term running from the reporting date to the earliest date that we can vacate the property without penalty.

Our STEPS lease payments increase with the Retail Prices Index (RPI). In line with a change in our sponsor department's policy, we no longer include these future contingent rent amounts in our commitments. Prior year amounts above have been adjusted for this change.

We have no right to purchase these properties at the end of the STEPS agreement, but may negotiate an extension to the leases if required.

In the year to 31 March 2015, we paid £6,296k (2013-14: £7,282k) to the STEPS contractor in respect of off balance sheet properties and service charges. In addition to the STEPS scheme described above, we occupy space in buildings procured under PFI schemes by HMRC and the Department for Work and Pensions. Lease commitments to other government bodies in respect of these buildings are included in Note 18.

(c) Total charge to the Statement of Comprehensive Net Expenditure and future commitments

The total charge to the Statement of Comprehensive Net Expenditure in respect of:

- service charges;
- rent for off balance sheet land and buildings; and
- interest and contingent rent for on balance sheet properties

was £6,348k (2013-14: £7 ,521k). Future commitments in respect of these payments are analysed below:

	31 March 2015	31 March 2014
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,284	5,679
Later than one year and not later than five years	1,667	3,166
Later than five years	120	372
	6,071	**9,217**

The commitments above consist of the minimum payments for each property, over the term running from the reporting date to the earliest date that we can vacate the property without penalty.

(d) The ASPIRE contract for the provision of IT services and equipment

The IT non-current assets recognised by our IT partners CapGemini and Fujitsu and used in delivering the ASPIRE contract have been capitalised (in HMRC's accounts) as finance leases under IFRIC 12 and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. It is not possible to separate these assets between the Agency and HMRC as they are used in common to deliver the service. These joint assets are held by HMRC and are treated as an operating lease by the Agency. Whilst HMRC's consolidated figures will report the correct aggregate position this difference in approach is to be noted. Where related figures are reported separately for HMRC and the Agency, there is no material impact on figures reported.

During the year to 31 March 2015, we paid £8,272k (2013-14: £9,503k) in service charges in respect of the ASPIRE contract. While we currently plan to incur £12,290k in operating expenditure for ASPIRE services during 2015-16 there is no commitment to expend these sums.

20. Contingent liabilities at 31 March 2015

Our contingent liabilities are as follows:

a) We are involved in several legal actions arising from our statutory activities. If we lose these cases we are generally not liable for compensation but could be liable for the other party's costs if the court so decides. Often cases pass through several levels of appeal before final resolution and subsequent hearings to assess costs are not uncommon. Cases are typically under consideration by tribunals ranging from the Valuation Tribunal to the European Court of Justice.

We are confident of success in those cases which are not accounted for within our provisions. This is often because we have already won in a lower court or because we have received legal advice confirming the strength of our position. We cannot easily assess third party costs in these cases but it is estimated that there is £2.4m of contingent liabilities as at the end of the financial year.

b) We are occasionally liable to compensate staff for dismissal for health related issues under the PCSPS. Also on occasion current or former staff may sue us for discrimination or unfair dismissal. At present there are no cases where there is a potential liability (2013-14: £nil).

21. Losses and Special Payments

We have incurred losses and made special payments as shown below.

	2014-15		2013-14	
	No. payments	£'000	No. payments	£'000
Losses				
Losses of pay	18	1	14	2
Claims abandoned	10	12	20	23
	28	**13**	**34**	**25**
Special payments				
Special payments	-	-	1	0
Ex-gratia payments	17	4	16	3
Compensation payments	65	46	43	88
	82	**50**	**60**	**91**

Losses and special payments are shown in their own line in Note 4.

Losses and special payments are defined in Annexes 4.10 and 4.13 to Managing Public Money, which can be found at https://www.gov.uk/government/publications/managing-public-money.

22. Related Party Transactions for the year ended 31 March 2015

The Valuation Office Agency is an Executive Agency of HM Revenue and Customs (HMRC). HMRC is a related party and we had a significant number of material transactions with it during the year. Reported income in the year includes £9,003k (2013-14: £9,500k) earned from HMRC and expenditure includes £13,036k (2013-14: £19,638k) invoiced to us by HMRC. Current assets include £27k (2013-14: £1k) of debt due from HMRC and current liabilities include £124k (2013-14: £1,470k) due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

We are controlled by the UK Government and have a significant number of material transactions with other UK Government departments. Most of these transactions have been under service level agreements (SLAs) with the Department for Work and Pensions, the Department for Communities and Local Government and the Welsh Government. To 31 March 2015 income was invoiced to these parties under SLAs as follows:

Department for Work and Pensions
£13,255k (2013-14: £13,370k)

Department for Communities and Local Government
£145,975k (2013-14: £148,022k)

Welsh Government
£8,561k (2013-14: £8,826k)

We had material transactions with pension schemes providing benefits to our people, the Principal Civil Service Pension Scheme and the Local Government Pension scheme as administered by the London Pension Fund Authority. These transactions are discussed in Notes 3 and 16 respectively.

During the year, no Board Member has undertaken any material transactions with the VOA. We had no material transactions with any party related to us because of a Board member's interest in it or influence over it. One Board member has a close family member who is also employed by the VOA. The individual concerned is remunerated according to the normal scale and policies for their grade. There is no direct supervision by the Board member of their family member, and our procedures do not allow them to significantly influence the family member's remuneration.

Director compensation is provided in detail in the Remuneration Report within the Annual Report section of this document.

23. Events after the Reporting Period

The Accounting Officer authorised these financial statements for issue on 25 June 2015.

24. Standards in issue but not yet effective

These accounts have been prepared in accordance with the Treasury's Financial Reporting Manual 2014-15. This manual typically applies the standards and interpretations that are effective for the accounting period to which it refers. New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in these accounts. The following standards may affect our accounts when they become effective:

IFRS 9 Financial Instruments

This standard was published on 24 July 2014 and is effective from 1 January 2018. It will apply to these financial statements in place of IAS 39. We do not currently hold assets or liabilities which would be affected by this change and do not anticipate doing so in future.

IFRS 13 Fair Value Measurement

The FReM 2014-15 states that IFRS 13 applies prospectively to entities from 1 April 2015 and that early adoption is not permitted.

Fair value measurement is used in our accounts in accordance with the current FReM as follows:

Property, plant and equipment, and intangible assets, are held at their fair values;

Financial assets and liabilities are recorded at fair value on initial recognition; and

The assets and liabilities that form the net LGPS pension liability are held at fair value.

IFRS 15 Revenue from Contracts with Customers

Effective for years ending on or after 31 December 2017, this new standard issued on 24 May 2014 replaces existing IFRS guidance in a single standard. Although there may be a significant impact for some organisations on how and when they recognise revenue under the new standard it is not likely to have a major impact on our revenue recognition. All organisations will however be subject to extensive new disclosure requirements.

IAS 1 Presentation of Financial Statements (Disclosure Initiative)

To address some of the perceived problems with current disclosure requirements, on 18 December 2014 the International Accounting Standards Board published clarifications to IAS 1 Presentation of Financial Statements. The amendments do not require any significant change to current practice and are expected to be filtered through our regulatory framework in due course. These amendments will be effective for years ending on or after 31 December 2016.

IAS 17 Leases (replacement)

The International Accounting Standards Board have published a project update in March 2015 entitled Leases: Practical implications of the new Leases Standard. It states in this document that the accounting standards boards think that a customer (lessee) leasing assets should recognise assets and liabilities arising from those leases (including leases that are off balance sheet today). A revised Exposure Draft Leases (the 2013 ED) was published in May 2013. Extensive feedback on the proposals has been received and almost all aspects of the project have been redeliberated since March 2014.The effective date of the new Leases Standard will be decided upon in the next few months. The International Accounting Standards Board plans to issue the new standard before the end of 2015. It is anticipated that all of our current operating leases and their associated assets will be affected as soon as the amendments are adopted in the Treasury's regulatory framework that governs our financial statements.

IAS 19 Employee benefits

The amendments, effective for year end accounts ending on or after 30 June 2015, introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties to defined benefit pension plans. We expect theses amendments to be considered in the actuarial assessments of our future pension valuations.

PAYMENT OF LOCAL AUTHORITY RATES (POLAR)

Introduction

The Valuation Office Agency (VOA) is responsible for administering the POLAR scheme for the Foreign and Commonwealth Office (FCO). The Chief Executive Officer of the VOA is the Accounting Officer for POLAR. The POLAR accounts are included within the HMRC consolidated resource accounts and are audited as part of the overall HMRC audit. It does not form part of the VOA accounts and is not audited as part of the VOA audit. Therefore the following information has not been subject to audit.

Background

POLAR is a scheme by which local billing authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a mission with diplomatic status. As per the Vienna Convention on Diplomatic Relations 1961 and Diplomatic Privileges Act 1964 all states and other bodies sending diplomatic representatives to another state are exempt from all national, regional or municipal dues and taxes in respect of premises of the mission. Under the scheme, diplomatic missions are encouraged to contribute an amount known as the Beneficial Portion. This is to take account of the extraneous services such as the fire service and street lighting. The Beneficial Portion was set at 6% of the overall rates bill in 2014-15.

VOA Responsibilities

The VOA administers the POLAR scheme. Essentially the VOA's role is to liaise with local billing authorities, diplomatic missions and the FCO.

The VOA pays 100% of the rates liability to the billing authorities and then seeks to recover the Beneficial Portion from the mission. If a mission falls into arrears then the FCO will encourage them to pay the Beneficial Portion – although there is no legal obligation to do so.

Facts and Figures

In 2014-15 there were 230 diplomatic missions in the UK covering 392 properties. Of these all were in England except 19 in Scotland, one in Wales and two in Northern Ireland. Rateable values ranged from less than £500 to £7 million and a total of 28 billing authorities are involved in the POLAR scheme, mainly in Greater London. During 2014-15 the POLAR scheme required £72.6 million of funding (2013-14: £63.8m). The net Beneficial Portion collected was £4.1 million (2013-14: £3.7m). The inherent risk of the POLAR scheme is low, the main areas of uncertainty being vacation of properties without FCO knowledge and changes in the rateable value of properties due to refurbishments etc. These issues can sometimes take several years to come to light and can lead to sudden demands for backdated rates or indeed refunds.

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