



Valuation Office
Agency

Valuation Office Agency

Annual Report and Accounts 2016-17



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2016-17

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Overview

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Foreword by Penny Ciniewicz, Chief Executive

“ As we build on our past successes we will maintain our collective focus on greater efficiency, and improving the public service we provide. ”



Five years ago the Valuation Office Agency (VOA) embarked on its transformation journey to enhance the services we provide to our customers and clients.

As a result of our transformation activity we are already delivering our services in new and more efficient ways, guided by our strategic objectives - to be more trusted, more expert, more digital and more efficient.

One of the achievements in the last year, that I and colleagues across the Agency are most proud of, was the successful delivery of the revaluation of almost 2 million non-domestic properties for business rates. The work we do to compile and maintain statutory lists of the rateable values of these properties enables the collection of around £26 billion every year in business rates by local authorities across England and Wales. To support customers' understanding of their draft valuation we launched our new 'Find Your Business Rates Valuation' service on GOV.UK. This digital tool, which allows ratepayers to see their draft valuations online, together with our online enquiry facility and the updated information we provided for customers, resulted in a 44% reduction in draft valuation enquiries compared to the previous revaluation in 2010, as over 1 million users checked the details of their valuation online.

In the same year we delivered Revaluation 2017 we also developed and launched Check, Challenge, Appeal (CCA). Launched on 1 April 2017, CCA is a new digital service for customers who want to challenge their business rates valuations. As with any new service launched in public beta in the private or public sector we will continue to hone and update the service we provide in response to feedback from our customers.



Whilst the 2017 Revaluation and CCA were two major areas of focus for us in 2016-17, our day to day work ensured that we provided local and national government with the valuation services they need to create a stable property tax base worth over £52 billion per annum. Operationally, our dedicated teams continue to demonstrate their commitment to delivery of the services that support this tax base and other vital services, including the payment of property related benefits. This year they again achieved excellent results against targets across various areas of work, including updating council tax and business rates valuations to reflect property changes, valuation integrity (a check on the quality of our valuation, process compliance and timeliness in making valuation decisions), delivery of Right to Buy valuations in Scotland and the provision of independent and impartial property advice to the wider public sector. We also exceeded our target of clearing 153,000 business rates appeals from the 2010 lists, achieving 154,000.

We anticipate that by 2020-21 our budget will be 29% lower in real terms than it was in 2015-16, therefore we need to make significant savings over the next few years. Where possible, we are committed to making these savings by working more efficiently; transforming our services and the way we are organised.

Reorganising ourselves by function – which will mean our people working across different areas of our business, such as business rates, council tax or housing allowances for example – will provide the greater flexibility we need to meet this challenge. Working in this way will help us continue to provide the professional service our customers expect from us as the number of people in the Agency reduces. It will also provide our people with more varied work and more extensive career progression opportunities. We have made good progress on this during the course of the year: our Chief Valuer, Process, Policy and Transformation functions are now in place, and we organised ourselves to deliver Check, Challenge, Appeal along these lines.

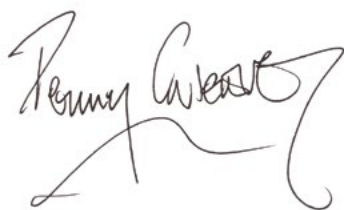
“ It will also provide people with more varied work and more extensive career progression opportunities. ”

We also see Continuous Improvement (CI) as vital to improving customer service and reducing costs. In the last year we have trained over a thousand people from our council tax and business rates teams to apply CI techniques to the services they work on, identifying small changes that add real value.

We have continued to reduce the space we occupy, helping to reduce costs and focus our spending on front-line services for customers. We secured a further £1 million annualised savings from our 2016-17 estate changes.

As we have transformed over the last five years, so has the environment that we operate in. With changing customer needs, emerging technologies, and reducing resources, we need to continue to change to ensure we deliver our services in the best way we can.

As we build on our past successes, we will maintain our collective focus on greater efficiency and improving the public service we provide. As our results demonstrate, colleagues across the Agency are committed to achieving the best service possible for our customers and clients. I am very proud of their commitment and all we have achieved together this year. It's this dedication, expertise and professionalism that gives me confidence in the Agency's ability to rise to any challenges the year ahead may bring.

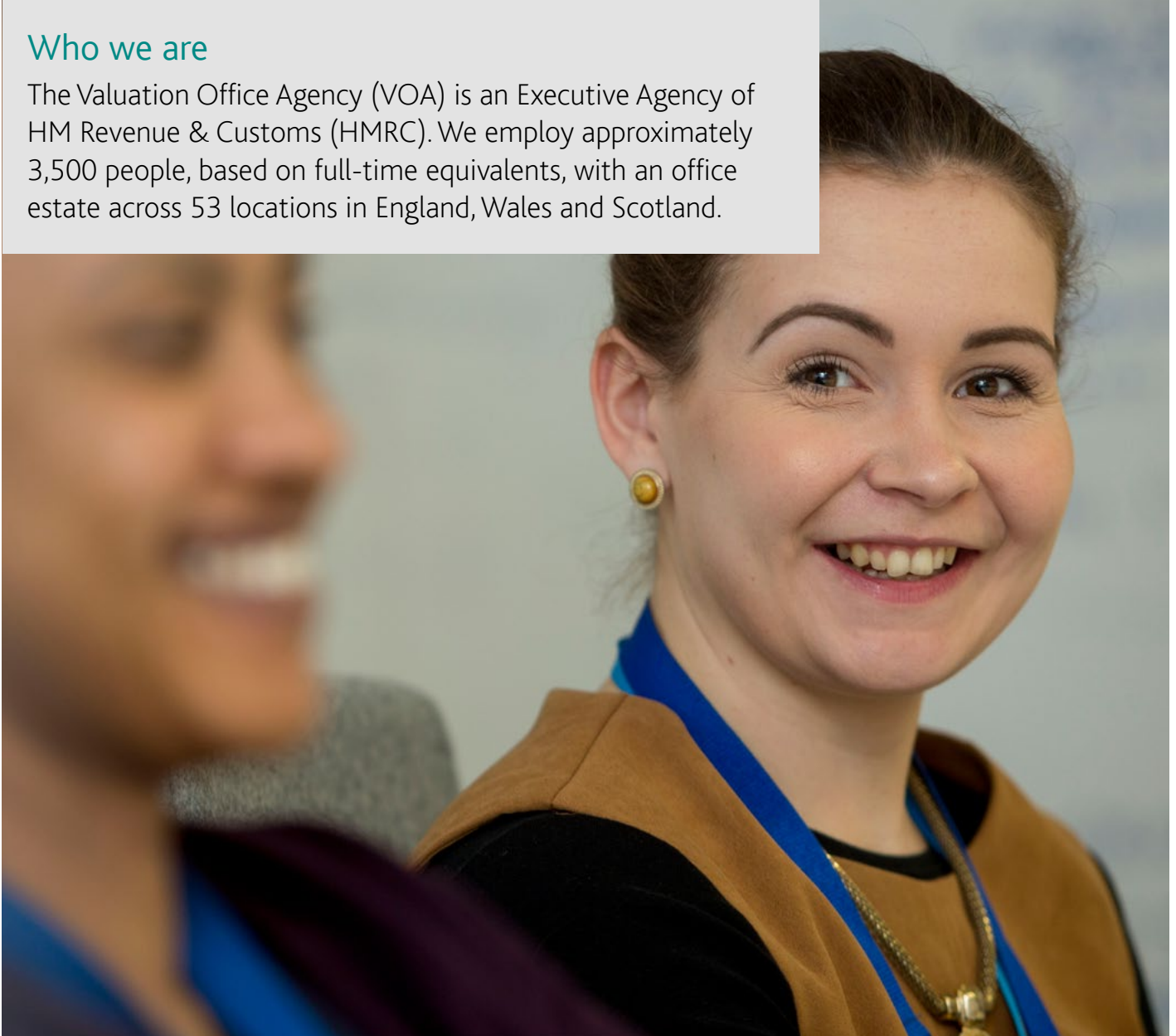
A handwritten signature in black ink, appearing to read 'Penny Ciniewicz', with a large, stylized flourish extending from the end of the name.

Penny Ciniewicz
Chief Executive
27 June 2017

Who We Are and What We Do

Who we are

The Valuation Office Agency (VOA) is an Executive Agency of HM Revenue & Customs (HMRC). We employ approximately 3,500 people, based on full-time equivalents, with an office estate across 53 locations in England, Wales and Scotland.



Core purpose

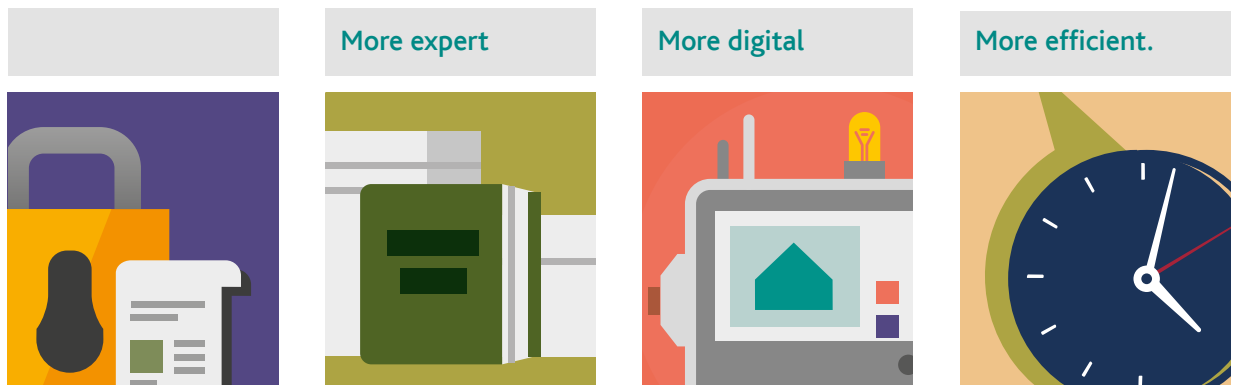
We are the public sector's property valuation experts and advisers, helping people and businesses to pay the right property taxes and to receive the right financial support.

Our vision

Our customers have confidence in our valuations and advice. We listen to and trust each other. Together, we make the VOA a great place to work.

Our strategic objectives

Our vision describes the Agency we need to be if we are to successfully deliver our core purpose. To help us get there, we are prioritising work that will make us:



What we do

The work we do enables the collection of approximately £52 billion of revenue in business rates and council tax in England and Wales, which helps to fund essential public services. We also help determine Fair Rents and Housing Allowance received, as well as undertaking property valuation work for public sector clients.

We deliver our services through four main business streams:

1. Business Rates
2. Council Tax and Housing Allowances
3. Statutory Valuations
4. Property Services

Business Rates

We compile and maintain statutory lists of the rateable values for almost 2 million properties for business rates, enabling the collection of approximately £26 billion in business rates by local authorities across England and Wales.

Council Tax

We compile and maintain statutory lists of council tax bands for 25 million domestic properties, enabling the collection of approximately £26 billion in council tax across England and Wales.

Housing Allowances

- We collect and interpret information on rental income domestic property. We make this information available to others across the public sector, for example to inform the operation of parts of the benefits system. From March this year, the Office for National Statistics (ONS) has included a measure of owner occupier housing costs (based upon our data) in their reporting of the Consumer Price Index (now called CPIH). This is their most comprehensive measure of consumer inflation.
- We determine Local Housing Allowances (LHA) rates across England.
- We advise local authorities of the maximum subsidy level payable for Housing Benefit claims under the local reference rent system.



Consumer Prices Index - Housing (CPIH)

From March 2017, the Office for National Statistics has been using CPIH, a consumer price inflation gauge that includes the measure of owner-occupiers' housing costs based upon our data, as their most comprehensive measure of consumer inflation.

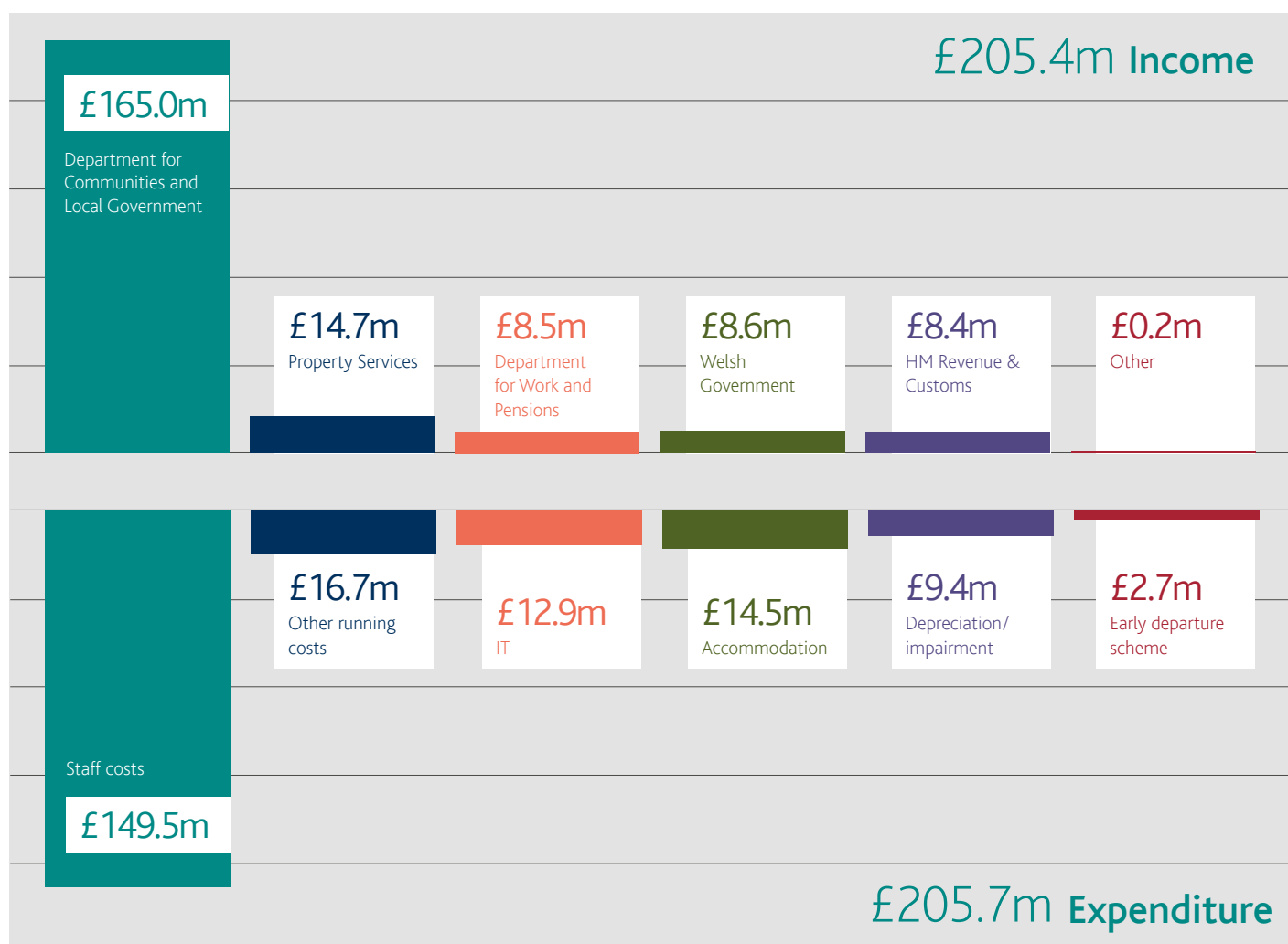
- We manage a register of Fair Rents, setting the maximum rent that can be charged for a 'regulated tenancy' in England.

Statutory Valuations

- We provide statutory valuations to support Inheritance Tax, Capital Gains Tax and other taxes administered by HM Revenue & Customs.
- We determine Right to Buy appeals in England and Wales.
- We decide appeals against the Community Infrastructure Levy.
- We provide valuations for the Department for Work and Pensions to support the administration of benefits.

Property Services

We provide a range of independent property advice and valuations right across the public sector, in cases where there is a public function and/or public money is involved.



Funding and expenditure

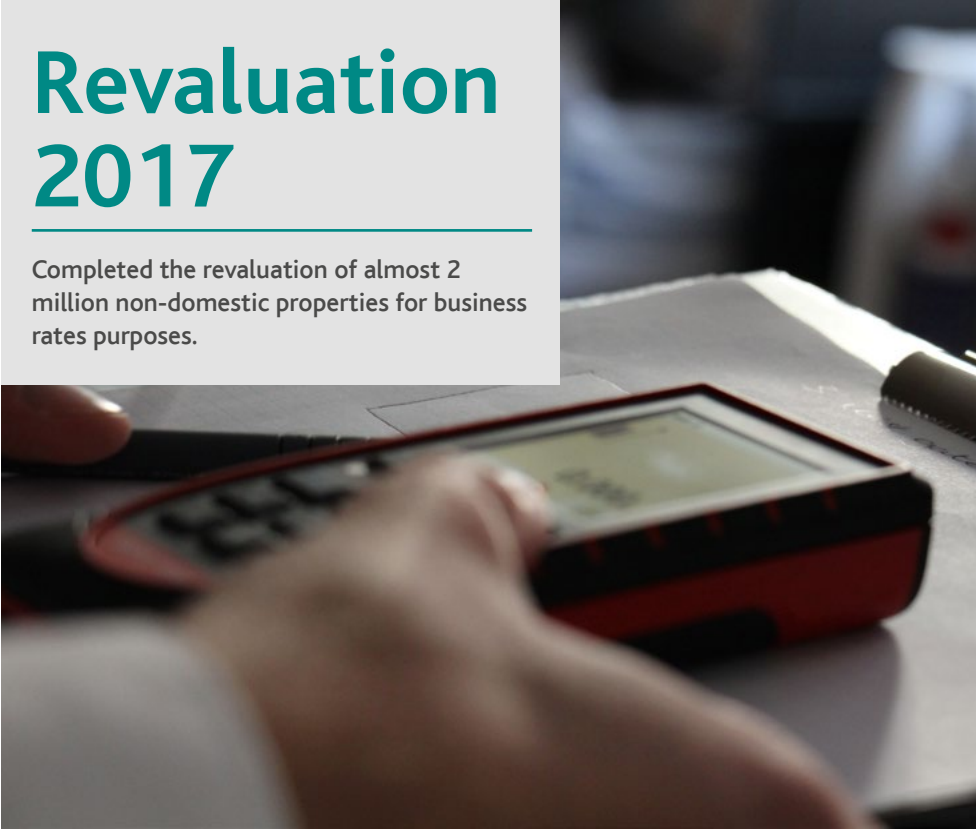
In 2016-17, the Agency had income from fees and charges from its clients of £205.4m and the full cost of providing these services was £204.0m. This results in an operating surplus of £1.4m.

The Agency also has £1.7m of pension costs which cannot be offset by income under HM Treasury rules and results in a deficit of £0.3m. Although no corresponding income is shown for this, it is fully funded by the Agency's sponsor department HMRC.

Our Performance in 2016-17

Revaluation 2017

Completed the revaluation of almost 2 million non-domestic properties for business rates purposes.



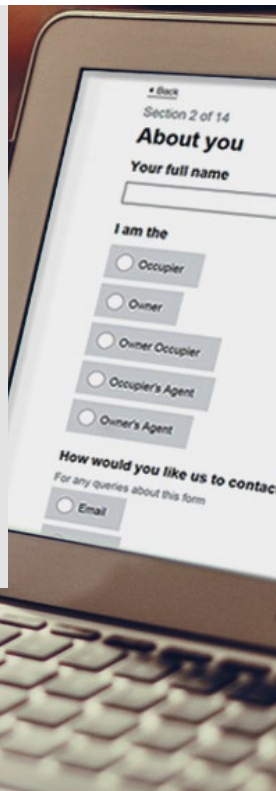
Check, Challenge, Appeal (CCA)

Launched CCA, a new system to challenge business rates valuations. CCA promotes early discussion and exchange of information, so issues can be resolved at the earliest opportunity, reducing the need for formal appeals.



Find Your Business Rates Valuation service

New service enabled ratepayers to see draft business rates valuations for all properties. More than one million unique visitors used this service prior to the rating lists coming into force on 1 April 2017.



Professional qualifications

Currently supporting 245 of our people to gain professional qualifications.



Performance Achievement Scheme



Piloted a new approach to staff performance management on behalf of the Civil Service. Trained all our line managers to coach people to improve performance.



Sustainability

Now send less than 0.5% of our waste to landfill. Recycle and reuse 99% of our waste.

Statutory Valuations Team



Met all of its valuation quality and timeliness targets.



Local Authority Information Gateway

Worked with a range of local authorities and representative bodies to establish this Gateway. Information shared this way will help authorities with future financial planning.



Cleared 154,000 business rates appeals

Exceeded our target of clearing 153,000 business rates appeals from the 2010 rating list, achieving 154,000.

Continuous Improvement (CI)

Trained over 1,000 VOA people to apply CI techniques to the services they work on, identifying small changes that add value.



Customer satisfaction in Property Services

94% of Property Services customers were satisfied or very satisfied with the service they received.

Exceeded Housing Allowances targets

Housing Allowances team achieved an overall quality score of 98% for its valuations, exceeding the 95% target.



Summary of Key Risks

We identify risks and issues which pose a threat to our performance. We then mitigate and manage these risks and issues to reduce or prevent them impacting the successful delivery of our objectives. More detailed explanation and details of agreed mitigations can be found on pages 46 to 48.

Risks we managed during the year include:

- **Pace and scale of change - There is a risk to the Agency that** we fail to plan for and manage the pace and scale of change required in order to deliver the Agency's Spending Review commitments.
- **Columbus - There is a risk to the Agency that** if we fail to deliver a smooth exit from the Aspire technology contract effectively, it could de-rail our operational commitments.
- **Customers - There is a risk to the Agency that** we fail to use our understanding of customers consistently and effectively when designing and implementing policies, processes and services, resulting in a failure to fully deliver our objectives.
- **Managing our resources - There is a risk to the Agency that** we fail to understand the right numbers of people, skills and knowledge required to deliver our services in the future.
- **Engaging with our people - There is a risk to the Agency that** we fail to improve engagement levels of our people.
- **Leadership - There is a risk to the Agency that** our leaders and managers do not have the capability or confidence to move the organisation from where it is now to where it needs to be in the future.
- **Cyber risk - There is a risk to the Agency that** we fail to implement and maintain effective cyber security capability, controls and response.
- **Valuations - There is a risk to the Agency that** our customers do not trust our valuations and property advice.

Performance Analysis

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Reviewing Our Performance

This section sets out our performance against our four strategic objectives.

More Trusted

We provide valuations which underpin the payment of local and national taxes, and the payment of housing benefits. We are committed to providing our customers with a modern and efficient service based on mutual understanding, respect and cooperation.

Revaluation of non-domestic properties

During 2016-17, we completed the revaluation of almost 2 million properties for non-domestic rates (also known as business rates) purposes. This major programme began in 2014 and was completed on 1 April 2017, when we published 348 local lists and two central lists containing valuations for every non-domestic property in England and Wales. These rating lists are now being used by local authorities as the basis for collecting approximately £26 billion of taxation in England and Wales.

To achieve this we:

- produced draft valuations and launched a new 'Find Your Business Rates Valuation' digital tool on 30 September 2016 on GOV.UK that enabled ratepayers to see the rateable values for all properties, with detailed summary valuations available online for the majority of these. More than one million unique visitors used this service prior to the rating lists coming into effect on 1 April 2017.
- launched an online enquiry facility together with updated information, including videos. Customers were able to find answers to their questions online, and the VOA received 44% fewer draft valuation enquiries than we received during the previous revaluation in 2010.
- ensured our Local Authority Relationship Managers met with local authorities over the period to make sure they were kept informed throughout the process.
- dealt with enquiries about the revaluation in a timely way.

Council tax and business rates lists

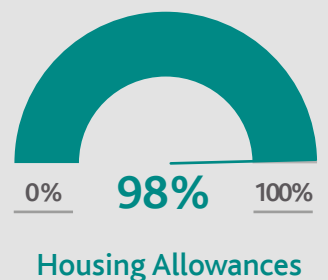
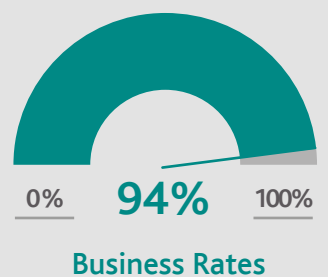
We work closely with local authorities to maintain the accuracy of the lists that underpin council tax and business rates bills.

Our work in this area includes:

- publishing detailed statistics summarising the number of council tax reports, band reviews, appeals and proposals received and cleared as Official Statistics on GOV.UK in August 2017.
- completing the deployment of Continuous Improvement (CI) techniques to all of our council tax teams, helping them to identify process improvements.

Valuation integrity

a check on the quality of our valuation, process compliance and timeliness in making a valuation decision.





“ exceeded our target of clearing 153,000 business rates appeals from the 2010 lists... ”

- clearing more than 300,000 business rates reports exceeding our target of 270,000. As 2016-17 progressed, changes to the volume and type of reports raised began to adversely impact upon our business rates timeliness target. In the coming months, we will be engaging our delivery partners (the Department for Communities and Local Government and the Welsh Government) in a discussion on how we prioritise and measure our complex and varied caseload to ensure we are able to meet customers' and delivery partners' expectations going forward.

Appeal handling

An important part of our efforts to keep lists accurate and build customer trust is our handling of business rates appeals. We:

- exceeded our target of clearing 153,000 business rates appeals from the 2010 lists, achieving 154,000.
- worked closely with the Valuation Tribunal England (VTE) on their pilot covering business rates appeals for Kent and Leicestershire, which provided increased appeal clearance and lower case postponement rates. We continue to work with the VTE on the wider rollout of these changes from 1 April 2017.

A new business rates appeals system in England

On 1 April 2017 we launched a new 'Check, Challenge, Appeal' (CCA) system for customers who want to challenge their business rates valuations. The new system is designed to promote discussion and exchange of information between the VOA and customers early in the process, so that issues can be resolved at the earliest opportunity, reducing the need for formal appeals to be made. In introducing CCA, we:

- worked closely with the Department for Communities and Local Government (DCLG) throughout the development process to ensure that the regulations to implement CCA met the government's aims and the needs of the Agency and our customers.
- prioritised the introduction of the customer-focused elements of our new digital system, providing an effective, efficient and user-friendly experience. We did extensive user research as we designed the system and, over the coming months, we will update the digital interface in response to early customer feedback.
- undertook considerable engagement with other key stakeholders, including the VTE, local authorities, businesses and the agent community to raise their awareness and understanding of CCA and how it will be delivered.

Property advice to the public sector

Our Property Services division (also known as District Valuer Services) provides independent and impartial advice with a strong focus on delivering best value outcomes for the public purse. During 2016-17, the team delivered:

- Asset Valuations for Financial Reporting purposes for central and local government
- Portfolio Valuations for Asset Management purposes
- Development Viability Appraisals and affordable housing level assessments
- Alternative 'best value' assessments for surplus land disposal of public sector holdings

- Asset Stock Transfer Valuations for local authority housing
- Landlord and Tenant valuations for new lettings, rent reviews and renewals
- Regeneration and commercial redevelopment valuation advice for economic growth
- Market Rental evidence analysis to support government policy on sustainable housing and the rented sector, including registered and social rents
- Valuation services for specialist properties such as hospitals, airports, harbours, museums, prisons and telecoms.

Together, the provision of these services generated £14.7m income.

In our most recent customer survey, 94% of the Property Services team's customers were satisfied or very satisfied with the service they received.

Statutory Valuations work

Our Statutory Valuations Team (SVT) provides statutory property advice to public sector clients, including supporting HMRC's work on Capital Gains Tax, Inheritance Tax and other areas of tax compliance.

During 2016-17, the team's work in Scotland increased significantly in response to the Scottish Government's decision to end the Right to Buy scheme in Scotland. Requests for Right To Buy valuations in Scotland increased from 5,100 in 2015-16 to more than 8,000. SVT successfully processed all the applications not requiring additional investigation by the deadline date of 31 March 2017.

In addition to the challenge of this increased workload in Scotland, the team met all of their valuation quality and timeliness targets in 2016-17.

Delivering domestic property-related rental valuations to local authorities, landlords and tenants

Our Housing Allowances team continued to deliver strong performance. The team's valuations achieved an overall quality score of 98%, exceeding the 95% target. And where no inspection was required, we determined 100% of referrals within three working days. This is where we provide advice to local authorities on the maximum subsidy level payable for housing benefit claims under the Housing Benefit referral system. We also deal with instances where we are asked to set the maximum rent that can be charged for regulated tenancies. This year we received just under 36,000 requests, which are known as Fair Rent cases, and resolved 100% within 40 days, again exceeding our target.

Effective use of data

As well as being committed to ensuring our customers trust our valuations, we also ensure our customers and our delivery partners (local authorities and the Valuation Tribunals) trust the VOA to gather, use and share data effectively. We continue to safeguard confidentiality, which underpins public confidence and trust in the work we do. And we take great care of our customers' data. During 2016-17 we have had no incidents that resulted in enforcement action from the Information Commissioner.

We have also enhanced the data that we make available to our delivery partners and to government, to help them deliver for their customers.



- We worked with a range of local authorities and representative bodies to establish the Local Authority Information Gateway, enabled by the Enterprise Act 2016. This will help local authorities and ourselves to get the information we need, reducing occurrences where customers are asked to provide the same information to two different parties, while ensuring that information is appropriately protected. The information shared through the gateway will help local authorities with future financial planning, to support business rates retention.
- We continue to gather data from a wide range of people about achieved lettings in the Private Rental Sector, for example residential letting agents, landlords and bodies representing property owners. From March this year, the Office for National Statistics (ONS) has included a measure of owner occupier housing costs (based upon our data) in their reporting of the Consumer Price Index (now called CPIH). This is their most comprehensive measure of consumer inflation.
- We continue to provide the data that underpins the FloodRe scheme, helping to ensure that households in flood risk areas can obtain affordable home insurance.
- We provide data to other parts of government to support policy making.

Customer communication

It is important to us that our customers trust us to be open and timely in our communications with them. We are committed to making it as easy as possible for our customers to communicate with us, to know what to expect from us, and to understand what will happen if we do not get things right. During 2016-17 we improved the structure of our web content and introduced an online tool to help our customers to find the right VOA contact details for their enquiry. We updated our complaints policy during 2016-17 to make it more transparent.

“ We continue to safeguard confidentiality, which underpins public confidence and trust in the work we do. ”





Equality objectives

The Public Sector Equality Duty (2011) requires that public bodies agree and publish equality objectives every four years and publish reports annually on progress towards meeting those objectives. This year, our Board agreed the equality objectives that we will implement over the next four years. We have now published the objectives on GOV.UK and created an Equality Forum to ensure momentum is maintained and key work strands are delivered.

Our equality objectives challenge us to continue to strive to make our workforce more reflective of the communities that we serve, and to ensure that our services are as accessible as they can be to all of our customers, regardless of whether they have a protected characteristic or not. We drew up our objectives with the involvement of both our people and our customers.

Specifically for our customers and their needs, we drew upon existing accessibility research delivered through an external research partner to understand which customer groups with protected characteristics might be particularly affected by our services and the types of reasonable adjustments we might need to offer. The final set of equality objectives were consulted on widely within the Agency, and discussed with HMRC, our sponsor department, and select members of their Disabled Customer Consultation Group prior to publication.

Our next Business Plan will set out our equality objectives in full and our Annual Reports in future years will include an update on our progress in meeting our equality objectives.

More Expert

We recognise that our professional valuation expertise is important to central and local government, and to our customers.

Within all our professions we offer options for career development, including accreditation and continuing professional development opportunities, to supplement workplace learning. We are currently supporting 245 of our people to gain professional qualifications.

Our graduate surveying scheme is recognised within the industry as one of the best, consistently achieving above the average surveying industry pass rates. We currently have 78 people employed on graduate contracts, undertaking a range of professional surveying work alongside experienced supervisors. We are also supporting 11 one-year work placement students, in their sandwich year of university, to gain workplace experience needed for accreditation for the Royal Institution of Chartered Surveyors (RICS) accredited experience.

“...our Annual Reports in future years will include an update on our progress in meeting our equality objectives.”

Our Summer Diversity Internship and Early Diversity Internship programmes provide penultimate, final and first year undergraduates from diverse backgrounds (BAME and lower socio-economic) the opportunity to work in the Civil Service with a view to applying for the Fast Stream beyond university. We have strongly supported these programmes, providing a Fast Stream mentor, opportunities to practice interview skills and insight into the VOA's work.

In addition we successfully sponsored people through the highest level of valuation qualification, the Royal Institute of Chartered Surveyors (RICS) Rating Diploma and the Central Association of Agricultural Valuers qualifications. We have also enabled ten of our staff holding non-cognate degrees (degrees that are not accredited by RICS) to follow an MSc in Real Estate, which can lead them onto our formal graduate programme.

We aren't just investing in our surveyors. We value a wide range of professional skills through our apprenticeship programmes across all professions, from digital apprenticeships (for which we were shortlisted in the annual Civil Service Awards), to Operational Delivery qualifications. We support graduates on the Civil Service Fast Stream programmes including Human Resources, the analytical professions, Finance and Communications.

To help our people be the best they can and support them to deliver effectively for our customers, we encourage them to participate in a minimum of five days learning and development over the year. Through our 2016-17 People Survey, 82% of respondents reported that they had undertaken five days or more of learning opportunities to improve their skills and expertise. While this falls short of our target of 90%, we also deliver a considerable programme of more informal on the job training, such as shadowing and buddying. Such activities aren't always classified by survey respondents as learning and development.

Another important element of being more expert is supporting our people to develop their skills and expertise to improve their performance. During 2016-17, we piloted a new approach to performance management on behalf of the Civil Service. Through this new Performance Achievement Scheme, our line managers were trained to coach people to improve performance. We also ran sessions about unconscious bias to support our wider work on diversity and inclusion.

As part of our new approach to managing performance identifying talent is key. We will build on our current development offer to ensure that those identified as having potential can access structured opportunities to support their development.

Our drive to identify talent extends beyond our existing programmes. We are committed to playing our part in helping the government to create three million more apprenticeships, with 70 new apprenticeship starts created during 2016-17 through a mix of external recruitment and internal development opportunities. We currently have 92 apprentices in post and will be expanding our offer over the next year to include a number of new apprenticeships in areas such as cyber security, project management and procurement.

More Digital

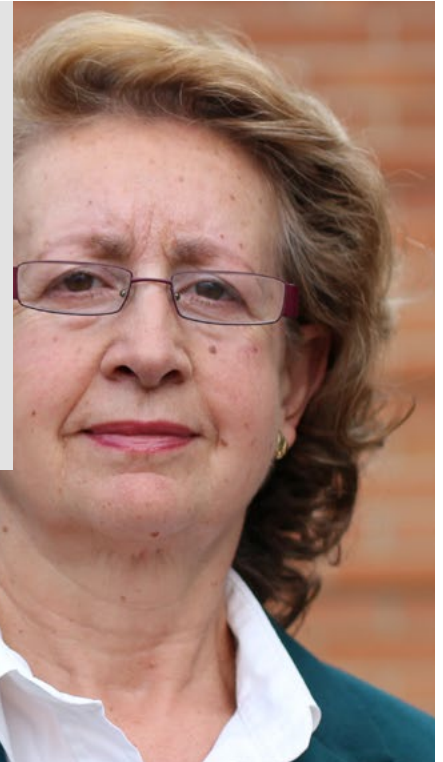
In 2016, the VOA agreed our Digital Strategy, setting out our intention to become an exemplary digital by default organisation by 2021, improving our service to our customers, ensuring we are a great place to work and enabling the Agency to reduce its costs.



Case Study

Performance Achievement Scheme

The Agency piloted a new approach to performance management on behalf of the Civil Service. Through the new Performance Achievement Scheme, all VOA line managers were trained to coach people to improve performance. We're also building on our development offer to ensure those with potential can access opportunities to support their development.



In 2016-17, we took a number of steps to help our customers engage with us digitally:

- Our new 'Find Your Business Rates Valuation' service was introduced on 30 September, replacing the old 'Rating List on the Internet' site. Since this new service was launched, more than one million unique visitors have accessed the site.
- We implemented the first stages of our online business rates Check, Challenge, Appeal (CCA) system for England, ensuring that this new, ambitious system was launched as an online service from the beginning.
- Our online Rent and Lease Details (RALD) service is now our default channel for people to provide rent and lease information to us. From February 2016 to January 2017 more than 140,000 submissions were received through RALD, and the service was shortlisted for an Institute of Revenues Rating and Valuation award.
- We have been developing a new contact finder for our GOV.UK site to help people get their questions answered quickly and by the right person.
- We have rolled out a new customer contact log application and a customer enquiry online application, both of which help us to quickly identify the best person to answer a customer's query.
- We have also delivered a new telephone system for our contact centres, improving ability to manage peaks in calls.

Our target was that, by the end of 2016-17, 45% of our customers' transactions with us would be digital. With revaluation taking place during 2016-17, we prioritised work on making our business rates service more digital. In March 2017, 42,000 of the 64,000 business rates transactions that we were involved in were conducted digitally. Despite this performance at the end of the year, across the Agency as a whole we missed our 45% target for the year. Transformation work we have planned for 2017-18 and beyond will help us to accelerate our progress in becoming more digital.



Rent and Lease Details (RALD) service

RALD is now our default channel for people to provide rent and lease information to us. The service was shortlisted for an Institute of Revenues Rating and Valuation (IRRV) award.



RALD Shortlisted

Our RALD service was shortlisted for an Institute of Revenues Rating and Valuation award.

We know that not all our customers can access or use a computer. We are committed to ensuring that our services are as accessible as they can be and pass industry-standard accessibility criteria. Where people have difficulty accessing our new digital services, we offer a variety of 'assisted digital' solutions, which can range from talking a customer through an online form to completing the form on the customer's behalf.

Our Digital Strategy also aims to make it easier for our delivery partners to engage with us. During 2016-17, in addition to introducing the Local Authority Information Gateway, we expanded the use of our online billing authority report service, the tool that allows authorities to alert us to changes to the rating lists. We now receive over half of our billing authority reports relating to council tax digitally.

We are introducing new digital systems internally too. All of our enhancements to internal systems are designed to help us serve our customers better, and make us more efficient as an organisation. Having the right tools for the job allows our people to respond to our customers as efficiently and accurately as possible.

During 2016-17, we stabilised the performance of our existing systems, provided better networks to our home-based workers and new technology and equipment to hundreds of our people.

More Efficient

We anticipate that by 2020-21 our budget will be 29% lower in real terms than it was in 2015-16. We therefore need to make considerable savings over the next few years. Where possible, we are committed to making these savings through becoming more efficient, rather than by reducing service levels.

We are becoming more efficient through a combination of work to transform our services and work to improve the efficiency of our current operations.

Transforming how we organise ourselves

By 2020-21, we will have transformed the way we are organised. We will have moved from an operation structured according to the services we deliver, for example council tax and business rates, to one that is organised by function – for example customer service, property data collection and casework.

Across the Agency, we are progressing work with job design within functional blocks, as well as organisational design and management functions. Roles will change in the future as people work across more services than they do now. This will give us the flexibility we need to manage work peaks, while making jobs more varied and interesting.

During 2016-17, we organised ourselves to deliver our new appeal system for England - Check, Challenge, Appeal - along these lines. Our Chief Valuer, Process, Policy and Transformation functions are also now in place.

Sharing services

We are reviewing how we deliver other services too. In addition to operating shared service arrangements for most transactional services in human resources (such as payroll, HR records changes and transactional advice for line managers) we now also receive routine health and safety advice from HMRC, although more complex

Case Study

Continuous Improvement (CI)

During 2016-17 we trained over a thousand people from our council tax and business rates maintenance teams in Continuous Improvement techniques, and to apply problem solving techniques to the services they work on. We made savings of £270,000 through this practice.



cases are still handled by our health and safety manager. We have also begun making changes to some digital services and other contracts, such as the Columbus programme, which ensures we have arrangements in place for the IT services previously provided under the ASPIRE contract (an IT services agreement between HMRC – our sponsor department – Capgemini and Fujitsu). These changes will result in further year on year efficiencies.

Improving our processes

As well as changing our organisational structure and reorganising our services, we are also building a culture of 'better every day' through the use of Continuous Improvement (CI) techniques. CI is about continually looking to improve what we do. It helps people to identify small changes to systems and processes that will add value. It gives those that know a service best – those that work on it – the ability to improve it. During the year we trained over a thousand people from our council tax and business rates teams to manage in a CI way and to apply problem solving techniques to the services they work on.

During 2016-17, our Process Design team undertook projects to standardise the way we work across the Agency, leading to efficiencies for both our customers and ourselves. We are standardising our approach in order that more types of cases are dealt with at the first point of contact, a more convenient service is given to our customers, we make the most of our resources when valuing property and we communicate our decisions more clearly in a format that our customers choose.

Our people

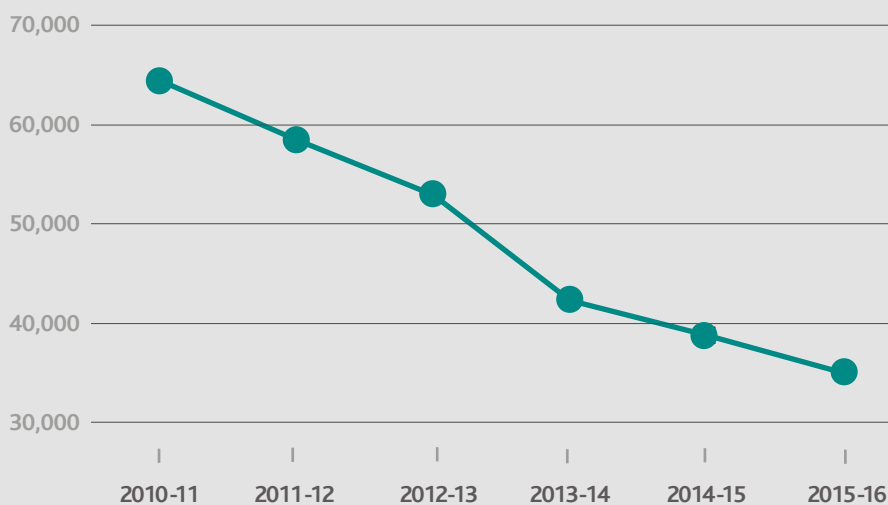
In line with our Spending Review commitments, we are managing our staffing levels, working to the assumption that we will employ around a thousand fewer full-time equivalents by 2020-21 than we did in 2015-16.

Estates Savings

Total estates cost (£m)



Total estate at financial year end (m²)



This year, we have progressed our strategic workforce planning alongside work on how we organise ourselves, and have developed a better understanding of the skills, the people and the locations we will need to deliver our services in future years.

Reducing our estate

We continue to reduce the space we occupy, which helps us to reduce costs and focus our spending on front-line services for our customers. In addition to the annualised £1.3 million savings we made from our 2015-16 estate changes, we secured a further £1 million annualised savings from our 2016-17 changes. This included a reduction in our offices from 62 to 53.

Measuring Our Performance

We have designed our approach to performance management with the aim of ensuring that our Board, our managers and our people all know the extent to which we are meeting our customers' needs in an efficient and effective manner.

At the start of the year, our Board agreed a series of performance measures and targets that we measured ourselves against throughout the year.

The table below sets out our performance against those indicators identified as being key to our customers, our delivery partners and ourselves during 2016-17.

No.	Name of measure	Our performance against our target
1	Revaluation 2017	We published the draft rating lists for England and Wales (including Central Lists) on 30 September 2016 and the compiled rating lists on 1 April 2017, meeting our targets.
2	Valuation integrity – a check on the quality of our valuation, process compliance and timeliness in making a valuation decision	Council Tax 96% (target 94%) Business Rates 94% (target 94%) Housing Allowances 98% (target 95%) Property Services 95% (target 94%) Statutory Valuations 95% (target 94%)
3	Digital transactions	40% of customer transactions with the VOA were undertaken digitally across the year. Our target was 45%.
4	Live within our funding	During 2016-17 we lived within our means with an unadjusted resource underspend of £1.4m before any fully funded pension costs.
5	Timeliness	<p>Business Rates reports</p> <p>We cleared 48% of reports within 12 working days (target 50%), 64% within 25 working days (target 75%) and 96% within 90 working days (target 99%).</p> <p>Council Tax reports</p> <p>We cleared 54% of council tax band reports within eight working days (target 50%), 80% within 25 working days (target 75%) and 99% within 90 working days (target 99%).</p>

Continued overleaf



No enforcement action

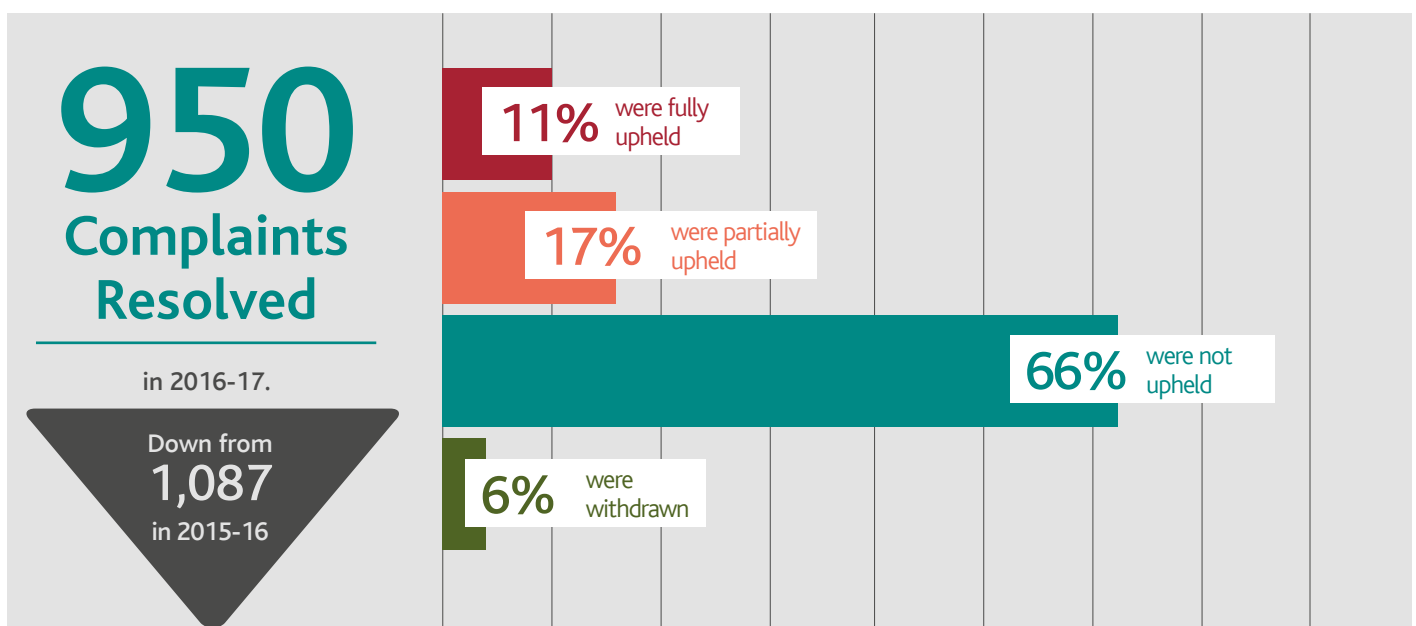
We met our target of having no incidents resulting in enforcement action from the Information Commissioner.

No.	Name of measure	Our performance against our target
		<p>Housing Allowances Where we were asked to provide advice to local authorities on the maximum subsidy level payable for housing benefit claims under the Housing Benefit referral system, and no inspection was required, we determined 100% of referrals within three working days, exceeding our 96% target.</p> <p>Fair Rent cases We determined 100% of cases within 40 working days, exceeding our 95% target.</p> <p>Statutory Valuations Team We met our target of reporting 100% of Initial Appraisals of valuations submitted for Inheritance Tax and Capital Gains Tax within an average of five working days.</p>
6	Estates reduction	We met our target of reducing our estate footprint by 10% - from 38,800m ² to 35,010m ² .
7	Property Services income	Our Property Services income target was reduced from £15.7 million to £14.6 million as the year progressed, in recognition of the reallocation of staff to support work on Right to Buy cases in Scotland. The Property Services team met this revised target.
8	Data security	We ensured systems were in place to protect the data we hold, and met our target of having no incidents resulting in enforcement action from the Information Commissioner.
9	Professional development	82% of those that responded to our People Survey indicated that they attained the Civil Service recommended minimum of five days learning and development during 2016-17. Our target was 90%.
10	Check, Challenge, Appeal	The Check, Challenge, Appeal system for verifying business rates went live on 1 April 2017.
11	Business rates appeal volumes	We cleared 154,000 appeals from the 2010 list in England and Wales, exceeding our target of 153,000.

Responding to Customer Feedback

We want our customers to receive a consistently good service. When we get things right, a number of our customers take the time to let us know – we recorded 361 compliments about our service in 2016-17, an increase on last year when we recorded 235.

However, we know we do not always get things right. Complaints are a valuable source of feedback, and we make sure we investigate what may have gone wrong, apologise for any errors made, learn lessons and take whatever steps we can to put matters right.



“ ... we recorded 361 compliments about our service across all teams in 2016-17, an increase on last year when we recorded 235... ”

For every complaint upheld we consider how we can improve the service we deliver and increase customer trust. We do this through our lessons learnt activities. During 2016-17 we identified 322 learning opportunities from complaints. A key lesson is the importance of following agreed processes. Where processes have not been followed, we share the impact this has had on our customers with our people and their managers. To ensure lessons are understood more widely, we share good practice across the Agency and deliver targeted training to individuals and teams where skills gaps are identified. Learning from complaints will continue to be an important area of our work.

We have a two tiered complaints procedure. Tier 1 complaints are considered by a dedicated customer service team who will look at specific concerns a customer has brought to our attention, what happened, the impact it had and what we can do to put things right. Most complaints received are resolved at this stage. However, should a customer remain unhappy, our Tier 2 Customer Service team will carry out a further investigation to look again at the concerns and consider if there is anything more we could have done to resolve the complaint at Tier 1.

In 2016-17 we received a total of 952 complaints and responded to 88% within 20 working days, against a target of 80%. We resolved 926 complaints during the year.

- 101 were fully upheld
 - 160 were partially upheld
 - 625 were not upheld
 - 40 were withdrawn
- At Tier 1 we investigated 832 complaints, down from 950 the previous year.
 - At Tier 2 we investigated 93 complaints, down from 137 the previous year.

If a customer remains dissatisfied with our final response at Tier 2, they have the right to seek further independent scrutiny by the Adjudicator's Office and then ultimately they can request an investigation by the Parliamentary Ombudsman. Set up by Parliament to make final decisions on complaints about public services, the Ombudsman offers a free and independent service.

The Adjudicator provides a fair and unbiased investigation of complaints. In 2016-17 the Adjudicator's Office investigated 29 complaints, of which:

- 0 were substantially upheld
- 3 were partially upheld
- 26 were not upheld.

In 2016-17 the Ombudsman investigated three complaints, of which:

- 0 were substantially upheld
- 0 were partially upheld
- 2 were not upheld
- 1 was withdrawn.

Sustainability

Overview

Sustainable development is designed to meet the needs of the present, without compromising the environment for future generations. Our goal is to bring a balance between environmental, economic and social sustainability into all our business operations, to help us safeguard the conservation of finite resources.

Governance arrangements and plans

Last year we said we wanted to support the government's vision of integrating environmental performance into everyday management procedures. This year we introduced our sustainability policy, and are currently developing an Environmental Management System which will incorporate sustainability and environmental management into our business operations and the day-to-day running of our estate. We believe that having a clear and accessible approach to sustainability will support and encourage our people to follow best practice.

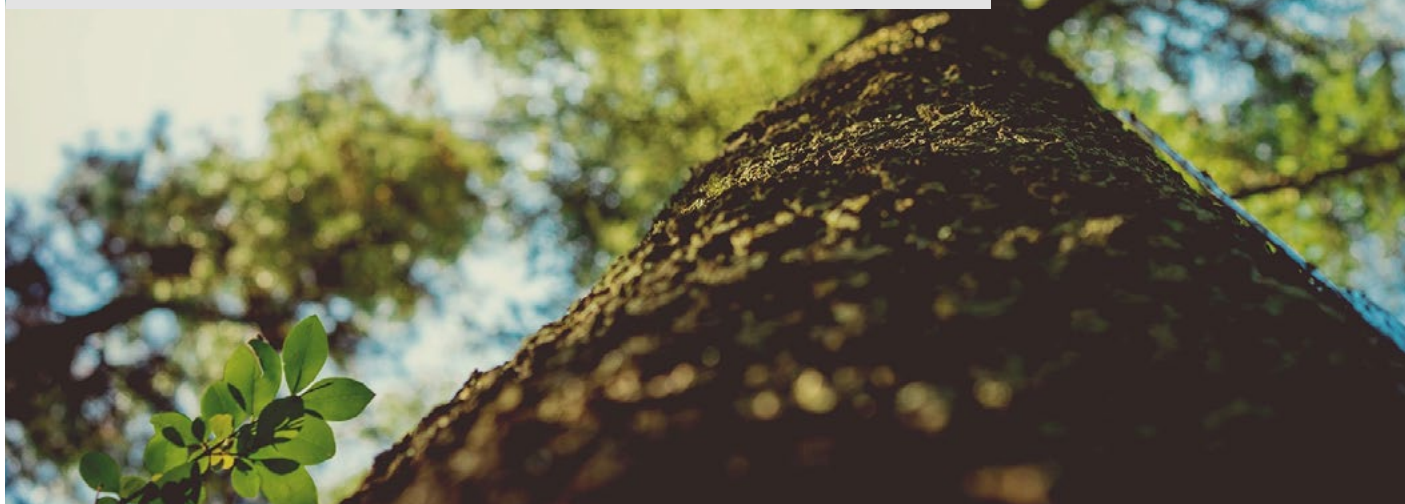
Meeting our targets

The new Greening Government Commitments for sustainable operations and procurement for 2016-20 were announced in December 2016. These targets build on the reductions achieved since 2010. The table below shows what we achieved during 2016-17 and that we exceeded all of our targets.

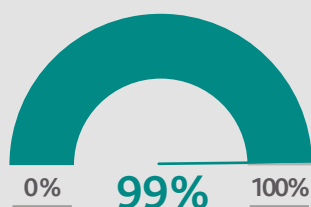
Greening Government Commitment	Government Reduction Target by 2020	VOA performance at 31 March 2017	Performance against Target
Greenhouse gas emissions	Gov't target 32% HMRC target 45%	53%	Exceeded
Waste	Less than 10% to landfill	0.5%	Exceeded
Water	6m ³ per FTE (efficiency target)	2.66m ³	Exceeded
Paper	50%	56%	Exceeded
Domestic flights	30%	35%	Exceeded

Green Award

This year we launched the Agency Green Award, to encourage our people to embrace our green agenda and be more environmentally friendly. The inaugural award was presented to our Estates team, who found new homes for our surplus office furniture.



Waste



We recycle and reuse 99% of our waste.

For greenhouse gas emissions, the 2016-20 government target is to achieve a 32% reduction from the 2010 baseline. However, as we had already exceeded that target by 2015, we adopted the HMRC target of 45%. In 2016-17 we reduced our overall greenhouse gas emissions from 7,031 carbon tonnes (in 2009-10) to 3,292 carbon tonnes. This is a decrease of 53%, exceeding our 45% target. However, this is a 7.5% increase on 2015-16 and reflects an increase in both travel and utility usage. Further estate changes in 2017-18 and through to 2020 will help to ensure we continue to exceed our target, if not further drive down our greenhouse gas emissions.

The 2016-20 Agency target for domestic flights is to reduce the number of flights by 30% below the 2010 baseline of 755, giving a 2016-17 target of 529. During 2016-17 we exceeded our target by over 8%, with flights down to 485. The introduction of video-conferencing Smart Rooms across 28 of our 53 sites made a large contribution towards meeting this corporate travel target. We also have plans to introduce desktop technology that may help to further reduce corporate travel in the future.

We introduced dry mixed recycling in the majority of locations, and closed loop recycling for our confidential waste in all locations as part of our commitment on waste prevention. Closed loop recycling involves shredding confidential waste and turning it into recycled paper, which we can then rebuy. These efforts and the impact of our reducing estate have resulted in a significant reduction in total waste. The amount of waste we send to landfill is now less than 0.5%. We also recycle and reuse 99% of our waste, which is an exceptional performance.

We have continued to exceed our target on water use, which is now the equivalent of 2.66m³ per full-time equivalent (FTE) against a target of 6m³. This is a slight improvement over our use in 2015-16 which was 2.69m³ per FTE. We will continue to monitor our usage to ensure we remain well below the government target.

We reduced our paper use by 56% overall since 2009-10, and 2016-17 was our best year yet. This reduction equates to a saving of over 1.9 million pieces of paper. We continue to modernise our IT systems which should deliver further reductions in paper use in future years.

Our sustainability achievements

We continue to raise the profile of our sustainability agenda across the Agency. During 2016-17 our Green Volunteers worked in partnership with HMRC, running activities such as environment awareness days to promote best practice. Our volunteers also started battery recycling schemes and worked with local management teams across a number of locations to promote the green agenda.

This year also saw the introduction of the Agency Green Award. This recognises an individual or team that demonstrates passion and commitment in reducing our carbon footprint and protecting the environment. The award encourages our people to embrace our green agenda, and to adopt more environmentally friendly behaviour. The inaugural award was won by our Estates team, who found new homes for surplus office furniture.

The Agency is also successfully piloting the Reuse initiative. This is a project led by HMRC and being run across 14 government departments. It takes the form of a web-based portal which can be accessed to trade unwanted assets across government departments, completely free of charge. We expect Reuse to deliver cost savings by cutting both procurement costs and the costs associated with storing unused assets. The scheme will also generate environmental benefits by reducing the amount of waste that departments send to landfill, cutting down carbon levels in the supply chain.

Throughout the year we significantly improved our collection of estates energy and water data. We will use this data to identify and prioritise the locations we survey and to gain a better understanding of where we can reduce wastage and become more sustainable in our energy and water use.

Biodiversity

As a business, we recognise the value of biodiversity and welcome the regulations to protect it. We also recognise that we depend on our natural resources and benefit from them, for example fuel and raw materials.

The VOA has no places of special scientific interest and green areas account for less than 5% of our estate. Our Shrewsbury location is a site where we have control over green areas and have a biodiversity plan in place. We continue to work with our facility management providers and our sponsor department, HMRC, to identify and implement other opportunities to protect the natural environment around our estate.

Sustainable procurement

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

The framework:

- ensures we comply with government sustainability requirements
- outlines the minimum standards we expect from all our suppliers



“ People in the VOA work hard to support many charities – from Macmillan to Comic Relief, Oxfam and Cancer Research. ”

- covers our suppliers' approach to a range of sustainability issues relating to their environmental, social and ethical performance.

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 (SME) agenda. This will ensure that our procurement and contract documents include an evaluation of sustainability issues.

We also continue to meet the central government target for 25% of spend to be directed towards SMEs; our office supplies procurement, for example, includes improvements in the provision of sustainability data from two major suppliers. This allows us to better monitor carbon emissions from transport. We have introduced a share arrangement with our courier supplier to encourage reductions in the size of the fleet used to service our contract with them.

Charitable giving and supporting our communities

People in the VOA work hard to support many charities and last year we supported Macmillan Cancer Support as our charity of the year.

Additionally VOA staff are allowed to take up to three days a year as paid leave to participate in a voluntary activity in their local community.

Financial Commentary

The VOA's financial performance is set out in the accounts attached to this report.

The Agency's principal financial objective under its framework document is to recover full resource costs as funding from the other government departments ('clients') for whom valuation services are provided. This was achieved during the year. However, the accounts show an operating deficit of £0.3m (0.16% of operating income). In 2015-16, there was an equivalent deficit of £1.5m (0.73% of operating income).

Before 2016, Local Government Pension Scheme costs were met by the Department for Work and Pensions (DWP). However, HM Treasury advice, based on its budgeting rules, is that DWP is unable to fund this expenditure, which is classified as Annually Managed Expenditure. The funding shortfall from this is met by the VOA's sponsor department, HM Revenue & Customs (HMRC). However, in line with accounting standards, this funding cannot be reflected as income in the Statement of Comprehensive Net Expenditure, and has resulted in the Agency's operating deficit of £0.3m.

The Principal Accounting Officer of HMRC has confirmed that deficits relating to this accounting treatment do not breach the net funding requirement of the Agency's framework document.

Income

Income for 2016-17 was £205.4m; £2.5m (1.2%) lower than the previous year. This was broadly in line with planning assumptions in the first year of the 2015 Spending Review.

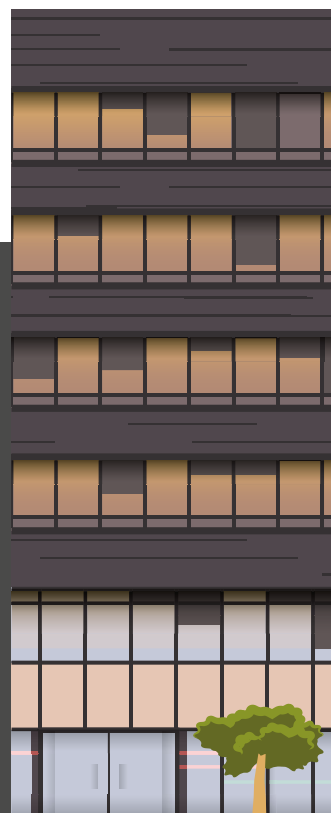
The VOA's Property Services division generated £14.7m of income; £0.4m (2.6%) lower than the previous year. This does not include subcontractor income and was from an average workforce of 187 full-time equivalents (FTEs), six FTEs below the annual complement.

Debt Management

During 2016-17 the Agency targeted a reduction of the amount of aged debt over 180 days overdue by 50% from a peak of £1.3m at the start of 2016-17. This was managed through the Finance Performance Hub and was achieved with a year-end figure of £0.59m. Subsequently, a change in the doubtful debt accounting policy reclassified doubtful debt as debt 90 days past the invoice date. This brings the VOA into alignment with HMRC's policy and resulted in a year-end provision for doubtful debts of £1.15m.

Managing costs

Total spending for 2016-17 was £205.7m, including the £1.7m accounting adjustment for pensions described above. Pay costs, including early departures, were £152.2m, 73.9% of total costs. These represented a 0.95% increase on the previous



We continued to reduce the space we occupy.

We secured a further £1 million annualised savings from our 2016-17 estate changes.

year (£150.8m). Although overall numbers and salary costs of permanent employees fell, this has been offset by a rise in National Insurance costs as well as the costs of temporary staff.

Accommodation costs were £14.5m, 7.0% of total costs. This represented a 5.2% reduction on the previous year (£15.3m). The decrease was due to the ongoing estates rationalisation programme.

IT costs were £12.9m, 6.2% of total costs. This represented a 17.3% decrease on the previous year (£15.6m) and was due to savings on our new IT contracts and the one-off investment costs incurred in 2015-16 to support our transformation projects.

Depreciation and amortisation charges were £9.4m (2015-16: £9.0m).

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

Controlling cash flow

Cash levels remain positive with £18.4m (2015-16: £19.5m) on hand at year end.

Cash forecasting is working effectively with a target 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 & Skills. This year 81.7% of invoices were paid within three days.

Investing in our services

£10m was invested in our IT capital assets in 2016-17 to provide infrastructure and equipment to support business delivery. An additional £2.2m was invested in accommodation to support reducing the Agency's footprint by 3,790m², a 10% reduction.



“ £10.0m was invested in our IT capital assets in 2016-17. ”

Financial outlook

We have been working with clients to find the best way of meeting the Spending Review 2015 challenges, set by the government, to reduce our costs over the four year period. The Agency has delivered against the requirement to introduce a new system for business rating appeals, Check, Challenge, Appeal, and has completed Revaluation 2017 alongside dealing with outstanding appeals against the 2010 rating lists.

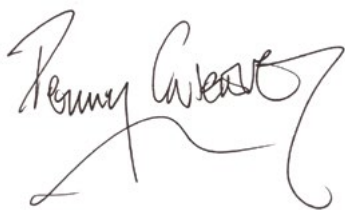
We have continued to plan for the long term transformation of the Agency. Funding is being reduced throughout the Spending Review period but by lower amounts in the early part of the review period to take account of the three key pieces of work mentioned above. The Agency has still to agree future year funding with all its key clients but will aim to reduce operating costs in line with Spending Review parameters.

Adoption of going concern

VOA accounts are prepared on a going concern basis. There is no reason to believe the Agency 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.



Penny Ciniewicz
Chief Executive
27 June 2017

Accountability

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Governance Statement



Foreword

“ The purpose of this annual governance statement is to provide assurance that the Valuation Office Agency (the Agency) operates within good standards of governance in compliance with the Code of Good Practice 2011. It also outlines the way in which corporate governance (alongside effective risk management) supports stewardship of the Agency. ”

Penny Ciniewicz

VOA Chief Executive and Accounting Officer

How we are structured

Executive Agency arrangements

The VOA is an Executive Agency of Her Majesty's Revenue and Customs (HMRC). The Chief Executive of the Agency is a member of HMRC's senior leadership team and Executive Committee.

During the 2016-17 year, as well as performance being reported regularly in HMRC's governance forums, HMRC's Chief Executive held quarterly performance reviews with the Agency. The Financial Secretary to the Treasury (in her role as departmental Minister for HMRC) has Ministerial responsibility for the Agency, and the Agency reported regularly to her on performance.

Role of non-executives

The Agency has both Non-Executive Directors (NEDs) and Non-Executive Members (NEMs) who bring a wide variety of experience and knowledge. NEDs are members of the Board, and a combination of NEDs and NEMs comprise the membership of the Audit and Risk Assurance Committee. As members of the Board, Non-Executives are, along with their Executive Board colleagues, accountable for ensuring that the VOA meets its legal obligations and performs effectively.

A Non-Executive Director (NED) is a Board member who does not form part of the executive management team. NEDs act in an advisory capacity only and provide independent scrutiny, challenge and assurance. They attend Board meetings and advise on sensitive issues such as evaluating the performance and pay of the Executive Directors.

The role of a Non-Executive Member (NEM) includes advising the Accounting Officer and Board on strategic processes for risk control, governance and the Governance Statement, and shaping the Internal Audit programme.

Both the NEDs and NEMs are appointed on a fixed term basis. During the last year a number of NEDs and a NEM concluded their terms. We are grateful for our retiring non-executives' commitment and drive in supporting the Agency during a period of considerable transformation:

- NEDs - Alex Jablonowski, Alison Hewett and Janet Grossman;
- NEM - Angela Marshall.

A number of appointments were made during the year:

- NEDs - Stephen Hughes, Gurpreet Dehal and Sue Hall
- NEM - Robert Milburn.

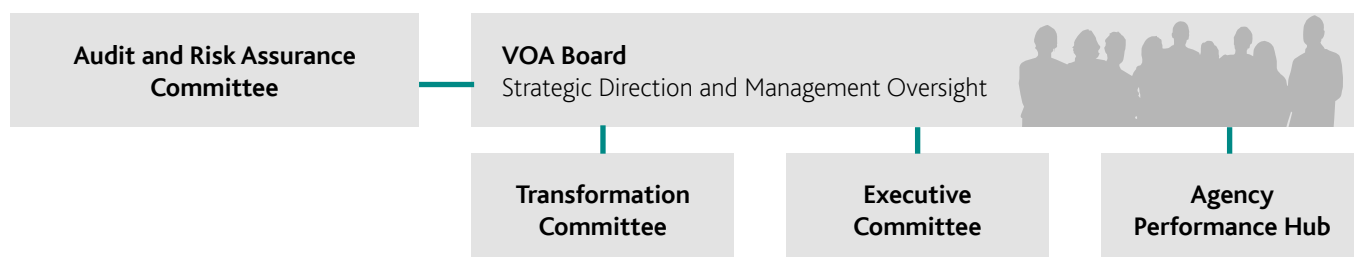
As members of the Board, Non-Executives are, along with their executive Board colleagues, accountable for ensuring that the VOA performs effectively and meets its legal obligations.


The Board comprises three Non-Executive and seven Executive Directors, including the Chief Executive who, as Accounting Officer, is Chair of the Board. Each has a shared responsibility for the success of the Agency in delivering its services and in pursuit of its aims, objectives and long term sustainability.

The Audit and Risk Assurance Committee (ARAC) Chair is responsible for leading the Committee and ensuring it provides advice and support to the Accounting Officer and Board on risk, control and governance.

Board and committee governance

From the beginning of 2016-17 the Agency operated within a more streamlined, governance structure.





VOA Board

Chaired by the Chief Executive and Accounting Officer, with Board members supporting her in the discharge of her accountabilities and responsibilities.

Audit and Risk Assurance Committee

Chaired by Stephen Hughes, Non-Executive Director, and formerly by Alex Jablonowski until the end of his tenure. Membership is made up of Non-Executives. Its remit is to advise and support the Accounting Officer and Board with their responsibilities in terms of risk, control and governance by reviewing the comprehensiveness of assurances and the reliability and integrity of those assurances.

Executive Committee

Is the senior executive decision-making body for the Agency, overseeing operational and business delivery.

Transformation Committee

Is the senior executive decision-making body for the Agency's portfolio of transformation activity.

Agency Performance Hub



Oversees the Agency's performance against a set of measures agreed by the Board and key performance indicators agreed with clients and our Minister.

Agency Board

Board composition as at 31 March 2017

50% 

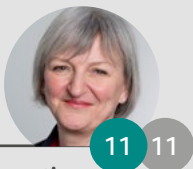
 50%

No. Meetings/ No. Attended:  

Supports the Chief Executive and Accounting Officer in the discharge of her accountabilities and responsibilities.

Chair

Penny Ciniewicz



Chief Executive and Accounting Officer

Janet Alexander



Chief People Officer

Dyfed Alsop



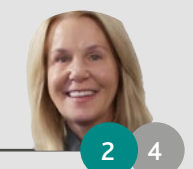
Chief Strategy Officer (up to 31 July 2016)

Gurpreet Dehal



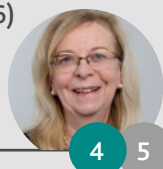
Non-Executive Director (from 1 December 2016)

Janet Grossman



Non-Executive Director (until 10 October 2016)

Sue Hall



Non-Executive Director (from 1 December 2016)

Mary Hardman



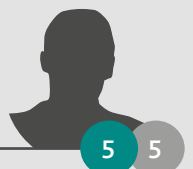
Chief Valuer

Alison Hewett



Non-Executive Director

Stephen Hughes



Non-Executive Director (from 1 December 2016)

Alex Jablonowski



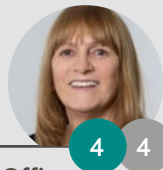
Non-Executive Director (up to 31 December 2016)

Philip Macpherson



Chief Digital and Information Officer

Lesley Ottery



Interim Chief Operating Officer (from 1 February 2017)

Craig Pemberton



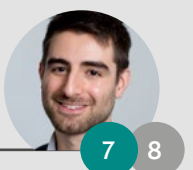
Chief Finance Officer

Niall Walsh



Chief Operating Officer (up to 31 January 2017)

Pedro Wrobel



Chief Strategy Officer (from 12 September 2016)

11 meetings 

The Agency Board scrutinises and advises on the following areas:

- Strategy (setting the Agency's vision and strategic objectives and ensuring all activities contribute towards them)
- Strategic risks, risk appetite, risk horizon scanning
- Key policies
- Corporate governance
- Financial reporting and controls
- Performance (including agreeing the business plan)
- People (including major changes to reward and recognition).

The Board Operating Framework sets out the role and responsibilities of its members. In the last year the Board has met 11 times.

Board effectiveness

The Board has continued to review its own effectiveness through informal reviews at the end of each meeting. For the annual formal review used to drive improvement in the Board's performance, the performance of the three supporting committees was evaluated. Their roles were revised in April 2016 following a review of the Governance structure and it was recognised that they were an important element of the Board's effectiveness because if these were not operating well the Board would not be effective.

The review was carried out in-house using feedback to a questionnaire and supporting evidence. The evaluation identified several actions to be taken forward, including providing further clarity around portfolio governance in particular roles and remits.

The Board receives regular detailed updates covering financial and operational performance as well as decisions taken at supporting governance forums. The quality of the performance data used by the Board is regularly scrutinised at the monthly Agency Performance Hub.

Managing 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 a conflict of interest record annually. This is maintained by the Board Secretariat.

The Board focuses on key areas which support delivery of the Agency's strategic objectives of:

- **More trusted**
- **More expert**
- **More digital**
- **More efficient.**

Key areas on which the Board focused on in 2016-17 included:

- Assuring the delivery of 2017 Business Rates Revaluation
- Assuring the delivery of Check, Challenge, Appeal
- Agreeing strategic design principles
- Setting risk appetite
- New Target Organisational Model
- Approving digital and assisted digital strategies
- Approving Annual Report and Accounts
- Agreeing pay remit
- Approving Diversity and Inclusion and Health, Safety and Wellbeing strategies
- Requesting and receiving reports on performance against key performance indicators
- Agreeing overall budget allocations

- Approving Delegated Authority Financial Framework

In addition the Board has continued to recognise and celebrate the success of Agency colleagues at meetings and learn from their achievements. This year the Board has received presentations from teams across the Agency on topics including:

- Council Tax South teams' performance improvement which included exceeding planned productivity
- Operational Recruitment Team supporting the Agency's ability to deliver the Revaluation
- Contact Centre Telephony Solution - delivery of a new contact centre system
- Council Tax and Non-Domestic Rating First Call Resolution - celebration of success
- Rating Diploma - how the Agency supported delivery of the Rating Diploma, and the achievements of those who had successfully completed it
- Property Services - demonstrated the breadth and range of services offered by Property Services including to High Speed Two (HS2) and Government Property Unit.

The Board values the opportunity to hear about the progress of key initiatives and will continue to invite teams to celebrate their success with it in the coming year.

Board visibility

The Board 'roams' twice a year, when members visit local offices and discuss issues with teams on the ground, following that up with an agenda item at the next Board meeting to reflect and act upon what they have heard.





Audit and Risk Assurance Committee (ARAC)

The role of the ARAC is to advise and support the Accounting Officer and Board in carrying out their responsibilities for risk, integrity of financial statements, controls and governance. Transformation of the Agency cannot be achieved without managing the risks arising as a result of its change journey and business as usual. ARAC continues to support the Agency in maturing its risk and issue management capability. The Cabinet Office's 'Management of Risk in Government' good practice publication has been discussed by ARAC and further work to build on lessons learnt and best practice is underway.

Communicating and reporting

Best practice for ARAC is to ensure effective communication with all its stakeholders. This is in part done through having standing invitees. The Chair also provides written and verbal updates to the Board following meetings. HMRC's Audit and Risk Committee Chair attended the Agency's ARAC twice in 2016-17.

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

Purpose:

Advises and supports the Accounting Officer and Board in relation to risk, control and governance. This is done by reviewing the comprehensiveness of assurances and the reliability and integrity of those assurances.

Highlights

- Assured the Internal Audit plan for 2016-17 and recommended it to the Board for approval
- Recommended the 2016-17 Annual Report and Accounts to the Chief Executive for signing
- Provided steers on the Agency's approach to Operating and Strategic Risk management
- Assured the Whistleblowing policy and annual Fraud Risk Assessment
- Discussed and debated how key risks are being mitigated in the Agency by undertaking deep dives into key areas such as the 2017 Business Rates Revaluation and delivery of Check, Challenge, Appeal.

Chair

Meetings Attended: X X

Alex Jablonowski 5 5
Non-Executive Director (until 31 December 2016)

Stephen Hughes 2 3
Non-Executive Director (from 1 December 2016)

Members

Sue Hall 3 3
Non-Executive Director (from 1 December 2016)

Ken Hunt 7 7
Non-Executive Member

Robert Milburn 2 3
Non-Executive Member (from 1 December 2016)

Alison Hewett 6 6
Non-Executive Director

Angela Marshall 1 1
Non-Executive Member (until 31 May 2016)

Standing Invitees:

Chief Executive, Chief Finance Officer, Director of Finance and Business Planning, Head of Governance and Risk, Head of Internal Audit and the National Audit Office.

Other Agency Governance Committee highlights



Executive Committee



17 meetings

Purpose

Is the senior executive decision-making body for the Agency, overseeing business delivery.

Highlights

- Approved the approach to building and maturing contract management capability within the Agency
- Discussed the Agency's Sustainability policy
- Reviewed the Agency's External Stakeholder Strategy implementation plan
- Approved the Agency's Risk Management Assessment Framework implementation approach
- Assured the Agency's Revaluation Service Standards
- Approved the move of Transactional Accounts Receivable to HMRC's Shared Service
- In-year decisions to optimise use of funding
- Assured the Agency level strategic risks.

Chair

Penny Ciniewicz

Chief Executive and Accounting Officer

Members



Thomas Lindie

Director, Non-Domestic Rating

Janet Alexander

Chief People Officer

Lesley Ottery

Interim Chief Operating Officer (from 1 February 2017)

Dyfed Alsop

Chief Strategy Officer (until 31 July 2016)

Philip

Macpherson
Chief Digital and Information Officer

Rosemary Braithwaite

Director, Finance and Business Planning

Craig Pemberton

Chief Finance Officer

Jason Clarke

Head of Communications

Niall Walsh

Chief Operating Officer (until 31 January 2017)

Emma Charles

Director, Digital Services

Pedro Wrobel

Chief Strategy Officer (from 12 September 2016)

Andrew Edwards

Director, Strategy, Policy and Customer

Mary Hardman

Chief Valuer



Transformation Committee



13 meetings

Purpose

Is the decision-making body for the Agency's entire portfolio of transformation activity to ensure the coherent delivery of the VOA's design, vision and strategy.

Highlights

- Reviewed prioritisation of the Agency's key 2016-17 projects
- Assured the Estates Transformation Proposals
- Reviewed the Agency's Workforce Plan
- Assured the Agency's Customer Service Programme Strategic Outline Case
- Assured the Check, Challenge, Appeal programme
- Assured the Agency level transformation risks.

Standing Invites:

Tim Addison - Head of Internal Audit

Chair

Penny Ciniewicz

Chief Executive and Accounting Officer

Members



Janet Alexander

Chief People Officer

Dyfed Alsop

Chief Strategy Officer (until 31 July 2016)

Andrew Edwards

Director, Strategy, Policy and Customer

Mary Hardman

Chief Valuer

Philip Macpherson

Chief Digital and Information Officer

Lesley Ottery

Interim Chief Operating Officer (from 1 February 2017)

Emma Pakenham
Director, IT Delivery

Craig Pemberton
Chief Finance Officer

Victoria Pryke
Head, Change Communications

Karina Singh
Director, Transformation

Niall Walsh
Chief Operating Officer (until 31 January 2017)

Pedro Wrobel
Chief Strategy Officer (from 12 September 2016)

Chair

Craig Pemberton

Chief Finance Officer

Members



Janet Alexander

Chief People Officer

Dyfed Alsop

Chief Strategy Officer (until 31 July 2016)

Adrian Ball

Director, Information and Analysis

Mary Hardman

Chief Valuer

Penny Ciniewicz

Chief Executive

Lesley Ottery

Interim Chief Operating Officer (from 1 February 2017)

James Greenway

Director, Estates, Procurement and Commercial and Continuous Improvement (up to 11 April 2017)

Lee Hanley
Director, Technology

Sarah Hinchliffe
Director, Operations for Council Tax, Housing Allowances, Network Support Offices and Statutory Valuations Team

Thomas Lindie
Director, Non-Domestic Rating Operations

Niall Walsh
Chief Operating Officer (until 31 January 2017)

Pedro Wrobel
Chief Strategy Officer (from 12 September 2016)



Agency Performance Hub



13 meetings

Purpose

Oversees the Agency's performance, both in terms of immediate and future objectives. Within a dedicated performance hub, displaying performance indicators agreed by the Board, it analyses VOA performance against targets and measures and considers ways to improve performance in all areas, including customer service; value for money; and cyber security.

Highlights

- Reviewed performance measures and targets
- Reviewed successes identified from business stream hubs
- Assured the Agency level strategic operating risks.

Standing Invites:

Jason Ambers - Head, Research and Performance

Code of Good Practice 2011 (Corporate Governance in Central Government Departments) compliance

The focus of the Code of Good Practice 2011 is on encouraging Ministerial departments and other bodies such as the Agency to adopt the practices set out in the Code, wherever relevant and practical. We adopt the Code wherever we can, although in the following areas we concluded it was not possible or appropriate for us to comply:

- As set out in the Agency's Framework Document, the Chief Executive chairs the Board rather than a Secretary of State.
- The Agency has not appointed a lead Non-Executive Director, as the Non-Executives have unfettered access to the Chief Executive.
- The Non-Executives have decided 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 has decided that it will not provide an annual report because the Chair provides written and verbal feedback to the Board following every meeting. Members agreed an annual report would provide no further added value.
- As the Agency does not have a lead Non-Executive Director, the skills and experience of Board members is reviewed as part of the Board effectiveness evaluation and also as part of members' individual performance appraisals.
- As an Executive Agency, the Non-Executives are appointed on approval from HMRC's Accounting Officer and not the Secretary of State.
- The Board does not include Ministers because the organisation is an Executive Agency of a non-Ministerial government department.
- The Agency does not have a nominations and governance committee given that its executives are members of HMRC's Senior Civil Service (SCS) and HMRC determines their remuneration within Senior Civil Service pay policy guidelines. The Agency has a Senior Succession, Pay and Performance Advisory Committee, chaired by the Chief People Officer, of which Non-Executives are members, together with the Chief Executive. This guides performance moderation for the Agency's SCS 2 cadre. Executive Board members undertake the same process for the SCS 1 cadre.
- The Head of Internal Audit (HoIA) is not invited to attend Board meetings but papers are sent to Internal Audit before every meeting. The HoIA discusses key issues relating to governance, risk management and control with the Chief Executive at regular meetings. The HoIA also holds similar meetings with the Chief Finance Officer, and Internal Audit attend Audit and Risk Assurance Committee meetings.

Risk management

The Agency continues to identify, assess, manage and appropriately mitigate risks and issues which pose a threat to its performance.

This is done by the Agency's senior executive team, with assurance by the relevant Board committee and the Audit and Risk Assurance Committee (ARAC). Risk management operates at different levels within the Agency, from operational decision-making through to strategic level.

A number of factors contribute to the Agency's ongoing review and management of risks, including:

- Individual Chief Officers' views
- National Audit Office reports
- Internal Audit reports and recommendations
- Deep dives into specific areas of interest or functions
- Outputs from the Agency's Governance and Risk function
- Changes in the external environment
- Reference to HMRC's governance statement and best practice material.

Risk management developments

The 'Management of Risk in Government' framework was published by the Cabinet Office in January 2017. The document provides a framework of good practice that can help organisations ensure their arrangements for managing risk are structured and comprehensive. The framework is not intended to be a 'one-size fits all' approach to managing risk but rather a broad and high level statement of good practice that can be used by organisations to ensure risk management arrangements are effective. It includes examples of good practice across government along with high level checklist questions for both the Board and risk practitioners to test and challenge risk management arrangements. The Agency is in the process of planning how it will further develop risk management in pursuit of good practice.

The Agency has already committed to mature risk management across all seven categories of the Risk Management Assessment Framework (RMAF) by March 2018 (a two year plan). Progress to date includes each of the Agency's business streams completing an assessment matrix and an associated implementation plan.

During 2016-17 the Agency has built on its risk management capability by:

- Completing the annual review of the Agency's Risk Appetite Statement
- Undertaking a Board level risk horizon scanning exercise
- Continued engagement with HMRC's corporate risk management team and more broadly across Civil Service-wide initiatives
- Introducing the risk 'flightpath' tool which enables the Agency to visualise the projected profile of a given risk
- Attending the cross-government group RIG (Risk In Government) which shares and develops best practice.

Managing issues

Over the course of the year the Agency has held regular Issue Management Forums (IMF) which are attended by the Chief Executive and Chief Officers. The forums address escalated issues which have been assessed at a level requiring collective senior management attention.

Agency's risk landscape

In January 2017, following a comprehensive review process, the Board updated the Agency's Risk Appetite Statement, which continues to be used to guide and inform the Agency's top tier risk landscape. A Board 'risk horizon scanning exercise' was carried out in October 2016 to assess and assure individual and collective Agency level risk.

The Agency actively manages its top tier risk landscape (top level overview of its principal strategic, operating and transformation risks). The Agency identifies and tracks the progress of key mitigations designed to address and manage each risk. In line with

Risk Management best practice, the Agency has de-escalated several risks from Agency to Chief/business stream level control. During the year the Agency level risks were assigned to a relevant governance committee for regular assurance and review.

In 2016-17 the Agency's principal risks were:

Risk Description	Key mitigation(s)
<i>In order to manage this risk the Agency has the identified the following mitigations:</i>	
Customers	<p>There is a risk to the Agency that we fail to use our understanding of customers consistently and effectively when designing and implementing policies, processes and services, resulting in a failure to fully deliver our objectives.</p> <p>During the year we:</p> <ul style="list-style-type: none"> • launched an internal 'customer zone' that we are developing to provide the research, data and tools so we can understand our customers better. • implemented new approaches to the design and implementation of products and services that involve the use of greater customer insight and customer involvement. • developed a suite of customer performance measures to better target areas for improvement.
Managing our resources	<p>There is a risk to the Agency that we fail to understand the right numbers of people, skills and knowledge required to deliver our services in the future.</p> <p>During the year we:</p> <ul style="list-style-type: none"> • completed a workforce group analysis of our workforce supply over the Spending Review period and our workforce demand. • finished job design and workforce impact assessment for the Check and Challenge elements of CCA, allowing us to deploy the resources in the right places to launch a new process. • identified Business Critical posts, so we understand where key skills/potential points of failure are. • completed design of high level 'to be' roles in the operational part of our Target Organisational Model (detailed job design is still in progress and will identify 'to be' skill and knowledge requirements). • started the process of refreshing our Strategic Workforce Plan, to reflect Spending Review plans and demands.
Engaging with our people	<p>There is a risk to the Agency that we fail to improve engagement levels of our people.</p> <p>During the year we:</p> <ul style="list-style-type: none"> • launched a new Performance Achievement Scheme that supports managers and their teams to have coaching conversations to improve their performance. • increased our focus on inclusion – continuing our work on embedding inclusive and respectful language using our 'Words Matter' principles and launching Diversity champions. • rolled out Continuous Improvement tools so teams are able to improve the way they carry out their work and introduced a staff suggestion scheme. • increased the support we have given our managers in explaining what the Agency is doing by introducing a bi-monthly 'Let's Discuss' session for managers to run with their teams. • continued to celebrate our successes with our People Awards.

Continued overleaf

Risk Description

Key mitigation(s)

In order to manage this risk the Agency has the identified the following mitigations:

Leadership

There is a risk to the Agency that our leaders and managers do not have the capability or confidence to move the organisation from where it is now to where it needs to be in the future.

During the year we:

- launched a programme of upskilling managers and building leadership skills, including apprenticeships (continuing throughout 2017-18).
- continued to participate in talent and development schemes (Ascend, Future Leaders Scheme, for example).
- put in place dedicated coaching and support provided for senior leaders.
- continued to build up our leadership communities: Corporate Leadership Community, Office Heads, Business Managers to share collective knowledge and experience and build leadership skills.
- launched coaching training for managers holding Performance Achievement Scheme performance conversations.

Columbus

There is a risk to the Agency that if we fail to deliver a smooth exit from the Aspire technical contract effectively, it could de-rail our operational commitments.

During the year we:

- engaged with HMRC's established channels (HMRC Columbus Programme and HMRC Design Authority) and worked within the HMRC Columbus Programme structure to plan and manage our parts of the contract exit, including the updating of service agreements and governance, and development of re-procurement plans to coincide with contract ending (June 2017).
- managed the Columbus-related changes within our VOA Digital delivery portfolio to ensure that commitments such as CCA were prioritised and that contingency plans helped reduce risk to delivery of those commitments.
- provided support for development and implementation of an exit and transition plan for VTS' services under the contract.
- managed potential staff attrition, including identification of key roles that are critical for knowledge transfer and continuity of service, and will apply this learning to any subsequent attrition.

Cyber risk

There is a risk to the Agency that if we fail to deliver a smooth exit from the Aspire technical contract effectively, it could de-rail our operational commitments.

Whilst priority during the last year has been given to assuring new systems, there have been a wide range of actions to mitigate risk including:

- Enhanced DDoS (Distributed Denial of Service) defences for all VOA web services.
- Regular penetration testing of all new systems.
- Delivering multi-phased Think Before You Click campaign to raise user awareness of phishing emails.
- Continued close working with HMRC Cyber Security Team on cyber defence and response capabilities.

Continued overleaf

Risk Description**Key mitigation(s)**

In order to manage this risk the Agency has the identified the following mitigations:

Valuations

There is a risk to the Agency that our customers do not trust our valuations and property advice.

During the year we:

- implemented comprehensive quality assurance processes to control and assure valuations for Revaluation 2017.
- delivered the updated 'Find My Business Rate Valuation' website and query handling to support ratepayers understanding of their 2017 list draft valuations.
- agreed and began implementation of the Agency's customer strategy.
- embedded a process for learning from complaints in the business.
- worked with customer focus groups, trade associations and representative bodies to better understand – and seek to meet – their needs.

Pace and scale of change

There is a risk to the Agency that we fail to plan for and manage the pace and scale of change required in order to deliver the Agency's Spending Review commitments.

During the year we:

- established an agreed benefits realisation profile for the Spending Review period which is kept under review.
- created a broad four year transformation delivery 'plan on a page' to ensure shared understanding of what we are doing to take us towards the Agency's vision whilst achieving the Spending Review benefits profile – and help us to identify and manage sequencing, dependencies and risks to delivery. We will develop this into a flexible four year transformation delivery plan to take us towards the Agency's vision whilst achieving the SR benefits profile.
- made sure that we scheduled change implementation effectively and with minimal impact on operational delivery.
- established a process of monthly reconciliation of benefit profiles and staffing impacts between finance, HR, operations and transformation teams.
- developed a clear, refreshed Agency blueprint that sets out the future design for the Agency.
- began to improve our capability in change leadership and management, whilst building programme and project management resource to deliver the Transformation portfolio.

Internal Controls and Stewardship

Internal control and compliance

Significant Agency level control activities include:

- Review of business continuity and disaster recovery plans for all offices;
- Mandatory e-learning for all people for example Security training; and
- Controls on the transfer of personal data to outside the Agency, for example pension data to My Civil Service Pension and the Local Government Pension Fund.

Significant Agency level compliance activities include:

- In compiling the Governance Statement for the Agency, each Chief Officer has completed an individual return, a key part of which is the identification of internal control issues and consideration of their effectiveness;
- The Head of Internal Audit's opinion to the Accounting Officer (this provides assurance that the Agency has an adequate and effective framework for governance, risk management and internal control);
- Annual programme of asset management compliance audits and a year-end asset verification exercise;
- Activities to ensure compliance with the Cabinet Office Spending Controls, including those on procurement, recruitment, marketing and technology;
- Activities to ensure compliance with Senior Public Appointees Tax Arrangements (SPATA);
- Completion of annual assessment of fraud risk, which reflected a reduction in total number of risks outstanding from 12 in 2015-16 to nine in 2016-17; and
- Maintenance and updating of Bribery Act and Whistleblowing arrangements and ensuring all staff are aware of the reporting process.

Internal Audit

Internal Audit provides independent and objective assurance to the Accounting Officer. Recommendations from Internal Audit reports help the business to identify and implement improvements to key areas, including the achievement of its strategic objectives, making improvements to risk management processes, increasing effectiveness of controls and providing assurance to governance processes.

Reports in 2016-17 have focused on risk and on opportunities and dependencies in assurance, change and compliance.

Assurance from Internal Audit

Public Sector internal audit standards require Internal Audit to provide the Accounting Officer with an objective evaluation of, and opinion on, the adequacy

and effectiveness of framework governance, risk management and control. Internal Audit bases its opinion on four levels of assurance.

- **Substantial assurance** – The framework of governance, risk management and control is adequate and effective.
- **Moderate assurance** - Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
- **Limited assurance** - There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
- **Unsatisfactory assurance** - There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or likely to fail.

For 2016-17 Internal Audit gave an overall '**Limited**' level of assurance and this compares to a 2015-16 assurance rating of '**Moderate**'. During 2016-17 Internal Audit have identified control matters in relation to both the controlled delivery of change and also in relation to weaknesses in compliance within corporate systems and to a lesser extent, some operational systems.

Extract from the 2016-17 Head of Internal Audit Opinion

"In my opinion, there are weaknesses in areas of the VOA's framework of governance, risk management and control when compared to the demands of its risk profile. Improvements are therefore required to enhance its adequacy and effectiveness. In my 2015-16 report I advised that the VOA's overall level of risk exposure, particularly linked to its change and transformation agenda was increasing and raised the challenge of balancing a demanding change portfolio against delivering business as usual with less resource. During 2016-17 we have identified issues in relation to both the controlled delivery of change... and also weaknesses in compliance within corporate and to a lesser extent, some operational systems. Combined, these weaknesses limit the overall assurance that I am able to provide. My opinion would however in isolation be moderate for VOA's operational systems, reflective of the assurances we have provided and the operational performance of the VOA...

- Overall, I am able to give a **moderate** level of assurance relevant to Governance. Specific to Programme Governance, I can provide **Limited** assurance. We will monitor developments during our engagement with the Transformation Programme in 2017-18
- Overall, in view of the developments made during the year, I am able to give a **moderate** level of assurance relevant to risk management.
- Overall, in view of the findings we made during the year, I am able to give a **Limited** level of assurance for the overall system of internal control, with a **moderate** opinion specific to the operational systems we have reviewed.

This Head of Internal Audit opinion is based on 21 reviews carried out during 2016-17 including reviews on the following areas:

- Control Frameworks in the Agency
- Fraud and Bribery
- Check, Challenge, Appeal business readiness

- Application of the Agency Bonus Scheme
- Management of Leave
- Benefits Realisation in the Agency

The Agency currently has no overdue Management Actions and a good track record throughout the year of delivering actions on time.

Internal Audit is content that this governance statement is consistent with its opinion.

Of the 21 reviews undertaken in 2016-17:

- Two resulted in a '**substantial**' opinion
- Seven resulted in a '**moderate**' opinion
- 10 resulted in a '**limited**' opinion
- Two resulted in an '**unsatisfactory**' opinion

Summary 2016-17 Internal Audit agreed management actions (formerly recommendations)

	Opening Balance	New	Closed	Closing Balance	Overdue
Chief Finance Officer	0	23	17	6	0
Chief Operating Officer	1	27	10	17	0
Chief Strategy Officer	1	23	5	18	0
Chief People Officer	4	18	7	11	0
Chief Digital and Information Officer	2	17	10	7	0
Total	8	108	49	59	0

I agree with the opinions provided by Internal Audit in relation to the VOA's systems of risk management, governance and control. I have noted the observation from the Head of Internal Audit that assurances provided within operational audits proved stronger than for Programme or Corporate areas. We have already started to use our existing mechanisms more effectively. We have also planned a series of follow up audits focusing on revisiting and assuring key areas in which challenges have been highlighted by Internal Audit. The Agency's remaining Internal Audit focus for 2017-18 will concentrate on assuring key programme and change initiatives. Additionally, the Agency will ensure a sharper focus on first and second lines of assurance.

Whistleblowing

'Whistleblowing' is when someone raises a concern about wrongdoing, or an attempt to cover up wrongdoing in an organisation where they work. The Agency has ensured that it has clear and well communicated processes in place to enable our colleagues to 'whistleblow' if they consider it necessary.

The Agency has:

- Recorded all incidents of whistleblowing and reported on this matter on an annual basis to ARAC and then to the Board; and

- Nominated officers within the Agency and None-Executive Directors to manage cases.

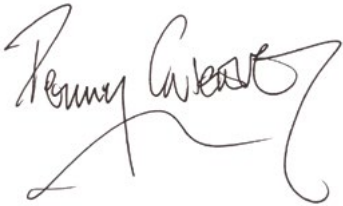
Operating in a secure manner

The Agency's Executive Committee discusses and agrees any contentious security issues or Agency-wide security issues, where the Agency's Senior Information Risk Owner or individual Information Asset Owners are not able to take the decision in isolation. This means that the Chief Executive, as Accounting Officer for the Agency, is involved in the decision.

Where appropriate, the Agency also reports incidents to HMRC's Departmental Security Officer. The VOA inputs to HMRC's annual Departmental Security Health Check (DSHC), which is signed off by HMRC's Chief Executive and Permanent Secretary. The Agency also produces its own DSHC.

Performance data and hubs

The Agency has a maturing culture of business performance management through visual hubs. Senior decision makers engage in active visual performance management at monthly business stream Performance Hubs and Chief Officer led Hubs. At these hub meetings progress against key performance indicators and other measures and metrics is reviewed and analysed.



Penny Ciniewicz
Chief Executive
27 June 2017

How We Share Data

We recognise the importance and value of the information we hold, and the privileged access we have to the data that our customers provide to us.

We hold this data to enable us to provide valuations and property advice to support taxation and benefits to the government and local authorities in England, Scotland and Wales as well as to provide valuation and surveying services to public sector bodies. We are also part of a continued debate about how government can use data more efficiently and effectively.

We want to use the data we hold more effectively and transparently, while continuing to safeguard taxpayers' confidentiality, as this confidentiality underpins public confidence and trust in the work we do.

Examples of our initiatives include:

- Working in partnership with HM Treasury and the Department for Communities and Local Government on policy development and delivery of Check, Challenge, Appeal.
- Sharing information with Local Authorities through a new gateway process which will allow them to administer business rates more effectively.
- Continuing to publish official statistics and research reports on our key activities, online at
 - www.gov.uk/government/organisations/valuation-office-agency/about/statistics
 - www.gov.uk/guidance/research-at-voa.

Directors' Report

The VOA Board
(as at 31 March 2017)



Mary Hardman

Chief Valuer

Alison Hewett

Non-Executive Director

1-2

Pedro Wrobel

Chief Strategy Officer

Sue Hall

Non-Executive Director

3-4

Philip Macpherson

Chief Digital and Information Officer

Penny Ciniewicz

Chief Executive

5-6

Craig Pemberton

Chief Finance Officer

Janet Alexander

Chief People Officer

Lesley Ottery

Interim Chief Operating Officer

7-9

Gurpreet Dehal

Non-Executive Director

Stephen Hughes*

Non-Executive Director

10

*not pictured

Pensions

For information on how the Agency's pension liabilities are treated in the accounts, and more details on the pension schemes it operates, please see the Remuneration and Staff Report and Note 16.

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 from Monday to Friday at the Valuation Office Agency, Wingate House, 93-107 Shaftesbury Avenue, London W1D 5BU between the hours of 9:00am and 5:00pm. Note 21 to the accounts confirms that the Agency had no material transaction with any party related to it because of a Board member's interest in it or influence over it.

Further action on information risk

We take the issue of data security very seriously and continually look to improve the security of customer information. We investigate and analyse all security incidents to understand and reduce security risk.

We actively learn from and act upon incidents; for example reviewing and enhancing asset management during office closures; delivering awareness campaigns for our staff to reduce the likelihood of reoccurrence; auditing compliance; and commissioning assurance activity to address any areas for improvement.

All VOA staff are required to complete mandatory security training, which includes the requirements of the Data Protection Act.

Personal data related incidents

We are required to publish information about any serious data-related incidents, which must be reported to the Information Commissioner.

Summary of personal data-related incidents formally reported to the Information Commissioner's Office (ICO) in 2016-17

Date of incident (Month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
July 2016	The personnel folders for four members of staff were placed in a shared folder accessible to all staff in the office.	Personnel records, including some sensitive, personal information	4	We notified the individual members of staff concerned.

Other protected personal data-related incidents

Incidents which did not require reporting to the Information Commissioner but required formation of a serious incident panel to manage the necessary post-incident actions:

Summary of other protected personal data-related incidents in 2016-17

Category	Nature of incident	Total
I	Loss/theft of inadequately protected electronic equipment, devices or paper documents from secured government premises	2
II	Loss/theft of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	2
V	Other	0

Fees and charges (these disclosures are subject to audit)

For details of the Agency's fees and charges income, please see Note 2 to the accounts.

Remote contingent liabilities

A remote contingent liability is where the likelihood of settlement is too remote to meet the definition of a contingent liability. The Agency has no quantifiable remote contingent liabilities as at 31 March 2017.

Losses and Special Payments (these disclosures are subject to audit)

The Agency has incurred losses and made special payments throughout the year, all of which are immaterial in number and amount.

Losses and special payments are shown in their own line in Note 4 of the financial statements.

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>.

Long term expenditure trends

The Agency's principal financial objective is to recover the full cost of its operation within each business segment, through charges for the services it provides. This was achieved overall in each of the years shown in the table below, with a small operating surplus made in each.

		2012-13	2013-14	2014-15	2015-16	2016-17
		£'000	£'000	£'000	£'000	£'000
Non-Domestic Rating and Council Tax	Expenditure	150,636	152,257	150,435	169,273	167,682
	Income	150,475	153,094	150,896	169,427	168,742
Statutory Valuations Team	Expenditure	10,866	11,902	10,742	11,168	11,355
	Income	11,586	11,850	11,220	11,795	11,791
Property Services	Expenditure	14,809	16,064	15,657	15,323	14,553
	Income	16,096	15,974	15,999	15,121	14,672
Local Housing Allowances and Fair Rents	Expenditure	13,479	14,702	14,931	11,684	10,385
	Income	13,790	15,040	15,040	11,530	10,209
Total Expenditure		189,790	194,925	191,765	207,448	203,975
Total Income		191,947	195,958	193,155	207,873	205,414
Surplus		2,157	1,033	1,390	425	1,439

The following table shows our planning assumptions for 2017-18 and 2018-19. We are currently working to finalise planning for the remainder of the Spending Review (SR). Funding has been agreed with all of our major clients for 2017-18; we have not yet agreed funding for the remainder of the SR period.

The Agency continues to reduce its estate, modernise its IT and build the capability required for ongoing delivery of services to its clients. The costs for transformation are shown separately for visibility. This is a programme which is an enabler for the whole Agency and is designed to deliver the Agency's long term strategy, as we deliver our services more effectively, consistently and at lower cost.

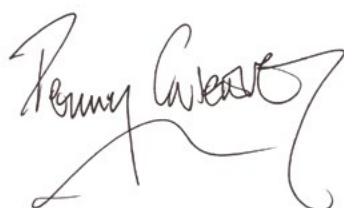
		2017-18	2018-19
		£'000	£'000
Non-Domestic Rating and Council Tax	Expenditure	150,374	154,723
Revaluation 2017	Expenditure	0	0
	Income	150,374	154,723
Statutory Valuations Team	Expenditure	10,154	9,820
	Income	10,154	9,820
Property Services	Expenditure	15,700	15,700
	Income	15,700	15,700
Local Housing Allowances and Fair Rents	Expenditure	10,324	9,730
	Income	10,324	9,730
Transformation	Expenditure	8,916	5,267
	Client Funding	8,916	5,267
Total Expenditure		195,468	195,240
Total Income		195,468	195,240
Surplus		-	-

Unquantified remote contingent liability: notification to leave the European Union

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised.

During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.



Penny Ciniewicz
Chief Executive
27 June 2017

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.

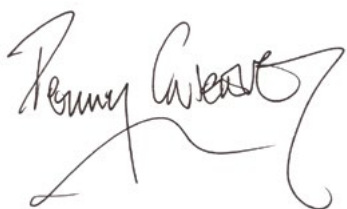
In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- 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 HM Revenue & Customs 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.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.



Penny Ciniewicz
Chief Executive
27 June 2017

Remuneration and Staff Report

This report incorporates the Agency's directors' remuneration information and the Agency's staff report. The first section will outline the breakdown of each Board member's total remuneration and pension interest, detailing pay, pension and other benefits. The second section of this report will cover details of staff numbers, costs and other staff-related disclosures for the Agency.

Directors' remuneration

Executive Directors are members of the Senior Civil Service (SCS) and their general terms and conditions of employment are set by the Cabinet Office. HM Revenue & Customs (HMRC), as the Agency's sponsor department, determines the approach to remuneration for Senior Civil Servants in both HMRC and the VOA in accordance with the SCS pay policy guidelines. The VOA's Senior Succession, Pay and Performance Committee provides a moderated view of overall performance of SCS2 in the VOA before their performance is moderated against the HMRC SCS cadre as a whole.

Contracts, notice periods and termination periods

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The majority of the Agency's 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 the Agency will not renew their contracts more than once. The Agency employs a small number of its people on short-term contracts.

The Agency did not make any awards to past Board members this year or in the previous year.

The Agency 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 the Agency's most senior people.

Salaries

These include:

- gross salary
- overtime¹
- reserved rights to London weighting or London allowances²
- recruitment and retention allowance³ and
- Private Office allowances and any other allowance to the extent that it is subject to UK taxation⁴.

This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Directors' Bonus payments

For Senior Civil Servants in the Agency bonus payments are awarded in relation to the performance of that individual throughout the year. The bonuses reported in 2016-17 relate to performance in 2015-16. The Agency pays 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 63 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

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

The Agency appointed an Interim Chief Operating Officer to ensure business continuity during a crucial period and lasted for just over three months, ending 31 March 2017, including a handover period before the departure of the previous Chief Operating Officer. The appointment was approved by the VOA's Accounting Officer as the most expedient solution for this business critical post while recruitment took place. The Agency paid for these services through a third party. The amounts paid for the two month period 1 February to 31 March 2017 are disclosed in the Board Members' Remuneration table below. A permanent successor took up post on 3 April 2017.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and

¹ No such payments were made during 2016-17.

² As above

³ As above

⁴ As above

alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha**, as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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 his 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 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits

valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do 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.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. 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.

Pay multiples (these disclosures are subject to audit)

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

The banded remuneration of the highest paid director in the Agency (excluding pension benefits) in 2016-17 was £145k-£150k (2015-16: £135k-140k). This was 5.29 times (2015-16: 5.03) the average remuneration of the workforce, which was £27,847 (2015-16: £27,258). The highest paid director's salary includes taxable travel to a second permanent workplace.

Lesley Ottery has not been treated as the highest paid director and has been excluded from the median pay disclosure because she was engaged on a short term basis and is paid by invoice to a third party supplier.

Total remuneration includes:

- Salary;
- non-consolidated performance-related pay; and
- benefits in kind.

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

In 2016-17 (also in 2015-16) no employee received remuneration in excess of the highest paid director. Remuneration for all employees excluding pension benefits ranged from £16,135 to £145k-£150k (2015-16: £15,200 to £135k-£140k).

The information in this table is subject to audit.

Board Members' Remuneration Information

	2016-2017					2015-2016				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) [1]	Pension Benefits £'000	Total remuneration £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100) [1]	Pension Benefits £'000	Total remuneration £'000
Penny Ciniewicz Chief Executive	125-130	-	100	60-65	190-195	120-125 (125 - 130 full year equivalent)	10-15	-	115- 120	250-255
Janet Alexander Chief People Officer	85-90	5-10	50,800 [2a]	20-25	170-175	85 - 90	5-10	-	30-35	125-130
Dyfed Alsop Chief Strategy Officer (until 05 August 2016) [5]	30 - 35 (85 - 90 full year equivalent)	-	-	10-15	45-50	85 - 90	0	-	35-40	125-130
Gurpreet Dehal Non-Executive Director (appointed 01 December 2016)	0-5 (10-15 full year equivalent)	-	-	-	0-5	-	-	-	-	-
Janet Grossman Non-Executive Director (until 10 October 2016)	5-10 (10-15 full year equivalent)	-	-	-	5-10	10-15	-	-	-	10 - 15
Sue Hall Non-Executive Director (appointed 01 December 2016)	0-5 (10-15 full year equivalent)	-	-	-	5-10	-	-	-	-	-
Mary Hardman ChiefValuer (appointed 1 April 2016) Director, Non-Domestic Rating (until 31 March 2016)	75-80	-	37,200 [2b]	15-20	125-130	75-80	5-10	40,000 [2b]	25-30	145 - 150
Alison Hewett Non-Executive Director	10-15	-	-	-	10-15	10-15	-	-	-	10-15
Stephen Hughes Non-Executive Director (appointed 01 December 2016)	0-5 (10-15 full year equivalent)	-	-	-	0-5	-	-	-	-	-
Alex Jablonowski Non-Executive Director (until 31 December 2016)	10-15 (10-15 full year equivalent)	-	-	-	10-15	10-15	-	-	-	10-15
Philip Macpherson Chief Digital and Information Officer	90-95	10-15	-	50-55	155-160	85-90	-	-	50-55	135-140
Lesley Ottery Interim Chief Operating Officer (1 February 2017 to 31 March 2017)	35-40 (220-225 full year equivalent) [3]	-	-	-	35-40	-	-	-	-	-
Craig Pemberton Chief Finance Officer	95-100	-	-	20-25	120-125	95-100	-	-	30 - 35	125-130
Niall Walsh Chief Operating Officer (1 April 2016 to 31 January 2017) Chief Operating Officer & Chief Valuer (Until 31 March 2016)	70-75 (85-90 full year equivalent)	-	21,100 [2c]	20-25	115-120 [4]	85 - 90	-	47,900 [2c]	45-50	180-185
Pedro Wrobel Chief Strategy Officer (appointed 12 September 2016)	50-55 (90-95 full year equivalent)	-	-	55-60	105-110	-	-	-	-	-

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

[2a] The benefit in kind for Janet Alexander is £28,500 (2015-16: £nil) for the payment of hotel and travel costs travelling to her second permanent workplace incurred from 30 April 2016 to 31 March 2017. Prior to this date, Janet did not have a second permanent place of employment. Taxation and National Insurance contributions relating to these payments amount to £22,300 (2015-16: nil).

[2b] The benefit in kind for Mary Hardman is £21,700 (2015-16: £21,900) for the payment of hotel and travel costs travelling to her second permanent workplace incurred from 1 April 2016 to 31 March 2017. Taxation and National Insurance contributions relating to these payments amount to £15,500 (2015-16: £18,100).

[2c] The benefit in kind for Niall Walsh is £12,200 (2015-16: £27,300) for the payment of hotel and travel costs travelling to his second permanent workplace incurred from 1 April 2016 to 31 January 2017. Taxation and National Insurance contributions relating to these payments amount to £8,800 (2015-16: £20,600).

[3] The Agency appointed an Interim Chief Operating Officer to ensure business continuity during a crucial period. The full engagement, including handover periods, started in December 2016 and ended in April 2017, including a period as Interim Chief Operating Officer from 1 February 2017 to 31 March 2017. The payment for the handover periods has not been included in this disclosure. The appointment was approved by the VOA's Accounting Officer as the most expedient solution for this business critical post while recruitment took place. A permanent successor took up post on 3 April 2017. The remuneration shown is the total payment made to the third party supplier, excluding agency fee and VAT.

[4] Niall Walsh stepped down from the Board on 31 January and left the Agency on 31 May 2017. He was not carrying out the role of Chief Operating Officer during this time. Under the terms of the Civil Service Compensation Scheme, Voluntary Exit notice periods are normally three months. On 10 January 2017, Niall agreed a departure date of 31 May 2017. The period is a combination of accrued leave and the agreed notice period on top of the contractual three months. He continued to receive his salary, and received a contractual payment on leaving the Agency of £95,000 under the Civil Service Compensation Scheme which has been included in exit costs in the SoCNE for 2016-17. The overall exit package was approved by HMRC. Extra-contractual salary payments amounted to £5,230. Treasury approval was not sought but under Managing Public Money guidance should have been. The figures in the table above, and in the Board Members' Pensions table below, only show remuneration received while Niall was a serving member of the Board. He continued to contribute to, and accrue benefits in, the Principal Civil Service Pension Scheme. As with the salary figures, all pension figures quoted are stated as at 31 January 2017. The pension figures as at 31 March 2017, including increases in accrued pension, lump sum and CETV, are not considered to be significantly different from the figures disclosed.

[5] The date of departure for Dyfed Alsop is shown in the Governance Statement as 31 July 2016. This was the date up to which he was actively carrying on his duties as Chief Strategy Officer. A date of 5 August 2016 has been used for the Remuneration Report as this includes a subsequent period of annual leave.

The information in this table is subject to audit.

Board Members' Pensions

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age - as at 31 March 2017 and related lump sum	CETV at 31 March 2016	CETV at 31 March 2017	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Penny Ciniewicz Chief Executive	2.5 – 5.0 plus 7.5 – 10.0 lump sum	30 – 35 plus 95 – 100 lump sum	558	640	52
Janet Alexander Chief People Officer	0.0 – 2.5 plus 0.0 – 2.5 lump sum	30 -35 plus 35 – 40 lump sum	538	583	18
Dyfed Alsop Chief Strategy Officer (until 05 August 2016)	0.0 - 2.5 plus 0.0 - 2.5 lump sum*	15 - 20 plus 40 - 45 lump sum	210	217	4
Gurpreet Dehal Non-Executive Director (appointed 01 December 2016)	[1]	[1]	[1]	[1]	[1]
Janet Grossman Non-Executive Director (until 10 October 2016)	[1]	[1]	[1]	[1]	[1]
Sue Hall Non-Executive Director (appointed 01 December 2016)	[1]	[1]	[1]	[1]	[1]
Mary Hardman Chief Valuer (appointed 1 April 2016) Director, Non-Domestic Rating (until 31 March 2016)	0.0 – 2.5 plus 2.5 – 5.0 lump sum	30 – 35 plus 90 – 95 lump sum	632	675	14
Alison Hewett Non-Executive Director	[1]	[1]	[1]	[1]	[1]
Stephen Hughes Non-Executive Director (appointed 01 December 2016)	[1]	[1]	[1]	[1]	[1]
Alex Jablonowski Non-Executive Director (until 31 December 2016)	[1]	[1]	[1]	[1]	[1]
Philip Macpherson Chief Digital and Information Officer	2.5 – 5.0 plus 0.0 – 2.5 lump sum*	25 – 30 plus 70 – 75 lump sum	396	446	28
Lesley Ottery Interim Chief Operating Officer (1 February 2017 – 31 March 2017)	[1]	[1]	[1]	[1]	[1]
Craig Pemberton Chief Finance Officer	0.0 – 2.5	15 – 20	291	328	19
Niall Walsh Chief Operating Officer (1 April 2016 – 31 January 2017) Chief Operating Officer & Chief Valuer (Until 31 March 2016)	0.0 – 2.5*	30 – 35 plus 80 – 85 lump sum	496	528	9
Pedro Wrobel Chief Strategy Officer (appointed 12 September 2016)	2.5 – 5.0	20 – 25	174	203	24

[1] Not in civil service pension scheme

*These Board members transferred to the Alpha pension scheme during the year 2015-16 and the amounts above reflect both the PCSPS and Alpha pension scheme benefits as at 31 March 2016.

Staff Numbers and Related Costs

The average number of full-time equivalent persons (including senior management) employed during the year was as follows (the information in these tables are subject to audit):

(a) Staff Numbers and Costs

The average number of full-time equivalent persons (including senior management) employed during the year was as follows:

Average number of persons employed:	2016-17			2015-16		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
Non-Domestic Rating, Council Tax and Corporate Services	2,779	234	3,013	2,845	251	3,096
Property Services and Statutory Valuations Team	326	11	337	330	4	334
Local Housing Allowances and Fair Rents (former Rent Service)	167	-	167	179	-	179
	3,272	245	3,517	3,354	255	3,609

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

Staff Numbers and Costs

	2016-17			2015-16		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	106,773	8,162	114,935	109,393	6,997	116,390
Social security costs	10,837	250	11,087	8,333	124	8,457
Other pension costs	22,880	719	23,599	23,140	555	23,695
	140,490	9,131	149,621	140,866	7,676	148,542
Less recoveries in respect of outward secondments	(107)	-	(107)	(112)	-	(112)
Total staff costs	140,383	9,131	149,514	140,754	7,676	148,430

The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2016-17 was £1.7m (2015-16: £2.4m), and the total consultancy expenditure within staff costs for 2016-17 was £nil (2015-16: £nil). £19k of consultancy expenditure was recorded in other expenditure, see Note 4.

Pension past service cost

A number of the Agency's 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 the Agency's people have pension benefits that are provided through the Civil Service pension arrangements, either alpha (a new pension scheme introduced from 1 April 2015) or the Principal Civil Service Pension Scheme (PCSPS). Both of these schemes are largely unfunded multi-employer defined benefit schemes. The Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary last valued the PCSPS scheme as at 31 March 2012. Details can be found at <http://www.civilservice.gov.uk/pensions>. The accounts of the schemes will be published on <http://www.official-documents.gov.uk>, within the Cabinet Office Civil Superannuation Resource Accounts.

For 2016-17, employer contributions of £21,727,075 (2016-17: £21,947,780), were payable to the PCSPS and alpha at one of four rates in the range 20.0% to 24.5% 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 2016-17 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 £124,469 (2015-16: £109,901) 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 up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. The Agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,042, 0.5% of pensionable pay (2015-16: £4,969, 0.8% up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015) were payable to the PCSPS and alpha 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 £10,382 (2015-16: £9,642).

Five employees have retired on ill-health grounds during 2016-17, with a total additional accrued pension liabilities of £23,901 (there were three in 2015-16 with a total additional accrued pension liability of £5,075).

(b) Early departure costs

	2016-17	2015-16
	£'000	£'000
Additional provisions made	1,911	1,022
Costs during the year	839	1,517
Unwinding of one year's discount	-	6
Change in the discount rate	3	(1)
Unused amounts reversed	(73)	(144)
Total in-year costs	2,680	2,400

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. These disclosures are subject to audit.

Exit package cost by band	2016-17			2015-16		
	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	-	2	2	-	-	-
£10,001 - £25,000	-	21	21	6	12	18
£25,001 - £50,000	-	31	31	-	17	17
£50,001 - £100,000	-	16	16	-	10	10
£100,001 - £150,000	-	-	-	-	-	-
Total no. exit packages by type	-	70	70	6	39	45
Total operating cost (£'000s)	-	2,401	2,401	79	1,493	1,572

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 the Agency has agreed early retirements, the additional costs are met by the Agency 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 redundancy payment due on retirement. In certain circumstances it also includes the cost associated with the increase in liability to pay future pensions.

Reporting on the tax arrangements of public sector appointees

We report to HM Treasury about off-payroll appointments of more than six months and more than £220 a day. This is to ensure that the appointee in question is paying the right amount of tax and National Insurance.

We exercise the right to request assurances from the appointees about payments they make to HMRC. We can terminate the individual's contract if these assurances are not provided.

Table 1: All off-payroll engagements at 31 March 2017, for more than £220 per day and that last for longer than six months:

	Valuation Office Agency
Number of existing engagements as of 31 March 2017	10
Less than one year at time of reporting	4
Between one and two years at time of reporting	3
Between two and three years at time of reporting	3
Between three and four years at time of reporting	Nil
Four or more years at time of reporting	Nil

All existing off-payroll engagements, outlined above, have been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and National Insurance and, where necessary, that assurance has been sought.

Table 2: All new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

	Valuation Office Agency
New engagements, or those that reached six months in duration	6
Right to request information about income tax and National Insurance Contributions	6
Requests for information made	6
Information has been received	6
Information has not been received	Nil
Engagement terminated as a result of information not being received	Nil

Table 3: Board members, and/or, senior officials with significant financial responsibility:

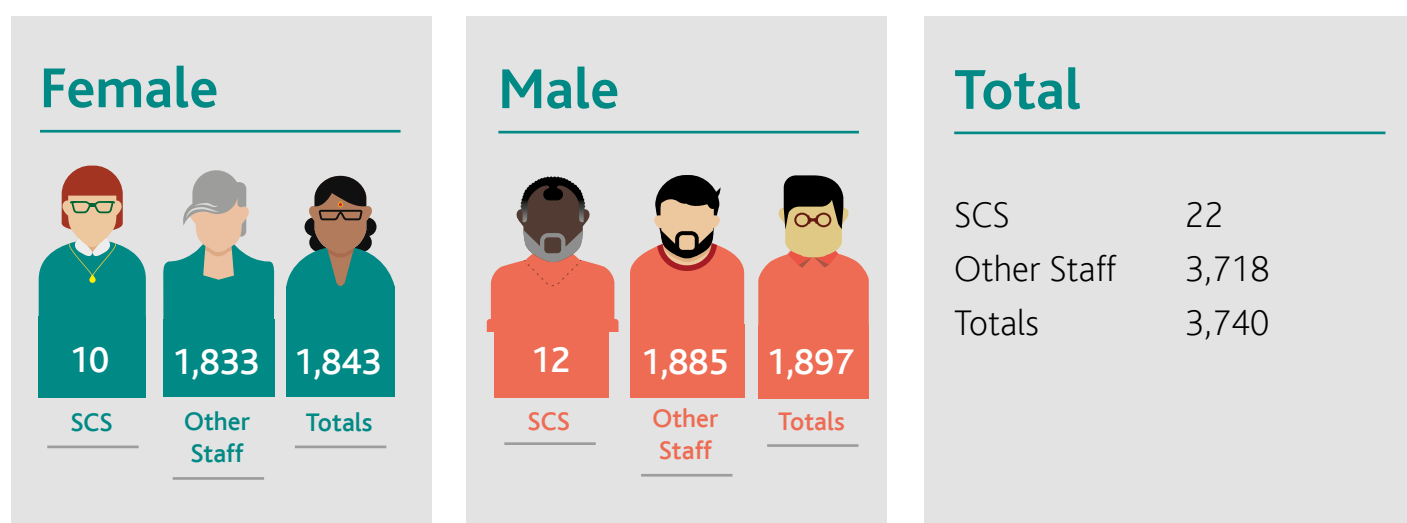
Number of individuals who are board members, and/or, senior officials with significant financial responsibility	Valuation Office Agency
On payroll	8
Off payroll	1*

* The appointment of an interim VOA Chief Operating Officer (and VOA Board member) was required to ensure business continuity during a crucial period and lasted for just over three months, ending 31 March 2017. The appointment was approved by the VOA's Accounting Officer as the most expedient solution for this business critical post while recruitment took place. A permanent successor took up post on 3 April 2017.

People

Senior Civil Service (SCS)

We have 22 SCS employees and 22 SCS posts, which we continue to monitor closely to ensure our SCS structure mirror changes in the overall size and complexity of the organisation.



Target Organisational Model

This year, we have continued work on our new Target Organisational Model (TOM) which will allow us to organise our work by function rather than by business streams. As a key component towards making us a more flexible and adaptable organisation, the TOM will enable us to deliver our business in a more cost-effective and sustainable way, as well as providing a consistent framework around which many of our other transformational activities can be aligned. Moving towards a more efficient and flexible organisational model will allow us to meet our Spending Review challenges over the next few years, and to maintain operational efficiency as we become a smaller organisation.

Work towards implementing our Target Organisational Model has already begun with the Chief Valuer function within the TOM being implemented in April 2016. The Chief Valuer is responsible for the Valuation and Technical Advice function across the Agency. This function is also responsible for professional and valuation standards and technical guidance across all business streams.

We have also implemented a new Process Design team to manage end-to-end process standardisation, and a new Transformation team to manage and align all our change activities.

We expect to start implementing our new Target Organisational Model in our main operational areas from April 2018.

A key part of transforming the Agency will be to update our digital systems to support us to work in a more modern, professional way, which is far more intuitive to VOA colleagues and our customers. This will include the government's 'digital by default' aim for customer contact. An integral part of the work on the Target Organisational Model will be to align our digital support with the way we work, and the way that jobs are designed.

Talent and Capability

During 2016-17, we implemented new controlled recruitment processes that focused on filling those roles identified as business critical. This supported our wider workforce strategy to ensure we maximised the opportunities provided by natural wastage to align our headcount with our Target Organisational Model (TOM). In 2016-17, 411 people left the Agency, and we recruited 279 new joiners. We facilitated a number of internal moves to resource the introduction of a new appeal system for England, Check, Challenge, Appeal (CCA). Our internal training team rose to the challenge of upskilling everyone involved in the initial phase of CCA in time for its launch on 1 April 2017.

“ The TOM (Target Organisational Model) will enable us to deliver our business in a more cost-effective and sustainable way... ”



To help address the challenges of making sure we have skilled people in the Agency we have continued to invest in a number of apprenticeship programmes. We currently have over 90 apprentices in the Agency, developing their skills in a range of professions including digital, surveying, operational delivery and leadership. We plan to extend the range of opportunities available over the next 12 months to include procurement and project management. We also:

- are in the process of converting several of our internal development schemes into apprenticeships and will continue to offer apprenticeship opportunities as part of our development offer to existing staff as well as to new joiners.
- continue to host Fast Streamers from both the generalist and specialist schemes, and are closely involved in discussions with the Government Property Profession (GPP) on the development of a GPP fast stream.
- collaborated with other government departments and external bodies to identify secondment opportunities.
- participated in two large national recruitment fairs to help raise the VOA's profile and attract a more diverse range of applicants. We also continue to participate in the Civil Service summer internship programme for students from diverse backgrounds.

Health, Safety and Wellbeing

Our sickness absence levels increased in 2016-17. Our average working days lost were 6.2 days per person, up from 5.8 in 2015-16. This remains well within the Civil Service target of not exceeding 7.0 days. Our managers continue to monitor sickness absence through our attendance management systems, which enable us to take early action to support our people if we identify problems.

This year we continued to promote health, safety and wellbeing with monthly publications and events such as supporting the Charity for Civil Servants Walking Challenge and wider Civil Service Activity Week.

Our Board approved a health, safety and wellbeing strategy in March 2017 which will be implemented in 2017. Our strategy aligns with the Civil Service health and wellbeing priorities with a particular focus on mental health, musculoskeletal and promoting healthy living. To support this we:

- will develop and implement an action plan in response to our annual health check.
- made the Time to Change mental health pledge in November 2016 and we continue to actively support events such as Time to Talk day and Mental Health Awareness week. We have also engaged with the See Me mental health campaign in Scotland.
- promoted healthy living with monthly areas of focus such as the One You campaign, the government's public health campaign helping adults across the country to avoid future diseases caused by modern day life, focusing on areas such as eating, smoking, drinking, stress, checking your health and moving more.
- aim to establish a network of health, safety and wellbeing champions in each of our locations in 2017.

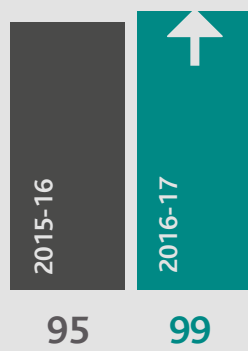
Health and safety remains a Board priority. During 2016-17 we completed the final recommendations from HMRC's Post Implementation Review of health and safety management in the VOA. The changes have strengthened our overall health and safety management, such as the introduction of new risk assessment compliance checks and risk controls to help prevent injury.



**6.2 days lost
to sickness,
well within
7.0 Civil
Service target**

Our sickness absence levels increased in 2016-17. Our average working days lost were 6.2 days per person, up from 5.8 in 2015-16.

Health and Safety incident reports



As part of the Agency's continued commitment to health and safety, we launched a brand new e-learning product to help line managers understand the principles of, and complete, risk assessments about their team's activities. We also launched a complete refresh of our site inspection e-learning syllabus for outdoor workers and introduced a new contract improving the provision of personal protective equipment.

We continue to monitor health and safety performance and compliance in key areas, such as driving at work, use of display screen equipment and completion of mandatory health and safety learning. We also make considerable efforts on lone worker compliance to ensure that all lone workers return safely home or to their place of work. During the year, overall compliance peaked at 98%, which maintained the level of compliance achieved in 2015-16.

We continue to maintain our excellent safety record. The number of health and safety incident reports received in 2016-17 was 99, a slight increase compared to the 95 recorded in 2015-16, with no significant trends or issues being identified. There were no reportable incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

Penny Ciniewicz
Chief Executive
27 June 2017

The Certificate and Report of the Comptroller and Auditor General

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2017 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 and Staff Report and the Directors' Report that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer 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 the 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 2017 and of the net operating deficit 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 thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Directors' Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Overview, Performance Analysis and Accountability sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Directors' 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
29 June 2017

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

Financial Statements

Annual Accounts for the year ended 31 March 2017

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Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

		2016-17	2015-16
	Note	Total £'000	Total £'000
Income	5	205,414	207,873
Staff costs	3	(152,194)	(150,830)
Purchase of goods and services	4	(43,089)	(48,052)
Provision expense	4	(651)	(76)
Other operating expenditure	4	(433)	(1,443)
Depreciation, amortisation and impairment charges	4	(9,370)	(8,990)
Gross operating cost		(205,737)	(209,391)
Net Operating Surplus/(Deficit)		(323)	(1,518)
Other Comprehensive Expenditure:			
Net gain on revaluation of intangible assets		57	344
Actuarial gain / (loss) on pension fund	16	9,919	2,048
Total Comprehensive Net Income / (Expenditure)		9,653	874

In 2016-17, the VOA made an operating deficit of £0.323m. This was due to HM Treasury rules which state that the non-cash transactions relating to the Local Government Pension Scheme, required by accounting standards to be charged to operating costs cannot be offset by income.

Although no corresponding income is shown in the Statement of Comprehensive Net Expenditure, these costs are fully funded from the Agency's sponsor department, HMRC. They have no impact on the cash flow of the Agency. A breakdown of these costs is in Note 16.

The notes on pages 81 to 112 form part of these accounts.

Statement of Financial Position as at 31 March 2017

		2016-17	2015-16
	Note	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	10,261	10,861
Intangible assets	7	18,637	15,582
Prepayments	9	172	-
Pension asset	16	1,083	-
Total non-current assets		30,153	26,443
Current assets			
Trade and other receivables	9	8,609	10,579
Work in progress	10	1,899	1,953
Cash and cash equivalents	11	18,437	19,485
Total current assets		28,945	32,017
Total assets		59,098	58,460
LIABILITIES			
Current liabilities			
Trade and other payables	12	(11,176)	(12,993)
Employee leave accrual	12	(8,415)	(9,048)
Short term provisions	14	(1,743)	(1,505)
Amounts payable to the Consolidated Fund	15	(672)	(286)
Total current liabilities		(22,006)	(23,832)
Total assets less current liabilities		37,092	34,628
Non-current liabilities			
Long term provisions	14	(26)	(220)
Pension liability	16	-	(7,834)
Liability in respect of PFI assets	12	(103)	(125)
Total non-current liabilities		(129)	(8,179)
Total assets less total liabilities		36,963	26,449
TAXPAYERS' EQUITY			
General Fund		36,432	25,442
Revaluation Reserve		531	1,007
Total Taxpayers' equity		36,963	26,449

The notes on pages 81 to 112 form part of these accounts.



Penny Ciniewicz
Accounting Officer
27 June 2017

Statement of Cash Flows for the year ended 31 March 2017

		2016-17	2015-16
	Note	£'000	£'000
Cash flows from operating activities			
Net operating surplus/(deficit)		(323)	(1,518)
Adjustments for:			
Depreciation of property, plant and equipment	6	3,347	3,084
Amortisation of intangible assets	7	5,070	5,848
Net loss on disposal of non-current assets	4	195	542
Net loss on impairment of non-current assets	8	953	58
Creation and reversal of provisions	14	2,489	954
Use of provisions	14	(2,448)	(1,010)
Unwinding of the discount on provisions	14	3	6
Change in the discount rate on provisions	14	-	(1)
Notional auditor's remuneration	4	72	72
Pension fund expenditure passing through the SoCNE	16	1,762	1,943
Movements on pension liability and pension fund income & expenditure not passing through the SoCNE	16	(760)	(740)
Pension fund contribution not passing through SoCNE		791	782
Decrease/(increase) in trade and other receivables	9	1,798	(3,199)
Decrease in work in progress	10	54	388
(Decrease)/Increase in trade and other payables and other liabilities	12	(2,086)	1,901
Less movements in payables relating to items not passing through operating costs		(137)	(9)
Net cash inflow from operating activities		10,780	9,101
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3,199)	(2,867)
Purchase of intangible assets	7	(8,997)	(4,706)
Net cash outflow from investing activities		(12,196)	(7,573)
Cash flows from financing activities			
Receipts on behalf of the Consolidated Fund	15	386	22
Capital element of payments in respect of on-balance sheet PFI assets		(18)	(14)
Net cash (outflow)/inflow from financing activities		368	8
Net increase in cash and cash equivalents in the period		(1,048)	1,536
Cash and cash equivalents at the beginning of the period	11	19,485	17,949
Cash and cash equivalents at the end of the period	11	18,437	19,485

The notes on pages 81 to 112 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	Note	2016-17			2015-16		
		General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Opening balance		25,442	1,007	26,449	23,336	1,385	24,721
Changes in Taxpayers' Equity for the period							
Comprehensive Net Expenditure							
Net gain on revaluation of intangible assets	7	-	55	55	-	344	344
Operating surplus/(deficit) for the year		(323)	-	(323)	(1,518)	-	(1,518)
Actuarial gain/(loss) on pension fund	16	9,919	-	9,919	2,048	-	2,048
Total Other Comprehensive Net Expenditure		9,596	55	9,651	530	344	874
Transfers and other reserve movements							
Third party pension liability payments	16	791	-	791	782	-	782
Realised and transferred to General Fund		531	(531)	-	722	(722)	-
Notional charges - auditor's remuneration	4	72	-	72			
Total recognised income and expense for the year		10,990	(476)	10,514	2,106	(378)	1,728
Balance carried forward		36,432	531	36,963	25,442	1,007	26,449

The amounts realised and transferred to the General Fund relate to previously revalued assets. The reserve is released as these assets are depreciated, so that when the assets reach the end of their Useful Economic Life, there is no longer a corresponding figure in the Revaluation Reserve. Similarly, when a previously revalued asset is disposed, the remaining balance in the Revaluation Reserve for that asset is transferred to the General Fund.

The notes on pages 81 to 112 form part of these accounts.

Notes to the VOA's Accounts

1. Statement of accounting policies

As the VOA is a government entity, the financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the Agency has selected the accounting policy which is most appropriate to provide a true and fair view. The Agency's 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

The Agency's 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, the Agency recognises property, plant and equipment assets at cost, including all costs directly attributable to bringing them into working condition. 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. Non-property assets are valued on a depreciated historical cost basis as a proxy for value in existing use as they are non-specialised, low value, and of short lives.

The Agency carries 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.

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 current value in existing use.

Apart from property and IT developed software, the Agency considers all other assets' fair values to be comparable to their carrying values in the accounts.

Increases in asset values are recognised in the Revaluation Reserve within Taxpayers' Equity. Any subsequent revaluations of the asset are matched off against the amount of the revaluation reserve relating to the asset. However if the devaluation exceeds the amount in the Revaluation Reserve relating to this asset, an impairment results (see Note 1.5).

When the Agency disposes of revalued property, plant and equipment, any remaining amount attributable to the asset held in the Revaluation Reserve is transferred to the General Fund.

Depreciation

Property, plant and equipment is depreciated over its estimated useful life on a straight line basis. The useful lives of property, plant and equipment are detailed in the accompanying table.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial reporting year end, and adjusted if appropriate.

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

Expenditure falling below these values is expensed in the Statement of Comprehensive Net Expenditure. 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. Intangible assets are also grouped on a similar basis (see Note 1.3).

*The recognition threshold for these classes of asset has been increased from £1,500 to align with group policy.

The Shrewsbury office is recorded as a non-fully depreciated asset being accounted for as a service concession under IFRIC 12 and is held under a PFI contract (see Note 1.12). 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 the Shrewsbury office is set out in the table below. The estimated useful life was revised at its last revaluation to 12 years.

Office	Lease Term at inception (remaining at 31/3/2017)	Estimated useful life at 31/3/2017
Shrewsbury	20 years (4 years)	10 years

1.3 Intangible assets

Intangible assets consist of developed software and software assets under construction. Intangible assets under construction are only recognised if:

- it is technically and economically feasible to complete the asset;
- the Agency intends to complete the asset; and
- the Agency is able to use the asset generated by the project.

Assets under construction costs are accumulated until the asset is ready to be brought into service when the asset is transferred to the relevant asset class and amortisation commences. On initial recognition, the Agency values intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, the Agency accounts 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 (see Note 1.17). 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).

Amortisation

Intangible assets are amortised over their estimated useful lives on a straight line basis. 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	£5,000*	Up to 5 years

Intangible assets' residual values, useful lives and methods of amortisation are reviewed at each financial reporting year end, and adjusted if appropriate.

*The recognition threshold for this classes of asset has been increased from £1,500 to align with group policy.

1.4 Grouped Assets

The Agency groups property, plant and equipment and intangible assets.

Grouped assets are a collection of assets which individually may be valued at less than the asset type's capitalisation threshold, but which together form a single **collective asset** because the items fulfil **all** the following criteria:

- the items are functionally interdependent;
- the items are acquired at about the same date, or as part of work on the same project, and are planned for disposal at about the same date;
- the items are under single managerial control; and,
- each grouped asset is over the capitalisation threshold for that asset class.

1.5 Impairment of non-financial assets

Events and changes of circumstances are considered annually, and there is a review of property, plant and equipment and intangible assets for potential impairment losses whenever there is an indication that the carrying amount may not be recoverable. The Agency reviews 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 relating to that asset, before any remaining loss is recognised as an operating cost.

1.6 Financial assets

A financial asset is recognised when the Agency gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases the Agency recognises the financial asset when our revenue recognition criteria are met (see Note 1.14). A financial asset is removed from the Statement of Financial Position when there is no longer a contractual right to the asset, or when the asset is transferred to another party.

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

Allowance for doubtful debts is regularly reviewed. In 2015-16, debts which were more than six months overdue were provided for unless they were covered by credit balances. In 2016-17, this was reduced to more than 90 days past the date of invoice and is aligned with HMRC's policy. Allowance for work in progress is also reviewed. Recovery is estimated based on a four year weighted average recovery rate; amounts considered to be non-recoverable are provided for.

The Agency assesses, at each reporting date, whether there is objective evidence that its 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.

The amount of impairment loss is measured 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.

1.7 Work in progress

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 1.14). 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).

1.8 Cash and cash equivalents

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

1.9 Liabilities

A financial liability is recognised when the Agency becomes 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. A financial liability is removed from the Statement of Financial Position when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires.

Financial liabilities consist of trade payables and accruals. On recognition they are measured at fair value.

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 1.12.

Statutory liabilities consist of the Agency's obligations to make payments into the Consolidated Fund and to pay over National Insurance and tax relating to the Agency's 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.

1.10 Provisions for liabilities and charges

Provisions are made 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, the Agency discloses them as contingent liabilities in Note 20.

1.11 Employee benefits

Pensions

The Agency operates two different pension arrangements.

a) Civil Service pension schemes

Principal Civil Service Pension Scheme (PCSPS)

The majority of past and a large number of present permanent staff members are part of the PCSPS.

The Civil Servants and Others Pension Scheme (alpha)

From 1 April 2015 a new pension scheme for civil servants was introduced – alpha. From that date all newly appointed civil servants and the majority of those already in service joined alpha. This scheme provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher).

The PCSPS and alpha schemes are accounted for as defined contribution scheme despite being defined benefit schemes. Owing to the largely unfunded, multi-employer nature of the schemes, 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. The Agency does not recognise any PCSPS or alpha 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.

b) Local Government Pension Scheme (LGPS)

The Agency 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 accrued up to 31 March 2014 is based on a scheme member's final salary. Entitlement to benefits accrued thereafter is based on career average earnings.

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

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. The last valuation was at 31 March 2016.

The Agency records non-cash service costs and net interest costs (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

Employee entitlements to untaken annual leave are recognised when they accrue to employees. The estimated liability for leave earned but not taken by employees at 31 March each year is accrued.

Early departure costs

Costs of early departures are recognised when the Agency is committed to the departure. They are disclosed in the Remuneration and Staff Report. 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.

1.12 Private Finance Initiative (PFI) transactions

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

- the Agency controls the service provided using the infrastructure; and
- the Agency controls 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 the Agency had 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. Off-balance sheet PFI-procured assets continue to be treated as operating leases, and assets and liabilities are not recognised in respect of them. The land elements of all leases are treated as operating leases.

For on-balance sheet PFI schemes, the Agency separates 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 the Agency's PFI arrangements can be found in Note 19.

1.13 Leases

The Agency's non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by the Agency 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. Future obligations for the lease rentals for the period ended 31 March 2017 are disclosed in Note 18.

1.14 Operating income

Operating income is income that relates directly to the operating activities of the Agency.

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

The Agency recognises 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.

Charges for statutory and non-statutory work are set in order to recover the full cost of services from clients. Revenue is recognised as the costs of providing services are incurred.

For most statutory work, the service level agreements with the Agency's customers are for year-long periods matching the Agency's reporting years. Revenue is recognised for an agreement in the year to which the agreement pertains.

For non-statutory services and a small amount of statutory work, the Agency records the time worked on each customer contract and recognises 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.

1.15 Value Added Tax

Apart from some Property Services income, most of the Agency's activities are non-business in nature and accordingly, 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, a portion of the VAT on the Agency's inputs is recovered, calculated to reflect the portion of output services which are within the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

1.16 Civil penalties

Civil penalties are levied for the failure to submit Forms of Return deemed essential for the assessment of rateable values. The receipt of these penalties is not accounted for in the Statement of Comprehensive Net Expenditure, as the Agency has 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.

1.17 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the use of estimates and assumptions. Although the Agency bases judgements and estimates on the best knowledge of current events and actions, actual results may differ from assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The most significant estimates and areas of management judgement made in the accounts relate to:

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

Judgement is required in relation to legal claims to estimate the likelihood of a case being found against the Agency, and to estimate the most likely amount that the Agency would be required to pay. Both estimates are made based on past experience and legal advice.

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 the Agency's pensions administrator. Cash flows are also subject to a discount factor. The Treasury pension discount rate is applied, currently 0.24%. In certain cases there may be doubt as to whether past events create an obligation on us to pay early departure costs. The Agency considers the status of its plans, announcements to staff and other factors and judgement is used to determine whether the Agency has an obligation.

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

The amount of work in progress that will not be recovered is estimated based on a four year weighted average recovery rate. This method of estimating the recoverability of work in progress has changed since 2015-16, when it was estimated by identifying balances over six months that are unlikely to be billed and recovered.

A similar percentage calculation is applied to foreseeable losses on fixed term contracts. This is also a change in estimate from 2015-16 from consideration of past performance on such contracts.

- **Treatment of the STEPS and Capgemini & Fujitsu (formerly ASPIRE) contracts (Note 19)**

Both contracts are complex and it has been necessary 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 the Agency's residual interest in the properties beyond the end of the contract is a matter of judgement, as the contract gives the Agency some rights. The Agency has 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 the Agency.

The principal judgements of the Capgemini and Fujitsu contracts are that the contracts do not give the Agency the use of particular assets and they don't give any continuing right to use any assets throughout and beyond the contract periods. The contracts are therefore not accounted for on-balance sheet.

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

The present value of the Agency's 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. An increase in the discount rate assumption by 0.1% would reduce the net liability by £2.6m. A one year increase in the mortality age would increase the net liability by £6.9m.

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

Indexation is applied to developed software on a basis 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>. The average of the monthly index across 2016-17 has been used.

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

The Agency uses an employee-by-employee breakdown of the actual leave balance and salary to calculate its 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, the Agency neither discounts the liability nor includes any forecast of future salary increases.

2. Operating segments for the year ended 31 March 2017

The Agency discloses performance results for the areas of its activities where fees and charges are made in line with the Government Financial Reporting Manual requirements. In accordance with IFRS 8, the Agency has 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;
- 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;
- the reportable operating segment has discrete financial information; and
- the reportable operating segment provides a distinct service to its customers.

The chief operating decision-maker is the Agency's 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 £159.9m (2015-16: £159.7m), or 95% of the segment's income. DCLG is also a major customer of other segments, as described below, contributing overall £165.0m (2015-16: £164.4m), or 80%, of our total income.

Statutory Valuation 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 £2.9m (2015-16: £2.2m) and for the assessment of entitlements to benefits from the Department for Work and 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 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, contributing £2.2m (2015-16: £2.4m).

Corporate services costs are distributed across all four operating segments.

2016-17	Non-Domestic Rating and Council Tax	Statutory Valuation Team	Property Services	Local Housing Allowances and Fair Rents	Total
	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	168,742	11,791	14,672	10,209	205,414
Full cost of providing services	167,682	11,355	14,553	10,385	203,975
Surplus	1,060	436	119	(176)	1,439

2015-16	Non-Domestic Rating and Council Tax	Statutory Valuation Team	Property Services	Local Housing Allowances and Fair Rents	Total
	£'000	£'000	£'000	£'000	£'000
Income from fees and charges	169,427	11,795	15,121	11,530	207,873
Full cost of providing services	169,273	11,168	15,323	11,684	207,448
Surplus	154	627	(202)	(154)	425

The operating surplus of £1.439m (2016: £0.425m) excludes non-cash LGPS pension costs of £1.762m (2016: £1.943m). These costs are fully financed by HMRC rather than being recovered from the Agency's clients, in accordance with HM Treasury requirements.

3. Staff Costs

Total staff costs of £152.19m consists of the following:

(a) Staff Costs						
Staff costs comprise:	2016-17			2015-16		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	106,773	8,162	114,935	109,393	6,997	116,390
Social security costs	10,837	250	11,087	8,333	124	8,457
Other pension costs	22,880	719	23,599	23,140	555	23,695
	140,490	9,131	149,621	140,866	7,676	148,542
Less recoveries in respect of outward secondments	(107)	-	(107)	(112)	-	(112)
Total staff costs	140,383	9,131	149,514	140,754	7,676	148,430

(b) Early departure costs		
	2016-17	2015-16
	£'000	£'000
Additional provisions made	1,911	1,022
Costs during the year	839	1,517
Unwinding of one year's discount	-	6
Change in the discount rate	3	(1)
Unused amounts reversed	(73)	(144)
Total in-year costs	2,680	2,400

A further breakdown of these costs, as well as details on pensions and exit packages, can be found on page 66-68 in the Remuneration and Staff Report.

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

4. Other expenditure for the year ended 31 March 2017

		2016-17	2015-16
	Note	£'000	£'000
Purchases of goods and services			
IT service charges	19	9,396	12,346
Accommodation excluding non-domestic rates		11,976	12,398
Travel and subsistence		5,450	5,650
Accommodation - non-domestic rates		2,526	2,877
HM Revenue & Customs service charges		1,714	1,984
Other computing costs		3,459	2,362
Management and IT consultancy		19	-
Telephone charges		1,046	2,777
Postage and couriers		1,318	1,900
External training		910	1,310
Research and development		476	926
Contracted-out services		2,318	658
Subscriptions		1,184	1,074
Legal claims and services (excluding movement in provisions)		231	(175)
Printing, stationery and distribution		280	442
Rentals under operating leases		69	105
PFI Finance Charges	19	34	37
Sundry costs		683	1,381
		43,089	48,052
Provision expense			
Provision movements in year		651	76
		651	76
Other operating expenditure			
Auditors' notional remuneration		72	72
Losses and special payments		65	70
Net loss on disposal of non-current assets		195	542
Increase in provision for doubtful debt		101	759
		433	1,443
Depreciation, amortisation and impairment charges			
Depreciation of property, plant and equipment	6	3,347	3,084
Amortisation of intangible assets	7	5,070	5,848
Impairment of non-current assets	8	953	58
		9,370	8,990
Total non-staff costs		53,543	58,561

Some of the headings used to categorise expenditure have been changed from 2015-16 in order to have greater consistency with internal reporting and guidance published by HM Treasury. Where the categorisation has changed for 2016-17, the corresponding costs for 2015-16 have also been recategorised.

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

5. Operating Income for the year ended 31 March 2017

	2016-17	2015-16
	£'000	£'000
Non-Domestic Rating and Council Tax	168,742	169,427
Statutory Valuation Team	11,791	11,795
Property Services	14,672	15,121
Local Housing Allowances and Fair Rents (former Rent Service)	10,209	11,530
	205,414	207,873

The Agency must disclose performance results for the areas of its activities where fees and charges are made (see Note 2) in accordance with chapter 6 of 'Managing Public Money' (http://www.hm-treasury.gov.uk/psr_mpm_index.htm). Where the Agency charges for access to its information, it complies with HM 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 2016	1,867	11,364	835	13,553	5,320	32,939
Additions	-	-	3,199	-	-	3,199
Disposals	-	(1,257)	-	(597)	(732)	(2,586)
Write – offs	-	-	(146)	-	-	(146)
Impairments	-	-	-	(215)	-	(215)
Reclassifications	-	556	(2,296)	667	1,046	(27)
At 31 March 2017	1,867	10,663	1,592	13,408	5,634	33,164
Depreciation:						
At 1 April 2016	1,447	8,881	-	9,003	2,747	22,078
Charged in the year	84	1,317	-	1,456	490	3,347
Disposals	-	(1,234)	-	(585)	(570)	(2,389)
Impairments	-	-	-	(133)	-	133
At 31 March 2017	1,531	8,964	-	9,741	2,667	22,903
Net Book Value:						
At 31 March 2017	336	1,699	1,592	3,667	2,967	10,261
At 31 March 2016	420	2,483	835	4,550	2,573	10,861

The Agency's buildings are PFI financed. All other property, plant and equipment are owned, and no donated assets were held during the year (2015-16: nil). The Agency's buildings were valued by Property Services, a unit of the VOA, on 31 March 2015. The revaluation related to the Shrewsbury office which is held in the Agency's Statement of Financial Position as the only remaining service concession asset under IFRIC 12. No revaluation of buildings took place during 2016-17.

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

	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 2015	1,867	10,986	1,571	11,263	5,197	30,884
Additions	-	-	2,867	-	-	2,867
Disposals	-	(1,365)	(2)	(252)	(631)	(2,250)
Reclassifications	-	1,743	(3,601)	2,542	754	1,438
At 31 March 2016	1,867	11,364	835	13,553	5,320	32,939
Depreciation:						
At 1 April 2015	1,363	8,963	-	7,993	2,667	20,986
Charged in the year	84	1,283	-	1,261	456	3,084
Disposals	-	(1,365)	-	(251)	(376)	(1,992)
At 31 March 2016	1,447	8,881	-	9,003	2,747	22,078
Net Book Value:						
At 31 March 2016	420	2,483	835	4,550	2,573	10,861
At 31 March 2015	504	2,023	1,571	3,270	2,530	9,898

7. Intangible assets

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2016	51,861	4,263	56,124
Additions	-	8,997	8,997
Disposals	(520)	-	(520)
Write-offs	-	(84)	(84)
Impairments	-	(871)	(871)
Reclassifications	1,340	(1,313)	27
Revaluations	178	-	178
At 31 March 2017	52,859	10,992	63,851
Amortisation:			
At 1 April 2016	40,542	-	40,542
Charged in the year	5,070	-	5,070
Disposals	(519)	-	(519)
Revaluations	121	-	121
At 31 March 2017	45,214	-	45,214
Net book value:			
At 31 March 2017	7,645	10,992	18,637
At 31 March 2016	11,319	4,263	15,582

The developed software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £7.400m (2015-16: £10.663m).

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2015	49,045	3,329	52,374
Additions	-	4,706	4,706
Disposals	-	(284)	(284)
Impairments	(58)	-	(58)
Reclassifications	2,050	(3,488)	(1,438)
Revaluations	824	-	824
At 31 March 2016	51,861	4,263	56,124
Amortisation:			
At 1 April 2015	34,214	-	34,214
Charged in the year	5,848	-	5,848
Revaluations	480	-	480
At 31 March 2016	40,542	-	40,542
Net book value:			
At 31 March 2016	11,319	4,263	15,582
At 31 March 2015	14,831	3,329	18,160

8. Impairments

	Impairment charged to operating costs	
	Note	£'000
Intangible assets		871
Property, plant and equipment	4	82
Impairment charged for the year ended 31 March 2017		953
Impairment charged for the year ended 31 March 2016		58

The figures above do not include the £0.146m write-offs of property, plant and equipment, or £0.084m write-offs of Intangible Assets, which were not charged to operating costs as they relate to prior year accrued additions.

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

	31 March 2017	31 March 2016
	£'000	£'000
Trade receivables and other non-current assets:		
Trade receivables	6,528	9,575
Other receivables	142	209
Allowance for doubtful debt	(1,152)	(1,103)
Prepayments	3,091	1,898
	8,609	10,579
Other non-current assets:		
Prepayments	172	-
Total	8,781	10,579

10. Work in progress

	31 March 2017	31 March 2016
	£'000	£'000
Opening balance	1,953	2,341
Written-off	(12)	(15)
Movement in work in progress	(8)	(278)
Movement in provision for foreseeable losses and irrecoverable amounts	(34)	(95)
Closing balance	1,899	1,953

11. Cash and cash equivalents

	31 March 2017	31 March 2016
	£'000	£'000
Balance at 1 April	19,485	17,949
Net change in cash and cash equivalent balances	(1,048)	1,536
Balance at 31 March	18,437	19,485
The following balances as at 31 March were held at:		
Government Banking Service	18,437	19,485
Balance at 31 March	18,437	19,485

The cash balance disclosed above includes £0.672m (2015-16: £0.286m) of civil penalties which have been collected on behalf of the Consolidated Fund (see Note 1.15). The Agency has 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 2017	31 March 2016
Current financial and other liabilities:	£'000	£'000
Trade payables	308	197
Accruals and deferred income	10,278	12,561
VAT	568	217
Current liability in respect of on-balance sheet PFI assets	22	18
	11,176	12,993
Employee leave accrual	8,415	9,048
Amounts payable to the Consolidated Fund	672	286
	20,263	22,327
Non-current financial and other liabilities:		
Non-current liability in respect of on-balance sheet PFI assets	103	125
	103	125
Total	20,366	22,452

13. Financial instruments

A financial instrument is a contractual obligation which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Agency's financial instruments are not complex and it has no equity instruments. The Agency is therefore not exposed to significant credit risk, market risk or liquidity risk.

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 2016	1,467	172	86	1,725
Increase in provision	1,911	833	-	2,744
Provisions not required written back	(73)	(122)	(60)	(255)
Provisions utilised in the year	(2,150)	(272)	(26)	(2,448)
Unwinding of discount	3	-	-	3
Balance at 31 March 2017	1,158	611	(0)	1,769
Short term (under 1 year)	1,132	611	-	1,743
Long term (over 1 year)	26	-	-	26
	1,158	611	-	1,769

Provisions for early departure and additional pension commitments

The detailed accounting policy for early departure costs is set out in Note 1.11. The costs are expected to fall due as shown below in Note 14b and the total in-year costs are detailed in the Remuneration and Staff Report.

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.

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

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

	31 March 2017	31 March 2016
	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	1,132	1,247
Between one and two years	19	128
Between two and five years	7	90
After five years	-	2
	1,158	1,467

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

	31 March 2017	31 March 2016
	£'000	£'000
Operating receipts payable to the Consolidated Fund	-	-
Civil Penalties receipts on behalf of the Consolidated Fund	672	286
Total Payable to the Consolidated Fund	672	286

The Agency holds sums payable to the Consolidated Fund in respect of civil penalties. Valuation Officers impose civil penalties for failure to submit Forms of Return deemed essential for assessment of rateable value. These penalties are collected by the Agency as an agent of the Consolidated Fund and the Agency has no claim on the amounts received (see Note 1.16).

16. Pension benefit obligations

Introduction

The Agency 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 whilst working for the Agency. 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 2017 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 2016, and completed in December 2016. 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 actuarial gain on the pension fund of £9.9m has resulted in a pension asset of £1.1m in 2016-17, having previously been a liability of £7.8m in 2015-16. The actuarial gain has occurred because of the performance of the scheme assets during the year, showing a return of £29.7m, including interest. This is largely offset by changes in the financial assumptions used by the actuary to calculate the value of the VOA's portion of the scheme assets and liabilities, including a decrease in the discount rate from 3.5% to 2.6% and an increase in the CPI measure of inflation from 2.3% to 2.6%.

In 2016-17, the Agency made contributions at a rate of 18.2% (2015-16: 18.2%) of pensionable salary, which will increase to 20.4% from 1 April 2017. The total cash contribution that the Agency expects to make to the LGPS scheme in the year to 31 March 2018 is £0.851m.

Transactions relating to the Local Government Pension Scheme

Recognised as operating costs	2016-17		2015-16	
	£000s	% of pay	£000s	% of pay
Service cost	1,310	25.1%	1,451	30.6%
Net interest on defined liability	262	5.0%	265	5.6%
Administrative expenses	190	3.6%	227	4.8%
	1,762	33.8%	1,943	41.0%
Actual return on scheme assets	29,693		(1,162)	

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

	2016-17	2015-16
	£'000	£'000
Return on plan assets in excess of interest	24,638	(5,950)
Other actuarial gains on assets	661	-
Actuarial (losses)/gains arising from changes in financial assumptions	(26,558)	7,999
Actuarial gains/(losses) arising from changes in demographic assumptions	2,517	-
Experience gains/(losses) on defined benefit obligation	8,661	(1)
Actuarial gain/(loss) recognised in Statement of Changes in Taxpayers' Equity	9,919	2,048

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 amount 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 2017	31 March 2016
	£'000	£'000
Fair value of scheme assets	172,476	146,496
Present value of funded liabilities	(171,036)	(154,013)
Net asset/(liability)	1,440	(7,517)
Present value of unfunded obligations	(357)	(317)
Net asset/(liability) in the Statement of Financial Position	1,083	(7,834)

Reconciliation of fair value of the scheme liabilities

	31 March 2017	31 March 2016
	£'000	£'000
Opening defined benefit obligation at 1 April	154,330	160,021
Service Cost	1,310	1,451
Interest cost	5,317	5,053
Remeasurements losses/(gains) arising from changes in financial assumptions	26,503	(7,939)
Remeasurements losses/(gains) arising from changes in demographic assumptions	(2,517)	-
Experience losses/(gains) on defined benefit obligation	(8,661)	1
Estimated benefits paid	(5,126)	(4,542)
Contributions by scheme participants	254	302
Estimated unfunded benefits paid	(17)	(17)
Closing defined benefit obligation at 31 March	171,393	154,330

Reconciliation of fair value of the scheme assets

	31 March 2017	31 March 2016
	£'000	£'000
Opening fair value of assets at 1 April	146,496	151,342
Interest on assets	5,055	4,788
Return on assets less interest	24,638	(5,950)
Other actuarial gains	661	-
Administration expenses	(190)	(227)
Contributions by the employer including unfunded	791	782
Contributions by scheme participants	254	302
Estimated benefits paid plus unfunded net of transfers in	(5,229)	(4,541)
Estimated fair value of scheme assets at 31 March	172,476	146,496

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

The VOA has a service level agreement with DWP which has accepted that if the pension scheme liability was to crystallise then it would be liable for these costs. DWP also accepts that if it cannot meet these costs, it will seek additional funding from HM Treasury to address any shortfall.

In line with HM Treasury accounting guidance, DWP cannot fund the VOA for the amounts recognised as operating costs above. These costs totalling £1.762m for 2016-17 (2015-16: £1.943m) are instead fully financed by our sponsor department HMRC.

The VOA is 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.

	£000s	£000s	£000s
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	168,815	171,393	174,014
Projected service cost	1,631	1,662	1,694
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	171,628	171,393	171,160
Projected service cost	1,662	1,662	1,662
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	173,777	171,393	169,046
Projected service cost	1,694	1,662	1,631
Adjustment to mortality age rating assumption	+1 year	None	-1 Year
Present value of total obligation	178,339	171,393	164,725
Projected service cost	1,715	1,662	1,611

History of surplus or deficit in the scheme

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	172,476	146,496	99,965	98,655	89,169
Fair value of defined benefit obligations	(171,393)	(154,330)	(137,666)	(131,691)	(117,979)
Net asset/(liability) arising from defined benefit obligation	1,083	(7,834)	(37,701)	(33,036)	(28,810)

Financial assumptions

	31 March 2017	31 March 2016
	% per year	% per year
RPI Increases	3.5%	3.2%
CPI Increases	2.6%	2.3%
Salary increases	4.1%	4.1%
Pension increases	2.6%	2.3%
Discount rate	2.6%	3.5%

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 2017		31 March 2016	
	£000s	%	£000s	%
Equities	102,198	59.3%	68,053	46.4%
Target return funds	36,445	21.1%	31,162	21.3%
Alternative assets	17,875	10.4%	28,759	19.6%
Cash	15,958	9.3%	18,522	12.7%
	172,476		146,496	

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 2017	31 March 2016
Retiring today:		
Males	22.2	22.7
Females	24.7	25.4
Retiring in 20 years:		
Males	24.5	25.1
Females	26.9	27.7

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 2017	31 March 2016
	£'000	£'000
At 31 March the following future capital commitments had been authorised and contracted:		
Property, plant and equipment	29	145
Intangible assets	490	917
	519	1,062

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 2017	31 March 2016
	£'000	£'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	2,227	4,038
Later than one year and not later than five years	816	4,138
Later than five years	-	-
	3,043	8,176
Other		
Not later than one year	58	91
Later than one year and not later than five years	21	89
Later than five years	-	-
	79	180

The obligations have reduced during the year as the Agency has vacated a number of properties where the leases or Memorandum of Terms of Occupation have expired. This was in line with the Agency's estates rationalisation strategy.

The Agency has no right to purchase the land and buildings leased under operating leases.

The commitments presented in this note do not include the Agency's commitments with regard to the STEPS PFI contract for accommodation services or the Capgemini and Fujitsu contracts for IT services. These commitments are detailed in Note 19.

19. Commitments under PFI contracts

The Agency's sponsor department, HMRC, has entered into a PFI contract with Mapeley Estates Limited for the provision of office accommodation and facilities management. This is known as the STEPS agreement. The VOA is not itself a party to the contract, which was negotiated by HMRC, but, as part of the sponsor department, the Agency is effectively bound by the contract's terms. As such, liabilities and commitments are recorded in respect of the buildings that the Agency is 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

The Shrewsbury office is included in the PFI contract with Mapeley Estates Limited and is treated as the Agency's asset in accordance with IFRIC 12. The Agency has control over the services provided, use of the asset and control of its residual interest.

	31 March 2017	31 March 2016
	£'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	155	207
Later than five years	-	
	207	259
Less interest element	(82)	(116)
Liability on Statement of Financial Position (see note 12)	125	143

	31 March 2017	31 March 2016
	£'000	£'000
Present value of total obligations under on-balance sheet PFI contract for the following periods comprises:		
Not later than one year	22	18
Later than one year and not later than five years	103	125
Later than five years	-	-
Liability on Statement of Financial Position (see note 12)	125	143

Upon transfer, a consideration from the PFI provider of £1.5m was received in respect of the transferred assets. The remaining capital value of the assets resulted in a PFI prepayment of £0.921m. 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 the Shrewsbury office, over the term running from the reporting date to the earliest date that the Agency can vacate the property without penalty.

The Shrewsbury office is accounted for under IFRIC 12. The Agency has 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 the 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 2017	31 March 2016
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,383	4,466
Later than one year and not later than five years	1,685	829
Later than five years	-	-
	6,068	5,295

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 the Agency can vacate the property without penalty.

The STEPS lease payments increase with the Retail Prices Index (RPI). The Agency does not include these future contingent rent amounts in our commitments.

The Agency has 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 2017, the Agency paid £4.795m (2015-16: £4.967m) to the STEPS contractor in respect of off-balance sheet properties and service charges. In addition to the STEPS scheme described above, the Agency occupies 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 Net Comprehensive Expenditure and future commitments

The charge to the Statement of Net Comprehensive 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 a total of £5.560m (2015-16: £5.536m).

Future commitments in respect of these payments are analysed below:

	31 March 2017	31 March 2016
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	4,413	4,500
Later than one year and not later than five years	1,738	911
Later than five years	-	-
	6,151	5,411

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 Capgemini & Fujitsu (formerly ASPIRE) contracts for the provision of IT services and equipment

The IT non-current assets recognised by the Agency's IT partners CapGemini and Fujitsu and used in delivering the Capgemini and Fujitsu (formerly ASPIRE) contracts 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 report the correct aggregate position,

where related amounts are reported separately by HMRC and the Agency, these will differ in aggregate to the consolidated position, but the difference will not be material.

During the year to 31 March 2017, the Agency paid £8.172m (2015-16: £13.271m) in service charges in respect of the Capgemini and Fujitsu contracts. The Agency currently plans to incur £3.36m in operating expenditure for Capgemini and Fujitsu services during 2017-18, there is no commitment to expend these funds. Since October 2016, some IT service costs are charged to the VOA directly by HMRC, following the novation of some elements of the Capgemini contract. Those arrangements are not included in this disclosure because no PFI commitment exists.

20. Contingent liabilities at 31 March 2017

Our contingent liabilities are as follows:

- a. The Agency is involved in several legal actions arising from its statutory activities. If the Agency loses these cases it is 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.

The Agency is confident of success in those cases which are not accounted for within the Agency's provisions. This is often because the Agency has already won in a lower court or because it has received legal advice confirming the strength of its position. The Agency cannot easily assess third party costs in these cases but it is estimated that there is £0.8m (2015-16: £1.2m) of contingent liabilities as at the end of the financial year.

- b. The Agency is required to pay lump sums for some employees who have left on early departure schemes in prior years. The payments are due in the year in which the individuals turn 60. The amounts payable are calculated by MyCSP, although they are unable to provide accurate figures for payments to be made from 2018-19 onwards. Due to the uncertainty over future actuarial assumptions, we are unable to estimate the figures reliably.

21. Related Party Transactions for the year ended 31 March 2017

The Valuation Office Agency is an Executive Agency of HM Revenue & Customs (HMRC). HMRC is a related party and the Agency had a significant number of material transactions with it during the year. Reported income in the year includes £8.372m (2015-16: £9.038m) earned from HMRC and expenditure includes £3.951m (2015-16: £4.349m) invoiced to the Agency by HMRC. The prior year figure has been restated as it included some costs paid to HMRC which should not have been included as they were due to a third party. Current assets include £2k (2015-16: £5k) of debt due from HMRC and current liabilities include £nil (2015-16: £0.116m) due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

The Agency is controlled by the UK government and has a significant number of material transactions with other UK government departments. Most of these transactions have been under service level agreements with the Department for Work and Pensions, the Department for Communities and Local Government and the Welsh

Government. To 31 March 2017 income was invoiced to these parties under service level agreements as follows:

Department for Work and Pensions	£8.549m	(2015-16: £9.613m)
Department for Communities and Local Government	£164.978m	(2015-16: £164.35m)
Welsh Government	£8.584m	(2015-16: £9.386m)

The Agency had material transactions with pension schemes providing benefits to the Agency's people, the Principal Civil Service Pension Scheme, alpha and the Local Government Pension scheme as administered by the London Pension Fund Authority. These transactions are discussed on page 67 of the Remuneration and Staff Report and in Note 16.

During the year, no Board Member has undertaken any material transactions with the VOA. The Agency had no material transactions with any party related to the Agency 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.

22. Events after the Reporting Period

The Accounting Officer authorised these financial statements for issue on the same day as certified by the Comptroller and Auditor General.

There are no reportable non-adjusting events after the reporting period.

23. Standards in issue but not yet effective

These accounts have been prepared in accordance with the Treasury's Financial Reporting Manual 2016-17. 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. The Agency does not currently hold assets or liabilities which would be affected by this change and does not anticipate doing so in future.
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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 the Agency's revenue recognition. All organisations will however be subject to extensive new disclosure requirements.

IFRS 16 Leases

IFRS 16 Leases, effective 1 January 2019 (not yet EU adopted). IFRS 16 will provide a single model for all leases that will bring all leases on-balance sheet, unless the lease term is 12 months or less, or the underlying asset has a low value. HM Treasury will review the implications of this amendment nearer to the EU adoption date with a view to including the amendment in the 2018-19 FReM.

Payment of Local Authority Rates (POLAR)

Introduction

The Valuation Office Agency (VOA) is responsible for administering the POLAR scheme for the Foreign & 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 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 2016-17.

VOA Responsibilities

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

The VOA pays 100% of the rates liability to the local 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 2016-17 there were 246 diplomatic missions in the UK covering 440 properties. Of these diplomatic missions, all were in England except for 11 in Scotland, one in Wales and one in Northern Ireland. Rateable values ranged from less than £1,200 to £8.57m. A total of 27 local authorities are involved in the POLAR scheme, mainly in Greater London. During 2016-17 the POLAR scheme required £63.9m of funding, representing payments made to authorities, net of the Beneficial Portion recovered (2015-16: £67m). The net Beneficial Portion collected was £3.7m (2015-16: £3.8m). 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. These issues can sometimes take several years to come to light and can lead to sudden demands for backdated rates or indeed refunds.

Glossary to the Financial Statements

Amortisation – this is the method of spreading the cost of using a non-current intangible asset over its useful life.

Annually managed expenditure (AME) – the Agency is allocated a separate annually managed spending limit called AME, which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

CFER – Consolidated Fund Extra Receipts. This is income which the Agency is not entitled to retain and it is passed over to HM Treasury.

Consolidated Fund – the Consolidated Fund is the government's general bank account at the Bank of England. Payments from this account must be authorised in advance by the House of Commons.

Contingent liabilities – contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the VOA's control. An example is legal action where the Agency may need to pay legal costs if it loses the case. These are not disclosed when disclosure could seriously prejudice the outcome of legal claims against the Agency.

Current assets – a current asset is cash and any other entity asset that will be converting to cash within one year from the Agency's reporting date.

Current liabilities – a current liability is an obligation that is due within one year of the Agency's reporting date.

Deferred revenue – this is income in the current year that relates to future accounting periods.

Departmental Expenditure Limits (DEL) – this is the spending budget that is allocated to and spent by government departments and their executive agencies. This amount, and how it is split between government departments, is set at Spending Reviews on a three-yearly basis. It is normally categorised as Capital DEL and Resource DEL. Departmental expenditure includes the running of the services and the everyday cost of resources such as staff. The DEL limit is tightly controlled by HM Treasury. An agency's expenditure is deemed to be DEL unless HM Treasury has specified otherwise.

Depreciation – this is the method of spreading the cost of a non-current tangible asset over its useful life.

Force Majeure – a common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, or an event described by the legal term 'act of god', occurs.

FReM – Financial Reporting Manual. This is the HM Treasury technical accounting guide to the preparation of financial statements for government.

IAS – International Accounting Standard.

IFRIC – the IFRS Interpretations Committee (IFRIC) develops guidance on appropriate

accounting treatment of particular issues. They are approved by the International Accounting Standards Board (IASB).

IFRS – International Financial Reporting Standards. Government organisations adopted IFRS from 2009-10 as the basis for preparation of their financial statements, which were previously prepared under UK-based Generally Accepted Accounting Principles (UK GAAP).

Intangible assets – intangible assets are non-physical assets, for example developed computer software and website development costs.

Losses – losses are made up of losses of pay and fruitless payments. Losses of pay include overpayments due to miscalculation, misinterpretation, or missing information; unauthorised issues; and other causes. Fruitless payments are a loss from which a liability ought not to have been incurred, or where the demand for the goods and service in question could have been cancelled in time to avoid liability.

Managing Public Money – this is a HM Treasury publication which gives guidance on how to appropriately handle public funds.

Non-current assets – an asset that is not likely to convert to cash or cash equivalent within one year of the Agency's reporting date.

Non-current liabilities – a liability not due to be paid within one year of the Agency's reporting date.

Payables – formerly known as 'creditors' – payables are amounts recognised as owing by the Agency at the end of the reporting period but payment has not been made.

PFI – Private Finance Initiative (PFI) is a way of creating 'public-private partnerships' (PPPs) by funding public infrastructure projects with private capital.

Provisions for liabilities – provisions are recognised when the VOA has a present legal or constructive obligation as a result of a past event, it is probable that the VOA will be required to settle that obligation and an amount has been reliably estimated.

Receivables – (formerly known as 'debtors') – receivables represent all amounts recognised as owing to the Agency at the end of the reporting period. A proportion of the receivable balance relates to revenue that is not yet overdue for payment.

Receivable Days – the average number of days it takes to receive payment. The Agency calculates receivable days as, 'total receivables/total revenue x 365 days'.

Resource Accounts – the financial statements which report the cost of running the Agency.

Statement of Cash Flows (SoCF) – a statement that reports the cash flows during the financial year from operating, investing and financing activities.

Statement of Changes in Taxpayers' Equity (SoCTE) – a statement which explains the movements in the Agency's net assets between the start and end of a financial year.

Statement of Comprehensive Net Expenditure (SoCNE) – this is the performance statement, the equivalent of the 'Profit and Loss' Account and Statement of Total Recognised Gains and Losses. It reports a summary of the Agency's income and expenditure for the financial year, along with its gains and losses.

Statement of Financial Position (SoFP) – previously known as the Balance Sheet, it provides a snapshot of the assets and liabilities of the Agency as at the end of the reporting period.

Supply Estimates process – this is the means by which a government department and their executive agencies seek funds from Parliament and authority is given for departmental group expenditure each year.

UK GAAP – the generally accepted accounting principles in the UK which are the body of accounting standards and guidance published by the Financial Reporting Council.

Voted expenditure – monies voted to the department by Parliament to cover the department and their agencies' expenditure, following the submission of the Estimate. Parliament votes annually on each government department and their executive agencies' future expenditure requirements.

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