



# The Valuation Tribunal Service

Annual Report and Accounts 2016-17

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HC 86





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## Chief Executive's report

This has been another year of change for us. In October we said farewell to our Chairman, Anne Galbraith, who had been in post since our inception in 2004. Anne had an in depth knowledge and experience of tribunals and her strategic thinking moved the 56 valuation tribunals at that time to the national Tribunal that exists today. Her wise counsel is greatly missed by all of us. I am pleased that John O'Shea has taken on the role as Acting Chairman in the interim and look forward to working with him. John has considerable experience both in the Tribunal and the administration we provide.

In September we welcomed the appointment of a new President of the Valuation Tribunal for England (VTE), Gary Garland, who has brought a fresh perspective on how we engage parties in the resolution of their appeals and has allowed us to streamline the judicial processes and make them more user friendly.

During the year our focus was on facilitating the resolution of appeals and we listed 162,145 appeals, 40% more than in the previous year. Our efforts continue in this direction as we aim to reduce the number of outstanding appeals lodged with us under the 2010 rating list before we start to receive appeals under the new 'Check Challenge and Appeal' process. In consultation with the President we have revised a number of practice statements and brought them together in a consolidated form. This and new standard directions introduce a process that aims to achieve greater engagement from the parties, and earlier disclosure and exchange of evidence.

We now embark on a new chapter and with this will come different challenges. I would like to take this opportunity to thank the Board and staff, who bring a wide range of knowledge and experience and give me confidence that both the VTS and the VTE will rise to the new challenges with the same enthusiasm and zeal that we have shown in the past.

A handwritten signature in black ink, appearing to read 'Antonio Masella', written in a cursive style.

**Antonio Masella**

Chief Executive and Accounting Officer  
Valuation Tribunal Service



## Our services and what we do

Our vision is to *"provide the fairest, most effective and efficient service we can to those who appeal their council tax or business rates"*.

The VTS, sponsored by the Department for Communities and Local Government (DCLG), was established under the Local Government Act 2003 and created on 1 April 2004 to provide a range of specialist services to assist the discharge of the valuation tribunals' functions. These tribunals later became the Valuation Tribunal for England (VTE). The Act, as amended, specifically requires the VTS to do anything which it considers is *"calculated to facilitate the carrying out of its functions"* and that it shall carry out its functions *"in the manner it considers is best calculated to secure the VTE's efficient and independent operation"*.

The VTS arranges hearing days, trains VTE members, schedules hearings, provides general assistance to appellants and their representatives and issues statutory notices. The VTS also provides clerks to advise the lay panels at hearings, on practice, procedure and legal issues, and to draft the decisions arrived at by the panels, for their approval.

The VTE was established later, by the Local Government and Public Involvement in Health Act 2007, which amended the 2003 Act. This body was created on 1 October 2009 with a jurisdiction to hear appeals on

- business (non-domestic) rates
- council tax
- completion notices
- penalty notices for failure to provide requested rental information
- drainage rate assessments,

and to do this under the regulatory provisions of the Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009 SI 2009 No 2269. The statutory duty to ensure that arrangements are made for appeals to be determined in accordance with the provisions of the Regulations falls on the VTE President.

An appeal arises when the Valuation Office Agency (VOA, in the case of business rates or council tax valuation) or the council (in the case of other council tax matters) does not agree with a ratepayer's or council taxpayer's contention and the ratepayer or taxpayer seeks an independent resolution to the matter.

## Performance and activities

### Our year

**2016-17**

We listed over 162,000 appeals, 40% more than the previous year, and 155,000 appeals were cleared

**2016-17**

We successfully trialed a new disclosure and exchange process for non-domestic rating appeals against the 2010 rating list

**2016-17**

We carried out an exit survey of all venues used; 94% of over 540 responses rated the overall view of the venue as 'adequate' or better.

**2016-17**

We made enhanced use of the SAP finance system and documented all our processes on it, introducing 'purchase to pay'

**2016-17**

With the VTE President we reviewed all practice statements and standard directions resulting in a consolidated document and introducing simpler, more efficient processes that facilitate better engagement between the parties

**2016-17**

We implemented our strategy to develop a whole range of IT improvements to become more independent and adaptable to change

**2016-17**

We revised all our guidance to reflect the new processes coming into operation on 1 April 2017

**2016-17**

We provided input to our sponsoring Department on their work to reform the non-domestic rating appeals process, resulting in new legislation for Check, Challenge and Appeal

**2016-17**

We welcomed a new VTE President, Gary Garland, and a new Board member, Lola Moses

**2016-17**

We provided induction training for 34 new VTE Members and engaged with the Judicial Appointments Commission to recruit a further 71, who will take up their appointments in 2017-18





## Key risks and issues

Detail of these is given in the Governance Statement on page 35. Briefly they are:

- managing the fees paid to lodge appeals under the 2017 regulations
- the impact of reduced funding continuing to challenge the VTS to find new ways of reducing costs without detriment to organisational flexibility, responsiveness and professionalism
- the necessity for the active participation and engagement of the parties for the successful resolution of the appeals we list for hearing
- the non-domestic rates revaluation in 2017 and the possible changes to the appeals process bringing some uncertainty regarding the workload for future years
- a large programme of IT change
- the lease on our Doncaster office ending on 1 September 2017 and the need to secure a suitable alternative office in that location and within the government estate.

## Going concern

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

The Statement of Financial Position (page 49) shows net liabilities of £20,352,000 at 31 March 2017. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. Grants and grant in aid are not provided in advance of need and will only be drawn when the liabilities become due.

The grant in aid for 2017-18 takes into account the amounts required to meet the VTS's liabilities falling due in 2017-18 and has already been included in the Department's Parliamentary Estimates for that year. The Department has confirmed funding for 2017-18 with indicative annual allocations through to 2020-21. Liability for all pension payments, where not met through existing funding agreement will fall to the Department.

## Performance summary

The VTS continues to operate within budget and, with the approval of DCLG, use underspends to make pension deficit payments to the LPFA thus reducing our ongoing liabilities.

Average staff headcount for 2016-17 was 71, three fewer than in 2015-16. However, following a recruitment exercise, VTE member numbers were 5% higher at 182.

Some 40% more appeals were listed in 2016-17 than in the previous year across fewer hearing days. Around 80% more appeals were cleared. In 2015-16, because of a change in the effective date regulations, there was a surge in appeals received, which had to be addressed. A focus on listings arrangements for certain categories of high volume appeals, for example masts, allowed the VTS to progress cases more efficiently during the year.

The VTS achieved 12 of the 17 objectives set out in its Business Plan for 2016-17. Further details appear in the Performance analysis section on page 10.

Of 11 key performance indicators that we identified for 2016-17, the VTS achieved or exceeded the targets for eight of them (see page 14).

# Performance analysis



## Volumetrics

Around 271,000 appeals were brought forward in April 2016 and during the year almost 85,000 were received. Table I shows the detail of these figures by appeal type.

**Table I**

Appeal groups	Brought forward	Received	Cleared	Carried forward
Council tax completion notice	140	340	410	70
Council tax penalty notice	20	60	60	20
Council tax liability	560	2,230	1,000	1,790
Council tax notice of invalidity	90	300	280	110
Council tax reduction	890	880	1,350	420
Council tax valuation	1,390	2,750	2,780	1,360
Non-domestic completion notice	120	110	130	100
Non-domestic penalty notice	0	30	10	20
Non-domestic transitional certificate	110	70	40	140
Non-domestic rating list 2005	820	30	270	580
Non-domestic rating list 2010	266,400	77,800	148,600	195,600
Non-domestic rating notice of invalidity 2005	90	0	40	50
Non-domestic rating notice of invalidity 2010	1,090	420	500	1,000
<b>Total</b>	<b>271,720</b>	<b>85,020</b>	<b>155,470</b>	<b>201,260</b>

Note: Figures in the Table are rounded to the nearest 10, except for non-domestic rates appeals against the 2010 lists, which have been rounded to the nearest 100.

Some 'Brought forward' figures differ slightly from the 'Carried forward' figures reported last year due to this rounding, added to the fact that the statistics are based on a 'snapshot' of data at a fixed point in time. This can change over the course of a day, on account of reinstatements or clearances of appeals.

During the year, 1,057 hearings days were held (1,205 in 2015-16), to which we listed 162,145 appeals, almost 40% more than in 2015-16 (116,588).

## Measurement of performance

As a demand-led service, the actions of parties to appeals and other external stakeholders impact significantly on the VTS's planning. The VTS builds its own measures on those few outputs over which it has some degree of control, for example the speed of issuing notices (including decision notices) and the time taken to list appeals to a hearing. Many other data relating to appeals are not measures of the VTS's performance, but of the level of engagement of the parties to the appeal.

For appeals against the 2010 rating list, a VTE Practice Statement required statements of case to be exchanged before the hearing and sent to the Tribunal. During the year, we received and administered almost 85,000 statements of case from appellants and the VOA, yet only 1% of these appeals required a VTE determination. With the appointment of a new VTE President, we continued to look for ways to reduce this ultimately unnecessary production and administration of paperwork. A different disclosure and exchange process was trialled for rating appeals from two areas of the country, Kent and Leicestershire, where the parties managed the exchange between themselves and papers for unresolved cases came to the Tribunal only two weeks before the hearing. This resulted in far less paperwork being handled by the VTS, significantly more appeals being settled and significantly fewer being postponed.

Having achieved its aims and meeting with the general approval of the parties involved, it was agreed that this process would be extended to all appeals against the 2010 rating list in England from 1 April 2017.

To improve the efficiency of the listing process, we monitor hearing days where maximum use is made of the resources and where two or more cases are argued before a Tribunal panel. The percentage of hearing days where two or more appeals were determined by a panel improved to 84% overall, from 80% in 2015-16.

We continue to commission customer research to gauge views of our service (see page 17) and feedback from those tribunal users who represent themselves makes clear that speed of the process is of major importance to them. For this reason, in our Customer Charter, we set out an aim to list council tax liability and banding appeals to a hearing date that is within four months of the date we register the appeal. This target was achieved in 94% of cases between April and December 2016. However, in doing so, we saw a significant increase in the number of postponements as tribunal hearing lists became too long to manage effectively (see Chart 1 below), leading to tribunal user dissatisfaction. We have therefore reviewed this commitment for 2017-18.

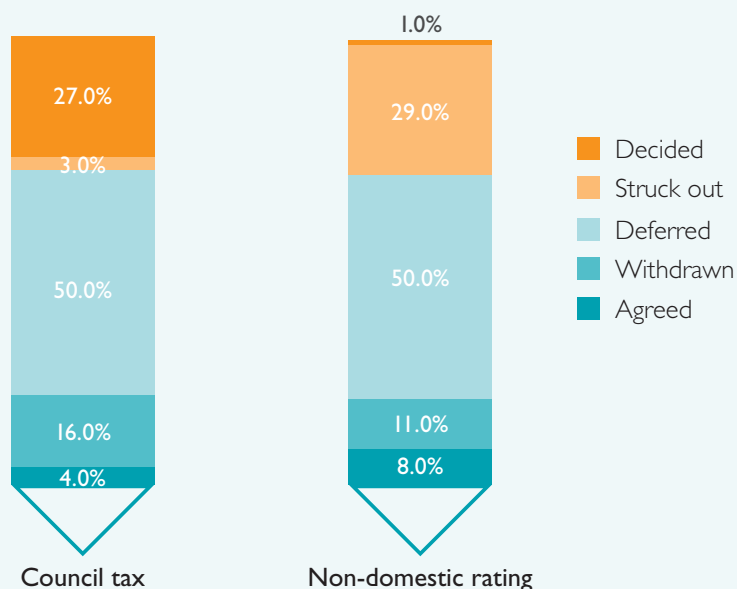
A key service standard commitment for VTS staff is to issue to the parties the Tribunal panel's reasoned decision (in a contested case) within one month of the hearing date. In 2016-17, 95% of the 3,830 decisions issued were sent to the parties within one month (compared to 90.5% in 2015-16).

The outcome of listed appeals differs significantly for council tax appeals and non-domestic rating appeals, which constitute the overwhelming majority of the appeals we receive, as Table 1 shows. Council tax appellants, whether challenging the banding of their property or their liability for the tax, are far more likely to pursue their case to a hearing, for an independent decision (Chart 1).



**Chart 1**

27% of council tax appeals listed were decided in 2016-17 compared to 1% of rating appeals



**Achievement of business objectives and key performance indicators**

The VTS business plan outlines the vision and objectives for the organisation. The Board and the sponsor team receive a performance report quarterly at meetings. This report is aligned to our objectives and details our performances in each of the key strategic areas, namely:

- support the VTE in providing independent, open, fair and impartial hearings
- drive continuous improvement of performance and efficiency across all aspects of our organisation
- enhance the quality and consistency of our service to all stakeholders
- work in partnership with our sponsor Department to support their policy development
- build capacity and capability in our staff, learning from their experience and from their feedback.

Of the 17 objectives set in 2016-17, 12 were fully achieved. Table 2 shows the achievements towards these. The five that are 'ongoing' or completed in part carry forward to 2017-18:

**Table 2**

**Support the VTE in providing independent, open, fair and impartial hearings**

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Gain a better indication of cases actually requiring a hearing and avoid nugatory administration in case managing and hearing appeals.	Achieve an enhanced process, working with the Valuation Tribunal for England.	by end of Q3	More effective service to business rates appellants/ representatives; improved use of staff and VTE member resource; speedier clearance of appeals.	<b>Yes</b>	We implemented a pilot to trial a new disclosure and exchange process under a VTE Standard Direction for rating appeals in Kent and Leicestershire billing authority areas. A cohort of VTE chairmen were trained on this new process which was launched in July 2016. We used a third party to survey users and after evaluating the data and feedback, the process has now been introduced for 2010 list appeals from 1 April 2017.
Maximise the efficiencies resulting from increased electronic appeal submission and management.	Assess the potential for a paperless hearing environment.	by end of Q4	More seamless process for tribunal users; resource savings; better data security for parties' information.	<b>Ongoing</b>	Development has taken place on a number of IT improvements (a new appeals management system for introduction and extension of our use of SharePoint during the summer of 2017). We are also introducing tablets in to the hearing environment in June 2017 to reduce paper at hearings.
Achieve a much leaner 'journey' for tribunal users, recognising that VTE decisions may have major financial consequences on businesses and home owners.	Work with the new President of the VTE to review the current practice statements and current processes.	by end of Q3	Better communication of what the Tribunal expects of appellants in preparing and presenting their case; greater user satisfaction; fewer postponements.	<b>Yes</b>	In consultation with the VTE President we have reviewed all the practice statements and standard directions previously in place and condensed them into a simplified, consolidated practice statement, effective from 1 April 2017.



Drive continuous improvement of performance and efficiency across all aspects of our organisation

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Refresh our website and its contents to provide user-friendly advice and information to our users.	Moving the website to a secure server and a more flexible content management system. Review of all content and signposting.	by end of Q1	Clearer guidance for appellants resulting in fewer phone queries; more appeals submitted electronically; easier content maintenance by VTS staff.	<b>Yes</b>	We refreshed our current website and commissioned a website user survey in November 2016 which showed that nearly 80% were satisfied with their visit to the website, finding all they were looking for. The content was again thoroughly reviewed to reflect the changing processes from 1 April 2017.
Revamp our performance appraisal system for staff to remove bureaucratic processes yet achieve greater engagement from individuals.	Performance appraisal system in place to be reviewed. This was an action that received support from the staff survey in 2015.	by end of Q2	More employee engagement in the process; more effective communication between staff and line managers; simpler administration.	<b>Yes</b>	New forms have been developed that will provide a more interactive process (based on self-assessment) that will better engage staff in assessing performance for yearly reviews. These will be used as part of 2017-18 reviews and the new process will be evaluated with staff.
Deliver an appropriate IT platform for appeals management that meets the government's digital services programme.	Obtain the necessary approvals (DCLG, Board, Cabinet Office); engage with an IT partner to design and build an off the shelf system for the Tribunal's needs.	by end of Q4	More control of a proportionate system than has been possible under the HMRC/VOA contract; develop a flexible system that meets our changing needs and stakeholders' requirements.	<b>Ongoing</b>	Using the Crown Commercial Services procurement process, we procured an IT partner to develop an out of the box solution for the management of appeals received under the Check, Challenge and Appeal process introduced by government. This will be in operation by August 2017.

Enhance the quality and consistency of our service to all stakeholders

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Revamp our customer survey to better understand tribunal user's appeal journey.	New market research company to be engaged; questionnaire to be redrawn.	by end of Q2	Clearer analysis of what the survey findings mean and what we can do to address issues.	<b>Yes</b>	A new research partner has been engaged via the Crown Commercial Services' framework. Changes were made to questions previously asked to more clearly distinguish the VTS from the VOA and councils. This has provided better analysis of findings leading to action plans.
Achieve Plain English Campaign (PEC) accreditation in the guidance we offer as an administration.	Review the guidance on our website and in booklets.	by end of Q4	Clearer guidance and decisions for appellants resulting in fewer phone queries; improved customer satisfaction.	<b>In part</b>	Website and printed guidance has been reviewed and redrafted using plain English and tools such as readability statistics' and Flesch-Kincaid Grade level. The next step is to try to achieve PEC crystal marks on simplified, consolidated guidance.

Work in partnership with our sponsor Department to support their policy development

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Focus on Ministers' aims in delivering NDR appeal reform.	Contribute to working groups and feedback on draft regulations; design an appeals management system and fees management system to fit the requirements of the reforms.	by end of Q3	Smooth implementation of the regulatory process for tribunal users.	<b>Ongoing</b>	Participated in a DCLG working group to develop both appeal and procedural regulations in readiness for 1 April 2017. Developed a system that will meet the requirements of Check, Challenge and Appeal and the introduction of fees. Introduced a new listing process to assist in moving cases forward and avoiding delays with 2010 rating list appeals.
Agree appropriate listing volumes.	Discussions with DCLG and the VOA following analysis of the findings of the pilot exercise.	by end of Q1	Ability to plan workload – staff and VTE member resource.	<b>Yes</b>	Agreed with DCLG and the VOA listing volumes of 150,000 cases in 2016-17 (exceeded).
Be responsive to funding demands.	Review of budgets, particularly at quarterly intervals.	by end of Q4	Identification of underspends early on, to release to DCLG.	<b>Yes</b>	Implemented financial improvements so that we can be more responsive to funding demands. This has involved making more use of the current SAP finance system.





**Build capacity and capability in our staff, learning from their experience and from their feedback**

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Introduce training grades to encourage staff progression between roles.	Introduce new training grades.	by end of Q1	Encourage staff progression between roles; more reliance on existing staff to move up to new roles at a time when external recruitment has proved difficult.	<b>Yes</b>	Training grades have been introduced and two people applied to go on this career progression path; regrettably, one decided not to pursue. We will continue to run programmes as and when required to build in-house skills.
Establish minimum standards to be attained by staff and maintained by CPD.	Monitor CPD at annual reviews.	by end of Q1	Encourage staff to keep up to date on development changes in the rating world.	<b>Yes</b>	Minimum 20 hours' CPD was introduced as part of requirements for professional staff who deal with appeals. Other staff are members of different professions and they maintain their CPD within that profession.
Develop new role descriptions to encourage greater flexibility in staff.	Develop new role descriptions.	by end of Q2	Encourage greater flexibility in staff.	<b>Yes</b>	Job descriptions have been revised for new entrants to introduce greater flexibility of workforce, particularly for technical staff to make them more tribunal facing.

**Operate with financial and organisational initiative and efficiency**

Objective	Actions planned	Timescale	Output/benefit	Met?	Achievements
Retender contracts, specifically IT contracts, in order to deliver year on year cost savings.	Retender contracts, specifically IT contracts, in order to deliver year on year savings.	by end of Q4	Deliver year on year cost savings.	<b>In Part</b>	Contracts coming up for renewal have been retendered and this has resulted in financial savings. A novated contract on a Direct Award with HMRC has been concluded and an exit strategy will be formed to move away entirely from this arrangement. Further contracts will be reviewed as and when they expire.
Develop more efficient financial and budgetary processes which best meet user requirements.	Review financial tools in place.	by end of Q3	Maintain accurate financial reporting systems that meet sponsoring department requirements.	<b>Yes</b>	SAP has been identified as the appropriate financial reporting tool. We have developed better processes that integrate more fully with SAP requirements and have developed more efficient reporting tools.
Review ways of reducing costs without dropping organisational flexibility and responsiveness in meeting targets.	Look at what costs may be reduced.	by end of Q2	Meet the demands of reduced funding to ensure our operational activity is catered for.	<b>Yes</b>	We have reviewed our major contracts and reviewed our KPIs to ensure that we remain as flexible as we can on driving forward improvements and remaining cost effective. This is an ongoing review in light of reduced funding.

# PERFORMANCE REPORT

continued

Performance analysis

The 11 key performance indicators for 2016-17 were reported on to the Board, DCLG and to staff throughout the year. Eight of these were exceeded or met as Table 3 below shows.

**Table 3**

Performance measure	Target in 2016-17		Met?	Comments
Hearing lists that result in two or more fully heard cases.	<b>78%</b>	<p>76.0% 74.0% 80.0% 84.0%</p> <p>2013-14 2014-15 2015-16 2016-17</p>	<b>Yes</b>	Exceeded; improvement year on year since 2014-15.
Cost per appeal: operational budget/ appeals listed lower than in 2015-16.	<b>less than £50.55</b>	<p>£50.55 £39.10</p> <p>2015-16 2016-17</p>	<b>Yes</b>	The number of appeals listed in the year increased by 40% to 150,000, while operational expenditure increased 7.6%.
Cost per appeal: operational budget/ appeals decided lower than in 2015-16.	<b>less than £1,538</b>	<p>£1,538 £1,657</p> <p>2015-16 2016-17</p>	<b>No</b>	The increase in listings to 150,000 did not result in a corresponding increase in cases decided. The inability of parties to progress their cases before the hearing resulted in a deferment rate 27% higher than in 2015-16.



Performance measure	Target in 2016-17	Met?	Comments										
Council tax liability appeals listed to a hearing date that is within 4 months of receipt.	<b>85%</b>	<b>Yes on track*</b>	Met for appeals received from April to December* 2016 (*because of the 4-month criterion). Likely to finish the year at 93%.										
	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013-14</td><td>73.0%</td></tr> <tr><td>2014-15</td><td>80.0%</td></tr> <tr><td>2015-16</td><td>85.0%</td></tr> <tr><td>2016-17</td><td>95.0%</td></tr> </table>	Year	Percentage	2013-14	73.0%	2014-15	80.0%	2015-16	85.0%	2016-17	95.0%		
Year	Percentage												
2013-14	73.0%												
2014-15	80.0%												
2015-16	85.0%												
2016-17	95.0%												
Council tax banding appeals listed to a hearing date that is within 4 months of receipt.	<b>85%</b>	<b>Yes on track*</b>	Met for appeals received from April to December* 2016 (*because of the 4-month criterion). Likely to finish the year at 93%.										
	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013-14</td><td>84.0%</td></tr> <tr><td>2014-15</td><td>85.0%</td></tr> <tr><td>2015-16</td><td>87.0%</td></tr> <tr><td>2016-17</td><td>93.0%</td></tr> </table>	Year	Percentage	2013-14	84.0%	2014-15	85.0%	2015-16	87.0%	2016-17	93.0%		
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2013-14	84.0%												
2014-15	85.0%												
2015-16	87.0%												
2016-17	93.0%												
Decisions for council tax appeals issued within 1 month of the hearing.	<b>87%</b>	<b>Yes</b>	Exceeded; a year on year improvement.										
	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013-14</td><td>85.0%</td></tr> <tr><td>2014-15</td><td>89.0%</td></tr> <tr><td>2015-16</td><td>93.0%</td></tr> <tr><td>2016-17</td><td>94.0%</td></tr> </table>	Year	Percentage	2013-14	85.0%	2014-15	89.0%	2015-16	93.0%	2016-17	94.0%		
Year	Percentage												
2013-14	85.0%												
2014-15	89.0%												
2015-16	93.0%												
2016-17	94.0%												
Decisions for non-domestic rating appeals issued within 1 month of the hearing.	<b>87%</b>	<b>Yes</b>	Exceeded; a year on year improvement.										
	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013-14</td><td>79.0%</td></tr> <tr><td>2014-15</td><td>82.0%</td></tr> <tr><td>2015-16</td><td>87.0%</td></tr> <tr><td>2016-17</td><td>96.0%</td></tr> </table>	Year	Percentage	2013-14	79.0%	2014-15	82.0%	2015-16	87.0%	2016-17	96.0%		
Year	Percentage												
2013-14	79.0%												
2014-15	82.0%												
2015-16	87.0%												
2016-17	96.0%												

# PERFORMANCE REPORT

continued

Performance analysis

Performance measure	Target in 2016-17		Met?	Comments										
Decisions on reinstatement applications issued within 6 weeks of receipt.	<b>80%</b>	<table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013-14</td><td>71.0%</td></tr> <tr><td>2014-15</td><td>51.0%</td></tr> <tr><td>2015-16</td><td>76.0%</td></tr> <tr><td>2016-17</td><td>75.0%</td></tr> </table>	Year	Percentage	2013-14	71.0%	2014-15	51.0%	2015-16	76.0%	2016-17	75.0%	<b>No</b>	Target missed by 5%.  Requests received varied from 237 to 466/month and required personal input from VTE Vice-Presidents. To improve this, at the end of 2016, responsibility for making these decisions was extended to all VTE chairmen.
Year	Percentage													
2013-14	71.0%													
2014-15	51.0%													
2015-16	76.0%													
2016-17	75.0%													
Decisions on review applications issued within 6 weeks of receipt.	<b>80%</b>	<table border="1"> <tr><th>Quarter</th><th>Percentage</th></tr> <tr><td>Q1</td><td>98.0%</td></tr> <tr><td>Q2</td><td>100.0%</td></tr> <tr><td>Q3</td><td>100.0%</td></tr> <tr><td>Q4</td><td>86.0%</td></tr> </table>	Quarter	Percentage	Q1	98.0%	Q2	100.0%	Q3	100.0%	Q4	86.0%	<b>Yes</b>	Exceeded. 96% for the year.
Quarter	Percentage													
Q1	98.0%													
Q2	100.0%													
Q3	100.0%													
Q4	86.0%													
External hearing venue hire costs are below £250 per booking.	<b>80%</b>	<table border="1"> <tr><th>Quarter</th><th>Percentage</th></tr> <tr><td>Q1</td><td>73.0%</td></tr> <tr><td>Q2</td><td>73.0%</td></tr> <tr><td>Q3</td><td>80.0%</td></tr> <tr><td>Q4</td><td>74.0%</td></tr> </table>	Quarter	Percentage	Q1	73.0%	Q2	73.0%	Q3	80.0%	Q4	74.0%	<b>No</b>	Target missed by 5% for the year.  This proved to be a challenging target impacted by a reduction in availability of free/low cost venues and venue price increases. A further review of external venues used will be carried out in 2017-18.
Quarter	Percentage													
Q1	73.0%													
Q2	73.0%													
Q3	80.0%													
Q4	74.0%													
Absence levels for all short-term sickness (fewer than 20 days)/FTE below that in 2015-16.	<b>below 4.22 days</b>	<table border="1"> <tr><th>Year</th><th>Days/FTE</th></tr> <tr><td>2013-14</td><td>4.80</td></tr> <tr><td>2014-15</td><td>2.70</td></tr> <tr><td>2015-16</td><td>4.22</td></tr> <tr><td>2016-17</td><td>4.16</td></tr> </table>	Year	Days/FTE	2013-14	4.80	2014-15	2.70	2015-16	4.22	2016-17	4.16	<b>Yes</b>	Further information about sickness absence is reported on page 44.
Year	Days/FTE													
2013-14	4.80													
2014-15	2.70													
2015-16	4.22													
2016-17	4.16													



## Customer survey

We commission monthly surveys of appellants who have represented themselves at a hearing in recent weeks. This provides us with quick feedback and, where necessary, allows us to respond with explanation and/or an action plan for improvement initiatives. In 2016-17, 30 telephone interviews were conducted each month.

Looking at overall satisfaction levels (where the VTS scores 8, 9 or 10 out of 10), these rose to an average of 50% during 2016-17, higher than it has been since 2013; 62% were either very satisfied or satisfied with the service they received from us. For successful appellants, 91% were satisfied or very satisfied compared to 53% of unsuccessful appellants. This latter figure is important for us because, typically, around two thirds of appellants are unsuccessful in their appeal; our aim is that, nevertheless, they should feel that they have had a good and fair experience.

The main area of dissatisfaction appears to be with guidance appellants receive on how to prepare their case before the hearing and with any delays in the process. This echoes what national research shows<sup>1</sup> in monitoring evolving customer behaviour and preferences. It suggests that organisations need to offer customers a straightforward, speedy, seamless experience but at the same time recognise that many will accept delays if it means they receive empathetic, proactive help and advice. We will continue to reinforce this message to staff. However, we must also be mindful that the Tribunal must be seen to be independent and not go beyond giving general advice to assisting one of the parties to the appeal to make their case.

At the start of the year we redesigned the questionnaire used for survey interviews and have achieved some improvement in distinguishing ourselves more clearly from the VOA and the local councils throughout the appeals process. It is important that appellants recognise that the Tribunal is independent of these other organisations and that views about them do not colour their views about the service they receive and the improvements they want to see from us.

During the pilot of the new disclosure and exchange process (see page 8) we commissioned in depth qualitative interviews to gain the views of professional representatives and VOA staff who took part in the pilot hearings. This research provided a valuable contribution to the evaluation of the pilot. The expectation is that, with the roll out nationally of this process, staff time will be freed up from some nugatory administration of paperwork, allowing more proactive contact with unrepresented appellants, to help them through the appeal process.

<sup>1</sup> Institute of Customer Service: UK Customer Satisfaction Index (January 2017).

### Staff survey

In 2015-16 we commissioned a staff survey, which had a good response rate of 72%. Early in 2016, a staff working group looked at ways to bring about improvements. This led to the creation of a two-year action plan, approved by the Board.

The staff survey had identified the need for improvements in change management, communications, development and rewards. The initiatives introduced so far have aimed at delivering across these areas and the action plan has led to a number of positive developments including:

- greater visibility of Board members among staff at both administrative offices
- clearer rules on incremental progression
- use of psychometric testing and the government's .gov website to hone and improve recruitment – and get the right people in quicker
- trialling of a trainee scheme for professional staff to offer development opportunities for existing staff currently working at lower graded roles
- more robust sickness absence management leading to a reduction in overall levels of sickness absence
- a good working relationship with the VTE
- a new office meeting structure to improve communications
- better identification and achievement of development activities arising from our appraisal scheme
- improved induction process and materials, including online content
- the introduction of Childcare Vouchers.

During 2017-18, we intend to introduce a more streamlined appraisal scheme. The Board has also given its approval to the implementation of a performance excellence scheme for staff. Further developments in the IT area will also bring improvements and benefits for staff.

Our intention is to repeat the staff survey to measure progress.

### Training

The VTS continues to build learning and development programmes that help to maintain the high levels of customer service it provides. It also concentrates on areas for improvement, taking account of results from the regular customer surveys and line managers' observations.

This year's programme included training for administrative staff providing background in council tax and non-domestic rating appeals and showing how



these translate into general customer service enquiries. In addition to technical training, soft skills such as time management techniques and team building activities were also included.

Conflict management training was delivered to tribunal taking staff to ensure they have the skills to deflect any potential conflict that may arise at a hearing. Faculty meetings have continued to be a useful forum for delivering technical training, case law updates and procedural or regulatory changes. The focus of Faculty meetings has been to ensure that there is a practical application of theory, preparing case managers to clerk tribunals; the current structure of the Faculty programme lends itself to this objective.

The VTS provided 300 days of training to staff, which is an average of four days per staff member. Overall, 98% of our staff received at least two days' training this financial year; those who did not were on maternity, sick leave or started employment with the organisation midway through the year.

### Valuation Tribunal for England (VTE) members

The members' training and development programme continued to be delivered regionally, ensuring there was a significant notice period, thereby allowing members the flexibility of transferring to more convenient dates if needed.

The VTE saw a cohort of 34 new members/chairmen join the organisation. This group followed a new distance learning training programme via the members' area of the VTS website. Alongside this training, and to consolidate the knowledge gained, members/chairmen were required to observe up to four tribunals before they were able to sit as a member. Chairmen were then required to attend a further 'Judgecraft' training day.

Finally, the VTE held a training event in the East Midlands allowing the new President, Gary Garland, to address the membership as a whole and update them on the visions and values of their organisation moving forward. In addition, training was given on important data handling issues for judicial office holders.

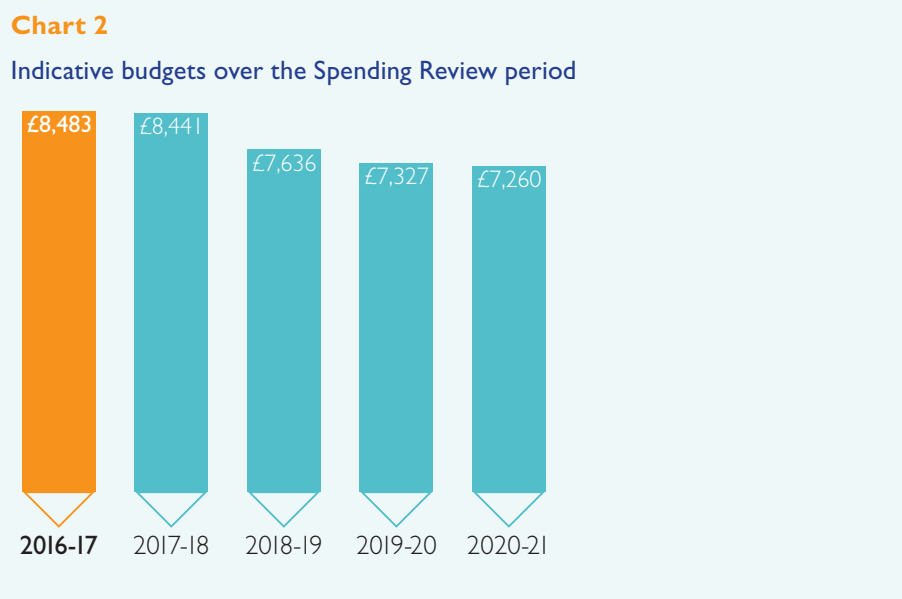
All VTE members were offered more than one day's training during the year.

### Efficiencies

We continue to operate within and, where possible, below budget. Where we are operating below budget, with DCLG approval, we are making additional payments into the pension fund in order to reduce the ongoing deficit and our future liabilities. This will have a positive impact on future funding for the VTS and also reduce the ongoing liabilities for the Departmental family (DCLG Group).

The chart below reflects the final budget for 2016-17 and the indicative budgets for the rest of the Spending Review period to 2020-21. As with the public sector in general, the VTS's budget continues to reduce as efficiencies are sought and obtained.

As part of the drive to provide efficiencies and savings for the DCLG Group and in response to the cross government wide drive for increased shared service provision, the VTS will shortly be transitioning to the provision of IT services under a DCLG Group IT service contract.







## Corporate Social Responsibility

### Health and safety

During 2016-17 the Chief Executive commissioned follow up health and safety reports on each of the two offices (Doncaster and London) to ensure that our premises continue to provide the environment we expect for our staff and visitors. The outcomes of these assessments indicated that we continue to maintain a healthy environment at all times; positive improvements had taken place during the past year and action plans have been developed where necessary to address any of the minor areas identified for improvement, such as additional signage.

In the previous year, the VTS made a positive commitment to give staff better awareness of the need to record incidents/accidents and more scrupulously record any 'near misses' or potential incidents.

In the year, there were two recorded incidents in London and five recorded in Doncaster; none resulted in absence from work.

We will be introducing H&S online training for staff once a new Learning Management System is brought on line during 2017-18.

### Estate matters

We continue to operate from two office locations, Doncaster and London. Our estate footprint is currently 961sqm.

The current lease on our Doncaster office expires on 1 September 2017 and we are already looking at alternative accommodation on the government estate with a view to further reducing our footprint and estate costs.

### External venues for hearings

In addition to the hearing rooms in the two offices, we use some 70 other venues around the country to provide regional or more local tribunal hearings. We carried out an exit survey of all venues used and 94% of over 540 responses from parties attending hearings, VTE members and staff, rated the overall view of the venue as 'adequate' or better. The factors considered were: travelling; parking; accessibility; signage; ambience; safety; layout and facilities.

This exercise will be repeated regularly and venues continue to be under review to ensure that they remain accessible to the public.

## Environment

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

The VTS operates a paper recycling programme and during the year, through recycling, has saved at least 131 trees from destruction and 247,000 litres of water.

## Equality and diversity

We review regularly our policies relating to equality and diversity to ensure that we continue to meet our statutory obligations under the Equality Act 2010. We value the skills and experience of our workforce and wish to make full use of the talents of disabled staff and members, and to be user-friendly towards those with disabilities who use our services.

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

We continue to offer to translate our guidance and forms into seven commonly used languages in the UK, however during the year, we received no requests. We received 35 requests for interpreters and were able to fulfil 28 of these (up from 19 in 2015-16) for appellants attending hearings (for Spanish, Bulgarian, Polish, Latvian, Lithuanian, Russian, Turkish, Chinese Mandarin, Korean, Urdu, Punjabi, Farsi, Dakkar, Arabic and Shylet speakers).

Guidance leaflets and VTE decision documents can also be made available in Braille and large print. Audio versions of the guidance booklets are available to download from our website. For council tax reduction appeals, 'easy-read', pictorial versions of the guidance are available. Signers and other communication assistance are provided on request to enable hearing-impaired appellants to participate fully when attending a hearing; no assistance was requested during the year.

Our website includes a link enabling the public to download, free of charge, 'Browse aloud' software for use on their PCs. This software reads out the contents of any webpage, PDF file or word document. In addition to reading the contents of the website in a variety of languages and accents, the software contains a facility that explains the meaning of any word for the user. Last year there were around 500 toolbar loads and 1,500 speech requests on our website.



## Complaints

The VTS maintains a register of all complaints received. Our Customer Charter and Complaints Policy document was revised during the year and is published on the VTS website, for the use of anyone dissatisfied with the service they receive from the administration.

During the year, 22 complaints about the administration were registered (compared to 29 in 2015-16). All received a full response within a month. Two complaints were escalated to the highest level of the three-stage complaints process for investigation by the Chief Executive (two in 2015-16); maladministration was not found. One complaint about the VTS was referred to and investigated by the Parliamentary and Health Services Ombudsman, however no further action was required of the VTS.

## Freedom of information and data protection

In 2016-17 there were 38 requests for data under the Acts, similar to the previous year. All requests were dealt with within the statutory time limits and no internal reviews were requested during the year. No complaint about the way these requests were handled was made to the Information Commissioner, apart from one relating to a request which had not been received. We publish on our website those responses that are deemed to be of wider public interest.

**Antonio Masella**

Chief Executive  
Valuation Tribunal Service

21 June 2017

# Corporate governance report

## Directors' report

### Directors and Board

VTS Chairman – Anne Galbraith CBE until 31 October 2016

VTS Chief Executive & Chief Operating Officer and Accounting Officer – Antonio Masella MRICS MCIOB FIRR VFA FCMI

In 2016-17 the Board comprised:

- Deputy Chairman, John O'Shea until 1 November 2016 when he took on the role of Acting Chairman
- Martin Allingham
- Robin Evans
- Ian Tighe until his resignation on 20 December 2016
- Lola Moses from 8 February 2017
- Gary Garland (VTE President), *ex officio* Member, from 12 September 2016.

A register of Board Member interests is maintained, reviewed annually and is available for inspection; a summary appears on the Valuation Tribunal website <http://www.valuationtribunal.gov.uk/about-us/vts/board/>

### Data security and information risk

Data handling and information security meetings take place quarterly, chaired by the Board's Senior Information Risk Owner (SIRO) and attended by all VTS Information Asset Owners (IAOs) and the data protection officer. This provides a forum for promoting compliance with information risk policy and process and discussion on information risk issues and management across all VTS operational and head office functions. During the course of these meetings in 2016-17 the SIRO obtained the necessary assurances from IAOs covering their areas of responsibility and that the requirements of the Cabinet Office's security policy framework have been upheld.

The maintenance of a Risk Management & Accreditation Document Set (RMADS) is no longer mandated. As a matter of good practice the VTS has ensured a continued dialogue with accreditors and follows all departmental guidelines on risk management. As issues have arisen within our development programme we have sought assurances on security compliance from our CLAS (CESG) consultant. Working with the Departmental Security Assurance Team we aim to move to a simplified assurance model early in 2017-18.

A full review of our Information Security System (ISS) has been completed within this financial year; this provided a basis on which to validate the current VTS approach to information risk assessment and management.

Regular penetration testing is undertaken on the VTS system and risk treatment plans collated and timely remedial action taken. Risks surrounding outdated Windows servers have to date been tolerated. However, these risks will be mitigated with a migration of back office servers to a new platform in June 2017 (DCLG's shared service, Connect).



Balanced and fair responses have been provided by the SIRO in line with legislative requirements when dealing with challenges relating to the use of information held by the VTS. All risks have been evaluated with the necessary controls proportionate to the risk in place, and where required, with actions clearly specified. Risk profiles have been reviewed at least quarterly and their monitoring has been captured, where they have been identified as significant, through the VTS's strategic risk register process.

Any non-compliance with guidelines or instructions has been reported in a timely manner and, where necessary, controls have been strengthened to prevent reoccurrence. Recommendations arising out of internal audit relating to data handling and information security have been implemented.

There were no identified or reported exceptions and no reportable incidents during the year.

## Statement of Accounting Officer's responsibilities

Under the Local Government Act 2003, the Secretary of State has directed the VTS 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 VTS and of its net resource outturn, 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 the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether 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 of the Department for Communities and Local Government has appointed Antonio Masella, the Chief Executive as Accounting Officer of the VTS. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the VTS's assets, are set out in *Managing Public Money* published by the HM Treasury.

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

The Accounting Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable. The Accounting Officer believes that this annual report and accounts as a whole is fair, balanced and understandable.

## Governance Statement

The purpose of my Governance Statement is to provide a clear and honest review of the year, highlighting risks and issues, providing assurance and to demonstrate to our stakeholders how I, as Chief Executive of and Accounting Officer for the VTS, have discharged my responsibilities to manage and control the resources under my remit. I am fully responsible for the day-to-day management of the VTS and for having in place effective systems of governance, risk management and internal control. I share responsibility with the Board for complying with the Framework Document, jointly drawn up with our sponsoring Department in 2013. This sets out how the VTS and DCLG intend to operate and, in particular, ways in which the VTS provides the necessary assurances on the adequacy, effectiveness and efficiency, control and governance of systems and processes, and this Governance Statement reflects and reports this assurance.

I have responsibility for the overall organisation, management and staffing of the VTS, for the formulation of strategy with the Board and for the successful delivery of results. Other than a duty of care in selecting venues, arranging hearings, allocating sittings, and in providing relevant training to VTE members, I have no role in the make-up of the membership of the VTE other than to provide within the VTS budget for:

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

Responsibility for the management, complaints, appraisal or discipline of VTE members and the judicial processes of the VTE lie with the President, although the financial impact of such matters lies firmly with the VTS, and ultimately myself as Accounting Officer.

### Governance framework, Board structure, attendance and coverage

Established under the Local Government Act 2003, and created on 1 April 2004, the VTS provides or arranges for the provision of the services required for the general discharge of the VTE's functions and gives general advice about procedure relating to proceedings before the Tribunal. The Act requires the VTS to do anything which it considers is "calculated to facilitate the carrying out of its functions" and that it shall carry out its functions "in the manner it considers is best calculated to secure the VTE's efficient and independent operation". In providing this support, the VTS must ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively at all times.

The VTS is governed by a non-executive Board of seven, the majority of whom must be VTE Chairmen. This majority would normally be made up of three VTE Chairmen and the VTE President, who is an *ex officio* Member. The Chairman and Members of the Board (other than the VTE President) are appointed by the Secretary of State for Communities and Local Government in accordance with the Code of Practice of the Commissioner for Public Appointments.



Following a recruitment exercise by the Judicial Appointments Commission (JAC), Mr Gary Garland was appointed by the Lord Chancellor to the office of President on 12 September 2016 after a year during which the office had been vacant (since 12 August 2015). During that period the role of President was exercised collectively by the current three Vice-Presidents on an interim arrangement, as agreed with DCLG in the letter to them dated 2 October 2015. In order to ensure that the VTS met its requirements of the Local Government Act 2003 – *“The Service shall, in relation to its functions with respect to the valuation tribunal, consult the tribunal about the carrying-out of its function”* – as part of the interim arrangements, Vice-President Martin Young was invited by the Board Chairman to observe its meetings. On 31 October 2016 Mrs Anne Galbraith CBE retired as the Chairman of the Board, having been appointed as the first Chairman of the VTS, from its inception. Mr John O’Shea, the Deputy Chairman of the Board, became the Acting Chairman from 1 November 2016. The recruitment process for the Board Members is under the remit of the Office of the Commissioner for Public Appointments. Ministerial changes and two periods of purdah during the local elections in May 2016 and the Referendum campaign in June 2016 unfortunately delayed the appointment process. The Secretary of State has now commenced the process for appointing a new Chair as well as an additional appointment of a non-service Member to replace Mr Ian Tighe who resigned in December 2016. The vacancies in place did not affect the Board’s ability to make decisions as four Members are required under Board Standing Orders for decisions to be made and at all Board meetings convened, this number was maintained.

The Board had been carrying a vacancy for a VTE service Member since the retirement of Dr Ronald Barham on 31 March 2016 and the Minister’s appointment of Ms Lola Moses on 8 February 2017 was much welcomed.

The Framework Document governs the relationship between the VTS and DCLG. I have quarterly Accounting Officer meetings with the sponsoring team where financial progress against budgets, staffing resources, the risk register, key performance indicators and achievement of objectives against our Business Plan are reviewed and discussed. In addition, I have regular email exchanges and dialogue with our sponsoring team, who also receive Board minutes and papers, and have a standing invitation to Audit & Risk Assurance Committee meetings. Our sponsoring team has changed in personnel during the year but our relationship with DCLG remains strong and one of mutual respect that recognises the various pressures we each face. Our regular communications have allowed greater financial visibility and a much better understanding of pinch points and risks within our respective organisations.

The Board is collectively responsible for decision making and sets the strategic direction of the organisation. The Board approves the budget and the Annual Report and Accounts. My Chief Executive’s Report, prepared for each Board meeting, describes key activities and outcomes and is an important source of information and assurance. I attend all meetings of the Board, except for some Board-only Part 2 meetings, for example when matters of my employment are considered.

## Board Performance, assessment and effectiveness

The Board met formally on seven occasions during the year. Board agendas are structured to differentiate between reports for information and those for decision. The Board receives prompt, regular and meaningful management information on costs, efficiency, quality and performance to track progress and value for money. Standing items include reviews of the management accounts and strategic risk register and reports from the Chairman, the VTE President, myself and the chairmen of the Board committees and the Programme Management Group. The Board receives quarterly reports on performance against objectives and KPIs, and workload data.

The government's planned business rates appeal reform (Check, Challenge and Appeal (CCA)) has very much directed the Board's attention during this financial year as the proposed changes coincide with the revaluation of non-domestic hereditaments in England. Other issues that have been discussed regularly are the improvements in financial processes based on better use of our SAP system, which we share with our sponsoring Department, and VTE member recruitment by the Judicial Appointments Commission. There has been consistent focus on the wide-ranging IT development, necessitated by a planned move from the Aspire environment and to meet the requirements of a revaluation and the final shape of CCA. Elements within this programme of work have been the novation of the Aspire contract for legacy work, a move to DCLG's Connect shared system, an appeals management system and an extension of our use of an electronic document and records management system. During the year, the Board also discussed:

- May 2016: Committee membership; the pilot exercise for dealing with non-domestic rating appeals; HR strategy; staff resource planning; recommendations arising from the staff survey; Doncaster office
- June 2016: Audit & Risk Assurance Committee report; decision to approve the Annual Report and Accounts 2015-16; Register of Board members' interests
- July 2016: the finance system; the pilot for dealing with non-domestic rating appeals
- September 2016: the finance system; the pilot for non-domestic rating appeals
- November 2016: the finance team and improvement plans; the pilot for dealing with non-domestic rating appeals; performance award proposals; procurement
- February 2017: approval of revisions to Board governance documents and the scheme of delegations; Doncaster office; finance improvements; approval of the VTS budget for 2016-17; evaluation report on the pilot for dealing with non-domestic rating appeals
- March 2017: review of the draft Forward Plan (Business Plan/Corporate Plan).





The Board composition and attendances at meetings is shown in the Table below.

**Table 4**

Board Members' dates of appointment, Committee membership and attendance

	Date of expiry of appointment	Attendance at Board meetings (7 in 2016-17)	Attendance at Audit & Risk Assurance (ARAC) Committee meetings (4 in 2016-17)	Attendance at Finance Committee meetings (3 in 2016-17)	Attendance at Remuneration & Terms of Service Committee meetings (1 in 2016-17)
Anne Galbraith	31 October 2016	■ 4 (of 4)	n/a	■ 1 (of 1)	■ 1
John O'Shea	31 March 2018	■ 4 ■ 3	■ 2 (of 2)	■ 2 (of 2)	n/a
Martin Allingham	31 October 2017	■ 7	■ 4	n/a	n/a
Robin Evans	31 October 2017	■ 7	■ 2 ■ 2	n/a	■ 1
Ian Tighe	resigned 20 December 2016	■ 4 (of 5)	n/a	■ 1 (of 1)	n/a
Lola Moses	7 February 2020	■ 2 (of 2)	■ 1 (of 1)	n/a	n/a
Martin Young	n/a	■ 1 (of 3)	n/a	n/a	n/a
Gary Garland	n/a	■ 3 (of 4)	n/a	■ 2 (of 2)	n/a
David Horne (independent member of the ARAC)	28 February 2020	n/a	■ 4	■ 1 (of 2)	n/a

■ Chairman   ■ Acting Chairman   ■ Member   ■ Observer

In addition, the Board met with staff in both offices during the year, in response to feedback from the staff survey.

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

**The Audit & Risk Assurance Committee (ARAC)** provides the Board with an independent view of the assurance framework, overseeing the risk management strategy through 'tests' of the various risk registers to ensure that processes in place are effective and robust. I attend the Committee's meetings to provide an update to the risk register and present various reports. The Committee met four times during the year. It comprises three Members of the Board, one of whom is appointed by the Board as the Committee Chair, and one independent member, Dr David Horne, who accepted a further three-year appointment from the end of February 2017. As the VTS Deputy Chairman, Mr John O'Shea, became VTS Acting Chairman, he could no longer chair ARAC meetings and Mr Robin Evans was appointed as Acting Chairman of the Committee. From February 2017, Lola Moses joined the Committee. The Director of Finance & Information Systems, and the Finance Manager also attended to present various reports. Following the departure of the Director of Finance & Information Systems in October 2016, the interim Financial Controller, and later the Finance Director<sup>2</sup> attended such meetings. Internal and External Auditors also attend meetings at which their reports are reviewed and actioned and a DCLG representative sometimes attends. At the end of every meeting, the Committee has a private session with the auditors, without staff. The Chairman has confirmed to me that no matters of concern were raised at these meetings.

During the year, this Committee recommended to the Board the adoption of the year end financial statements and the audit completion report. Our audited statutory accounts were laid before Parliament on 7 July 2016 with a clean audit opinion. The ARAC reviewed and approved a revised Risk Management Policy, the Standing Financial Instructions, Procurement Policy, Data Handling Policy and Guidance, Fraud Policy and Whistle-blowing Policy. It also considered all internal audit reports and monitored progress against management responses to and action plans for the various recommendations. The Committee also promoted the development of assurance mapping as an additional tool and obtained assurance during the transition in the VTS finance team. It conducted a self-assessment exercise at the end of the year, with analysis to be carried out shortly, when any actions arising will be identified.

**The Finance Committee** monitors all financial aspects of the VTS and supports me, as the Accounting Officer, and provides assurance to the Board on financial planning and management. This Committee comprised two Board Members and met three times during the year. With Board membership changes, the make-up of this Committee naturally also changed: from 1 November 2016, Mr John O'Shea took up the role of Chairman of the Committee and, following Mr Ian Tighe's resignation, Mr Gary Garland joined the Committee. Following the departure of the Director of Finance & Information Systems, the interim Financial Controller and later Finance Director<sup>3</sup> attended these meetings with me.

**The Remuneration & Terms of Service Committee** determines policy on executive remuneration and terms and conditions of service. This Committee of two Board Members also exercises general oversight on matters relating to staff pay and performance related pay. During 2016-17 the Committee met once, to recommend to the Board and the sponsoring body the level of performance considered appropriate for the Chief Executive.

I previously met with the VTS Chairman regularly, and now keep in close, continuous contact with the Acting Chairman on any significant issues and developments. Since his appointment, the new President and I have worked to improve the way the VTS and VTE collaborate, allowing greater consideration of judicial and administrative matters before changes are implemented. This has resulted in the current practice statements being updated and simplified, to come into effect

2 & 3 The interim Financial Controller was appointed Finance Director on 1 March 2017.



from 1 April 2017. The statutory positions of the VTS and the VTE are set out in the protocol document between the two organisations. This document forms the basis of our relationship and our respective governance arrangements.

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

- **Executive Management Team (EMT)** – this group is made up of the Directors and me. Its role is to assist my decision-making by providing accurate information, and to advise me on implementing operational and strategic Board-approved plans and to provide strategic direction to staff. The EMT met nine times during the year.
- **Strategic and Operational Interface Meetings** – provide the opportunity to review the judicial and administrative interface and the impact on operational activity. At these, I meet with the Director of Operations & Development and the Clerk (Registrar) to the VTE.
- **Programme Management Group (PMG)** – responsible for ensuring project activity is properly planned, structured and resourced, constantly assessing risk and benefits to ensure approved outcomes remain achievable. These meetings are chaired by the Director of Operations & Development. The Group met twice during the year and reported on the 11 meetings held during the year regarding project updates. Membership is drawn from the EMT and other specialist staff depending on the project under evaluation. Project control papers are distributed at each meeting highlighting risk issues and activity monitoring reports.
- **Change Approvals Board (CAB)** – to maintain control over IT changes resulting from VTE requirements and changes in process, a CAB is in place so that any changes identified can be discussed, costed and evaluated and benefits analysed prior to implementation through projects. This Board comprises the Director of Operations & Development (as chair), the IT Manager, the IT Support Officer and the Business Development Officer.

On my behalf, the Finance Director prepares and submits an annual budget to the Board for approval prior to the start of the new financial year. Financial performance against budget is monitored at every Board meeting. The Finance Director is also responsible for the detailed finance protocols, procedures, guidance and training to budget holders and other staff. She is also responsible for maintaining a contracts register. The VTS's budget is devolved to individual budget holders under written and signed delegated authority.

### Corporate governance compliance

The Board observes *Corporate governance in central government departments: Code of good practice* and its principles insofar as they are relevant to a small NDPB. There are no material departures. It complies with the Code's requirements for the Board, though the Board's particular composition is set out in the Local Government Act 2003, and the VTS Board does not have a nominations and governance committee, because of its size. It directs the business of the VTS in as effective and efficient way as possible with a view to the long-term health and success of the VTS and VTE. Board members are aware that they should not stray into the executive management of the VTS.

The Board supports the Accounting Officer in the discharge of obligations set out in *Managing Public Money* and its Standing Orders and Scheme of Delegations show those matters reserved for Board decision. The Board acts corporately and objectively when discharging its responsibilities and Board members act in the public interest in keeping with the Nolan principles of public life. Its meetings are recorded and minutes made widely available. At the beginning of every Board and committee meeting, members are asked to declare any potential conflicts of interest, which are then noted in the minutes along with any action necessary to address them. An annual declaration of Board Members' interests is required and made available for inspection (see page 24).

The Board reviews its corporate governance framework annually to ensure it remains robust including the Standing Orders and Scheme of Delegations, Standing Financial Instructions, Procurement Policy, Whistleblowing Policy, Fraud Policy, Board Code of Conduct and Ways of Working.

Board Members, with the exception of the VTE President, are appraised annually by the Chairman, who in turn is appraised by the sponsoring Department. These appraisals assess individual performance, which in turn translate in to the collective effectiveness of the Board.

Because of the changes in membership and the vacancies, the Board did not carry out a review of its own effectiveness in 2016-17, (though the Audit & Risk Assurance Committee did). I expect this to take place once all appointments have been concluded. John O'Shea and Robin Evans received training on a course run by the Chartered Institute of Public Finance and Accountancy, which provided them with a wider perspective on audit matters.

### **Risk management and risk profile**

The Risk Management Policy, which is published on the staff intranet, sets out the key features of risk management and provides guidance for staff on their role in the process. It was last reviewed in October 2016. I am responsible to the Board for ensuring that risks are managed effectively. There are a number of more detailed operational risk registers underpinning the strategic risk register. Each risk register owner takes responsibility for their own area of operation and reports on the processes of risk assessment, management actions to mitigate risk and highlight the possibility of risk failure. The registers clearly identify risk owners and mitigating strategies ensuring risk owners respond quickly. Risk registers are submitted to me quarterly. I carry out my assessment of the overarching strategic risk register with the EMT at each of its meetings. During the year, following good practice led by the ARAC, we have begun to use an assurance map alongside the register, which identifies whether we have controls in place at the appropriate level (operational management; governance and oversight; independent/external) to monitor and mitigate risks.

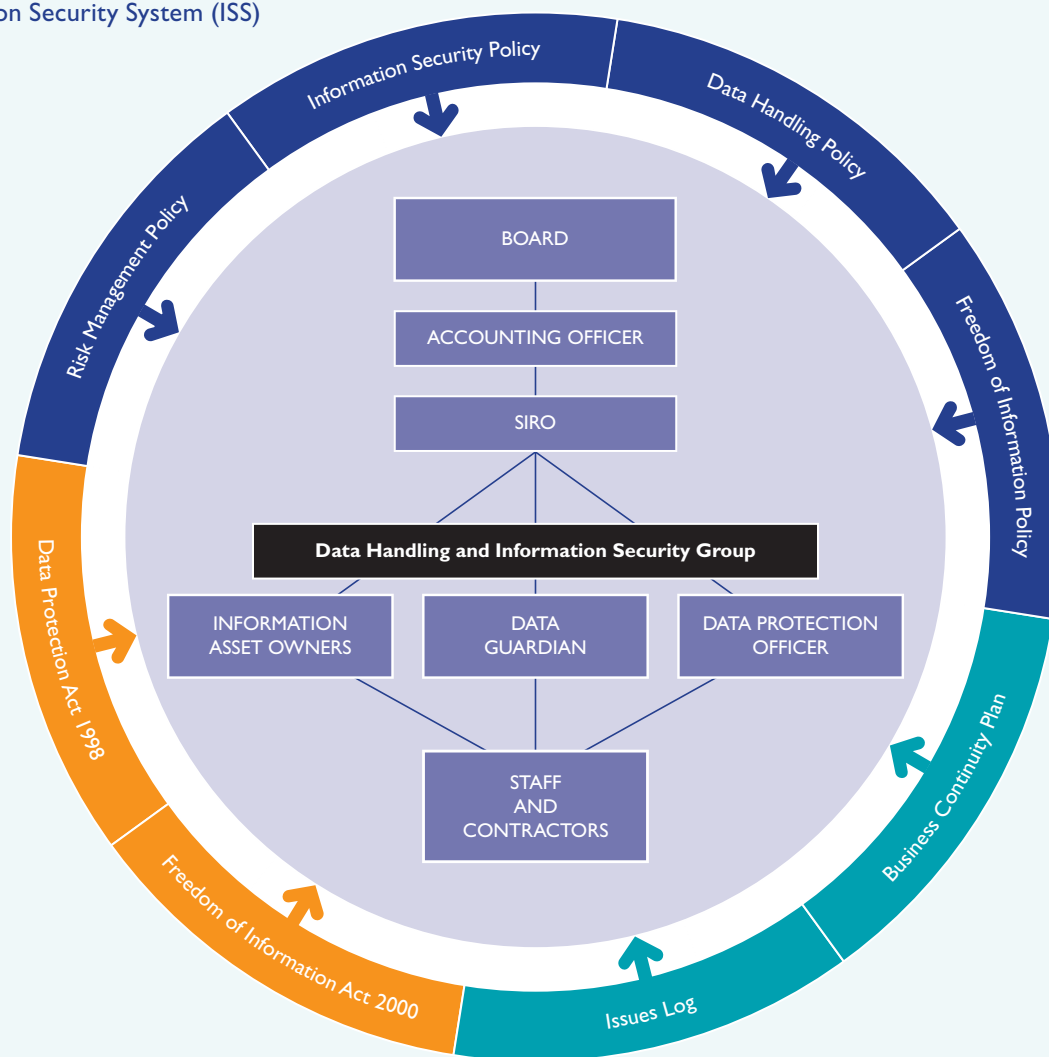
We have embedded a culture where risk management is not just a process but is integral to decisions we make. Risks are identified in a variety of ways, including the continuous review of operations and the evaluation of new challenges and opportunities. All reports to the Board include a section on risk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

The review of the strategic risk register continues to be a standing agenda item at Board and ARAC meetings, with the Committee maintaining an overview of risk management. The Committee receives an annual opinion from the Head of Internal Audit on the overall effectiveness of internal controls including risk management. Their view continues to be that our governance, risk management and internal control arrangements are generally adequate and effective, with one significant issue identified, related to ensuring any new finance system meets the VTS's needs, which has been addressed.

The Board has appointed the Director of Operations & Development as the Senior Information Risk Owner (SIRO) who is required to ensure that I am apprised of any matter which may affect information assurance and data security. The SIRO provides me with an assurance statement, which is drawn from similar assurances confirmed to him by each information asset owner and budget holder. Whilst much of the data the VTS produces and manages is in the public domain, the VTS operates within the demands of the Cabinet Office's security policy framework and the requirements of the Data Protection Act, as well as respecting the public access rights in the Freedom of Information Act. There have been no information and protective security breaches during the year and there were no significant control weaknesses during the year ended 31 March 2017 or up to the date of approval of our Annual Report and Accounts.



**Chart 3**  
Information Security System (ISS)



We continue to look at ways of improving our data handling. Responsibilities regarding data handling are set out in contracts of employment to recognise their importance.

As Accounting Officer, I also receive an annual assurance statement from the Finance Director providing assurance to me over the effectiveness of finance systems, security of information and adherence to procedure to identify and report fraud. However, the Director of Finance & Information Systems left the organisation in October 2016 and a Financial Controller, Tracey Cheetham, who had previously been employed as Head of Financial Reporting and Accounts in DCLG, was brought in on an interim basis to lead the finance team and carry out a review of finance processes,

identifying and implementing improvements. This work was extended to drive through the changes and improvements identified and ensure they were documented, while a recruitment process was undertaken for a Finance Director. Tracey Cheetham was appointed to this role on 1 March 2017. Although this annual assurance statement was not received from the previous Director of Finance & Information Systems covering the earliest period, the new Finance Director has provided this assurance for the subsequent period. This assurance has been supplemented by the undertaking of several internal audit reviews and financial health checks commissioned to provide assurance over the financial control environment for the full year and to identify any lack of adherence to policy or procedure. These internal reviews have shown no evidence of lack of control or evidence that the effectiveness of the finance systems have been in any way compromised and have therefore provided me with adequate assurance over the control environment for the period covered by these Accounts and Governance Statement.

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

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

Five audits were conducted in 2016-17 covering Core Financial Systems – Management Override of Controls (substantial assurance), Corporate Governance (substantial assurance), NDR Pilot (and an Operational Change follow up on this aspect, both adequate assurance), and Performance Management (adequate assurance). In addition two advisory pieces of work were completed: on the proposed new finance system (SAGE 50) and on assurance mapping. A follow-up report on recommendations from 2015-16 was also carried out. These reports concluded therefore that there were no significant weaknesses. On the basis of this audit work, our internal auditors consider that the VTS's governance, risk management and internal control arrangements are generally adequate and effective. Although certain weaknesses and exceptions were highlighted by the internal audit work, none was identified as fundamental in nature and the ARAC has been satisfied that all have been, or are in the process of being, addressed.

**Working with the Board:** I keep in close contact with the Acting Chairman of the Board, ensuring he is up to speed on any significant issues and developments, and able, through the Board, to provide appropriate challenge and support.

**Accounting Officer meetings:** I meet with the Finance teams within DCLG in several forums, which provide opportunities to discuss a variety of matters, including a review of the strategic risk register.

**Executive Management Team (EMT):** The EMT considers all strategic and policy issues affecting the delivery of VTS aims and objectives and has collective responsibility for advising me regarding financial and operational performance and risk management. The EMT is presented with performance reports at each meeting and considers the risk implications of all proposals that are brought before it. I encourage and expect members of the EMT to keep lead staff briefed on significant issues and developments, and to seek feedback.

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



**Data Handling and Information Security Group:** This Group, under the chairmanship of the SIRO, maintains an overview of data security matters, compliance with statutory requirements and risks across our information assets, projects and communications.

**Personal assurance:** I gain personal assurance by speaking informally and directly with front line staff, enabling me to keep in touch with operational delivery across both offices.

### Significant risks and issues

The previously identified risk referring to the continuing reduction in the VTE workforce impacting on our ability to hear appeals has been mitigated by the Judicial Appointment Commission completing a second tranche of recruitment. However, the process leading up to formal appointment continues to be lengthy and is out of our control.

The reduction in our funding continues to mean that we have had to cut our cloth accordingly. I recognise that these continue to be challenging times for the public sector in general and that restraint and sensitivity in using public money continue to be key objectives. The challenge for me continues to be in finding ways of reducing costs further without dropping organisational flexibility and our responsiveness and ability to meet our service delivery aims.

As a result of the proposed move in central government to shared services, we had been faced with moving off our finance system (SAP) which is provided by DCLG. We had therefore made a decision to move to SAGE 50 during 2016-17. During the investigation and discovery phase, it became quickly evident that SAGE 50 would not provide the finance system we needed to fill our financial reporting and accounting requirements and I had to take steps to cease the project. This cessation resulted in a loss to the organisation of £10,052.40. However, this small loss incurred early in the project meant that the organisation did not proceed with a product which was, ultimately, not viable. DCLG were fully sighted on this and the loss was reported, as we are required to do. DCLG has now exited from the proposed move to the shared services provider, so we are able to remain on its SAP system and take forward plans to develop our processes to more closely align with its full functionality. This is a large piece of work which is being led by our new Finance Director who has extensive understanding of this system, assisted by a new Financial Controller.

It must be borne in mind that as a demand-led service, the actions of parties to appeals and other external stakeholders impact significantly on the VTS's planning and are largely outside of our control. For example, the successful resolution of the appeals we list for hearing is very much dependent on the active participation and engagement of the parties with each other as well as with us and the VTE. Lack of engagement presents a real frustration as it often leads to delays to clear appeals. Following the successful outcome of a pilot we trialled from 1 July 2016, we will be introducing a new process that will actively encourage a greater participation from the parties in maintaining a meaningful exchange of information leading up to two weeks before a hearing.

The 2017 non-domestic rates revaluation will be effective on 1 April 2017 against a back drop of changes to the appeals process following the government's implementation of CCA. Regulations giving affect to these changes were recently laid before Parliament. As the obligatory process of 'check' and 'challenge' with the VOA needs to be adhered to before an appeal may be considered, our expectation is that such appeals under this new reformed process will not materialise until much later in the 2017-18 financial year. As we cannot be certain of the number of appeals that will be made after the initial two-stage process with the VOA, planning resources is difficult. The impact of the end of the 2010 rating list will inevitably create an influx of appeals under the pre-reform regulations and our focus will be to manage the high

volumes that this will create. Our new listing process should mitigate these volumes. Naturally with these changes comes the need to implement successfully the large programme of IT change we are developing, which brings its own risks in meeting the compliance requirements of the Government Digital Services framework and the needs of staff, the VTE and all tribunal users.

During the year we have been redesigning our current IT and, following the approval by the Board of an IT Strategy, we have been working with our sponsoring team to identify and secure capital spend for such changes. The slow pace regarding the issue of draft regulations has meant that our development on an appeals management database will not be finalised until 2017-18. This inevitably means that the capital funding secured in 2016-17 will not be fully expended. With this is the decision to move our desk top environment from our current Aspire contract to a shared DCLG service called Connect, which will also occur in early 2017-18. Because of this, we have negotiated with DCLG some capital funding for 2017-18.

Another aspect of CCA which presents a new challenge for us is the introduction of fees to be paid at the time of making an appeal. These fees will be refundable in whole or in part in certain circumstances; those retained will be paid into the Consolidated Fund. This is uncharted territory in local taxation appeals and we need to develop systems and processes for accommodating the statutory requirements. The application of a fee will also inevitably change the perception of customer service levels of our users.

With our sponsor Department we are preparing for the introduction in 2018 of the General Data Protection Regulations, assessing what changes we need to make to comply with the requirements.

On 1 September 2017 the current lease on our Doncaster office will come to an end and I am working with Cabinet Office, and in active negotiation, to secure an alternative office on the government estate within that location. Whilst an alternative office has been identified with the Department for Work and Pensions, it too is subject to a lease end in April 2018, which adds a further dimension to any potential benefit regarding a relocation given this very short lease period. I am in discussion with the relevant estate director to flesh out government's future strategy for this particular building and at the same time in negotiations with Cabinet Office and the current landlord to hold over our occupation for a period of time.

The outcome of the recent Triennial Review is still awaited and will no doubt present a challenge in whatever is proposed in the long-term. In the meantime our focus remains on the VTS and VTE as two separate, independent statutory bodies working in partnership.

Irrespective of these risks, we remain determined to maintain the effective delivery of our service and to continue in our status of being the experts in local taxation appeals.



# Remuneration and staff report



## Remuneration

### Board members' emoluments and expenses

The remuneration of the Chairman is determined by the Secretary of State. Five other Board Members, also appointed by the Secretary of State, are eligible to receive an annual fee which is non-pensionable and which is based on the fixed number of days in attendance at Board and other Board approved meetings. All Member posts are non-executive and all Members' emoluments are non-pensionable. The VTE President is an *ex officio* Member of the Board and is in receipt of a salary for up to three days per week but is not an employee of the VTS.

### Chairman's term of office

The Chairman retired on 31 October 2016 after six terms in post. At 31 March 2017 a recruitment exercise was underway. The Acting Chairman is in office for a term which finishes on 31 March 2018.

### Senior executives

The salary of the Chief Executive is reviewed annually and may be increased by the Board in line with guidance provided from the sponsoring Department.

Senior staff are appraised by the Chief Executive with additional comment from the Chairman.

### Proportion of remuneration subject to performance

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

### Directors' contracts

<b>Chief Executive</b>	<b>Permanent contract</b> Commenced on 1 February 2010 3 months' notice for both parties
<b>Director of Operations &amp; Development</b>	<b>Permanent contract</b> Commenced on 1 January 2015 3 months' notice for both parties
<b>Director of Finance</b>	<b>2 year fixed term contract</b> Commenced on 1 March 2017 3 months' notice for both parties

## Audited information

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

### Remuneration (salary, benefits in kind and pensions)

#### Single total figure of remuneration

	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<b>Board members</b>								
John O'Shea	5-9	5-9	–	–	–	–	5-9	5-9
Robin Evans	5-9	5-9	–	–	–	–	5-9	5-9
Martin Allingham	5-9	5-9	–	–	–	–	5-9	5-9
Lola Moses	0-4	–	–	–	–	–	0-4	–
Anne Galbraith	30-34	55-59	–	–	–	–	30-34	55-59
Ian Tighe	0-4	5-9	–	–	–	–	0-4	5-9
Gary Garland*	35-39	–	–	–	14	–	45-49	–
Graham Zellick**	–	45-49	–	–	–	10	–	55-59
Ronald Barnham	–	5-9	–	–	–	–	–	5-9

\* The new President commenced in post on 12 September 2016. The President is appointed by the Lord Chancellor and paid by the VTS; he is neither an employee of the VTS nor accountable to it, he is an *ex officio* Member of the Board. During 2016-17 £14,168.14 was paid by the VTS into the Judicial Pension Scheme.

\*\* The previous VTE President retired on 12 August 2015. The 2015-16 salary includes a Service award for retiring judges of £22,031. The £9,996 (2015: £22,644) pension is a payment to the Judicial Pension Scheme, not administered by the VTS.



## Remuneration of Directors

### Single total figure of remuneration

Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)**		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
<b>Antonio Masella</b> Chief Executive	90-94	90-94	5-9	5-9	–	–	90	52	185-189	150-154
<b>Lee Anderson</b> Director of Operations and Development	65-69	65-69	–	–	–	–	37	14	100-104	75-79
<b>Tracey Cheetham</b> Finance Director	5-9 (75-80 FTE)	–	–	–	–	–	2	–	5-9	–
<b>Ann Battom*</b> Director of Finance and Information Systems	45-49	70-74	–	–	–	–	–	13	45-49	80-84

\* From 1 February 2015 to 3 October 2016. Remuneration includes a non-pensionable compensation payment of £11,923 which was paid on departure.

\*\* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

### Salary

'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments by the VTS and thus recorded in these accounts.

### Bonuses

The Chief Executive's bonus is restricted to a maximum of 10% of gross salary. The Committee recommends the level of Chief Executive's performance award to the Board and any recommendation for a performance award must have the approval of the sponsoring Department.

## Pensions

The VTS is a Schedule 2 body within the Local Government Pension Scheme (LGPS) Regulations. All new employees are entitled to become members of the London Pensions Fund Authority (LPFA) administered scheme and are auto-enrolled on appointment.

From April 1 2014, the LGPS changed from a contributory defined benefit final salary scheme to what is known as a career average revaluated earnings defined benefits scheme. In effect, the final salary element was removed from that date onwards.

### Pension benefits

Officials	Accrued pension at pension age as at 31 March 2017 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2017 £'000	CETV at 31 March 2016 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
<b>Antonio Masella</b> Chief Executive	55 plus lump sum 104	5 plus lump sum 6	788	676	94	—
<b>Lee Anderson</b> Director of Operations and Development	33 plus lump sum 59	2 plus lump sum 2	424	370	44	—
<b>Tracey Cheetham</b> Finance Director	0 plus lump sum 0	0 plus lump sum 0	2	—	1	—
<b>Ann Batom*</b> Director of Finance and Information Systems	—	—	—	25	—	—

\* From 1 February 2015 to 3 October 2016 – therefore no CETV for 2016-17 as, on leaving, the pension has been transferred out at the request of the individual. The amount transferred was £37,613.37.

## Fair pay disclosure

The VTS is required to disclose the relationship between the remuneration of the highest paid Director in the organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid Director in the VTS in the financial year 2016-17 was £95,000-£99,999 (2015-16: £95,000-£99,999). This was 2.8 times (2015-16 2.7 times) the median remuneration of the workforce, which was £34,645 (2015-16: £35,524). In 2016-17, as for the previous year, no employees received remuneration in excess of the highest paid Director. Remuneration ranged from £17,000 to £99,000 (2015-16: £17,000 to £99,000).



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

#### Ratio of top to median staff pay as at 31 March 2017

Remuneration band of highest paid Director  
**£95,000-£99,999**  
 Median total remuneration  
**£34,645**  
 Ratio  
**2.8**

#### Ratio of top to median staff pay as at 31 March 2016

Remuneration band of highest paid Director  
**£95,000-£99,999**  
 Median total remuneration  
**£35,524**  
 Ratio  
**2.7**

Note: The ratio reported in the 2015-16 accounts was incorrectly stated as 2.8. This has been corrected in this disclosure.

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2017 exceeded £40,000 (excluding pension contributions and staff performance related pay and including any London weighting) was 15 (2015-16:16).

Remuneration band	Period ended 31 March 2017 Number of staff	Period ended 31 March 2016 Number of staff
£40,000 to £44,999	1	3
£45,000 to £49,999	4	3
£50,000 to £54,999	5	5
£55,000 to £59,999	2	2
£60,000 to £64,999	–	–
£65,000 to £69,999	–	1
£70,000 to £74,999	1	1
£75,000 to £79,999	1	–
£80,000 to £84,999	–	–
£85,000 to £89,999	–	–
£90,000 to £94,999	–	–
£95,000 to £99,999	1*	1*

\* The remuneration for the Chief Executive includes contractual bonus payments.

## Staff report

### Staff costs

Staff costs comprise:

	2016-17 £'000	2015-16 £'000
Wages and salaries	2,377	2,440
Social security costs	250	203
Other pension costs	598	957
Agency staff costs	452	135
<b>Total staff costs</b>	<b>3,677</b>	<b>3,735</b>

Average number of persons employed:

	Permanently employed staff	Others	Total 2016-17	Total 2015-16
Directly employed	71	–	71	74
Other	–	8	8	4
<b>Total</b>	<b>71</b>	<b>8</b>	<b>79</b>	<b>78</b>

### Staff numbers

As at 31 March 2017, the actual number of staff employed was 73 staff compared to 68 at 1 April 2016. During the year there were 15 starters and 10 leavers. Of the 10 leavers, four were retirements, three were resignations and three were dismissals. A recruitment exercise is underway to fill vacancies.

### Average number of staff over the year

The average staff headcount, as reported in the table above, for the year was 71 (2015-16: 74). There were no early retirements on ill-health grounds in 2016-17 (none in 2015-16).



**Staff composition at 31 March 2017**

**Chart 4**

**Directors** – 3 comprising: 1 female (33%); 2 male (67%)



**All permanent staff** – 73 as at 31 March 2017 comprising: 56% female; 44% male



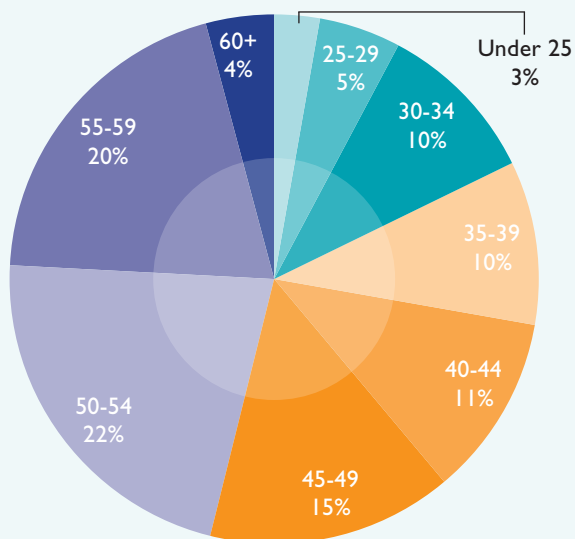
The representation of ethnic minorities within the workforce at the end of the year increased slightly to 20.6% compared to 19% in 2016.

The percentage who declared themselves to have, or were assessed by occupational health as having a disability was 6.8% of the workforce.

The average age of our staff decreased slightly from 48.1 to 46.6 years (see Chart 5). The median age was 48.5. The average length of service also reduced from 15.5 years to 13.4 years (see Chart 6). The median length of service was 7.5 years. (These figures include service in the former valuation tribunals before staff transferred to the VTS in 2004).

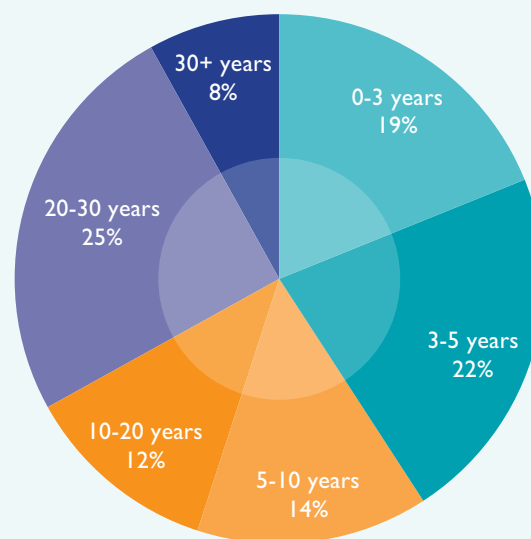
**Chart 5**

**Employees' age profile as at 31 March 2017**



**Chart 6**

**Employees' years of service as at 31 March 2017**



## Sickness absence data

In 2016-17, 30 of our current staff (41%) had no sickness absence. The average sickness absence for the rolling year to 31 March 2017 reduced from 17.8 days to 9.1 days. Excluding the long-term sickness absence of seven individuals (with eight instances of long-term absence), average sickness absence was 4.16 days. Of the seven individuals with long-term absence, two of the staff left due to ill-health (capability) and five have returned successfully to work.

## Staff policies applied during the financial year in relation to disabled people

These included the Occupational Health Policy and Sickness Absence Policy and application of legal requirements in respect of making reasonable adjustments and phased return to work after longer term absences. The trigger points for sickness monitoring can be adjusted where employees have identified themselves as having a disability. The VTS provides an external, confidential Employee Assistance Programme and commissions additional counselling or occupational health referrals for staff where appropriate.

## Reporting of compensation schemes

There were no compulsory redundancies agreed during 2016-17, one other departure was agreed and is reported below.

	Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
1				
2	<10	–	–	–
3	10-25	–	1	1
4	25-50	–	–	–
5	50-100	–	–	–
6	100-150	–	–	–
7	150-200	–	–	–
8	<b>Total number of exit packages</b>	–	1	1
9	<b>Total cost/£'000</b>	–	12	12



**Antonio Masella**

Accounting Officer  
Valuation Tribunal Service

21 June 2017



# Parliamentary accountability and audit report



## Auditors' remuneration

The VTS's Annual Report and Accounts are audited by the Comptroller and Auditor General who is appointed under statute. Auditors remuneration of £40,000 (2015-16: £40,000) was charged in the audit of these Accounts. No remuneration was paid to the external auditor in respect of non-audit services.

## Other notes relating to Parliamentary accountability

The VTS has no fees and charges, remote contingent liabilities, gifts or special payments to report under this Parliamentary Accountability disclosure. Losses of £10,000 are noted in the Governance Statement on page 35.

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

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2017 under the Local Government Act 2003. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in those reports as having been audited.

### Respective responsibilities of the Board, Accounting Officer and auditor

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

### Scope of the audit of the financial statements

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

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

### Opinion on regularity

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



## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Valuation Tribunal Service's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government Act 2003 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Local Government Act 2003; and
- the information given in the Performance Report and Accountability 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 Parliamentary Accountability disclosures 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.

**Amyas C E Morse**

Comptroller and Auditor General

23 June 2017

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

## FINANCIAL STATEMENTS

# Statement of Comprehensive Net Expenditure

## for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Staff costs	2	3,677	3,735
Purchase of goods and services	3	2,267	2,185
Other operating expenditure	3	643	736
Depreciation, amortisation and impairment charges	3	221	214
Provision and pensions expense	3	48	15
<b>Total operating expenditure</b>		<b>6,856</b>	<b>6,885</b>
Finance expense (net interest on pension liabilities)	3	756	617
<b>Net expenditure for the year</b>		<b>7,612</b>	<b>7,502</b>
<b>Other comprehensive net expenditure</b>			
<b>Items which will not be classified to net operating costs</b>			
Net (gain)/loss on revaluation of property, plant and equipment		–	2
Actuarial (gain)/loss on pension scheme liabilities	10	(1,524)	1,844
<b>Total comprehensive net expenditure for the year ended 31 March</b>		<b>6,088</b>	<b>9,348</b>

The notes on pages 52 to 65 form part of these accounts.

# Statement of Financial Position

## as at 31 March 2017



	Note	31 March 2017 £'000	31 March 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	4	48	100
Intangible assets	5	405	416
<b>Total non-current assets</b>		<b>453</b>	<b>516</b>
<b>Current assets</b>			
Trade and other receivables	6	289	206
Cash and cash equivalents	7	240	21
<b>Total current assets</b>		<b>529</b>	<b>227</b>
<b>Total assets</b>		<b>982</b>	<b>743</b>
<b>Current liabilities</b>			
Trade and other payables	8	(946)	(638)
Provisions	9	–	(105)
<b>Total current liabilities</b>		<b>(946)</b>	<b>(743)</b>
<b>Total assets less current liabilities</b>		<b>36</b>	<b>–</b>
<b>Non-current liabilities</b>			
Pensions	10	(20,388)	(21,468)
<b>Total non-current liabilities</b>		<b>(20,388)</b>	<b>(21,468)</b>
<b>Total assets less total liabilities</b>		<b>(20,352)</b>	<b>(21,468)</b>
<b>Taxpayers' equity</b>			
General fund		36	–
Pension reserve		(20,388)	(21,468)
<b>Total taxpayers' equity</b>		<b>(20,352)</b>	<b>(21,468)</b>

The notes on pages 52 to 65 form part of these accounts.

The financial statements were approved by the Board on 7 June 2017 and were signed on its behalf by:

**Antonio Masella**

Accounting Officer  
Valuation Tribunal Service

21 June 2017

## FINANCIAL STATEMENTS

# Statement of Cash Flows

## for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
<b>Cash flows from operating activities</b>			
Net operating cost	SoCNE	(7,612)	(7,502)
<b>Adjustment for non-cash transactions</b>			
Depreciation and amortisation	4 & 5	220	206
Impairments	4 & 5	1	8
(Increase)/Decrease in trade and other receivables	6	(83)	40
Other non-cash pension movements	10	1,402	1,573
Increase/(Decrease) in trade payables	8	308	125
Use of provisions	9	(105)	15
Pension utilisation	10	(958)	(1,302)
<b>Net cash outflow from operating activities</b>		<b>(6,827)</b>	<b>(6,837)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	5	(158)	(98)
<b>Net cash outflow from investing activities</b>		<b>(158)</b>	<b>(98)</b>
<b>Cash flows from financing activities</b>			
Grant in aid received from sponsoring Department	TpEq	7,204	6,953
<b>Net financing</b>		<b>7,204</b>	<b>6,953</b>
<b>Net increase/(decrease) in cash and cash equivalents for the period</b>		<b>219</b>	<b>18</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>21</b>	<b>3</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>240</b>	<b>21</b>

The notes on pages 52 to 65 form part of these accounts.

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



	Note	General Fund £'000	Pension Reserve £'000	Total Taxpayer's equity £'000
<b>Balance at 31 March 2015</b>		<b>280</b>	<b>(19,353)</b>	<b>(19,073)</b>
Grant in aid from sponsoring Department		6,953	–	6,953
Comprehensive net expenditure for the year	SoCNE	(7,502)	–	(7,502)
Transfers between reserves		271	(271)	–
Actuarial gains/(losses)		–	(1,844)	(1,844)
Other movements		(2)	–	(2)
<b>Balance at 31 March 2016</b>		<b>–</b>	<b>(21,468)</b>	<b>(21,468)</b>
Grant in aid from sponsoring Department		7,204	–	7,204
Comprehensive net expenditure for the year	SoCNE	(7,612)	–	(7,612)
Transfers between reserves		444	(444)	–
Actuarial gains/(losses)	10	–	1,524	1,524
<b>Balance at 31 March 2017</b>		<b>36</b>	<b>(20,388)</b>	<b>(20,352)</b>

The notes on pages 52 to 65 form part of these accounts.

# Notes to the accounts

## Note 1 Statement of accounting policies

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by HM Treasury and Accounts Direction as issued by the Department for Communities and Local Government. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies also meet the accounting and disclosure requirements of the Companies Act 2006 to the extent these are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the VTS for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the financial statements. All policies adopted for the VTS are described below.

### 1.2 Going concern basis

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

The Statement of Financial Position shows net liabilities of £20,352,000 at 31 March 2017. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring Department. Grants and grant in aid may not be drawn in advance of need and will only be drawn as the liabilities fall due.

The grant in aid for 2017-18 takes into account the amounts required to meet the VTS's liabilities falling due in that year and has already been included in the sponsoring Department's Parliamentary estimates for 2017-18. The Department has confirmed funding for 2017-18 with indicative annual allocations through to 2020-21. Liability for all pension payments not met through normal funding cycle will continue to fall to the Department.

### 1.3 Standards adopted by the VTS

The financial statements have been prepared under the historical cost convention with depreciated cost used as a proxy for current value in existing use in respect of property, plant and equipment.

### 1.4 Future accounting developments

Policies are applied in accordance with International Accounting Standards as interpreted by the FReM for public sector context. All new and revised standards are considered and applied where relevant and adopted by the FReM.

### 1.5 Non-current assets

Non-current assets are held at current value in existing use and are depreciated/amortised on a straight line basis over their estimated useful life. The VTS capitalisation threshold is £5,000.

### 1.6 Property, plant and equipment

Property, plant and equipment are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £5,000 including VAT. Individual items valued at less than this threshold are capitalised only if they constitute integral parts of a composite asset that is in total valued at more than the capitalisation threshold.





The VTS does not hold any financial interest in land or buildings; it occupies premises rented or leased from its landlords. The VTS has property lease obligations on two offices as at 31 March 2017.

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

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

### 1.7 Intangible assets

Intangible assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds £5,000 including VAT. Individual items valued at less than this threshold are capitalised only if they constitute integral parts of a composite asset that is in total valued at more than the capitalisation threshold.

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

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

### 1.8 Grant in aid

Grant in aid (GIA) is accounted for on a cash basis. GIA received is treated as financing in accordance with the FReM and recognises that this is funding from the sponsoring Department. This reflects ownership of the VTS as a non-departmental public body (NDPB) of the Department for Communities and Local Government (DCLG).

### 1.9 Employee benefits

In compliance with its Accounts Direction and the FReM, the VTS has accounted for employee benefits under IAS19. This accounting standard prescribes the treatment of retirement benefits in the accounts of employing entities. VTS staff are members of the Local Government Pension Scheme (LGPS). The LGPS is a funded, multi-employer, contributory defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the state second pension. The London Pensions Fund Authority administers the LGPS on behalf of all VTS employees with Barnett Waddingham as the scheme's actuaries.

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

The net pension liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the calculated liabilities at the latest valuation, less the scheme assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the

estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

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

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

IAS19 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year results in either an overall deficit or a surplus. The total net deficit arising for the VTS as at 31 March 2017 is £20,388,000. The assessment of current surplus or deficit arising from an IAS19 valuation carries with it no additional payment requirement from the VTS as the actuarial valuation, carried out every three years, sets revised employer contribution rates to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

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

#### **1.10 Leases**

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

#### **1.11 Provisions**

Property dilapidations are provided for over the life of the lease and utilised at exit of the lease. When the exit from the lease and the payment in respect of dilapidations is due in the next reporting period, this provision is moved to accrual.

#### **1.12 VAT**

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



### 1.13 Taxation

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

### 1.14 Financial instrument risk

As the cash requirements of the VTS are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the VTS's expected purchase and usage requirements and the VTS is therefore exposed to little credit, liquidity or market risk.

### 1.15 Critical accounting judgements and key sources of estimation uncertainty

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

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

Note 10 sets out the VTS's pension liability, and sets out the judgements, estimates and assumptions made in respect of this. The liability takes account of all active and non-active fund valuations. The pension liability has been discounted in accordance with the FReM which requires reporting entities with funded schemes to use a discount rate in accordance with IAS19 as advised by the scheme's actuary.

The discount rate used is the annualised yield at the 17-year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date. The rate used (2.7%) is based on market conditions as at 31 March 2017.

## Note 2 Staff costs

Staff costs comprise:

	Note	2016-17 £'000	2015-16 £'000
Wages and salaries	Staff report	2,377	2,440
Social security costs	Staff report	250	203
Other pension costs	Staff report	598	957
Agency staff costs	Staff report	452	135
<b>Total staff costs</b>		<b>3,677</b>	<b>3,735</b>

Please see the Remuneration and staff report for further detail on staff costs.

# FINANCIAL STATEMENTS

continued

Notes to the accounts

## Note 3 Other operating costs

	Note	2016-17 £'000	2015-16 £'000
<b>Cash items</b>			
<b>Other operating expenditure</b>			
VTE costs		362	400
Board costs		77	114
Travel and subsistence		151	145
Training		53	77
		<b>643</b>	<b>736</b>
<b>Purchase of goods and services</b>			
Support services (IT, legal and finance)		545	689
Rentals under operating leases		403	387
IT (maintenance and licences)		596	331
Post and communications		278	277
Tribunal costs		113	174
Printing and publications		35	125
Auditors remuneration and expenses		40	40
Other goods and services		195	95
Variable maintenance		30	31
Heating and lighting		12	22
Internal audit		20	14
		<b>2,267</b>	<b>2,185</b>
<b>Non-cash items</b>			
Administration charge – pensions	10	48	–
Net interest on pension liabilities	10	756	617
Amortisation	5	169	154
Depreciation	4	51	52
Provisions provided	9	–	15
Impairment and other non-cash movements	4,5	1	8
		<b>1,025</b>	<b>846</b>
<b>Total</b>		<b>3,935</b>	<b>3,767</b>



## Note 4 Property, plant and equipment

	Leasehold improvements £'000	Furniture & fittings £'000	Information technology £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2015	60	74	340	474
Revaluations	–	(1)	(1)	(2)
<b>At 31 March 2016</b>	<b>60</b>	<b>73</b>	<b>339</b>	<b>472</b>
Disposals	(60)	–	(145)	(205)
<b>At 31 March 2017</b>	<b>–</b>	<b>73</b>	<b>194</b>	<b>267</b>
<b>Depreciation</b>				
At 1 April 2015	60	34	226	320
Charge for period	–	12	40	52
<b>At 31 March 2016</b>	<b>60</b>	<b>46</b>	<b>266</b>	<b>372</b>
Charge for period	–	12	39	51
Disposals	(60)	–	(145)	(205)
Impairments	–	–	1	1
<b>At 31 March 2017</b>	<b>–</b>	<b>58</b>	<b>161</b>	<b>219</b>
<b>Net book value at 31 March 2017</b>	<b>–</b>	<b>15</b>	<b>33</b>	<b>48</b>
<b>Owned at 31 March 2017</b>	<b>–</b>	<b>15</b>	<b>33</b>	<b>48</b>
<b>Net book value at 31 March 2016</b>	<b>–</b>	<b>27</b>	<b>73</b>	<b>100</b>
<b>Owned at 31 March 2016</b>	<b>–</b>	<b>27</b>	<b>73</b>	<b>100</b>

## FINANCIAL STATEMENTS

continued

Notes to the accounts

### Note 5 Intangible assets

	IT assets under construction £'000	IT development expenditure £'000	IT software and licences £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2015	–	1,188	1,053	2,241
Additions	–	–	98	98
<b>At 31 March 2016</b>	<b>–</b>	<b>1,188</b>	<b>1,151</b>	<b>2,339</b>
Additions	157	–	1	158
Disposal	–	(203)	(387)	(590)
Impairments	–	–	8	8
<b>At 31 March 2017</b>	<b>157</b>	<b>985</b>	<b>773</b>	<b>1,915</b>
<b>Amortisation</b>				
At 1 April 2015	–	816	945	1,761
Charge for period	–	117	37	154
Impairments	–	–	8	8
<b>At 31 March 2016</b>	<b>–</b>	<b>933</b>	<b>990</b>	<b>1,923</b>
Charge for period	–	84	85	169
Disposal	–	(203)	(387)	(590)
Impairment	–	–	8	8
<b>At 31 March 2017</b>	<b>–</b>	<b>814</b>	<b>696</b>	<b>1,510</b>
<b>Net book value at 31 March 2017</b>	<b>157</b>	<b>171</b>	<b>77</b>	<b>405</b>
<b>Owned at 31 March 2017</b>	<b>157</b>	<b>171</b>	<b>77</b>	<b>405</b>
<b>Net book value at 31 March 2016</b>	<b>–</b>	<b>255</b>	<b>161</b>	<b>416</b>
<b>Owned at 31 March 2016</b>	<b>–</b>	<b>255</b>	<b>161</b>	<b>416</b>

### Note 6 Trade and other receivables

	2016-17 £'000	2015-16 £'000
Prepayments and accrued income	281	199
Season ticket interest free loans	8	7
<b>Balance at 31 March</b>	<b>289</b>	<b>206</b>



## Note 7 Cash and cash equivalents

	Note	2016-17 £'000	2015-16 £'000
<b>Cash at bank at 1 April</b>		21	3
Increase in cash for the year	ScF	219	18
<b>Cash at bank and held at 31 March</b>		<b>240</b>	<b>21</b>

All bank balances are held with the Government Banking Service.

## Note 8 Trade and other payables

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year:		
Trade payables	377	206
Accruals and deferred income	569	432
<b>Balance at 31 March</b>	<b>946</b>	<b>638</b>

## Note 9 Provisions

	2016-17 £'000	2015-16 £'000
Balance at 1 April	105	90
Provided in the year	–	15
Utilised in year	(105)	–
<b>Balance at 31 March</b>	<b>–</b>	<b>105</b>

Provision of £105,000 for the Doncaster lease has moved to accrual in 2016-17 to reflect the discharge of the liability due in 2017-18.

<b>Analysis of expected timing of discounted flows:</b>	2016-17 £'000	2015-16 £'000
Later than one year and not later than five years	–	105
<b>Balance at 31 March</b>	<b>–</b>	<b>105</b>

# FINANCIAL STATEMENTS

continued

Notes to the accounts

## Note 10 Pensions

Year ended 31 March 2016	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
<b>Opening position</b>	<b>36,826</b>	<b>(58,294)</b>	<b>(21,468)</b>
Current service cost	–	(598)	(598)
Administration costs	(48)	–	(48)
<b>Total service cost</b>	<b>(48)</b>	<b>(598)</b>	<b>(646)</b>
Net interest			
Interest income on plan assets	1,305	–	1,305
Interest cost on defined benefit obligation	–	(2,061)	(2,061)
<b>Total net interest</b>	<b>1,305</b>	<b>(2,061)</b>	<b>(756)</b>
<b>Total (expenditure)/income recognised in the statement of comprehensive net expenditure</b>	<b>1,257</b>	<b>(2,659)</b>	<b>(1,402)</b>
Cash flows			
Plan participants contributions	165	(165)	–
Employer contributions	958	–	958
Benefits paid including expenses	(2,209)	2,209	–
Unfunded benefits paid	(103)	103	–
<b>Expected closing position</b>	<b>36,894</b>	<b>(58,806)</b>	<b>(21,912)</b>
Re-measurements			
Changes in demographic assumptions	–	385	385
Changes in financial assumptions	–	(10,633)	(10,633)
Experience	–	4,909	4,909
Return on assets excluding amounts included in net interest	6,146	–	6,146
Other actuarial losses	717	–	717
<b>Total re-measurements recognised in the statement of other comprehensive net expenditure</b>	<b>6,863</b>	<b>(5,339)</b>	<b>1,524</b>
<b>Closing position</b>	<b>43,757</b>	<b>(64,145)</b>	<b>(20,388)</b>

The VTS pension is held with the Local Government Pension Scheme which is administered by the London Pension Fund Authority (see Note 1.9).





The financial assumptions used in the calculation of pension liabilities under IAS19 are as follows:

Assumptions as at	31 March 2017		31 March 2016		31 March 2015	
	% p.a.	Real %	% p.a.	Real %	% p.a.	Real %
RPI increase	3.5	–	3.2	–	2.95	–
CPI increases	2.6	–0.9	2.2	–1	1.95	–1
Salary increase	1.5	–2	4.2	1	3.95	1
Pension increases	2.6	–0.9	2.2	–1	1.95	–1
Discount rate	2.7	–0.8	3.6	0.4	3.3	0.35

These assumptions are set with reference to market conditions at 31 March 2017. The 'real' assumptions shown are with reference to the Retail Prices Index (RPI).

The discount rate is the annualised yield at the 17-year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17-year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.5% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, Barnett Waddingham have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.6% p.a. This is a slightly lower RPI/CPI differential than last year but they believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. As there is a 1% cap on public sector pay, Barnett Waddingham have, in agreement with the VTS, allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise at 1.5% p.a.

The employer contribution rate is set at 15.3% for the next inter-valuation period.

## FINANCIAL STATEMENTS

continued

Notes to the accounts

The assumed life expectancies from age 65 are:

<b>Life expectancy from age 65</b>		<b>31 March 2017</b>	<b>31 March 2016*</b>
Retiring today	Males	22.1	22.1
	Females	24.6	25.3
Retiring in 20 years	Males	24.4	24.4
	Females	26.9	27.7

\* In 2015-16 the mortality assumptions were those used for the 2013 formal actuarial valuations by each Fund that the VTS participated in prior to the transfer of all members to the LPFA Fund, without rebasing to a uniform set of assumptions. These were then illustrated by reference to the weakest and strongest assumptions adopted by Funds and this table can be found in last year's report. The weakest assumptions reported in 2015-16 are reflected above as prior year comparatives.

The liability is apportioned between members and pensioners in the following table as at 31 March 2016 and was the latest date for which this information was calculated and available.

	<b>Number of members</b>	<b>Liability split</b>	<b>Duration (years)</b>
Active members	63	30.0%	21
Deferred members	142	20.0%	22
Pensioners	200	50.0%	12
<b>Total</b>	<b>405</b>	<b>1.97</b>	<b>17*</b>

\* The total years above is the total of the number of years for all pensioners divided by the number of pensioners.

### Sensitivity analysis

International Accounting Standards require disclosure of the sensitivity of the results to the methods and assumptions used. The costs of a pension arrangement require estimates regarding future experience. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date.



Changes in assumptions can have a significant effect on the value of the liabilities reported. The table below explains the effect of +/- 0.1% movement in financial assumptions.

<b>Sensitivity analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	63,117	64,145	65,190
Projected service costs	835	852	870
<b>Adjustment to long term salary increase</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	64,243	64,145	64,048
Projected service costs	852	852	852
<b>Adjustment to pension increases and deferred revaluation</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	65,092	64,145	63,213
Projected service costs	870	852	835
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of obligation	66,663	64,145	61,724
Projected service costs	879	852	826

### Statement of Financial Position

The asset and liability values as at 31 March are reflected in the table above on page 60 and are reported in the Statement of Financial Position on page 49 as the total pension net liability of £20,388,000.

Unfunded benefits paid as at 31 March 2017 amounted to £103,000. The liability for unfunded benefits at 31 March 2017 was £1,761,000 (2015-16: £1,544,000). This is contained within the net pension liability of £20,388,000.

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21%.

The estimate asset allocation as at 31 March 2017 is as follows:

<b>Asset breakdown</b>	<b>31 March 2017</b>		<b>31 March 2016</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	25,927	59%	17,108	46%
LDI/Cash-flow matching	–	n/a	3,733	10%
Target return portfolio	9,246	21%	7,833	21%
Infrastructure	2,304	5%	2,017	5%
Commodities	–	n/a	165	0%
Property	2,231	5%	1,314	4%
Cash	4,049	9%	4,656	13%
<b>Total</b>	<b>43,757</b>	<b>100%</b>	<b>36,826</b>	<b>100%</b>

## FINANCIAL STATEMENTS

continued

Notes to the accounts

### Projected pension expense for the year to 31 March 2018

<b>Projections for the year to 31 March 2018</b>	<b>31 March 2018 £'000</b>
Service cost	852
Net interest on the defined liability(asset)	544
Administration expenses	57
<b>Total loss (profit)</b>	<b>1,453</b>
Employer contributions	345

### Note II Capital commitments

<b>Contracted capital commitments at 31 March 2017 not otherwise included in these accounts</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
Connect	288	–
Appeals Management	199	–
<b>Total</b>	<b>487</b>	<b>–</b>

### Note 12 Commitments under operating leases

<b>Obligations under operating leases for the following periods comprise:</b>	<b>2016-17 £'000</b>	<b>2015-16 £'000</b>
<b>Buildings</b>		
Not later than one year	243	195
Later than one year and not later than 5 years	521	508
<b>Total*</b>	<b>764</b>	<b>703</b>

\* Increase in commitment relates to increased rent charges for the London office.

### Note 13 Related party disclosures

The VTS is sponsored by DCLG, which is regarded as a related party. During the reporting period there were a number of significant related party transactions. The most significant are for IT managed services.

The values of related party transactions include the following:

- Grant in aid of £7,203,846 (2015-16: £6,953,201) was received from DCLG.
- The VTS is a non-departmental public body and during the year the VTS had various material transactions with the Department but not with any other entity for which DCLG is regarded as the parent Department.
- In addition, the VTS has had various transactions with other government departments and other central government bodies which include:
  - Payments of £649,809 (2015-16: £529,411) were made to the VOA for IT support and maintenance services. The VOA is an executive agency of HMRC.
  - Payments of £960,301 (2015-16: £1,302,256) were made to the LGPS pension fund representing employer's contributions for the year for funded and unfunded schemes, excluding settlements.



- Remittances were made to HMRC for social security costs of £788,807 (2015-16: £751,800).
- Payments of £345,307 (2015-16: £179,733) were made to NHS Property Services for office rent, service charges, heating and lighting.

During the year, no Board Members, senior management staff or other related parties have undertaken any material transactions with the VTS.

#### **Note 14 Events after the reporting period**

The VTS's financial statements are laid before the Houses of Parliament by the Comptroller and Auditor General. The Chief Executive and Accounting Officer authorised the accounts for issue on the date that they were certified by the Comptroller and Auditor General. The authorised date for issue is 28 June 2017.

# Accounts direction

## The Valuation Tribunal Service

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

- 1 The annual accounts of The Valuation Tribunal Service (hereafter in this accounts direction referred to as 'the Service') shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the financial statements for 2010-11 and for subsequent years shall be prepared in accordance with:
  - (a) the accounting and disclosure requirements given in Managing Public Money and in the Government Financial Reporting Manual issued by the Treasury ('the FReM'), as amended or augmented from time to time;
  - (b) any other relevant guidance that the Treasury may issue from time to time;
  - (c) any other specific disclosure requirements of the Secretary of State.

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

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

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



An officer in the Department for Communities and Local Government

31 March 2010

