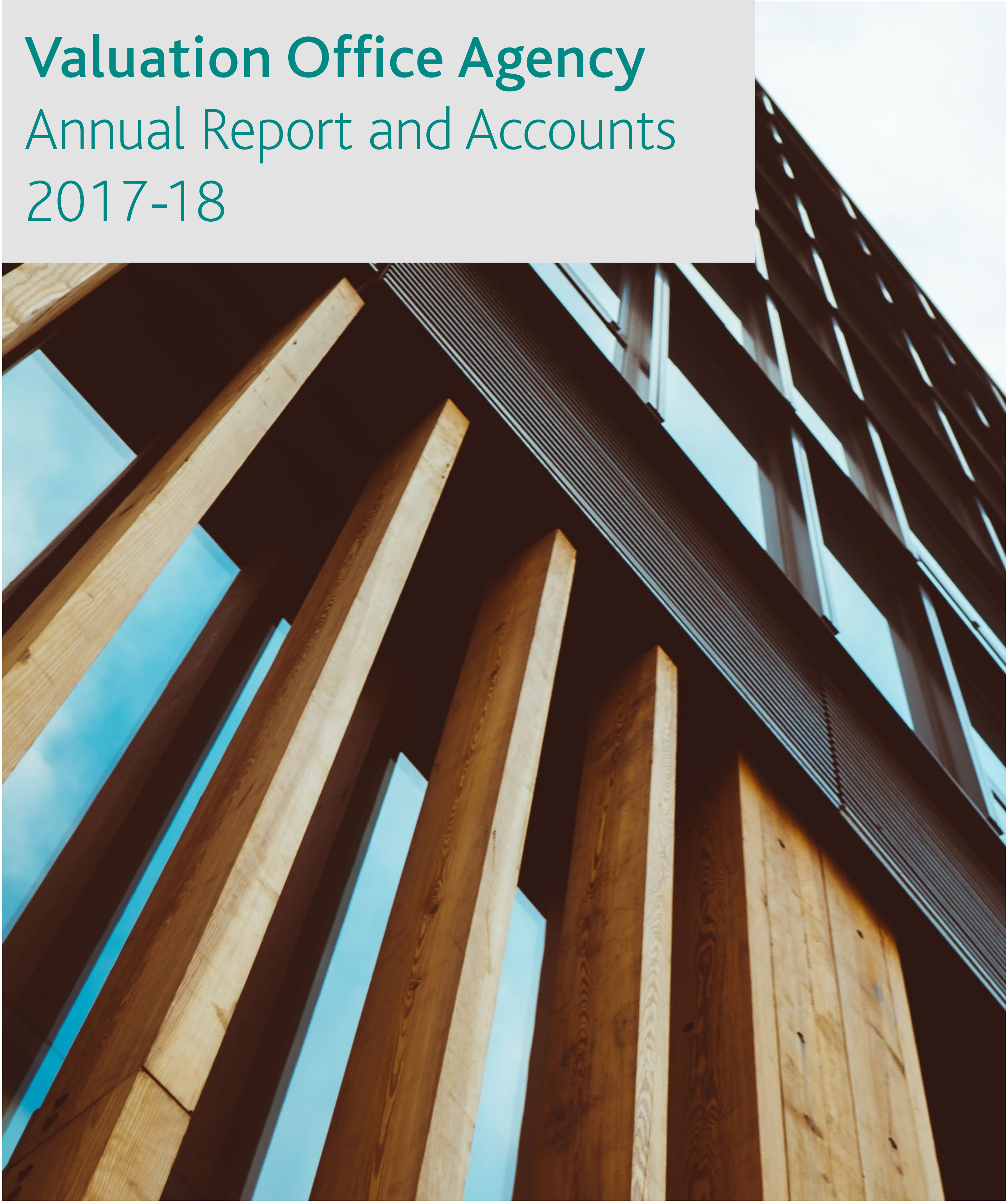
Valuation Office Agency

Valuation Office Agency

Annual Report and Accounts 2017-18



HC 1282

Valuation Office Agency
Annual Report and Accounts 2017-18

Presented to House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed 12 July 2018.

HC 1282

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at communicationsteam@voa.gsi.gov.uk.

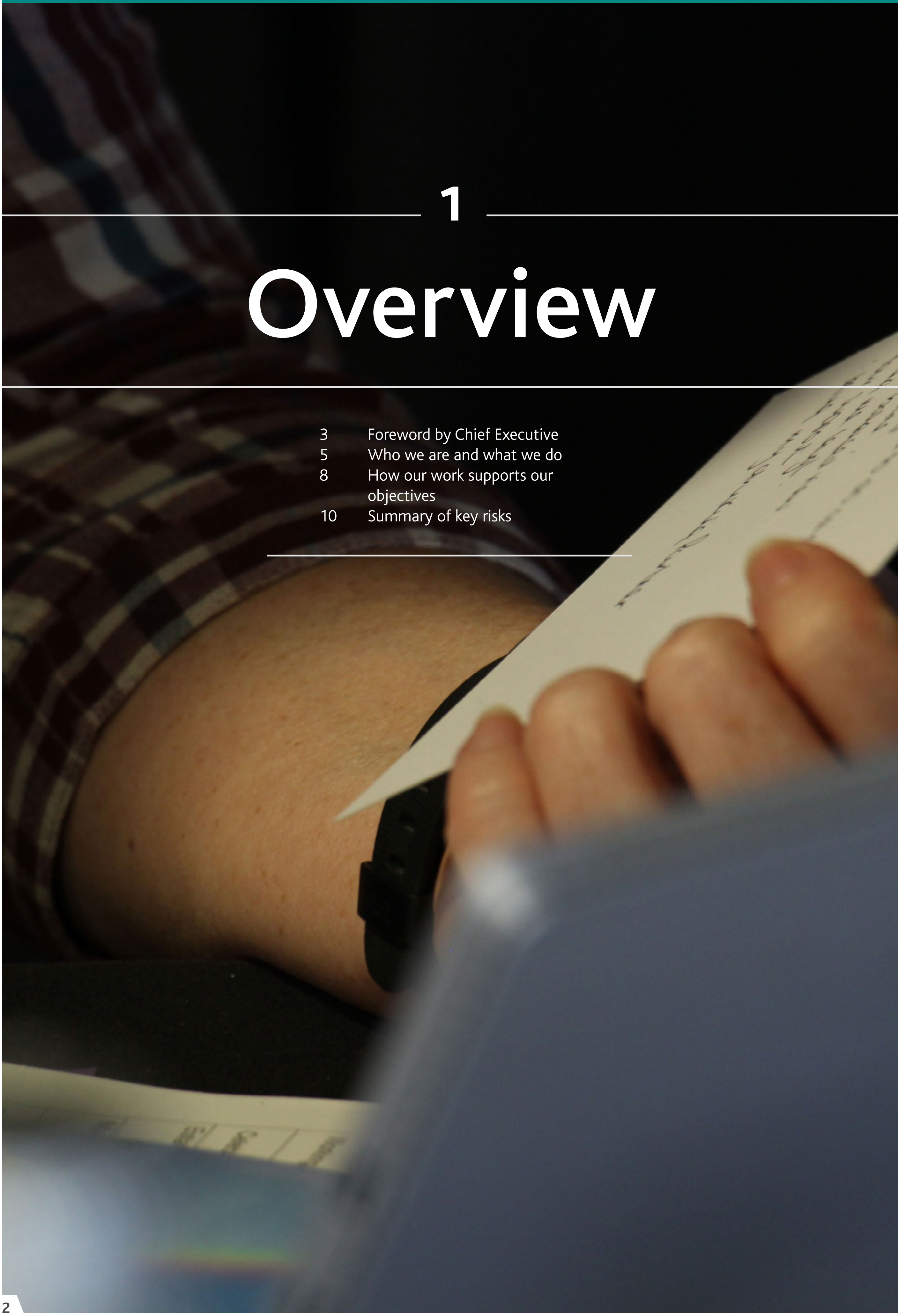
ISBN 978-1-5286-0538-0

CCS0618858770 07/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Contents



1

Overview

Foreword by Melissa Tatton, Chief Executive

> "Over the past year, our operational performance across the board has remained strong while we've continued to modernise our business."

Welcome to the Valuation Office Agency's (VOA) annual report and accounts for 2017-18. We are the public sector's property valuation experts and advisers – and we take pride in our record of helping people and businesses to pay the correct property taxes and receive the right financial support.

Our business rates and council tax valuations underpin more than £50 billion of local government taxation, so our work is vital in funding the UK's public services.

Over the past year, our operational performance across the board has remained strong while we've continued to modernise our business. We know that our customers want the convenience of being able to do business with us digitally – so on 1 April this year we launched our check and challenge service, part of the government's reforms to the business rates appeal system in England. This service allows businesses to check the facts we hold about their property and view their valuation details online, and it represents a real step forward in providing our customers with a quicker and easier service, using digital technology.

Throughout the year we've continued to add functionality to the check and challenge service in phases, as we said we would do. We're developing the service based on customer feedback and delivering elements that they have told us are important. We'll continue to do the same over the coming year.

Modernising our business also means helping more billing authorities to send us data by using our online system, providing new mobile technology to our property inspectors and moving into modern regional offices that have the up-to-date facilities, collaborative working environments and digital infrastructure we need. In 2017-18 we moved into our first new regional centre in Croydon, which we share with our parent department, HM Revenue and Customs.

To deliver the government's priorities, we've continued to work closely with other departments over the past year. In particular, we provided advice and analysis to support government announcements on More Frequent Revaluations and Revaluation 2021, which will remain priority projects for us in 2018-19.

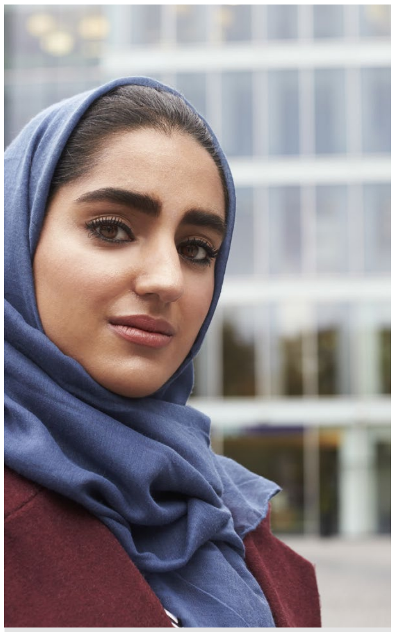
We know the year ahead will continue to be stretching and delivery will be dependent on securing the right level of resource - but it will also be exciting as we continue to change our business. We'll prioritise projects that help us to deliver our business more efficiently, and we also need to remain responsive to the government's priorities, as well as to evolving customer needs, new technologies and developments in the economic environment. Changing and adjusting how we do things will become the norm.

But what won't change is the importance of the work we do. Our core purpose remains the same - as does the considerable expertise, professionalism and skill of the people who work in the agency. It will be vital to continue investing in our people and developing their skills, so we can build on what we already do well and deliver more in the future.

Since joining the agency in September 2017, I've been struck by how much we have achieved by working together. I've found the agency to be full of people who are dedicated and passionate about the work we do and I want to thank them for their valuable contribution to our success over the past year. I have every confidence that by working together and sharing our ideas for improvement, we can rise to the challenges in the year ahead and continue to deliver a great service for our customers and clients.

Melissa Tatton

Melissa Tatton CBE
Chief Executive
29 June 2018



"Our core purpose remains the same - as does the considerable expertise, professionalism and skill of the people who work in the agency."

Who we are and what we do

Who we are

The Valuation Office Agency (VOA) is an executive agency of HM Revenue and Customs (HMRC).

3,300

We employ approximately 3,300 people, based on full-time equivalents.

49

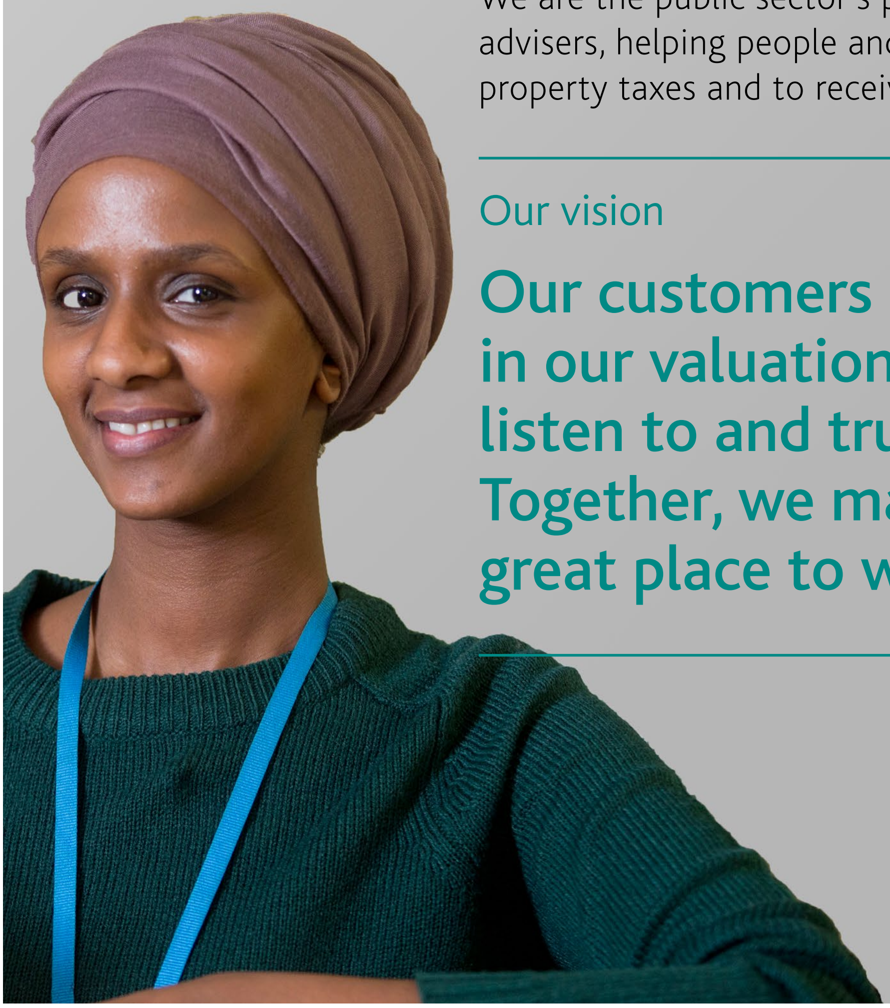
With an office estate across 49 locations in England, Wales and Scotland.

Core purpose

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

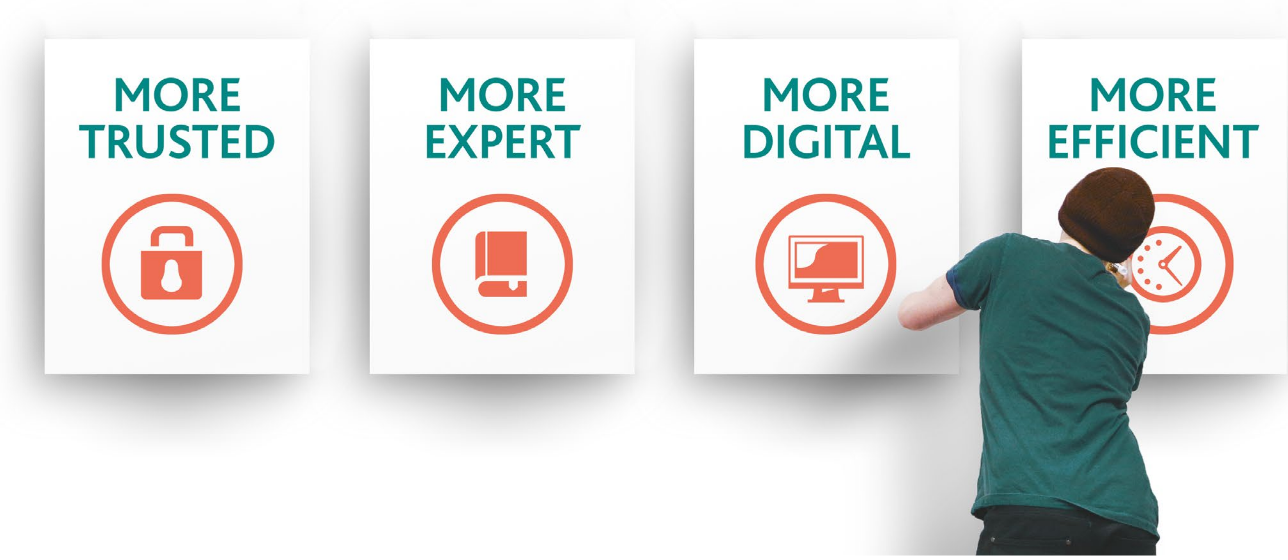
Our vision

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



Our strategic objectives

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



What we do

The work we do enables the collection of approximately £51 billion[1] of revenue in non-domestic rates (also known as Business Rates) and Council Tax in England and Wales, which helps to fund essential public services. We also help determine fair rents and housing allowance received, as well as undertaking property valuation work for public sector clients.

Business Rates

We compile and maintain statutory lists of the rateable values for nearly 2 million non-domestic properties, enabling the collection of approximately £24 billion[1] in business rates by local authorities across England and Wales.

Council Tax

We compile and maintain statutory lists of Council Tax bands for approximately 25 million domestic properties, enabling the collection of approximately £27 billion[1] in Council Tax across England and Wales.

Housing Allowances

We determine Local Housing Allowance (LHA) rates and maintain a register of fair rents, setting the maximum that can be charged for regulated tenancies in England.

We advise local authorities of the maximum subsidy level payable for Housing Benefit claims under the local reference rent system. We also collect and interpret rental data on residential properties, which is used to inform parts of the benefits system and reporting for Consumer Pricing Index including owner occupiers' housing costs (CPIH).

1 Source: *Country and regional public sector finances: Financial year ending March 2016 (ONS)*. In previous Annual Reports we have used data estimates from the Office for Budget Responsibility (OBR) for this figure which are no longer available.

> "The work we do enables the collection of approximately £51 billion of revenue in non-domestic rates and Council Tax in England and Wales, which helps to fund essential public services."

Statutory Valuations

We provide statutory valuations to support taxes administered by HMRC. We deal with Right to Buy determinations and Community Infrastructure Levy appeals in England and Wales. We also provide the Department for Work and Pensions (DWP) with valuations to support the administration of benefits.

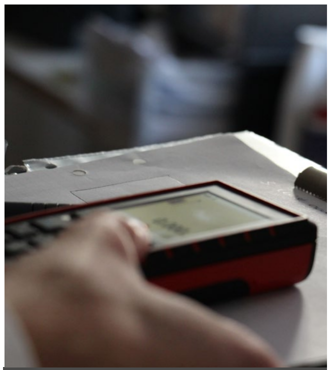
Property Services (also known as District Valuer Services)

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

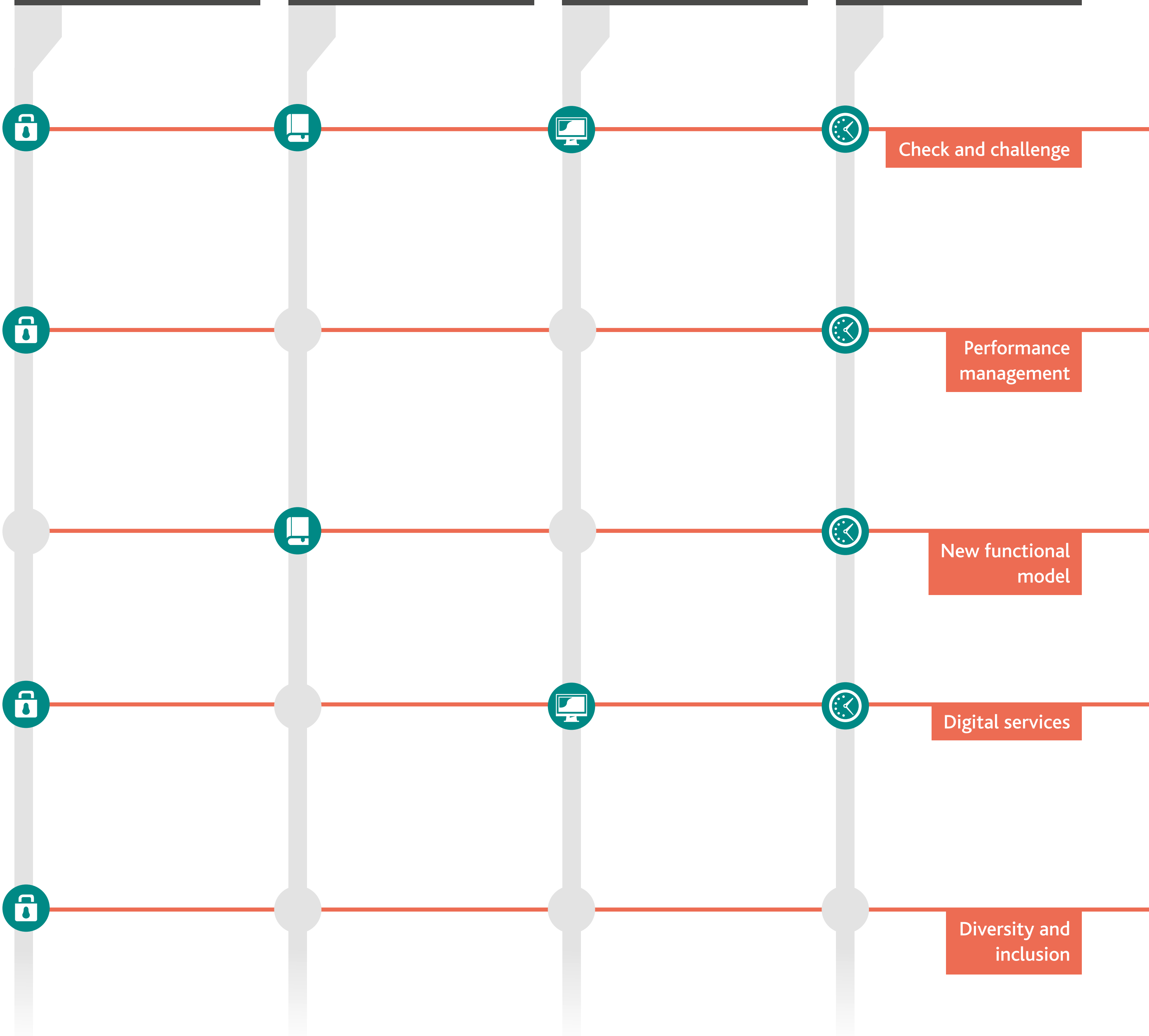
More Trusted

More Expert

More Digital



More Efficient



How our work supports our objectives

Everything we do works towards delivering our strategic objectives. This diagram shows how some of the key work we delivered in 2017-18 supports those objectives.

See page 12

Check and challenge

As part of the government's reforms to the business rates appeal system, we launched our check and challenge service in England on 1 April 2017. This service minimises uncertainty, ensuring businesses reach a resolution quicker.

See page 19

Performance management

During 2017 we ran unconscious bias workshops for all our managers as part of supporting the new performance management process. This process aims to support our people to perform to the best of their ability.

See page 16

New functional model

Our new functions will cover customer service, operational delivery, and valuation and technical advice. This will allow us to improve our operational efficiency.

See page 16

Digital services

We have developed our existing services for our clients and customers. We have improved internal digital tools and services, and provided new mobile technology for those carrying out property inspector roles.

See page 20

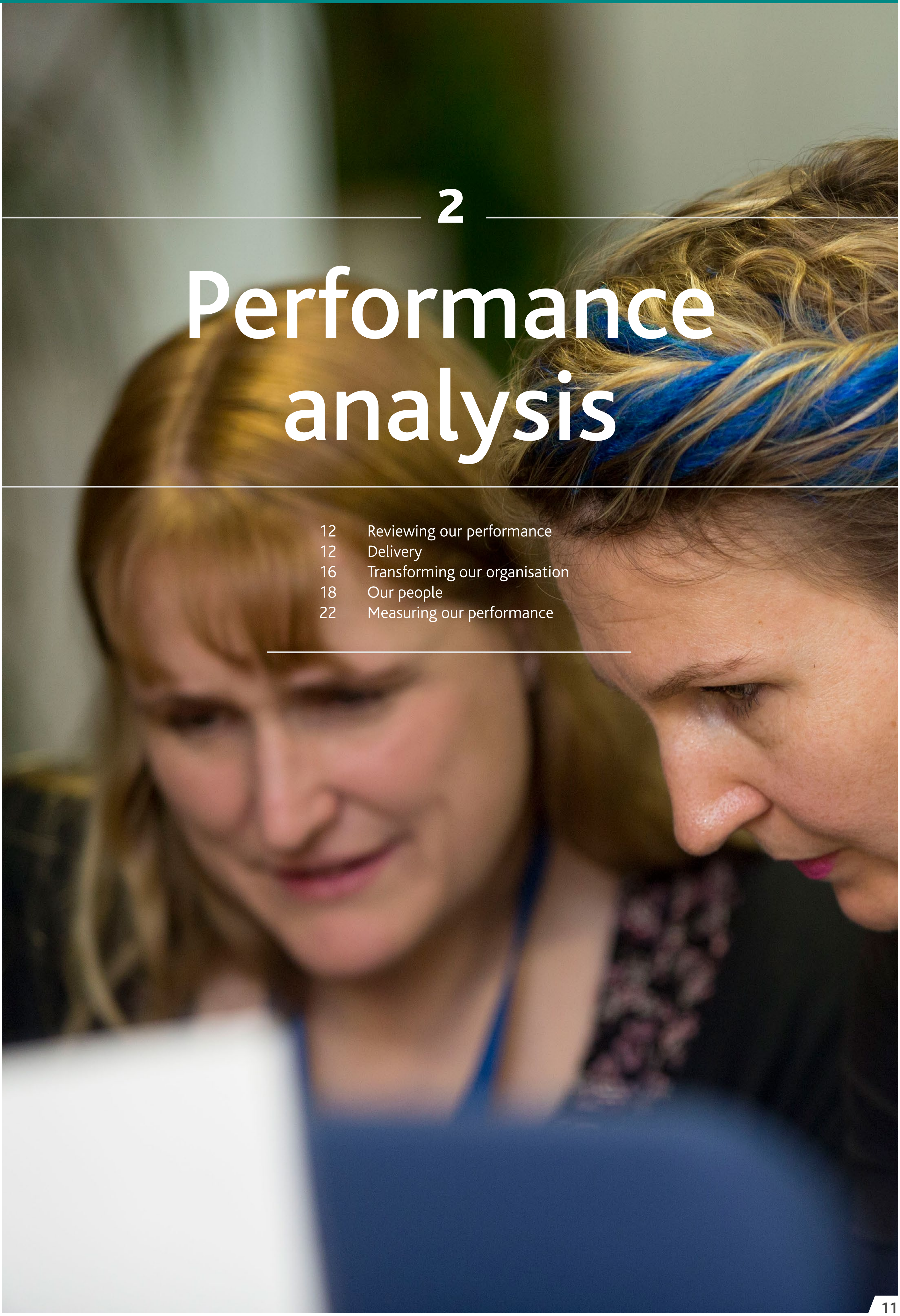
Diversity and inclusion

We have continued to make progress against the commitments made in our diversity and inclusion strategy and our equality objectives. In 2017-18 we achieved Disability Leader Status.

Summary of key risks

We identify risks and issues which pose a threat to our performance. We then take effective management action to mitigate these risks and issues, to reduce or prevent them impacting the successful delivery of our objectives. More detail on these risks and agreed mitigations can be found on pages 38 and 39.

Key risks we have faced and managed during the year include the delivery of our core services and transformation within our challenging funding constraints, the sustained delivery of our ambitious transformation agenda including the check and challenge service, and ensuring the necessary reliability and performance of our technology infrastructure to support the agency's business needs.



2 Performance analysis

Reviewing our performance

This section sets out how we have performed against the aims and commitments we set out in our 2017-19 Business Plan, and reflects on the key achievements, deliverables and challenges the agency has experienced this year.

Delivery

Business rates

On 1 April 2017 we published 348 local lists and two central lists containing valuations for non-domestic properties in England and Wales. These 2017 lists were published following the revaluation of almost 2 million properties for the purposes of business rates and were the culmination of a major programme of work that began in 2014.

Businesses or their agents can continue to make appeals against the previous 2010 list in limited circumstances until 30 September 2018. Appeals can only be made against this rating list where an alteration has been made in the six months before this date.

As of 31 March 2018 we had 137,900 outstanding appeals against the 2010 rating list, having received 1.1 million over the life of this list. Of these around 54,000 appeals are pending the outcome of litigation in the relevant courts; processing these is outside the control of the agency.

We exceeded our appeals clearance target for this year, having cleared 151,300 appeals against a target of 124,500.

On 1 April 2017, the 2017 rating list came into force. In England, the new check and challenge service allows businesses to check the facts held about their property and view their valuation details before deciding whether to challenge their valuation. The appeal process for Wales and the 2010 list in England has not changed.

During 2017-18 we raised and investigated 458,600 reports after receiving information about property changes from billing authorities or taxpayers, as part of our work to maintain both the 2010 and 2017 rating lists.

Check and challenge service

As part of the government's reforms to the business rates appeal system, we launched our check and challenge service in England on 1 April 2017. This service is a major change for our people and our customers. It minimises uncertainty, ensuring business reach a resolution quicker. It also reduces uncertainty for local authorities who have to set aside money to cover potential appeals.

Those seeking to challenge their rateable value can register, claim their properties and view valuations. Many have moved on to the formal check process, and a proportion are then choosing to make challenges. We recognised that improvements

We investigated almost 90,000 Council Tax reports above our target

Our target was 407,500 and we raised and investigated a total of 494,800

could be made to this digital service, and so we have been working with our customers to prioritise areas of additional functionality that will make the biggest difference.

On 31 May 2018 we published statistics on the number of checks and challenges received for the 2017 rating list (England) under the new system. The check and challenge service is in beta, which means it is a new service we are evaluating and improving, using customer feedback. Therefore we are not drawing conclusions on whether these statistics are representative of usage of the service.

As at 31 March 2018, we had:

- **Registered 23,770 checks.** 18,400 of these checks have been resolved.
- **Registered 2,620 challenges.** 630 of these challenges have been resolved.
- 5,370 checks and 1,720 challenges outstanding. These check and challenge cases were registered on our system but the rating list had not yet been updated.

Council Tax

We continued to maintain the accuracy of the Council Tax lists by raising and investigating 494,800 reports, band reviews and proposals after receiving information about property changes from billing authorities or taxpayers. We exceeded our target of 407,500.

We cleared 55% of reports within eight working days (target 50%), 81% within 25 working days (target 75%) and over 99% in 90 working days (target 99%).

We also hit our target of clearing 4,500 appeals during 2017-18.

We have worked with taxpayers to resolve their enquiries without the need for them to submit a formal challenge, allowing them to be dealt with more quickly.

Housing Allowances

We collect and interpret rental information for domestic properties for use in the operation of parts of the benefit system. Throughout the year we have determined

LHA rates across England and managed a register of fair rents. This register sets the maximum rent that can be charged for a regulated tenancy in England.

The team also continued to gather data about lettings in the private rental sector to support the production of the CPIH measure of consumer inflation. CPIH includes a measure of owner occupier housing costs based on this data. Our wide range of sources for this data included residential letting agents, landlords and bodies representing property owners.

We continue to perform strongly against our targets. We collected 489,500 items of lettings data against a target of 480,000, determined over 99% of housing benefit referrals within three working days (target 96%) and 99% of fair rent cases within 40 working days (target 95%).

Property Services

We continue to deliver specialist, independent property advice and valuation services to government agencies and the wider public sector.

We met all of our contractual commitments to our clients during the year and have successfully secured new contracts across public sector projects in England, Scotland and Wales.

Statutory valuations

We continue to provide statutory property advice to public sector clients, including supporting HMRC's work on Inheritance Tax, Capital Gains Tax and other areas of tax compliance.

We cleared initial appraisals for HMRC within an average of five days, meeting our target. We completed 83% of DWP cases within seven working days against a target of 80%, providing valuation advice to support the administration of benefits.

Valuation integrity

We assure the quality of our work across the range of our business. Our compliance team undertakes specific valuation integrity checks on a sample of cases, assessing the quality of casework, and ensuring we continue to produce valuations of the highest quality. This can be seen by our valuation quality Key Performance Indicators.

Our Business Rates and Council Tax teams achieved 95% and 96% valuation integrity respectively, against a target of 94%. Our Housing Allowances, Statutory Valuations and Property Services teams achieved 99%, 97% and 96% respectively, against a target of 95%.

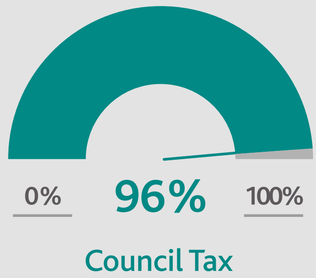
Customer service

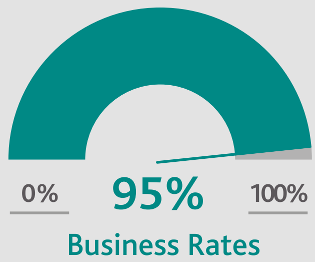
We have four Customer Service Centres (CSCs), based in Durham, Halifax, Plymouth and Rhyl. These centres are the first point of contact for our customers and deal with all initial telephone queries and correspondence. This year we resolved 64% of customer queries at the first point of contact, against a target of 70%. This is reflective of the considerable reduction in simpler enquiries achieved by appropriately directing customers online, or to their local authority, or by improving our in-queue information and advice. The remaining enquiries can be more complex and require escalation.

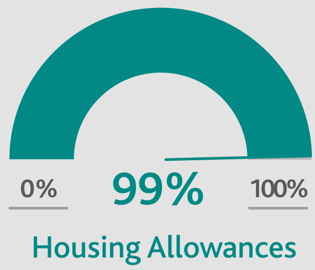
Where queries cannot be dealt with at the first point of contact, they are allocated to the most appropriate team within the organisation to ensure our customers receive the assistance they require.

Valuation integrity

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







We continue to invest in our CSCs to improve training. This in turn helps to increase the number of customers who have their query dealt with at first point of contact.

We are committed to providing a consistently good service to our customers.

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

In 2017-18 we received a total of 996 complaints. We resolved 1,006 complaints during the year.

- 117 were fully upheld
- 147 were partially upheld
- 696 were not upheld
- 46 were withdrawn

- At Tier 1 we investigated 896 complaints, up from 832 the previous year.
- At Tier 2 we investigated 110 complaints, up from 93 the previous year.

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

The Adjudicator provides a fair and unbiased investigation of complaints. Twenty three complaints were referred to the Adjudicator in 2017-18, none of which were upheld.

One complaint was investigated by the Ombudsman, and it was not upheld. This is a reduction from the three complaints referred to the Ombudsman in 2016-17 (two not upheld, one withdrawn).

Transforming our organisation

The agency has been delivering a major programme of change with the objective of creating a modern and efficient organisation that delivers professional property valuation services for all our customers and provides an environment for our people to thrive.

Our programme of change is ambitious and we know there is still a way to go. This year we have focused on continuous improvement, process standardisation and customer service.

We have also revisited a number of our contracts across the agency to deliver significant savings.

Our new functional model and our estate

We have continued to move towards organising our work by function rather than business streams. Our new functions will cover customer service, operational delivery, and valuation and technical advice. This will allow us to improve our operational efficiency. We have looked at ways in which we can utilise technology and deliver services to our customers in a more efficient and effective way.

We have been transforming the way we use offices to support new and more efficient ways of working. Our approach is to consolidate in a smaller number of higher quality buildings, to deliver our business in a more cost-effective and sustainable way. The VOA's estates strategy balances affordability, a range of working styles and geographic coverage. As we reduce our office space we will seek, where possible, to retain staff and their skills in the agency. We will continue to support our people in relocating to our new offices and in trying to find alternative solutions where relocating is not an option.

In 2017-18 we reduced the number of offices we occupy from 52 to 49. We closed offices in Bromley, Enfield, St Albans and Wimbledon and opened a new office in Croydon. In January 2018, most of our people from our Wimbledon and Bromley offices moved to Croydon HMRC regional centre and government hub. We also relocated our Digital Centre.

As an Executive Agency of HMRC, there are obvious business benefits, such as sharing resources and facilities with HMRC, where it has locations in the same city or town.

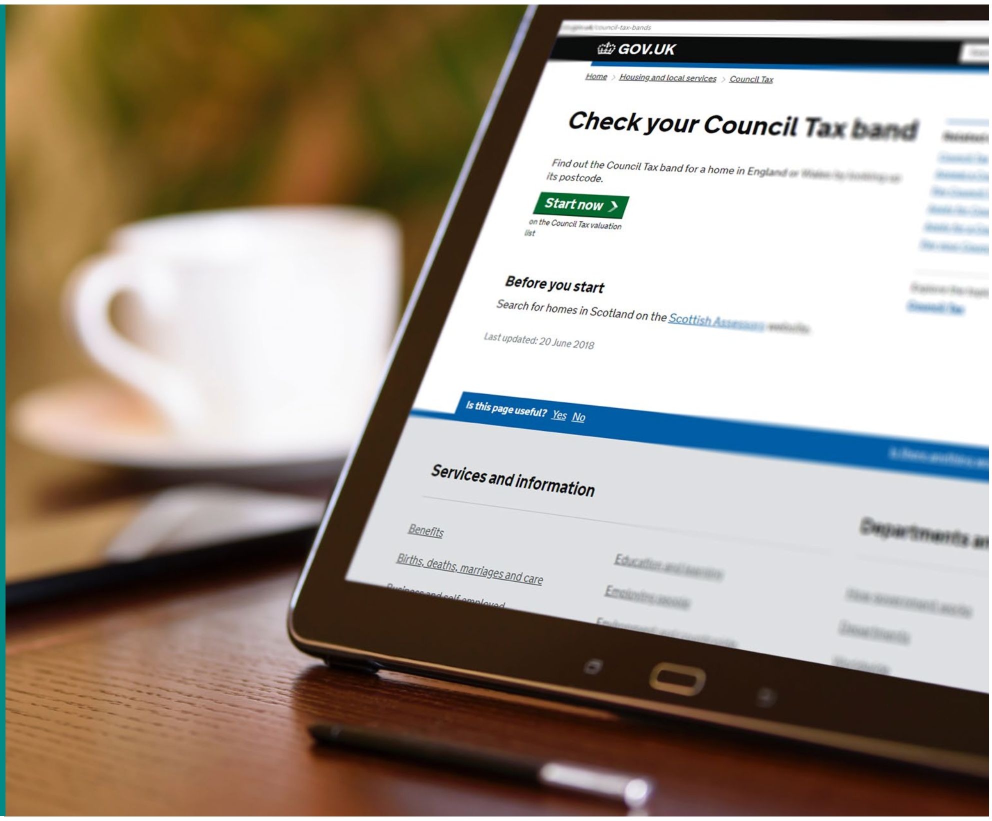
Digital services

Our 'Check your Council Tax band' online service continues to perform reliably for hundreds of thousands of visitors wanting to check their Council Tax band. It serviced over 800,000 individual visitors per month, during the busiest months of October, November and December.

Alongside this, we have developed our existing services for our clients and customers. For example, we have supported more billing authorities (BAs) to use our new system to upload their reports in a speedy, reliable and efficient way. BAs are required to inform us when changes are made to properties, or when new properties are created, and they can now provide this information through the new billing authority reports (BARs) digital service.

Our CT online service helps visitors wanting to check their Council Tax Band

Over 800K individuals visited the service each month in October, November and December.



As part of transforming our digital services for our people, we have improved internal digital tools and services, and provided new mobile technology for those carrying out property inspector roles.

We set ourselves an ambitious target of delivering 60% of transactions with us through digital channels. Whilst we focused on becoming more digital, we focused on areas that would have the biggest impact on our customers, and on helping us to deliver our business more efficiently, and as a result we did not meet this target.

Data and information

Our customers and stakeholders trust us to gather, share and use data in the right way. We continue to treat confidentiality seriously, as it underpins the public's trust and confidence in the work we do.

We handle all our data, including customer data, with the utmost care and in accordance with our legal obligations. Over the year, we have continued to work closely with HMRC and others on our cyber and data security controls, including technical defences, response capabilities and ensuring staff awareness of good practice.

We have put training and guidance in place to support our implementation of the new General Data Protection Regulation (GDPR) and we will continue with our progress in complying with the regulation.

Over the past year we have supported over

300

of our people to gain professional qualifications in operational fields

Our people

Our people are integral to our success. Therefore, even though we are faced with financial challenges it is important that we continue to invest in their learning and development needs. Investing in learning will build organisational resilience and help us to be prepared for the various business pressures and challenges now and in the future.

Becoming more expert

We recognise our valuation expertise is important to our customers, our people, and our delivery partners, including those in central and local government.

As leading property professionals, we play an active part in the Government Property Profession. Our graduate surveying scheme is recognised within the industry as one of the best, consistently achieving above the average surveying industry pass rates. Further, in 2017-18 we had a finalist in the Royal Institution of Chartered Surveyors (RICS) Young Surveyor of the Year Award. We successfully sponsored people through the highest level of valuation qualifications, the RICS Rating Diploma and the Central Association of Agricultural Valuers qualifications, as well as running other initiatives such as work placements.

We take advantage of opportunities to develop and strengthen all our professions. This includes:

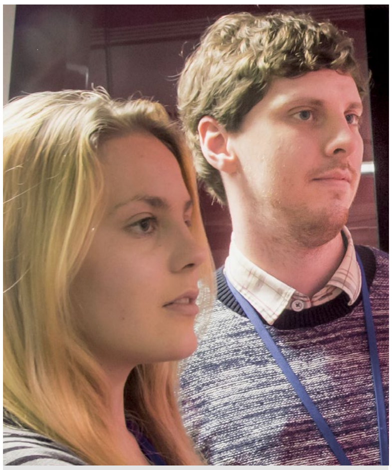
100%

of our surveyors have met their CPD requirment

63

new apprenticeships started

- Talent management activities, closely aligned with HMRC;
- Encouraging all our people to participate in a minimum of five days learning and development over the year;
- Development of learning resources and career opportunities, including: accreditations, continuing professional development opportunities and workplace learning;
- Building our capability in the analytical professions, programme and project management and the commercial profession (in line with Civil Service priorities); and
- Apprenticeship programmes across a range of professions, from digital to business administration. We currently have 138 apprentices, 63 of whom started in 2017-18.



"We see apprenticeships as a key component in building our future workforce and ensuring we attract and develop the best talent from right across our society."

Over the past year we have supported more than 300 of our people to gain professional qualifications in operational areas. Our Chartered Surveyors are required to undertake and record online a minimum of 20 hours of continuous professional development (CPD) by RICS and all our surveyors have met their CPD requirements in 2017-18.

In 2017-18, the agency took on 31 people from the Civil Service Fast Stream programmes in a variety of roles. We also welcomed those on the government's Summer Diversity Internship and Early Diversity Internship programmes (entry routes for undergraduates from diverse, socially or economically disadvantaged backgrounds).

Our apprenticeship scheme

We see apprenticeships as a key component in building our future workforce and ensuring we attract and develop the best talent from right across our society.

We currently offer apprenticeships in chartered management, operations or department management, business administration, digital, team leadership, surveying and operational delivery. We support the Civil Service commitment to create 30,000 apprentices overall by 2020. Last year, we recruited 63 apprentices across several professions.

Our digital apprenticeship scheme is very popular and has seen some great success stories. Since the scheme started in 2011 we have recruited 58 digital apprentices and 17 have secured full time roles within the agency. This is a great example of apprenticeships being a launch pad for people both starting and changing their career.

Performance Achievement Scheme

We piloted a new performance management process on behalf of the Civil Service from June 2016. The pilot moved from a traditional mid and end of year review process to monthly, forward-looking coaching conversations focused on continuous improvement. It aims to support and develop our people to perform to the best of their ability and to manage underperformance in an appropriate way.

Over 500 of our line managers were trained in coaching people to improve their performance. During 2017 we ran unconscious bias workshops for all our managers; these received exceptionally good feedback.

The pilot has featured in a Chartered Institute of Personnel and Development (CIPD) research project and has been independently evaluated by Civil Service HR. It has

also been successful in meeting the evaluation criteria set out at the onset by Civil Service Employment Policy. Consequently, we will continue to use the Performance Achievement Scheme in its current form for the foreseeable future, monitoring progress to ensure that there continues to be no adverse impact relating to diversity. We have shared our approach and lessons learnt from the pilot with colleagues across the Civil Service.

> "It's important to us that our people reflect the communities we serve."

Diversity and inclusion

We have continued to make progress against the commitments made in our diversity and inclusion strategy and our equality objectives. These are published on our GOV.UK page[2] and they focus on:

Our organisation:
- Improving our diversity data to help us understand and support our people.
- Building an inclusive and diverse workforce.

Our customers:
- Understanding our customers so we can effectively provide support where it is needed.
- Providing services which are accessible and usable by the widest possible range of customers.

We have worked with colleagues across government to ensure that we are meeting our customers' needs in terms of reasonable adjustments, drawing from best practice in these departments to deliver a Customer Equality Policy. This ensures that our services are accessible to the widest possible range of customers, as illustrated by work we have done in 2017-18, including:

2 https://www.gov.uk/government/publications/valuation-office-agency-equality-objectives-2017-2021

- carrying out accessibility testing for services with more than 100,000 transactions a year;
- planning the rollout of accessibility testing for our online services with over 50,000 transactions a year. This demonstrates a deepening of our commitment, ensuring our online services are accessible to all our customers; and
- our model of assisted digital services for our check and challenge service. The Needs Enhanced Support (NES) service allows us to ensure that our most vulnerable customers receive dedicated support at every stage of the customer experience.

To better understand our workforce, we ran a successful data declaration campaign which improved the data we collect on ethnicity, disability, faith and belief and sexual orientation as well as giving people additional options to declare their carer status, and provide more information about gender identity. We continuously compare our data against Office for National Statistics benchmarks, to make sure we reflect the society we serve.

We have put a number of measures in place to ensure that Equality Impact Analysis is applied consistently for any proposed change across the agency.

We held our annual Diversity and Inclusion conference which gave our people the opportunity to discuss how we can use organisational change to create a more inclusive culture, what that culture should look like and how we can overcome any barriers in achieving this.

A key part of delivering our strategy and our equality objectives are our 10 diversity groups. All are led by a senior leader and supported by a diversity partner. The emphasis is on cross-group working to encourage understanding and participation across all the protected characteristics. Over the last 12 months these groups have raised awareness of mental health problems, created a disability toolkit to support colleagues and line managers, delivered transgender guidance and much more.

During 2017-18 we achieved Disability Leader Status – the highest accreditation level of the Disability Confident scheme awarded by DWP. The scheme is an external accreditation which all employers (public and private) are encouraged to undertake. The scheme supports employers to make the most of the talents disabled people can bring to the workplace. We are proud to be recognised with this accreditation and it shows our commitment to providing the very best experience for our disabled colleagues.

It's important to us that our people reflect the communities we serve, and that this creates a work environment that fosters good relations, values difference and advances equality of opportunity for everybody. The work we have undertaken this year, and that we will take forward in the coming years, shows our commitment to this.

Measuring our performance

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

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

The table below sets out our performance against those indicators identified as being key to our customers, our delivery partners and ourselves during 2017-18.

Volumes

Measure	Our 2017-18 target	Our 2017-18 performance
Council Tax work cleared (England and Wales)	To clear 407,500 reports, band reviews and proposals, and 4,500 appeals	Cleared 494,800 reports, band reviews and proposals, and 4,500 appeals
Business Rates work cleared (England and Wales)	To clear 278,000 maintenance reports and 124,500 appeals	Cleared 458,600 maintenance reports and 151,300 appeals
Housing allowances - the volume of lettings collected	To collect 480,000 items of lettings data	Collected 489,500 items of lettings data

Timeliness

2017 checks and challenges (England)	To complete or substantially respond to 90% of checks within three months of receipt	90% of check cases completed within three months of receipt
Council Tax	To clear: • 50% of reports within eight working days • 75% of reports 25 working days • 99% of reports within 90 working days	Cleared: • 55% of reports within eight working days • 81% of reports within 25 working days • Over 99% of reports within 90 working days

Measure	Our 2017-18 target	Our 2017-18 performance
Housing allowances	Where no inspection is required, to determine 96% of housing benefit referrals within three working days	Where no inspection was required, determined over 99% of housing benefit referrals within three working days
Fair rent	To determine 95% of cases within 40 working days	Determined 99% of cases within 40 working days
Statutory Valuations team	To clear all initial appraisals for HMRC within an average of five working days	Cleared all initial appraisals for HMRC within an average of five working days
	To report 80% of DWP cases within seven working days	Reported 83% of DWP cases within seven working days

Valuation integrity

Valuation quality – a check on the quality of our valuation, process compliance and timeliness in making a valuation decision	For our Housing Allowances, Statutory Valuations, and Property Services business areas to achieve a valuation quality of 95% or higher	Our Housing Allowances, Statutory Valuations and Property Services business areas achieved a valuation quality of 99%, 97% and 96% respectively
	For our business rates and Council Tax teams to achieve a valuation quality of 94% or higher	Our business rates and Council Tax teams achieved a valuation quality of 95% and 96% respectively

Serving our customers

Digital Services – proportion of overall agency transactions carried out using our new digital services *	For 60% of transactions with us to be through digital channels	40% of transactions with us were through digital channels
How we deal with customer enquiries **	To deal with at least 70% of enquiries to our customer contact points at first point of contact	Dealt with 64% of enquiries to our customer contact points at the first point of contact

* Whilst we have made improvements to our digital services, we haven't met this target. This is due to processes which make up large volumes of transactions not being prioritised for digitisation. We focused instead on becoming more digital in areas that will have the biggest impact on our customers.

** This is reflective of the considerable reduction in enquiries achieved by appropriately directing customers online, or to their local authority, or by improving our in-queue information and advice. The remaining enquiries can be more complex and require escalation.

3

Our environmental impact

The agency has actively shown commitment to the principles of economic, social and environmental improvement, by embedding sustainable development into its activities. During 2017-18 actions taken include:

- sustainability of transportation and travelling influencing the choice of office location (reflected in our policies)
- working group established to co-ordinate and promote environmental improvements including delivery of the government's 2030 Agenda – Delivering the Global Goals
- change programmes now have sustainability impact assessments prior to implementation.

Next year we will use performance data, e-learning and our network of green volunteers to further promote sustainability as we seek to influence behaviour and culture.

Environmental performance

We gauge how sustainable we are through our progress towards the Greening Government Commitments. These commitments form the basis of our environmental objectives and targets. Our governance for sustainable development and environmental performance is through the People and Estates Directors, and the Sustainability Manager.

Greening Government Commitment	Greenhouse gas emissions	Waste	Water	Paper	Domestic flights
Target to 2020	To reduce the agency's emissions by 45% (Government target 32%)	To send less than 10% of waste to landfill	To continue to reduce water consumption from 2014-15 onwards	To reduce paper usage by 50%	To reduce the number of domestic flights by 30%
Position at 31 March 2018	61% less emissions than in 2009-10	Less than 0.5%	28% reduction in water consumption since 2014-15	63%	28%
Comment on performance against target	Exceeded	Exceeded	Exceeded	Exceeded	Continuing to work towards

Reduce greenhouse gas emissions and domestic flights

The agency's greenhouse gas emissions target is to achieve a 45% reduction from a 2009-10 baseline. This year's carbon reductions are generated through shrinking our estate by 2,250m2 (7%). We will further reduce our carbon footprint over the coming years by vacating energy inefficient buildings. When we acquire space in newly constructed buildings we'll be aiming for a BREEAM (Building Research Establishment Environmental Assessment Method) excellent standard, or alternatively an energy rating of "C" for existing buildings.

Travel for business remains a necessity for the agency however we anticipate a reduction in travel emissions and domestic flights when we introduce organisational changes and digital improvements such as Skype.

Improve waste management

Our figures on waste show the agency is achieving exceptional performance in these areas. The majority of our offices have Dry Mixed Recycling facilities and we have 100% coverage with shredding and recycling of our paper waste.

The design of flexible working space in offices seeks to reduce the amount of furniture we buy. We also offer unwanted furniture items for other government departments to reuse, whilst recycling furniture within our estate and donating items to various charities.

Reduce water usage

The agency mostly occupies buildings within the control of other government departments, who in turn measure and control overall water usage. For sites where we have responsibility, we are setting up robust and auditable measures which, over time, will allow us to set challenging targets.

Reduce paper usage

Over the year we have invested in technology such as use of laptops and tablets, and are actively encouraging our people to cut their reliance on paper. These strategies will continue as people move into regional centres.

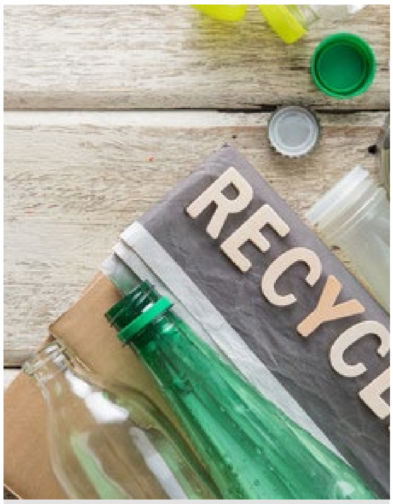
Buying greener products and services

Procurement through frameworks provides us with the opportunity to outline the minimum standards we expect, which in turn encourage suppliers to reduce their environmental impact. This year we have specifically looked for improvement opportunities such as asking our office furniture suppliers to ensure they offer alternative end of life disposal services including re-use and recycling.

Climate change and biodiversity

We addressed the potential impact of climate change on our business operations, by assessing our existing office network for flood risks. We are moving to a number of HMRC regional centres, where environmental considerations and climate change have been assessed.

Our green areas represent less than 5% of the estate, but we are expecting this to change as we move to larger sites, where we will work with other stakeholders to develop the biodiversity in the new locations.



100%

of our locations have shredding and recycling facilities for paper waste

4

Financial commentary

Our financial performance is set out in the accounts attached to this report in pages 70 to 102.

With effect from 2017-18, the agency began to receive its funding to undertake valuations for local taxation purposes through the Parliamentary Supply process from its parent department HMRC. Previously this funding was provided by the Ministry of Housing, Communities and Local Government (MHCLG).

Consequently, as agreed with HM Treasury, this funding is no longer recognised as income in the Statement of Comprehensive Net Expenditure, and is instead recognised in the Statement of Changes in Taxpayers' Equity.

The agency's principal financial objective under its framework document is to recover full resource costs as funding from the other government departments for whom valuation services are provided. In practice, the change to the way in which we are funded means that we meet this objective by operating within a budget set by HMRC, while continuing to recover elements of our expenditure from our clients. We achieved this aim during 2017-18, with net expenditure of £149.2 million compared to a budget of £150.7 million. After adjusting for non-cash pension costs, which are excluded from the requirement under the framework agreement, this represented a net underspend of £3.2 million.

Income

Income for 2017-18 was £44.7 million, plus HMRC vote funding of £150.7 million which is now shown in reserves. The total amount of funding is £10.0 million (4.9%) lower than the previous year. This was broadly in line with planning assumptions in the 2015 Spending Review.

Our Property Services division generated £16.3 million of income; £1.6 million (10.9%) higher than the previous year.

Debt management

Until 31 March 2017, all debts aged over 90 days were included in the allowance for doubtful debt. As the majority of our debt sits with public sector organisations, we no longer consider this treatment to be appropriate. Any debts considered to be uncollectable will be considered for separate write-off. As a result, no provision was held at the year-end (31 March 2017, £1.2 million). The release of this allowance contributed £1.2 million towards our underspend.

Managing costs

Total spending for 2017-18 was £193.8 million, including the £1.6 million non-cash pension costs described above. Pay costs, including early departures, were £144.7 million, 74.7% of total costs. These represented a 4.9% decrease on the previous year (£152.2 million).

Accommodation costs were £13.7 million, 7.1% of total costs. This represented a 5.5% reduction on the previous year (£14.5 million). The decrease was due to the ongoing estates rationalisation programme.

IT costs were £13.0 million, 8.8% of total costs. This represented a 0.8% increase on the previous year (£12.9 million).

Depreciation and amortisation charges were £7.6 million, 3.9% of total costs. This represented a 19.1% decrease on the previous year (£9.4 million). We reassessed the useful economic lives of some of our assets during the year, ensuring that they will be depreciated over the time we will be using those assets. This caused the fall in depreciation in the current year as it will spread the charge over a longer period.

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

Controlling cash flow

Cash levels remain positive with £25.3 million (2016-17: £18.4 million) on hand at year-end.

Cash forecasting is working effectively with a target to pay 80% of valid invoices within five days of receipt of the goods, in line with Department of Business, Energy, Innovation and Skills guidance. This year 90.4% of invoices were paid within five days.

Investing in our services

We invested £6.9 million in our IT capital assets in 2017-18 to provide infrastructure and equipment to support business delivery. An additional £0.7 million was invested in accommodation to support reducing the agency's footprint by 1,747m2, a 5% reduction.

Financial outlook

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

The Chancellor announced in the Spring Statement that the next non-domestic rating revaluation would be brought forward to 2021. This puts the agency under increased pressure both in terms of delivery and financially where this will result in increased costs.

Adoption of going concern basis

Our accounts are prepared on a going concern basis. There is no reason to believe the agency will not continue in operational existence for the foreseeable future.

Accounts

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

Melissa Tatton

Melissa Tatton CBE
Chief Executive
29 June 2018

5

Corporate governance report

Governance statement

This governance statement sets out the governance, risk management and internal control arrangements for the agency. It applies to the financial year 1 April 2017 to 31 March 2018 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

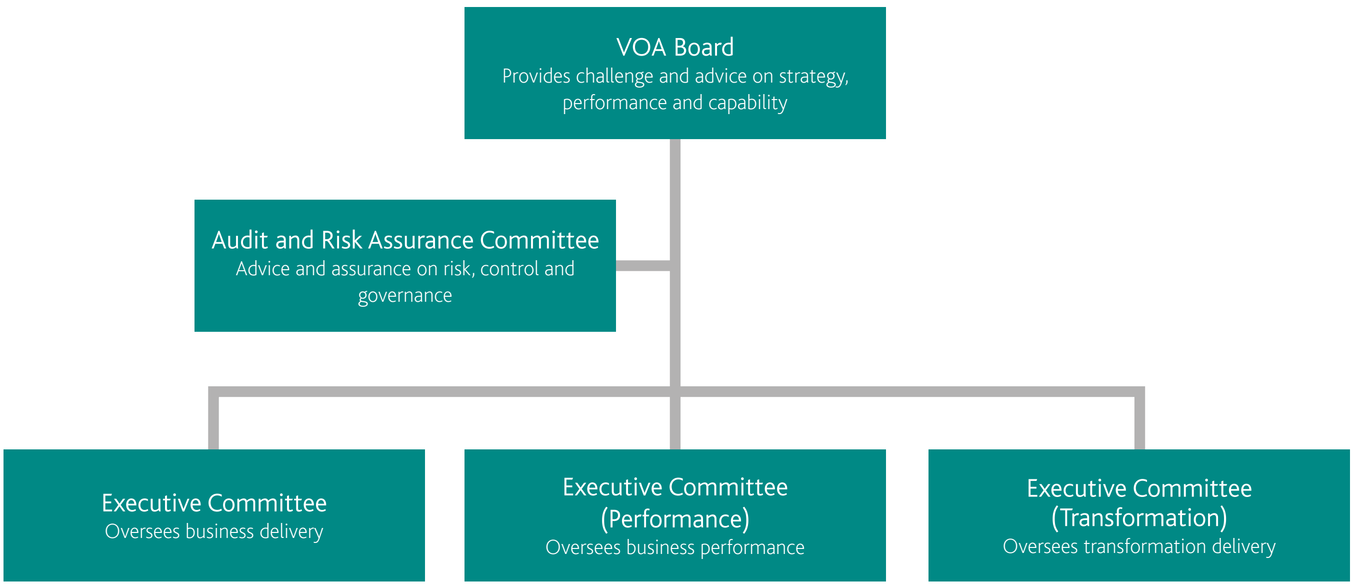
Executive agency arrangements

The VOA is an executive agency of HMRC. The Chief Executive of the agency is a member of HMRC's senior leadership team and Executive Committee.

During 2017-18, as well as our performance being reported regularly at HMRC's governance forums, HMRC's Chief Executive held quarterly business reviews with the agency. The Financial Secretary to the Treasury (in their role as departmental Minister for HMRC) has Ministerial responsibility for the agency, and we reported to them on performance.

Our governance structure

Our governance structure is summarised in the diagram below. The Board is the primary decision-making forum for the agency, supported by four sub-committees: the Executive Committee, the Audit and Risk Assurance Committee, the Executive Committee for Performance, and the Executive Committee for Transformation.



We are changing our governance arrangements. This is detailed under the sections on Board effectiveness and changes to the Executive Committee.

The Board

Roles and responsibilities

Chaired by the Chief Executive, the Board's membership is made up of all the executive directors (Chief Officers) of the agency and three non-executive directors. The Board provides strategic leadership and direction in managing the agency, focusing on strategy and plans for delivering the agency's business, including financial planning, performance against those plans, and risk management. The Board met 11 times during the year with attendance detailed on page 36.

Our non-executive directors have a broad base of experience. As members of the Board, they are, along with their executive Board colleagues, accountable for ensuring the agency performs effectively and meets its legal obligations.

Over the year the Board focused on strategy, business planning, reviewing operational performance and transformation progress. Throughout the year the Board has received regular reports covering operational performance as well as decisions taken by the supporting sub-committees.

The Board has: reviewed and agreed the transformation portfolio programmes and investment priorities and governance; considered the implementation of the new functional business model for Operations and the Estates Strategy; and approved the revised check and challenge service delivery plan. It has approved the refreshed risk management framework, comprising of the risk management strategy and policy, along with setting the agency's risk appetite.

In addition, the Board has continued to recognise and celebrate agency successes as well as lessons learned. Throughout the year Board members have had the opportunity to visit different office locations and meet with many teams across the organisation to gain insight into their day to day activities and the challenges they face.

Our non-executives also contribute their expertise outside the formal Board and Committee structure, for example working closely with executives on specific initiatives such as risk management.

Board effectiveness

The Board has continued to regularly review its own effectiveness as part of the arrangement for each meeting to ensure improvement in its effectiveness and impact.

As part of a wider review of the agency's governance arrangements, the annual Board effectiveness review was conducted. As a result, improvements have been identified to ensure our governance arrangements are in line with best practice and are aligned to those of HMRC. This will ensure that decisions are made at the right level in the agency and allow us to deliver the business.

Our Board's role and responsibilities will be refocused from decision making to act as an advisory and challenge function. The agency will adopt a more streamlined Board structure with membership refined to the Chief Executive, Chief Finance Officer, Chief Strategy Officer and Chief Valuer in addition to the non-executives. This will provide a better balance of non-executive and executive members. Sue Hall, one of our current non-executive Directors will Chair the Board to facilitate meetings. The Board will meet quarterly plus a meeting to review the Annual Report and Accounts.

These changes will be implemented following the June 2018 Board meeting.

Register of interests

We maintain a register of interests to ensure that potential conflicts of interest can be identified and managed. This is in line with the Code of Conduct for Board members of public bodies.

The agency's Board members and members of its sub-committees are required to declare any potential conflicts of interest on appointment and on annual basis. At the start of each Board meeting members also declare any conflicts of interests in the agenda items for that meeting.

Where potential conflicts of interests are identified, Board and sub-committee members take no part in any discussion and are not involved in any decisions that relate to those interests. None of the agency's executive or non-executive directors hold any company directorships or other significant interests that might conflict with their responsibilities.

Board sub-committees

The Board has four sub-committees: the Audit and Risk Assurance Committee, the Executive Committee, the Executive Committee for Performance, and the Executive Committee for Transformation.

The Audit and Risk Assurance Committee provides independent assurance to the Board and Accounting Officer on the integrity of the financial statements and comprehensiveness and reliability of assurances across the agency on governance, risk management and its control environment.

The agency does not have a separate People, Nominations and Governance Committee. This is because its executives are members of HMRC's Senior Civil Service (SCS) and HMRC determines their remuneration within SCS pay policy guidelines. Matters relating to the agency's diversity and inclusion strategy, future organisational design, strategic workforce plans and Civil Service People Survey results, are considered by the Board.

Audit Risk and Assurance Committee (ARAC)

The ARAC is chaired by Stephen Hughes, non-executive director, with one further non-executive director (Sue Hall) and one non-executive member (Robert Milburn). Alison Hewett served as a non-executive director of the Board and Committee until 30 April 2017 and Kenneth Hunt served as a non-executive member of the Committee until 19 February 2018. The National Audit Office, HMRC Internal Audit, and agency Chief Finance Officer and/or Director of Finance and Planning also attended each meeting.

The ARAC reviews and challenges the adequacy of the agency's internal controls and processes and how risk is managed across the organisation, with the objective of providing the Chief Executive, as Accounting Officer, with assurance that the systems and processes are working as they should. The ARAC met five times during 2017-18.

The Board receives a summary report following each ARAC meeting and the Chair has unrestricted direct access to the Accounting Officer. During the year the ARAC's programme of business focused primarily on the agency's internal control and assurance framework. In June 2017 the ARAC commissioned work to map the controls and assurance activities across the agency's key operational and corporate processes. This work remains ongoing but has already enabled the agency to make changes and improvements to its control effectiveness and the way it gains assurance across its key processes.

During the year, the ARAC monitored the progress of issues raised in key audit outputs, and has reviewed annual reports on both counter fraud and whistleblowing. The ARAC also has a rolling programme of reviews where risk areas are subject to a more detailed deep dive discussion. During the year, these included reviewing the governance and control of the change programme, and building our risk management capability. More specifically ARAC also considered the arrangements in place to address risks around cyber security, increasing the resilience of our data centre and relocation of our critical IT services.

The ARAC reviewed the agency Annual Report and Accounts and the Governance Statement. It was satisfied that the Governance Statement reflected the assessment of assurance from the Head of Internal Audit.

Executive Committee (ExCom)

Roles and responsibilities

The ExCom is the agency's main executive forum, overseeing business delivery and operational performance. It is the primary forum in which the executive directors (Chief Officers) make collective decisions. Individual members have portfolios of responsibility that cover each line of the agency's business and corporate services.

The ExCom is chaired by the Chief Executive and its membership comprises all of the executive directors with the Head of Communications as a standing invitee.

The ExCom met 18 times during 2017-18, covering a wide range of strategic, financial and operational issues. Key issues covered included: our organisational design and the move to a new functional business model; our estates strategy and move of the Facilities Management function to HMRC; the check and challenge programme and contracts; ExCom level risks; General Data Protection Regulation implementation; and more frequent revaluations.

The ExCom has spent considerable time on financial planning both in-year management to optimise the use of funding and also longer term financial planning for future years to ensure the right balance between capacity, capability and risk.

ExCom Performance (ExCom P)

The ExCom P provides oversight of the agency's performance. During the year it has analysed performance against targets and considered opportunities for improvement in all areas. Membership is in line with the ExCom with the addition of the Director of Information and Analysis and the Director of Non-Domestic Rating as standing invitees.

ExCom P met 12 times during the year. Key issues covered included: recruitment and resourcing; centralised contact function; measurement of productivity; workflow management; Non-Domestic Rating and Council Tax maintenance and appeals performance; and check and challenge service timeliness. From January 2018, the discussions on the agency's key risks and issues were also integrated into the committee. Previously these were considered in separate risk and issues forums.

ExCom Transformation (ExCom T)

The ExCom T provides senior governance and oversight for the delivery of the agency's transformation portfolio. It has been chaired by the Chief Transformation Officer since his appointment in January 2018; prior to this date it was chaired by the Chief Executive. Membership is in line with ExCom with the addition of the Director of National Specialist Unit, Head of Communications and Head of HMRC Internal Audit as standing invitees.

ExCom T met 16 times during the year including a two day deep dive review of the entire transformation portfolio. In addition to monitoring the delivery of transformation portfolio, key issues covered included: more frequent revaluations; capital investment prioritisation; the check and challenge service and the Billing Authority Report Service.

Changes to the Executive Committee

The committee regularly reviews its own effectiveness as part of the arrangements for each meeting. As part of the wider review of the agency's governance arrangements noted previously a more formal effectiveness review of the ExCom was carried out.

With the changes being made to the Board's roles and responsibilities going forward the ExCom will be the main decision making body for the agency. There will be one monthly ExCom meeting focused on corporate leadership and delivery of our core remit. This will cover strategy, performance, governance, risk, people issues and investment. This will continue to be supplemented by a dedicated ExCom T to oversee the implementation of the agency's change projects. The Chief Executive will chair the ExCom and ExCom T.

Meeting attendance by executives and non-executives

	Board	ARAC	ExCom	ExCom T	ExCom P
Non-executive Board directors					
Gurpreet Dehal	10 (11)	-	-	-	3
Sue Hall	11 (11)	5 (5)	-	-	1
Stephen Hughes	11 (11)	5 (5)	-	-	4
Alison Hewett[1]	1 (1)	1(1)	-	-	-
Non-executive Members					
Kenneth Hunt[2]		5 (5)	-	-	1
Robert Milburn		4 (5)	-	-	1
Executives					
Janet Alexander	9 (9)		15 (17)	13 (14)	9 (10)
Aneen Blackmore	-		-	-	-
Penny Ciniewicz[3]	4 (4)	2 (2)	6 (9)	7 (8)	3 (5)
Tim Bianek[8]	3 (3)		3 (3)	4 (4)	4 (4)
Graham Brammer[4]	9 (11)		14 (18)	12 (16)	11 (12)
Mary Hardman	9 (11)		12 (18)	12 (16)	10 (12)
Philip Macpherson[7]	6 (11)		8 (18)	8 (16)	5 (6)
Craig Pemberton[5]	4 (5)		7 (11)	6 (9)	4 (6)
Jonathan Russell	-		-	-	-
Melissa Tatton[6]	7 (7)	3 (3)	10 (10)	6 (6)	6 (7)
Pedro Wrobel	10 (11)		16 (18)	13 (16)	9 (12)

Note: The figure in brackets indicates the total number of meetings the non-executive and executive members were eligible to attend.

1. Alison Hewett's term of office on the Board ended on 30 April 2017
2. Kenneth Hunt's term of office on the ARAC ended on 19 February 2018
3. Penny Ciniewicz left the agency on 3 September 2017
4. Graham Brammer joined the agency on 3 April 2017
5. Craig Pemberton left the agency on 20 October 2017
6. Melissa Tatton joined the agency on 4 September 2017
7. During a period of unexpected absence for Philip Macpherson, Andy Williams provided cover for four board meetings, seven ExCom meetings, four ExCom T meetings and 3 ExCom P meetings. For more information, see disclosure on page 53
8. Tim Bianek joined the agency on 8 January 2018
9. Janet Alexander left the agency on 18 February 2018
10. Aneen Blackmore joined the agency on 29 March 2018
11. Jonathan Russell joined the agency on 31 March 2018

Effectiveness of risk management

Risk management framework

Risk management operates at all levels in the agency, from operational decision making, through to strategic risks reflected in our agency-level risk register. This section explains how we identify and then address risks that have the potential to adversely impact our work and delivery of our key objectives.

Risk management is integrated into the way we work. The Executive Committee establish the risk management framework and sponsor individual complex strategic risks and issues, reviewing them on a regular basis throughout the year. A flow of risk reporting operates through the agency supported by visual management tools in order to drive effective risk conversations.

A structure of risk forums and registers is embedded in the agency, from individual unit and team level through to agency level. Chief Officers are responsible for managing risks within their relevant business area, with risks formally reviewed at group level forums supported by dedicated risk registers.

There is also a network of risk and assurance leads representing each business area in place, which helps develop a consistent approach to risk management across the agency.

The Board provides oversight in ensuring the right accountability, governance and controls are in place to manage risk effectively, setting risk appetite along with completing periodic risk horizon scanning activity. The ARAC provide advice and support on risk controls in addition to completing deep dives on specific risk areas.

Risk capability improvements

The agency is focused on continuous improvement of our risk capability. During the last year we have undertaken a significant review, including deeper analysis of our underlying risks and a refresh of our overarching risk management framework. Specifically we have:

- reviewed and refreshed our key risk management framework components, including the Risk Strategy, Risk Policy and Risk Appetite Statement. This is helping to build a risk aware culture, integrating risk management into our core business activity;
- reaffirmed the Chief Finance Officer as the Chief Risk Officer to increase the visibility of risk management and further demonstrate its importance to the agency;
- reviewed and refreshed the agency's top level risks to ensure that the Executive Committee are managing those risks that are strategic in nature which have greatest potential impact on the organisation;
- revised our approach to strategic risk review and further refined supporting visual management tools. We have embedded strategic risk review as a standing item to Executive Committee agendas with both summary risk updates presented along with a deep dive risk discussion at each committee meeting;
- strengthened the linkage between our top level risks, our strategic objectives and appetite categories;
- refreshed our operational escalation and horizon scan approach and processes;
- completed an assessment against the cross government risk management framework developed by the Non-Executive community in early 2017;
- carried out a 'health-check' to assess progress we have made in developing our risk maturity capability and to highlight areas where further targeted improvement is needed; and
- worked closely with the HMRC risk function to ensure our approach to risk management including building our maturity is aligned and proportionate.

Strategic risk overview

Our overall risk profile remains challenging particularly given the scale of organisational and transformational change that the agency is going through. During the year we refreshed our agency level risk profile to ensure it is reflective of the current risk environment enabling the Executive Committee to focus on right risks faced by the organisation. Our key risks are reflected below along with a summary of mitigation activity.

Key risk	Key mitigating actions
Funding, affordability and resource capacity There is a risk that we are unable to deliver planned service and transformation outcomes through to 2023, the longer term impact being impaired ability to deliver future core services.	To manage this risk we are: • working closely with sponsors to secure the required budget settlements; • deploying effective mechanisms to monitor and successfully enable transformation benefits; and • developing a strategic workforce plan to help inform individual business planning.
Leadership, capability and motivating our people There is a risk that without effective capable leadership, our people become disengaged with the future direction of the agency.	During the year we have continued to develop our people. Ongoing action includes: • regular 'Let's Discuss' briefings created to enable managers to cascade key messages effectively; • motivating and engaging people through the agency's total reward package (including People Awards, bonus scheme and wellbeing strategy); and • continuing to build up our leadership communities.
Cyber threats and security There is a risk that we fail to implement and maintain effective cyber security capability, controls and response.	There has been a wide range of actions to mitigate this risk including: • working closely with the HMRC Cyber Security team to enable consistent and proportionate defence mechanisms are deployed; • comprehensive deployment of security induction and refresher training for all staff; • system security assurance undertaken in alignment with policy; and • user awareness campaigns deployed including 'think before you click' initiative.
Delivering transformation There is a risk that we are unable to deliver sustainable transformation that enables us to improve our services and live within our funding allocation.	We are delivering an ambitious transformation programme. Managing this effectively is crucial to our success. We are: • engaging our leadership team and colleagues in our transformation journey; • building a centralised programme and project management capability model; and • continuously improving the tools and supporting framework to enable effective change delivery.

Key risk	Key mitigating actions
Managing data and information There is a risk that we will not be able to access, protect and use the data and information necessary to complete transformation or fulfil our future role in a timely and efficient manner and in compliance with legislation.	To ensure the data we hold is reliable, up to date and acted upon we are: • working with our strategic partners to understand and establish options for data flow and exchange improvements; • identifying the data and information needs of new standardised processes; and • refreshing our policy and guidance to ensure regulation compliance.
Technology There is a risk that our business applications and supporting infrastructure may not meet our business needs, for example reliability, performance, data or ability to support other transformation.	To manage this risk we are: • establishing a technical strategy and road map in alignment to business requirement; • developing our capability to support heritage applications and infrastructure; and • ensuring required technology modernisation requirements are factored into future design work.
Check and challenge service There is a risk that the Check Challenge Appeal programme will not deliver a system that is suitable to business and agent users or that we are able to operate efficiently.	In order to mitigate this risk we are focusing on: • working with stakeholders to develop clarity around the priority improvements for the check and challenge service; • developing and publishing a clear plan for delivery of priorities; • developing operational contingency plans in case of spikes in volume; • seeking opportunities for process efficiency; and • ensuring the availability of appropriate management information.
More frequent revaluations There is a risk that we fail to deliver Revaluation 2021 in a way that achieves wider government policy objectives.	To mitigate this risk we are: • working closely with HMT and MHCLG to ensure the necessary legislative changes are in place; • developing our delivery plans, including how we will work with local authorities, professional bodies and trade associations in planning and delivering Revaluation 2021; and • working to ensure we have the skills and resources we need to deliver.

Changes from the 2016-17 risk profile

During the year we successfully managed two strategic risks to closure. The risk held in relation to failure to deliver Revaluation 2017 was closed in the early part of the year as the programme was delivered. The risk around the failure to exit smoothly from the Aspire technical contract, for the provision of IT services and equipment, was closed in late 2017 following successful management of our contract exit and transition to new suppliers.

As a result of the agency level risk refresh a number of risks were either merged or de-escalated to be managed at business stream level by the individual chief officer and their senior leadership teams. The second tier risks now managed below the Executive Committee level include risks relating to working with key stakeholders, meeting customer service commitments, the integrity of our valuations and property advice and contract management.

Accounting Officer's report

Overview

We follow HM Treasury guidance on internal controls, intended to provide reasonable assurance and maintain propriety. This is a proportionate approach and not intended to eliminate all risk of failure, so as Accounting Officer, I can only provide reasonable, not absolute, assurance.

The Board has delegated its powers of control on expenditure through a financial scheme of delegation, which establishes the limits within which individual officers are allowed to approve expenditure. Our commitments and resource allocation are published in our business plan and section 2 of this annual report summarises our performance against our objectives and KPIs.

Responsibilities within the VOA

Through annual letters of delegation, I delegate financial authority to each of the executive directors (Chief Officers) to manage the budget for their business areas within agreed financial limits, spending controls approvals and Managing Public Money guidelines. Each chief officer is supported by the Finance Director and their finance business partners. They cascade these delegations within their own business areas and financial authority limits are set at each stage.

Supporting this scheme of delegations is our financial controls framework, to ensure control standards are adhered to in all our financial processes. This helps mitigate the risk of financial loss through error or fraud, and helps ensure the integrity of the agency's financial statement. Each member of the Executive Committee has an agreed set of annual objectives which reflects their accountabilities and delegated authorities.

The individual Executive Committee members (Chief Officers) have provided a statement to me as Accounting Officer, with their assurances that they have operated a sound system of governance, risk and control in their business areas. This year we strengthened the approach by putting in place a standardised assurance checklist together with a review and challenge process by the Governance and Risk Management function and Internal Audit. The key themes from the individual chief officer statement and the review process have been discussed with me.

Oversight and scrutiny

As highlighted previously we have several senior forums which provide regular and robust oversight, scrutiny and assurance throughout the year. This includes the ExCom, ExCom P and ExCom T, the quarterly business reviews with HMRC and the ARAC.

Underpinning these senior forums each individual executive director (chief officer) has their own senior leadership and risk and issue management forums for their lines of business. There is an established process by which issues can be escalated from these to the relevant Executive Committee forum.

During the year we have reviewed our approach to performance reporting. ExCom P now focus on a smaller number of key metrics more closely aligned to our strategic objectives and we have also streamlined our reporting process. In addition consideration of strategic risks has been integrated into the performance discussions with a stronger focus on progress against mitigating action.

External reports and assurance

External reports on the agency are produced by external scrutiny bodies including the National Audit Office. We are working further to enhance external assurance within our overall control framework. To support this we have brought in external support to review the effectiveness of our arrangements in a number of key areas including benefits management.

Internal audit

Each year the Executive Committee and the ARAC agree the annual internal audit plan, taking a risk-based and prioritised approach to identify aspects of the business that should be audited.

As Accounting Officer, I am advised on internal control matters through audit reports (and other assurance reports at the Executive Committee). The ARAC also reviews and acts on internal audit reports.

The Head of Internal Audit submits an opinion statement to me as Chief Executive each year, providing assurance on the adequacy of the agency's framework of governance, risk management and control, based primarily on the 22 internal audits undertaken in 2017-18.

For the second year running an overall rating of 'limited' assurance was provided for year ended 31 March 2018. This indicates that there are some significant weaknesses in the agency's overall system of governance, risk management and control. This reflected specific issues relating to the controlled delivery of change, in particular on the Check, Challenge and Appeal programme and staff compliance with key corporate systems and the need to further strengthen second line assurance on these. As for last year the assurance relating to operational systems remains moderate.

However, the Head of Internal Audit has recognised the recent progress made over the latter part of the year to strengthen the second line assurance and the positive impact of simplifying the governance arrangements, centralising programme management, clarifying accountabilities and our closer alignment with HMRC.

Work is in progress to improve our overall internal control framework. We have undertaken an exercise to map out the controls and sources of assurance for all our key operational and corporate processes. This has enabled us to identify areas for improvements to further enhance our control activities and ensure they are integrated.

During the year we have also used our internal auditors in an advisory capacity to look specifically at areas where either we had identified a significant control issue, for example in the management of commercial contracts or where we sought improvement compared to best practice as in the case of capital budgeting. The findings broadly mirrored our own understanding and identified a number of areas for further improvement.

Control issues

Over the past year, we have actively managed a number of significant control issues that have presented a risk to the delivery of our core business.

- Our check and challenge service: delivery of this service is a major and complex digital programme. Issues with the check and challenge service have continued into 2017-18, with delays on the delivery of improved functionality. We have brought in additional resource from HMRC to strengthen our digital capability and re-planned the programme to mitigate the risk of further delays. To improve oversight the programme has been moved to the Chief Transformation Officer and is now managed within the overall transformation portfolio. This has provided greater delivery confidence on each scheduled release of functionality, and over the course of the year we have seen improvements to the system's stability.
- Financial control in contract management: during the year we uncovered a control failure which led to unapproved contract spend. Following this, our internal auditors were asked to undertake an advisory audit to identify key learning points for improving the agency's contract management. A number of recommendations were made to strengthen controls focused on ensuring accountabilities are understood, oversight is strengthened and monitoring and reporting of supplier spend is improved. All of these are being implemented. Action was taken to place the work on a sound contractual footing.
- Compliance with corporate processes: like last year there remains some weaknesses in compliance and assurance in corporate processes, for example around compliance with certain people management processes including management of leave and travel and subsistence. We have taken steps to address this, through improving our line management controls and putting in place additional lines of assurance. We have also taken steps to ensure that individuals understand the need to comply with corporate policies and systems, and that line managers are clear in respect of their assurance role.
- Quality assurance of official statistics: we identified an error in published official statistics relating to the stock of properties subject to business rates. We have already corrected the error and taken steps to ensure that the specific error will not recur. We have also improved our quality assurance processes for all of our statistical publications. We will be working with the Office for National Statistics during 2018-19 to review our wider policies and processes. The steps we have taken have been welcomed by the UK Statistics Authority.

Following on from last year, challenges remain in relation to the controlled delivery of change and governance around our transformation programme. There have been improvements towards year-end with more robust arrangements established. We have appointed a Chief Transformation Officer to enable centralised oversight and stewardship and brought all transformation programmes into his portfolio. Digital delivery and programme management resource capacity and capability is being strengthened with additional support and advice provided by HMRC.

Compliance with the Corporate Governance Code of Good Practice

I have reviewed the agency's compliance with the Corporate Governance Code of Good Practice issued in April 2017 and confirm that the agency complies with all of the requirements where appropriate. The code focuses on governance arrangements for ministerial departments and therefore there are elements not directly relevant to the agency, as an executive agency of HMRC, and a non-ministerial government department. For example the Board does not include ministers; non-executives are appointed on approval from HMRC's Accounting Officer and not the Secretary of State. However, we comply with the spirit and principles of the code in these areas to ensure good governance.

Following our review of governance arrangements early in 2018, there are a number of changes that I am making to strengthen compliance with the Code. For example re-focusing the role of the Board as an advisory function, along with streamlining the Board structure so that there is a balance of non-executive and executive members. In addition a lead non-executive will Chair the Board.

General Data Protection Regulation

In preparation for GDPR coming into effect on 25 May 2018, HMRC has appointed a Data Protection Officer (DPO), with the role scope also covering the VOA. Within the agency, we have established a GDPR project to co-ordinate activity necessary in order for us to demonstrate compliance with the principles set out in the regulation. This includes putting guidance, mandatory training and awareness initiatives in place for our entire workforce.

Conclusion

Our overall control framework and risk management and governance arrangements have continued to be strengthened during the year. The agency has faced significant challenges during the year in terms of balancing our ongoing operational delivery commitments to customers with our ambitious transformation agenda needed in order to meet our spending review reductions.

I recognise that the agency, like many other public bodies, will always have multiple risks to manage at any one time, however I am satisfied that the arrangements that we have begun to put in place during 2017-18 will address the control issues identified and provide a sound system of governance, risk management and internal controls that will support the agency's aims and objectives for 2018-19.

Melissa Tatton

Melissa Tatton CBE
Chief Executive
29 June 2018

Directors' report

The VOA Board
(as at 31 March 2018)

Melissa Tatton
Chief Executive and Accounting Officer

Mary Hardman
Chief Valuer

Aneen Blackmore
Chief Finance Officer

Philip Macpherson
Chief Digital and Information Officer

Jonathan Russell
Chief People Officer

Pedro Wrobel
Chief Strategy Officer

Graham Brammer
Chief Operating Officer

Tim Bianek
Chief Transformation Officer

Sue Hall
Non-Executive Director

Stephen Hughes
Non-Executive Director

Gurpreet Dehal
Non-Executive Director

Members of the Board

Full disclosure of the serving directors for 2017-18 is available in the Governance Statement and Remuneration Report of this document.

Pensions

For information on how the agency's pension liabilities are treated in the accounts, and more details on the pension schemes it operates, please see the Remuneration and Staff Report and Note 12.

Register of interests

For information on the agency's register of interests, please see page 33 of the Governance Statement.

Personal data related incidents

During 2017-18 there were eight personal data related incidents. All were assessed and considered as low impact and did not require reporting to the Information Commissioner's Office.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Valuation Office Agency (VOA) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of VOA and of its income and expenditure, application of resources, changes in taxpayers' equity and cash flows for the financial year.

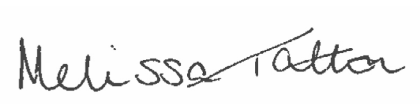
In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

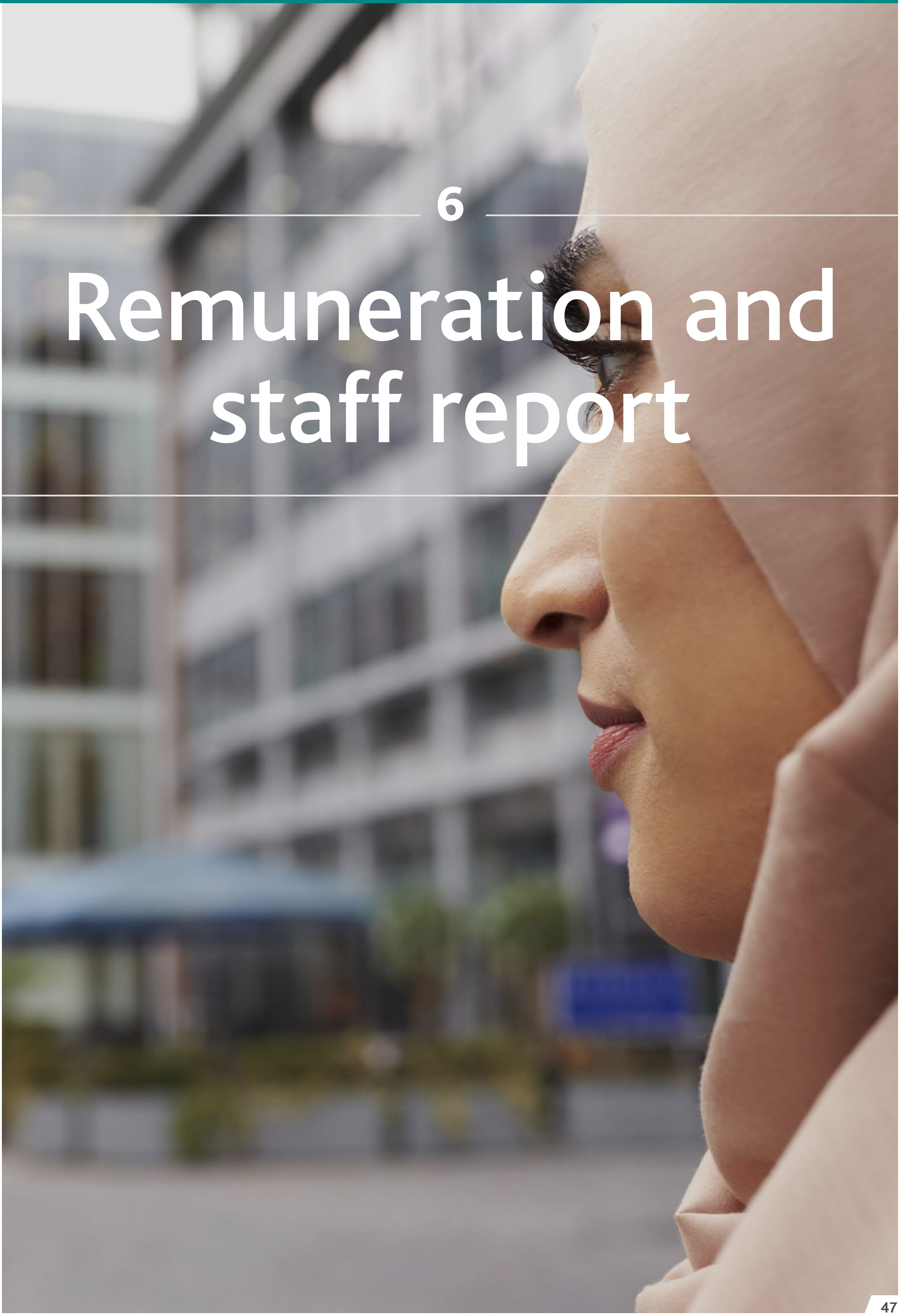
The Permanent Secretary and Principal Accounting Officer of HM Revenue and Customs has designated the Chief Executive of the Valuation Office Agency as Accounting Officer of VOA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the VOA's assets, are set out in Managing Public Money published by HM Treasury.

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

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



Melissa Tatton CBE
Chief Executive
29 June 2018



6 Remuneration and staff report

Remuneration report

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

Directors' remuneration

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

Contracts, notice periods and termination periods

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

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

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

The majority of the agency's people, including the executive directors, are employed on a permanent basis and are subject to statutory and Civil Service conditions of service. The non-executive directors are on renewable three year fixed-term contracts, with the assumption that the agency will not renew their contracts more than once. The agency employs a small number of its people on short-term contracts.

The agency made one payment to a past Board member in 2017-18 in line with contractual arrangements around their departure. The payment was made in 2017-18 however the cost was recorded in the agency's financial statements in 2016-17.

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

Salary and pension entitlements

The following section details the remuneration and pension interest of the agency's most senior people.

Salaries

These include:

- gross salary
- overtime[3]

3 No such payments were made during 2017-18.

- reserved rights to London weighting or London allowances[3]
- recruitment and retention allowance[3] and
- Private Office allowances and any other allowance to the extent that it is subject to UK taxation[3]

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

Directors' bonus payments

For Senior Civil Servants in the agency, bonus payments are awarded in relation to the performance of that individual throughout the year. The bonuses reported in 2017-18 relate to performance in 2016-17. The agency pays performance-related pay and bonuses in line with the scheme which applies to the Senior Civil Service as a whole.

Benefits in kind

The monetary value of benefits in kind covers any benefits an employer provides that HMRC treats as a taxable emolument. The benefits in kind in the table on page 52 for Board members relate to travel and subsistence payments paid for travel to a location which, due to the frequency of travel, is deemed to be a permanent place of work.

Compensation/third party payments

Other than as disclosed above, the agency did not make compensation payments to former senior managers this year or in the previous year.

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha**, as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined

3 No such payments were made during 2017-18.

benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Travel and subsistence reimbursements

Board members received payments to reimburse the out of pocket expenses they incurred in carrying out their duties.

Pay multiples (these disclosures are subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in the agency (excluding pension benefits) in 2017-18 was £145k-£150k (2016-17: £145k-150k). This was 5.31 times (2016-17: 5.29) the median remuneration of the workforce, which was £28,039 (2016-17: £27,847). The highest paid director's salary includes taxable travel to a second permanent workplace.

Total remuneration includes:

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

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

In 2017-18 (also in 2016-17) no employee received remuneration in excess of the highest paid director. Remuneration for all employees excluding pension benefits ranged from £16,828 to £145k-£150k (2016-17: £16,135 to £145k-£150k).

The information in this table is subject to audit.

Board members' remuneration information

	Salary £'000		Bonus payments £'000		Benefits in kind (to nearest £100) [1]		Pension benefits £'000		Total remuneration £'000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Melissa Tatton Chief Executive (appointed 4 September 2017)	75-80 (130-135 full year equivalent)	-	-	-	-	-	135-140	-	215-220	-
Penny Ciniewicz Chief Executive (until 3 September 2017) [2]	65-70 (130-135 full year equivalent)	125-130	-	-	-	100	5-10	70-75	70-75	190-195
Janet Alexander Chief People Officer (until 18 February 2018) [3][4]	80-85 (90-95 full year equivalent)	85-90	10-15	5-10	53, 800	50, 800	30-35	20-25	180-185	170-175
Tim Bianek Chief Transformation Officer (appointed 8 January 2018)	25-30 (115-120 full year equivalent)	-	-	-	-	-	15-20	-	45-50	-
Aneen Blackmore Chief Finance Officer (appointed 29 March 2018)	0-5 (105-110 full year equivalent		-		-		0		0-5	
Graham Brammer Chief Operating Officer (appointed 3 April 2017)	130-135	-	-	-	-	-		-	130-135	-
Mary Hardman Chief Valuer [5]	75-80	75-80	5-10	-	35,200	37,200	0-5	15-20	95-100	125-130
Philip Macpherson Chief Digital and Information Officer [6]	90-95	90-95	-	10-15	-	-	20-25	50-55	115-120	155-160
Craig Pemberton Chief Finance Officer (until 20 October 2017) [7]	60-65 (95-100 full year equivalent)	95-100	-	-	-	-	15	20-25	75-80	120-125
Pedro Wrobel Chief Strategy Officer	95-100	50-55 (90-95 full year equivalent)	0-5	-	-	-	65-70	55-60	165-170	105-110
Gurpreet Dehal Non-Executive Director	10-15	0-5 (10-15 full year equivalent)	-	-	-	-	-	-	10-15	0-5
Sue Hall Non-Executive Director	10-15	0-5 (10-15 full year equivalent)	-	-	-	-	-	-	10-15	0-5
Alison Hewett Non-Executive Director (until 30 April 2017)	0-5 (10-15 full year equivalent)	10-15	-	-	-	-	-	-	0-5	10-15
Stephen Hughes Non-Executive Director	10-15	0-5 (10-15 full year equivalent)	-	-	-	-	-	-	10-15	0-5

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

[2] The prior year pension figures for Penny Ciniewicz have been recalculated due to a retrospective change in pensionable pay.

[3] The benefit in kind for Janet Alexander is £30,800 (2016-17: £28,500) for the payment of hotel and travel costs travelling to her second permanent workplace incurred from 1 April 2017 to 31 March 2018. Taxation and National Insurance contributions relating to these payments amount to £23,100 (2016-17: £22,300).

[4] Janet Alexander left the agency on 18 February 2018. Following Janet's departure Matthew Baker (Director of Human Resources) covered her key responsibilities to ensure business continuity until a successor was appointed. Matthew was invited to Board meetings during this time but was not appointed as a Board member and continued in his existing role in addition to the covering some of the Chief People Officer responsibilities. As a result, his remuneration figures are not included in the table above or the Board Members' Pensions table below. Jonathan Russell took up post as Chief People Officer on 31 March 2018 on a contracted salary in the band of £100,000-£105,000. Under the terms of the transfer from the DWP we were not required to pay for Jonathan's salary for 31 March so he did not receive any remuneration from the agency in relation to 2017-18. Therefore he has not been included in the table above and in the Board Members' Pensions table below.

[5] The benefit in kind for Mary Hardman is £20,900 (2016-17: £21,700) for the payment of hotel and travel costs travelling to her second permanent workplace incurred from 1 April 2017 to 31 March 2018. Taxation and National Insurance contributions relating to these payments amount to £14,300 (2016-17: £15,500).

[6] During a period of unexpected absence, the agency appointed an interim, Andy Williams, to cover the responsibilities of the Chief Digital and Information Officer. The appointment was approved by the agency's Accounting Officer as the most expedient solution to ensure business continuity during a crucial period for the delivery of major VOA IT projects. Andy covered these responsibilities from 7 August until 18 December 2017. He continued to be engaged by the agency until 28 February 2018 to oversee and advise on the delivery of business critical projects. Andy was engaged off-payroll through an intermediary, and the agency did not pay any pension, benefits or bonus. The agency took all appropriate steps to ensure compliance with government legislation on off-payroll working through an intermediary. The intermediary received remuneration in the band of £95,000-100,000 in the period to 18 December 2017. Andy has not been treated as the highest paid director and has been excluded from the median pay disclosure because he was engaged on a short term basis and is paid by invoice to a limited company.

[7] Craig Pemberton resigned from the agency. His last day in the office was 31 July 2017 and his last day of service was 20 October 2017. The figures in the table above, and in the Board Members' Pensions table below, shows remuneration received until he left the agency on 20 October 2017. Following Craig's departure Toby Nerval (Director of Finance and Business Planning) covered Craig's key responsibilities to ensure business continuity until a successor was appointed. Toby was invited to Board meetings during this time but was not appointed as a Board member. He continued in his existing role in addition to covering some of the Chief Finance Officer responsibilities. As a result, his remuneration figures are not included in the table above or the Board Members' Pensions table below. Aneen Blackmore took up post as Chief Finance Officer on 29 March 2018.

The information in this table is subject to audit.

Board Members' Pensions

	Accrued pension at pension age - as at 31 March 2018 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
Melissa Tatton Chief Executive (appointed 4 September 2017)	40-45 plus 100-105 lump sum	5-7.5 plus 12.5-15 lump sum	743	605	106
Penny Ciniewicz Chief Executive (until 3 September 2017)	30-35 plus 100-105 lump sum	0-2.5 plus 0-2.5 lump sum	682	648	5
Janet Alexander Chief People Officer (until 18 February 2018)	35-40 plus 40-45 lump sum	0-2.5 plus 0-2.5 lump sum	649	583	29
Tim Bianek Chief Transformation Officer (appointed 8 January 2018)	25-30	0-2.5	357	342	12
Aneen Blackmore Chief Finance Officer (appointed 29 March 2018)	0-5	0-2.5	39	39	0
Graham Brammer Chief Operating Officer (appointed 3 April 2017)	[1]	[1]	[1]	[1]	[1]
Mary Hardman Chief Valuer	30-35 plus 95-100 lump sum	0-2.5 plus 0-2.5 lump sum	720	675	1
Philip Macpherson Chief Digital and Information Officer	30-35 plus 70-75 lump sum	0-2.5 plus a lump sum of 0	484	446	7
Craig Pemberton Chief Finance Officer (until 20 October 2017)	20-25	0-2.5	356	328	10
Pedro Wrobel Chief Strategy Officer	20-35	2.5-5	246	203	25

[1] Not an active member of the Civil Service pension scheme

[2] Andy Williams, Gurpreet Dehal, Sue Hall, Alison Hewett and Stephen Hughes are not in the Civil Service pension scheme.

Staff numbers and related costs (these figures are subject to audit)

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

(a) Staff numbers and costs

Average number of persons employed	Permanently employed staff		Others		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Non-Domestic Rating, Council Tax and Corporate Services	2,730	2,779	180	234	2,910	3,013
Property Services and Statutory Valuations Team	321	326	9	11	330	337
Local Housing Allowances and Fair Rents (former Rent Service)	140	167	-	-	140	167
	3,191	**3,272**	**189**	**245**	**3,380**	**3,517**

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

Staff costs comprise

	Permanently employed staff (£'000)		Others (£'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Wages and salaries	102,029	106,773	5,659	8,162	107,688	114,935
Social security costs	10,898	10,837	181	250	11,079	11,087
Other pension costs	22,084	22,880	520	719	22,604	23,599
	135,011	**140,490**	**6,360**	**9,131**	**141,371**	**149,621**
Less recoveries in respect of outward secondments	(195)	(107)	-	-	(195)	(107)
Total staff costs	**134,816**	**140,383**	**6,360**	**9,131**	**141,176**	**149,514**

The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2017-18 was £1.3 million (2016-17: £1.7 million), and the total consultancy expenditure within staff costs for 2017-18 was £nil (2016-17: £nil).

Pension past service cost

A number of the agency's people are members of the Local Government Pension Scheme. Details of this scheme can be found in Note 12.

Civil Service pensions

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

For 2017-18, employer contributions of £20.9 million (2016-17: £21.7 million), were payable to the PCSPS and alpha at one of four rates in the range 20.0% to 24.5% (2016-17: 20.0% - 24.5%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years, following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £138,731 (2016-17: £124,469) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. The agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,470, 0.5% of pensionable pay (2016-17: £5,042, 0.5% of pensionable pay) were payable to the PCSPS and alpha to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £23,194 (2016-17: £10,382).

Six employees retired on ill-health grounds during 2017-18, with a total additional accrued pension liabilities of £351,896.42 (there were five in 2016-17 with a total additional accrued pension liability of £23,901).

(b) Early departure costs

	2017-18	2016-17
	£'000	£'000
Additional provisions made	3,279	1,911
Costs during the year	438	839
Unwinding of one year's discount	-	-
Change in the discount rate	-	3
Unused amounts reversed	(257)	(73)
Total in-year costs	**3,460**	**2,680**

The table below sets out the number of formally agreed exit packages in the year, divided into bands of cost. These disclosures are subject to audit.

Exit package cost by band	No. compulsory redundancies		No. other departures		Total no. exit packages by band	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
< £10,000	-	-	-	2	-	2
£10,001 - £25,000	-	-	8	21	8	21
£25,001 - £50,000	-	-	8	31	8	31
£50,001 - £100,000	-	-	3	16	3	16
£100,001 - £150,000	-	-	2	-	2	-
Total no. exit packages by type	**-**	**-**	**21**	**70**	**21**	**70**
Total operating cost (£'000)	**-**	**-**	**938**	**2,401**	**938**	**2,401**

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

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

Reporting on the tax arrangements of public sector appointees

We report to HM Treasury about off-payroll appointments of more than six months and more than £245 a day. From 6 April 2017, reforms to intermediaries legislation (known as IR35) came into effect. These changed the rules for off payroll people working in the public sector and moved the obligation to determine tax status from the contractor to the engager.

We have implemented changes to comply with the reforms and have determined the employment status of our contractors and conveyed these status views to our suppliers. Details of our contractors, who are in scope of the reformed legislation, are provided in Tables 1 and 2:

Table 1: All off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months

	Valuation Office Agency
Number of existing engagements as of 31 March 2018	**1**
of which...	
No. that have existed for less than one year at time of reporting.	**0**
No. that have existed for between one and two years at time of reporting.	**1**
No. that have existed for between two and three years at time of reporting.	**0**
No. that have existed for between three and four years at time of reporting.	**0**
No. that have existed for four or more years at time of reporting.	**0**

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

Table 2: All new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months

	Valuation Office Agency
No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	**6**
Of which…	
No. assessed as caught by IR35	**6**
No. assessed as not caught by IR35	**0**
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	**0**
No. of engagements reassessed for consistency / assurance purposes during the year.	**5**
No. of engagements that saw a change to IR35 status following the consistency review	**0**

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

	Valuation Office Agency
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**1***
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	**12**

* The appointment of an Interim VOA Chief Digital and Information Officer (and VOA Board member) was required to ensure business continuity during a crucial period for the delivery of major VOA IT projects and lasted for just over four months, ending 18 December 2017. The appointment was approved by the agency's Accounting Officer as the most expedient solution to cover a period of unexpected, longer term leave for the Chief Digital and Information Officer.

Staff report

Our staff and senior civil servants numbers

On 1 April 2018 we had 3,232 full-time equivalent (FTE) people working for us, including senior management.

During 2016-17, we implemented new controlled recruitment processes that focused on filling those roles identified as business critical. This supported our wider workforce strategy to ensure we maximised the opportunities provided by natural wastage. Since 1 April 2017 we have reduced our headcount by 162 (net).

In 2017-18, 316 people left the agency, and we recruited 154 new joiners, making sure we have the right skills in the right places. We facilitated a number of internal moves to resource the introduction of the new business rates appeal system for England (the check and challenge service) At the SEO grade we established a rotation policy to rebalance resources between Business Rates, Property Services and the Statutory Valuation team.

Senior Civil Service (SCS)

As of 1 April 2018 we have 23 SCS employees and 23 SCS posts.

“At SEO grade we established a rotation policy to rebalance resources.”

Data as of 1 April 2018 (headcount not FTE)

Grade	Total
SCS3	1
SCS2	6
SCS1	16

Data as of 1 April 2018 (headcount not FTE)

Grade	Female	Male	Total
SCS	9	14	23
Other staff	1,742	1,750	3,492
Totals	1,751	1,764	3,515

Health, safety, wellbeing and charitable engagement

Our sickness absence levels remained stable in 2017-18 with an average of 6.2 working days lost per person as at March 2018, the same as at March 2017. This remains well below the Civil Service target of not exceeding 7 days per person. Our managers continue to monitor sickness absence through our attendance management systems, and performance hubs, which enable us to take early action to support our people if we identify concerns.

We launched our health, safety and wellbeing strategy in September 2017. The strategy focuses on taking a proactive approach to supporting the mental and physical

> “Our strategic approach to health and wellbeing ensures that we work closely with all our diversity champions and their groups.”

wellbeing of our people. This is particularly important as the agency introduces unprecedented changes to its working practices and equipment in 2018 and continues to move people into fewer offices. As diversity and inclusion is equally important, our strategic approach to health and wellbeing ensures that we work closely with all our diversity champions and their groups.

Our strategy aligns with the Civil Service health and wellbeing priorities with a particular focus on mental health, musculoskeletal and promoting healthy living. In support of this we:

- implemented an action plan in response to our annual health check (an annual report looking at the key wellbeing measures for the agency);
- promoted local wellbeing initiatives, such as lunchtime yoga classes and walking (steps) challenges;
- continued to actively support mental health events such as Time to Talk Day as well as promoting health, safety and wellbeing through monthly publications and initiatives; and
- launched a confidential support service pilot in September, which meets the wider Civil Service Mental Health First Aiders requirement. Following evaluation, we hope to roll this out across the whole agency in 2018.

Health and safety remains a Board priority, and our Chief Operating Officer is the agency’s Health, Safety and Wellbeing champion.

We continue to monitor health and safety performance and compliance in key areas, such as driving at work, use of laser measures on site and completion of mandatory health and safety learning. We also make considerable efforts on lone worker compliance to ensure all lone workers return safely home or to their place of work. During the year, overall compliance for our lone workers peaked at 98%, which maintained the level of compliance achieved in 2016-17.

The number of health and safety incident reports received in 2017-18 was 78 compared to the 99 recorded in 2016-17. There have been no significant trends or issues identified, with just one reportable incident under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

We continue to place importance on raising health and safety awareness amongst our people. We achieve this by publishing a summary of the incident reports received every quarter. We also hold regular events such as road safety, personal safety and our own musculoskeletal awareness week.

We are fully committed to embracing the Civil Service Diversity and Inclusion agenda and Brilliant Civil Service goals. We display this commitment by progress against our own diversity and inclusion objectives as explained in the Performance Analysis section of this document and our policies for recruitment, performance, training, development and career progression all focus on inclusiveness.

We were awarded Disability Leader Status by DWP

We were also awarded the Disability Leader Status – the highest accreditation level of the Disability Confident scheme awarded by DWP – which recognises our disability friendly policies from recruitment through to training and talent.

Declared ethnicity category of employees

	BAME	% BAME	White	% White	Chose not to declare	% Chose not to declare
SCS, grade 6 and grade 7	10	2.72%	319	86.92%	38	10.35%
All other employees (AA – SEO grade)	305	12.82%	1,872	78.66%	203	8.53%

Our ethnicity data is drawn from information voluntarily provided by our employees. Of our 3,515 employees at 1 April 2018, 2,747 (78.15%) have provided a response.

We are committed to supporting our Black, Asian and Minority Ethnic (BAME) colleagues and increasing representation in line with wider Civil Service aspirations. Internally, our Race Diversity Group have launched a Mentor Me scheme and colleagues also have access to specific development programmes across the Civil Service. We are included in HMRC's ambitious goals for representation at Senior Civil Service level and will be working closely with them over the next year to achieve those goals.

Gender pay gap analysis

	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£13.66	£16.05	14.8%
Median	£12.16	£14.54	16.3%

We have reported on male and female pay comparisons for a number of years through regular equal pay reviews. In 2017 the government introduced legislation that made it statutory for organisations with 250 or more employees to report annually on their gender pay gap. The agency reported on these requirements on 18 December 2017 by publishing them on the government's online gender pay gap service.

The gender pay gap figures above show the difference in the mean and median rates of pay between men and women in the agency for base pay using March 2017 data. The difference is expressed as a percentage of the hourly rate of pay for male and female employees.

These headline figures take no account of our grade structure, the different ratio of women and men within each grade, or the different national and London pay rates. Therefore the results were analysed further in the report we published on the online gender pay gap service.

7

Parliamentary accountability and audit report

Fees and charges (these disclosures are subject to audit)

For details of the agency's fees and charges income, please see Note 3 to the accounts.

Remote contingent liabilities (these disclosures are subject to audit)

A remote contingent liability is where the likelihood of settlement is too remote to meet the definition of a contingent liability. The agency has no quantifiable remote contingent liabilities as at 31 March 2018.

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

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

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

Losses and special payments (these disclosures are subject to audit)

The agency has incurred losses and made special payments throughout the year, all of which are below the threshold of £0.3m for reporting separately.

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

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

Regularity of Expenditure (these disclosures are subject to audit)

The Accounting Officer is able to identify any material irregular or improper use of funds by the department, or material non-compliance use of funds.

There have been no instances of material irregularity, impropriety or funding noncompliance discovered during the financial year. If any instances are identified after the date of this statement, these will be notified to the Accounting Officer.

Melissa Tatton

Melissa Tatton CBE
Chief Executive
29 June 2018

Certificate and report of the Comptroller and Auditor General

Opinion on financial statements

I certify that I have audited the financial statements of Valuation Office Agency for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies set out within them. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Valuation Office Agency's affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Valuation Office Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Valuation Office Agency's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Valuation Office Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 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.

Other Information

- The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

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 Accountability Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse	Date
	05 July 2018

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

8

Annual accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 Total £'000	Re-presented 2016-17 Total £'000	As published 2016-17 Total £'000
Total operating income		**44,681**	**45,514**	**205,414**
Staff costs	4	(144,636)	(152,194)	(152,194)
Purchase of goods and services	4	(41,239)	(43,089)	(43,089)
Provision expense	4	(952)	(651)	(651)
Other operating expenditure	4	582	(443)	(443)
Depreciation, amortisation and impairment charges	4	(7,603)	(9,370)	(9,370)
Total operating expenditure		**(193,848)**	**(205,737)**	**(205,737)**
Net expenditure for the year		**(149,167)**	**(160,223)**	**(323)**
Other comprehensive expenditure:				
Net gain on revaluation of intangible assets	6	254	57	57
Actuarial gain on pension fund	12	10,174	9,919	9,919
Total comprehensive net (expenditure) / income		**(138,739)**	**(150,304)**	**9,653**

The notes on pages 76 to 102 form part of these accounts.

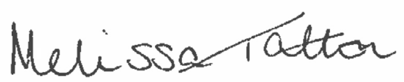
With effect from 2017-18, the agency began to receive its funding to undertake valuations for local taxation purposes through the Parliamentary Supply process from its parent department HMRC. Previously this funding was provided by MHCLG.

Consequently, as agreed with HM Treasury, this funding is no longer recognised as income in the Statement of Comprehensive Net Expenditure above and is instead recognised in the Statement of Changes in Taxpayers' Equity. To allow for a meaningful comparison of year-on-year performance, the agency has re-presented its financial statements for 2016-17 as if this new policy had always been applied. The same principles have been applied in the Statement of Cash Flows on page 73, the Statement of Changes in Taxpayers' Equity on page 74 and the segmental reporting, note 3. Further detail on the impact on the financial statements is contained within note 2.

Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	8,751	10,261
Intangible assets	6	19,914	18,637
Prepayments	7	173	172
Pension asset	12	10,379	1,083
Total non-current assets		**39,217**	**30,153**
Current assets			
Trade and other receivables	7	8,854	8,609
Work in progress		2,271	1,899
Cash and cash equivalents	8	25,310	18,437
Total current assets		**36,435**	**28,945**
Total assets		**75,652**	**59,098**
LIABILITIES			
Current liabilities			
Trade and other payables	9	(19,875)	(19,591)
Short term provisions	11	(4,687)	(1,743)
Amounts payable to the Consolidated Fund	9	(1,173)	(672)
Total current liabilities		**(25,735)**	**(22,006)**
Total assets less current liabilities		**49,917**	**37,092**
Non-current liabilities			
Long term provisions	11	(7)	(26)
Liability in respect of PFI assets	9	(76)	(103)
Total non-current liabilities		**(83)**	**(129)**
Total assets less total liabilities		**49,834**	**36,963**
TAXPAYERS' EQUITY			
General fund		49,264	36,432
Revaluation reserve		570	531
Total taxpayers' equity		**49,834**	**36,963**

The notes on pages 76 to 102 form part of these accounts.



Melissa Tatton CBE
Chief Executive
29 June 2018

Statement of Cash Flows for the year ended 31 March 2018

		2017-18	Re-presented 2016-17	As published 2016-17
	Note	£'000	£'000	£'000
Cash flows from operating activities				
Net expenditure for the year		**(149,167)**	**(160,223)**	**(323)**
Adjustments for:				
Depreciation of property, plant and equipment	5	2,991	3,347	3,347
Amortisation of intangible assets	6	4,612	5,070	5,070
Net loss on disposal of non-current assets	5/6	389	195	195
Net loss on impairment of non-current assets	5/6	-	953	953
Creation and reversal of provisions	11	3,974	2,489	2,489
Use of provisions	11	(1,049)	(2,448)	(2,448)
Unwinding of the discount on provisions	11	-	3	3
Change in the discount rate on provisions	11	-	-	-
Notional auditor's remuneration	4	72	72	72
Pension fund expenditure passing through the SoCNE	12	1,616	1,762	1,762
Movements on pension liability and pension fund income & expenditure not passing through the SoCNE		(738)	(760)	(760)
Pension fund contribution not passing through SoCNE		851	791	791
(Increase)/Decrease in trade and other receivables	7	(246)	1,798	1,798
(Increase)/Decrease in work in progress		(372)	54	54
Increase/(Decrease) in trade and other payables and other liabilities	9	758	(2,086)	(2,086)
Less movements in payables relating to items not passing through operating costs		(480)	(137)	(137)
Net cash inflow/(outflow)		**(136,789)**	**(149,120)**	**10,780**
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(1,873)	(3,199)	(3,199)
Purchase of intangible assets	6	(5,644)	(8,997)	(8,997)
Net cash outflow from investing activities		**(7,517)**	**(12,196)**	**(12,196)**
Cash flows from financing activities				
Parliamentary funding received		150,700	159,900	-
Receipts on behalf of the Consolidated Fund		501	386	386
Capital element of payments in respect of on-balance sheet PFI assets		(22)	(18)	(18)
Net cash inflow from financing activities		**151,179**	**160,268**	**368**
Net increase/(decrease) in cash and cash equivalents in the period		**6,873**	**(1,048)**	**(1,048)**
Cash and cash equivalents at the beginning of the period	8	**18,437**	**19,485**	**19,485**
Cash and cash equivalents at the end of the period	8	**25,310**	**18,437**	**18,437**

The notes on pages 76 to 102 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

		2017-18			Re-presented 2016-17		
	Note	General fund £'000	Revaluation reserve £'000	Total reserves £'000	General fund £'000	Revaluation reserve £'000	Total reserves £'000
Opening balance		**36,432**	**531**	**36,963**	**25,442**	**1,007**	**26,449**
Changes in taxpayers' equity for the period							
Comprehensive net expenditure							
Parliamentary funding received		150,700		150,700	159,900		159,900
Net gain on revaluation of intangible assets	6	-	241	241	-	55	55
Net expenditure for the year		(149,167)	-	(149,167)	(160,223)	-	(160,223)
Actuarial gain on pension fund	12	10,174	-	10,174	9,919	-	9,919
Total comprehensive net expenditure		11,707	241	11,948	9,596	55	9,651
Transfers and other reserve movements							
Third party pension liability payments	12	851	-	851	791	-	791
Realised and transferred to general fund		202	(202)	-	531	(531)	-
Notional charges - auditor's remuneration	4	72	-	72	72	-	72
Total recognised income and expense for the year		**12,832**	**39**	**12,871**	**10,990**	**(476)**	**10,514**
Balance carried forward		**49,264**	**570**	**49,834**	**36,432**	**531**	**36,963**

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

		As published 2016-17		
	Note	**General fund** £'000	**Revaluation reserve** £'000	**Total reserves** £'000
Opening balance		**25,442**	**1,007**	**26,449**
Changes in taxpayers' equity for the period				
Comprehensive net expenditure				
Net gain on revaluation of intangible assets	6	-	55	55
Net expenditure for the year		(323)	-	(323)
Actuarial gain on pension fund	12	9,919	-	9,919
Total comprehensive net expenditure		9,596	55	9,651
Transfers and other reserve movements				
Third party pension liability payments	12	791	-	791
Realised and transferred to general fund		531	(531)	-
Notional charges - auditor's remuneration	4	72	-	72
Total recognised income and expense for the year		**10,990**	**(476)**	**10,514**
Balance carried forward		**36,432**	**531**	**36,963**

The amounts realised and transferred to the general fund relate to previously revalued assets. The reserve is released as these assets are depreciated, so that when the assets reach the end of their useful economic life, there is no longer a corresponding figure in the revaluation reserve. Similarly, when a previously revalued asset is disposed, the remaining balance in the revaluation reserve for that asset is transferred to the general fund.

The notes on pages 76 to 102 form part of these accounts.

Notes to the agency's accounts

1. Statement of accounting policies

As the VOA is a government entity, the financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the agency has selected the accounting policy which is most appropriate to provide a true and fair view. The agency's accounting policies are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

The accounts have been prepared on a going concern basis.

1.2 Property, plant and equipment

On initial recognition, the agency recognises property, plant and equipment assets at cost, including all costs directly attributable to bringing them into working condition. Assets under construction costs are accumulated until the asset is completed and ready to be brought into service when the asset is transferred to the relevant asset class and depreciation commences. Non-property assets are valued on a depreciated historical cost basis as a proxy for value in existing use as they are non-specialised, low value and of short lives.

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

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

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

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

When the agency disposes of revalued property, plant and equipment, any remaining amount attributable to the asset held in the revaluation reserve is transferred to the general fund.

Depreciation

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

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

Asset class	Recognition threshold	Estimated useful life
Accommodation refurbishments	£15,000	4 years or period of lease, whichever is shorter
Office equipment	£5,000	Up to 7 years
IT hardware	£5,000	Up to 5 years
Furniture and fittings	£5,000	Up to 10 years
Telecommunications equipment	£5,000	5 years

Expenditure falling below these values is expensed in the Statement of Comprehensive Net Expenditure. Where appropriate, individual assets falling below the minimum value for capitalisation are grouped and thus capitalised. Individual assets above the recognition threshold are also grouped, usually at the time of purchase, and within asset classes where the estimated useful lives are the same. Intangible assets are also grouped on a similar basis (see Note 1.3).

PFI assets recorded under IFRIC 12 are depreciated over the shorter of the estimated useful economic life of the asset or the remaining lease term.

1.3 Intangible assets

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

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

Assets under construction costs are accumulated until the asset is ready to be brought into service when the asset is transferred to the relevant asset class and amortisation commences. On initial recognition, the agency values intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, the agency accounts for developed software on a fair value basis using modified historical cost. This involves applying a revaluation index using appropriate indices from the Office for National Statistics . Indices are applied annually on 31 March if there is any material change in the carrying values of the assets. The treatment of changes in valuation is the same as that used for property, plant and equipment (see Note 1.2).

Amortisation

Intangible assets are amortised over their estimated useful lives on a straight line basis. The useful lives of intangible assets are detailed in the table below.

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

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

1.4 Grouped assets

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

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

a. the items are functionally interdependent;

b. the items are acquired at about the same date, or as part of work on the same project, and are planned for disposal at about the same date;

c. the items are under single managerial control; and,

d. each grouped asset is over the capitalisation threshold for that asset class.

1.5 Impairment of non-financial assets

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

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

1.6 Financial assets

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

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

Until 31 March 2017, all debts aged over 90 days were included in the allowance for doubtful debt. As the majority of our debt sits with public sector organisations, we no longer consider this treatment to be appropriate. Any debts considered to be uncollectable will be considered for separate write-off.

Allowance for work in progress is also reviewed. Recovery is estimated based on a four year weighted average recovery rate; amounts considered to be non-recoverable are provided for.

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

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

1.7 Work in progress

Work in progress is classed as a financial asset. It is valued at amortised cost. It represents income recognised due to progress on work that is not yet complete (see Note 1.14). The cost is calculated using records of time spent on the work and our hourly charge rate which reflects the estimated full cost of the service, as required by 'Managing Public Money'. Work in progress is measured net of provisions for foreseeable losses on current contracts and for irrecoverable amounts.

1.8 Cash and cash equivalents

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

1.9 Liabilities

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

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

Other liabilities consist of PFI-related liabilities, provisions and statutory liabilities, as well as any trade payables, accruals or deferred income that are not financial liabilities. On initial recognition they are measured at fair value. Subsequently, accruals and trade payables are measured at amortised cost and deferred income is measured at cost. The treatment of PFI related liabilities is described in Note 1.12.

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

1.10 Provisions for liabilities and charges

Provisions are made where, at the reporting date, a legal or constructive liability (a present obligation arising from a past event) exists, for a probable transfer of economic benefits and for which a reasonable estimate can be made. Where obligations are less certain, or cannot be reliably estimated, the agency discloses them as contingent liabilities.

1.11 Employee benefits

Pensions

The agency operates two different pension arrangements.

a) Civil Service Pension Schemes

Principal Civil Service Pension Scheme (PCSPS)

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

The Civil Servants and Others Pension Scheme (alpha)

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

The PCSPS and alpha schemes are accounted for as defined contribution scheme despite being defined benefit schemes. Owing to the largely unfunded, multi-employer nature of the schemes, it is not possible to identify the assets and liabilities associated with any one employer. Actual contributions to the scheme are used as the basis for the charge to the Statement of Comprehensive Net Expenditure. The agency does not recognise any PCSPS or alpha assets or liabilities.

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

b) Local Government Pension Scheme (LGPS)

The agency merged with The Rent Service in April 2009, taking on staff who are members of the LGPS. This is a funded defined benefit scheme. Entitlement to benefits accrued up to 31 March 2014 is based on a scheme member's final salary. Entitlement to benefits accrued thereafter is based on career average earnings.

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

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

The scheme managers carry out a formal valuation of the scheme's assets and liabilities for the purpose of setting employers' contributions every three years. The last valuation was at 31 March 2016.

The agency records non-cash service costs and net interest costs (comprising interest income on the assets and interest expense on the liabilities), which are both calculated with reference to the discount rate, and administration expenses as operating costs in the Statement of Comprehensive Net Expenditure in the period in which they occur.

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

Annual leave

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

Early departure costs

Costs of early departures are recognised when the agency is committed to the departure. They are disclosed in the Remuneration and Staff Report. The increased pension liabilities in respect of LGPS members due to early departures are recognised within the pension liability (Note 12). Liabilities in respect of other departures are recognised in the provision for early departure and additional pension commitments.

1.12 Private Finance Initiative (PFI) transactions

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

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

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

For on-balance sheet PFI schemes, the agency separates the annual payments into the following component parts, using appropriate estimation techniques where necessary:

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

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

Details of the agency's PFI arrangements can be found in Note 14.

1.13 Leases

The agency's non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by the agency under operating lease agreements are charged to the Statement of Comprehensive Net Expenditure over the period of the lease term, in order to reflect the consumption of economic benefit. Future obligations for the lease rentals for the period ended 31 March 2018 are disclosed in Note 13.

1.14 Operating income

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

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

The agency recognises revenue when:

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

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

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

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

Where the agency charges for access to its information, it complies with HM Treasury and National Archives guidance.

Following a ministerial review, with effect from 1 April 2017 the agency began to receive its funding to undertake property valuations for local taxation purposes through the Parliamentary Supply process from its parent department HMRC. Previously this funding was provided by the Ministry of Housing, Communities and Local Government.

Consequently, as agreed with HM Treasury, this funding is no longer recognised as income in the Statement of Comprehensive Net Expenditure and is instead recognised in the Statement of Changes in Taxpayers' Equity. In line with International Accounting standards we do not consider this to be a change in accounting policy as it relates to a kind of event that did not previously occur. However to allow for a meaningful comparison of year-on-year performance, the agency has re-presented its financial statements for 2016-17 as if this new policy had always been applied.

1.15 Value Added Tax (VAT)

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

1.16 Civil penalties

Civil penalties are levied for the failure to submit Forms of Return deemed essential for the assessment of rateable values. The receipt of these penalties is not accounted for in the Statement of Comprehensive Net Expenditure, as the agency has no claim on them and must surrender them to the Consolidated Fund. Therefore they are recognised as a liability on the Statement of Financial Position and shown as receipts and payments in the Statement of Cash Flows.

1.17 Immaterial account areas

Where balances or transactions are not material, they may not be disclosed separately in these accounts. This has resulted in the removal of some notes and disclosures from the prior year.

1.18 Critical accounting judgements and key sources of estimation uncertainty

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

- **Provisions for legal claims and early departures (Note 11)**

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

Regarding early departures, there is not normally any doubt that the liability exists, but it is necessary to estimate the future cash flows based on quotes from the agency's pensions administrator. Cash flows are also subject to a discount factor. The Treasury pension discount rate is applied, currently 0.1%. In certain cases there may be doubt as to whether past events create an obligation on us to pay early departure costs. The agency considers the status of its plans, announcements to staff and other factors and judgement is used to determine whether the agency has an obligation.

- **Measurement of the LGPS pension asset/liability (Note 12)**

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

- **Measurement of the employee leave accrual (Note 9)**

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

2. Re-presentation of 2016-17 Financial Statements

As stated in our accounting policies note, from 1 April 2017 there was a change in the source of the larger portion of the agency's funding. Consequently instead of being recorded as income within the Statement of Comprehensive Net Expenditure (SoCNE) it is now treated via equity as vote funding from a controlling party. This change was agreed by HM Treasury. Whilst these new funding arrangements were not in place in 2016-17, the prior year SoCNE, Statement of Cash Flows (SoCF) and Statement of Changes in Taxpayers' Equity (SoCTE) have been re-presented to provide a meaningful comparison. The amounts re-presented are:

		As published 2016-17 £000s	Movement £000s	Re-presented 2016-17 £000s
SoCNE	Income	205,414	(159,900)	45,514
	Net expenditure for the year*	(323)	(159,900)	(160,223)
SoCF	Net expenditure for the year*	(323)	(159,900)	(160,223)
	Net cash requirement received	0	159,900	159,900
SoCTE	Net expenditure for the year*	(323)	(159,900)	(160,223)
	Parliamentary funding received	0	159,900	159,900

* Previously Net operating deficit

3. Operating segments for the year ended 31 March 2018

The agency discloses performance results for the areas of its activities where fees and charges are made in line with the Government Financial Reporting Manual requirements. In accordance with IFRS 8, the agency has identified four key factors to distinguish our reportable operating segments. These are that:

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

The chief operating decision-maker is the agency's Board. The segmental information below is based on the information presented to the Board. The Board reviews financial information based on four reportable segments:

Non-domestic rating and Council Tax

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

The major client for this service is HMRC, which contributes £150.7 million or 94% of the segment's income. In 2016-17, the funding of £159.9 million or 95% of income for this segment was provided by MHCLG. Under new arrangements for 2017-18, this funding has been treated as income for the purposes of the segmental reporting note, although it is now accounted for through the Statement of Changes in Taxpayers' Equity in line with HM Treasury rules.

Statutory Valuations team

Delivery of valuation advice for national taxes, principally Inheritance Tax and Capital Gains Tax to HMRC; for the operation of Right to Buy and Community Infrastructure Levy provisions for MHCLG £1.7 million (2016-17: £2.9 million) and for the assessment of entitlements to benefits from DWP.

Property Services

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

Local Housing Allowances and fair rents

Rent assessment services are used for assessing Housing Benefit claims and for determining fair rents in accordance with the Rent Act 1977. The segment's principal client is the DWP, but additional work done is carried out for MHCLG, contributing £2.0 million (2016-17: £2.2 million).

Corporate services costs are distributed across all four operating segments.

	2017-18			As published 2016-17		
	Income from fees and charges	Full cost of providing services	Surplus / (deficit)	Income from fees and charges	Full cost of providing services	Surplus / (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Domestic Rating and Council Tax	159,558	157,553	2,005	168,742	167,682	1,060
Statutory Valuations team	10.051	10,349	(298)	11,791	11,355	436
Property Services	16,250	15,401	849	14,672	14,553	119
Local Housing Allowances and fair rents	9,522	8,929	593	10,209	10,385	(176)
Total	**195,381**	**192,232**	**3,149**	**205,414**	**203,975**	**1,439**

Reconciliation to Statement of Comprehensive Net Expenditure

	2017-18	Re-presented 2016-17	As published 2016-17
	£'000	£'000	£'000
Surplus per above	3,149	1,439	1,439
Funding now shown in SoCTE	(150,700)	(159,900)	-
Non-cash pension costs not recovered from clients	(1,616)	(1,762)	(1,762)
Total net comprehensive expenditure	**(149,167)**	**(160,223)**	**(323)**

The agency's Board does not require an analysis of assets or liabilities by segment for the purposes of allocating resource or assessing performance. Accordingly no analysis is included in these financial statements.

4. Expenditure for the year ended 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Staff costs			
Wages and salaries		107,688	114,935
Social security costs		11,079	11,087
Other pension costs		22,604	23,599
Less recoveries in respect of outward secondments		(195)	(107)
		141,176	**149,514**
Early departure costs		**3,460**	**2,680**
Purchases of goods and services			
IT service charges		6,337	9,396
Accommodation excluding non-domestic rates		11,116	11,976
Travel and subsistence		5,007	5,450
Accommodation - non-domestic rates		2,551	2,526
HMRC service charges		1,724	1,714
Other computing costs		6,674	3,459
Management and IT consultancy		-	19
Telephone charges		794	1,046
Postage and couriers		1,093	1,318
External training		912	910
Research and development		135	476
Contracted-out services		2,371	2,318
Subscriptions		1,384	1,184
Legal claims and services (excluding movement in provisions)		420	231
Printing, stationery and distribution		203	280
Rentals under operating leases		48	69
PFI Finance Charges		30	34
Sundry costs		440	683
		41,239	**43,089**
Provision expense			
Provision movements in-year		952	651
		952	**651**
Other operating expenditure			
Auditors' notional remuneration		72	72
Losses and special payments		109	65
Net loss on disposal of non-current assets		389	195
Increase in provision for doubtful debt		(1,152)	101
		(582)	**433**
Depreciation, amortisation and impairment charges			
Depreciation of property, plant and equipment	5	2,991	3,347
Amortisation of intangible assets	6	4,612	5,070
Impairment of non-current assets	5/6	-	953
		7,603	**9,370**
Gross operating cost		**193,848**	**205,737**

A further breakdown of staff costs, as well as details on pensions and exit packages, can be found on pages 55 to 57 in the Remuneration and Staff Report.

Details of the opening and closing balances of the provision for early retirement and pension obligations can be found in Note 11.

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

5. Property, plant and equipment

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2017	1,867	10,663	1,592	13,408	5,634	**33,164**
Additions	-	-	1,873	-	-	**1,873**
Disposals	-	(2,363)	-	(2,271)	(381)	**(5,015)**
Write-offs	-	-	-	(5)	-	**(5)**
Reclassifications	-	996	(3,051)	1,542	509	**(4)**
At 31 March 2018	**1,867**	**9,296**	**414**	**12,674**	**5,762**	**30,013**
Depreciation:						
At 1 April 2017	1,531	8,964	-	9,741	2,667	**22,903**
Charged in the year	84	1,230	-	1,164	513	**2,991**
Disposals	-	(2,034)	-	(2,271)	(322)	**(4,627)**
Write-offs	-	-	-	(5)	-	**(5)**
At 31 March 2018	**1,615**	**8,160**	**0**	**8,629**	**2,858**	**21,262**
Net Book Value:						
At 31 March 2018	**252**	**1,136**	**414**	**4,045**	**2,904**	**8,751**
At 31 March 2017	**336**	**1,669**	**1,592**	**3,667**	**2,967**	**10,261**

The agency's buildings are PFI financed. All other property, plant and equipment are owned, and no donated assets were held during the year (2016-17: nil). The agency's buildings were valued by Property Services, a unit of the VOA, on 31 March 2015. The revaluation related to the Shrewsbury office which is held in the agency's Statement of Financial Position as the only remaining service concession asset under IFRIC 12. No revaluation of buildings took place during 2017-18.

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

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2016	1,867	11,364	835	13,553	5,320	**32,939**
Additions	-	-	3,199	-	-	**3,199**
Disposals	-	(1,257)	-	(597)	(732)	**(2,586)**
Write-offs	-	-	(146)	-	-	**(146)**
Impairments	-	-	-	(215)	-	**(215)**
Reclassifications	-	556	(2,296)	667	1,046	**(27)**
At 31 March 2017	**1,867**	**10,663**	**1,592**	**13,408**	**5,634**	**33,164**
Depreciation:						
At 1 April 2016	1,447	8,881	-	9,003	2,747	**22,078**
Charged in the year	84	1,317	-	1,456	490	**3,347**
Disposals	-	(1,234)	-	(585)	(570)	**(2,389)**
Impairments	-	-	-	(133)	-	**(133)**
At 31 March 2017	**1,531**	**8,964**	**0**	**9,741**	**2,667**	**22,903**
Net Book Value:						
At 31 March 2017	**336**	**1,699**	**1,592**	**3,667**	**2,967**	**10,261**
At 31 March 2016	**420**	**2,483**	**835**	**4,550**	**2,573**	**10,861**

6. Intangible assets

	Developed software	Assets under construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2017	52,859	10,992	**63,851**
Additions	-	5,644	**5,644**
Reclassifications	14,752	(14,748)	**4**
Revaluations	932	-	**932**
At 31 March 2018	**68,543**	**1,888**	**70,431**
Amortisation:			
At 1 April 2017	45,214	-	**45,214**
Charged in the year	4,625	-	**4,625**
Revaluations	678	-	**678**
At 31 March 2018	**50,517**	**-**	**50,517**
Net book value:			
At 31 March 2018	**18,026**	**1,888**	**19,914**
At 31 March 2017	**7,645**	**10,992**	**18,637**

The developed software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £17.660 million (2016-17: £7.400 million).

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

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

	31 March 2018	31 March 2017
Trade receivables and other non-current assets:	£'000	£'000
Trade and other receivables	5,617	6,670
Allowance for doubtful debt	-	(1,152)
Prepayments	3,237	3,091
	8,854	**8,609**
Other non-current assets:		
Prepayments	**173**	**172**
Total	**9,027**	**8,781**

Until 31 March 2017, all debts aged over 90 days were included in the allowance for doubtful debt. As the majority of our debt sits with public sector organisations, we no longer consider this treatment to be appropriate. Any debts considered to be uncollectable will be considered for separate write-off.

8. Cash and cash equivalents

At 31 March 2018, the agency held £25.3 million of cash (2016-17: 18.4 million). All of this was held in Government Banking Service accounts.

The cash balance disclosed above includes £1.173 million (2016-17: £0.672 million) of civil penalties which have been collected on behalf of the Consolidated Fund (see Note 1.16). The agency has no claim on these receipts and will pay them into the Consolidated Fund.

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

	31 March 2018	31 March 2017
Current financial and other liabilities:	£'000	£'000
Trade and other payables	1, 465	898
Accruals and deferred income	11,150	10,278
Employee leave accrual	7,260	8,415
Amounts payable to the Consolidated Fund	1,173	672
	21,048	**20,263**
Non-current financial and other liabilities:		
Non-current liability in respect of on-balance sheet PFI assets	**76**	**103**
Total	**21,124**	**20,366**

10. Financial instruments

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

11. Provisions

(a) Movements in provisions

	Early departure and additional pension commitments	Provision for legal claims and compensation	Provision for accommodation costs	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	**1,158**	**611**	**0**	**1,769**
Increase in provision	3,279	1,056	84	4,419
Provisions not required written back	(257)	(188)	-	(445)
Provisions utilised in the year	(876)	(173)	-	(1,049)
Unwinding of discount	-	-	-	-
Balance at 31 March 2018	**3,304**	**1,306**	**84**	**4,694**
Short term (under 1 year)	3,297	1,306	84	4,687
Long term (over 1 year)	7	-	-	7
	3,304	**1,306**	**84**	**4,694**

Provisions for early departure and additional pension commitments

The detailed accounting policy for early departure costs is set out in Note 1.11. The costs are expected to fall due as shown below in Note 11b and the total in-year costs are detailed in the remuneration and staff report.

Provisions for legal claims and compensation

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

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

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

	31 March 2018	31 March 2017
	£'000	£'000
Early retirement and pension commitments fall due:		
Within one year	3,297	1,132
Between one and two years	7	19
Between two and five years	-	7
After five years	-	0
	3,304	**1,158**

12. Pension benefit obligations

Introduction

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

The accounting entries in respect of the year ended 31 March 2018 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation, performed as at 31 March 2016, and completed in December 2016. The actuary allows for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward our share of the scheme's assets at the last formal valuation, allowing for investment returns and the effect of payments in and out of the fund. Service costs have been estimated using contribution information supplied to the actuary.

The actuarial gain on the pension fund of £10.2 million has resulted in a pension asset/liability of £10.4 million in 2017-18, having previously been an asset of £1.1 million in 2016-17. There are two significant factors which have brought about the actuarial gain. Firstly, the performance of the scheme assets during the year, showing a return of £5.1 million. Secondly, there have been changes in financial assumptions used by the actuary. This includes a change in the method for calculating the discount rate, moving from Single Equivalent Discount Rate to the Spot Rate method. This new method means the rate used has reduced from 2.6% to 2.55%. Changes in financial assumptions have contributed £5.1 million to the movement in the net assets of our share of the scheme.

In 2017-18, the agency made contributions at a rate of 20.4% (2016-17: 18.2%) of pensionable salary. The total cash contribution that the agency expects to make to the LGPS scheme in the year to 31 March 2018 is £0.733 million.

Transactions relating to the Local Government Pension Scheme

Recognised as operating costs	2017-18		2016-17	
	£'000	% of pay	£'000	% of pay
Service cost	1,430	27.4%	1,310	25.1%
Net interest on defined liability	(38)	-0.7%	262	5.0%
Administrative expenses	224	4.3%	190	3.6%
	1,616	31.0%	**1,762**	33.8%
Actual return on scheme assets	**9,472**		**29,693**	

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

Recognised in Statement of Changes in Taxpayers' Equity

	2017-18	2016-17
	£'000	£'000
Return on plan assets in excess of interest	5,053	24,638
Other actuarial gains on assets	-	661
Actuarial (losses)/gains arising from changes in financial assumptions	5,121	(26,558)
Actuarial gains/(losses) arising from changes in demographic assumptions	-	2,517
Experience gains/(losses) on defined benefit obligation	-	8,661
Actuarial gain/(loss) recognised in Statement of Changes in Taxpayers' Equity	**10,174**	**9,919**

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

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

Assets and liabilities relating to the Local Government Pension Scheme

	31 March 2018	31 March 2017
	£'000	£'000
Fair value of scheme assets	176,679	172,476
Present value of funded liabilities	(165,960)	(171,036)
Net asset	10,719	1,440
Present value of unfunded obligations	(340)	(357)
Net asset in the Statement of Financial Position	**10,379**	**1,083**

Reconciliation of fair value of the scheme liabilities

	31 March 2018	31 March 2017
	£'000	£'000
Opening defined benefit obligation at 1 April	171,393	154,330
Service cost	1,430	1,310
Interest cost	4,381	5,317
Remeasurement (gains)/losses arising from changes in financial assumptions	(5,104)	26,503
Remeasurement gains arising from changes in demographic assumptions	-	(2,517)
Experience gains on defined benefit obligation	-	(8,661)
Estimated benefits paid	(6,016)	(5,126)
Contributions by scheme participants	234	254
Estimated unfunded benefits paid	(17)	(17)
Closing defined benefit obligation at 31 March	**166,301**	**171,393**

Reconciliation of fair value of the scheme assets

	31 March 2018	31 March 2017
	£'000	£'000
Opening fair value of assets at 1 April	172,476	146,496
Interest on assets	4,419	5,055
Return on assets less interest	5,053	24,638
Other actuarial gains	-	661
Administration expenses	(224)	(190)
Contributions by the employer including unfunded	851	791
Contributions by scheme participants	137	254
Estimated benefits paid plus unfunded net of transfers in	(6,033)	(5,229)
Estimated fair value of scheme assets at 31 March	**176,679**	**172,476**

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

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

In line with HM Treasury accounting guidance, DWP cannot fund the agency for the amounts recognised as operating costs above. These costs totalling £1.616 million for 2017-18 (2016-17: £1.762 million) are instead fully financed by our sponsor department HMRC.

The agency is effectively therefore indemnified against this liability.

Sensitivity analysis

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

	£'000	£'000	£'000
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	163,798	166,301	168,845
Projected service cost	1,342	1,368	1,394
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	166,433	166,301	166,170
Projected service cost	1,368	1,368	1,368
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	168,716	166,301	163,922
Projected service cost	1,394	1,368	1,342
Adjustment to mortality age rating assumption	+1 year	None	- 1 year
Present value of total obligation	173,103	166,301	159,774
Projected service cost	1,412	1,368	1,326

History of surplus or deficit in the scheme

	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	176,679	172,476	146,496	99,965	98,655
Fair value of defined benefit obligations	(166,301)	(171,393)	(154,330)	(137,666)	(131,691)
Net asset/(liability) arising from defined benefit obligation	**10,378**	**1,083**	**(7,834)**	**(37,701)**	**(33,036)**

Financial assumptions	31 March 2018	31 March 2017
	% per year	% per year
RPI increases	3.4%	3.5%
CPI increases	2.4%	2.6%
Salary increases	3.9%	4.1%
Pension increases	2.4%	2.6%
Discount rate	2.4%	2.6%

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

Composition of scheme assets	31 March 2018		31 March 2017	
	£'000	%	£'000	%
Equities	108,035	61.1%	102,198	59.3%
Target return funds	39,596	22.4%	36,445	21.1%
Alternative assets	20,442	11.6%	17,875	10.4%
Cash	8,606	4.3%	15,958	9.3%
	176,679		**172,476**	

Demographic and statistical assumptions

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

Life expectancy from age 65 (years)	31 March 2018	31 March 2017
Retiring today:		
Males	22.3	22.2
Females	24.8	24.7
Retiring in 20 years:		
Males	24.6	24.5
Females	27.0	26.9

The post retirement mortality is based on the Club Vita mortality analysis, projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% per annum. In addition, it has been assumed that members will exchange half of their commutable pension for cash at retirement, that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age and the proportion of membership that take up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

13. Commitments under leases

Operating leases

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

	31 March 2018	31 March 2017
	£'000	£'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	3,744	2,227
Later than one year and not later than five years	3,311	816
Later than five years	-	-
	7,055	**3,043**
Other		
Not later than one year	23	58
Later than one year and not later than five years	11	21
Later than five years	-	-
	34	**79**

The obligations have increased during the year as the agency is subject to longer-term break-points on our leases. The agency has no right to purchase the land and buildings leased under operating leases.

The commitments presented in this note do not include the agency's commitments with regard to the PFI contract for accommodation services or the Capgemini and Fujitsu contracts for IT services. These commitments are detailed in Note 14.

14. Commitments under PFI contracts

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

(a) Off-balance sheet

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

	31 March 2018	31 March 2017
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	3,111	4,383
Later than one year and not later than five years	551	1,685
Later than five years	-	-
	3,662	6,068

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

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

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

In the year to 31 March 2018, the agency paid £4.214 million (2016-17: £4.795 million) to the STEPS contractor in respect of off-balance sheet properties and service charges. In addition to the STEPS scheme described above, the agency occupies space in buildings procured under PFI schemes by HMRC and the Department for Work and Pensions. Lease commitments to other government bodies in respect of these buildings are included in Note 13.

(b) Total charge to the Statement of Comprehensive Net Expenditure and future commitments (on and off-balance sheet)

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

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

was a total of £5.512m (2016-17: £5.560m).

Future commitments in respect of these payments are analysed below:

	31 March 2018	31 March 2017
	£'000	£'000
Total commitments, analysed by period in which they are due:		
Not later than one year	3,136	4,143
Later than one year and not later than five years	579	1,738
Later than five years	-	-
	3,715	6,151

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

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

The contracts ended during 2017-18. The agency will continue to engage with Fujitsu under a separate arrangement, and currently plans to incur £2.564 million in operating expenditure during 2018-19, although there is no commitment to expend these funds.

15. Contingent liabilities at 31 March 2018

Contingent liabilities are as follows:

a. The agency is involved in several cases involving litigation arising from its statutory activities. If the agency loses these cases it is generally not liable for compensation, but could be liable for the other party's costs if the court so decides. Often cases pass through several levels of appeal before final resolution and subsequent hearings to assess costs are not uncommon. Cases are typically under consideration by tribunals ranging from the Valuation Tribunal to the European Court of Justice.

   The agency is confident of success in those cases which are not accounted for within the agency's provisions. This is often because the agency has already won in a lower court or because it has received legal advice confirming the strength of its position. The agency cannot easily assess third party costs in these cases but it is estimated that there is £0.4 million (2016-17: £0.8 million) of contingent liabilities as at the end of the financial year.

b. The agency is required to pay lump sums for some employees who have left on early departure schemes in prior years. The payments are due in the year in which the individuals turn 60. The amounts payable are calculated by MyCSP, although they are unable to provide accurate figures for payments to be made from 2019-20 onwards. Due to the uncertainty over future actuarial assumptions, we are unable to estimate the figures reliably.

16. Related party transactions for the year ended 31 March 2018

The Valuation Office Agency is an executive agency of HMRC. HMRC is a related party and the agency had a significant number of material transactions with it during the year. Reported income in the year includes £8 million (2016-17: £8.372 million) earned from HMRC and expenditure includes £2.393 million (2016-17: £3.951 million) invoiced to the agency by HMRC. Current assets include £9,000 (2016-17: £2,000) of debt due from HMRC and we had £nil (2016-17: £nil) of current liabilities due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

The agency is controlled by the UK government and has a significant number of material transactions with other UK government departments. Most of these transactions have been under service level agreements with the DWP, the MHCLG and the Welsh Government. During the year, income was invoiced to these parties under service level agreements as follows:

DWP	£7.895 million	(2016-17: £8.549 million)
MHCLG	£3.725 million	(2016-17: £164.978 million)
Welsh Government	£8.642 million	(2016-17: £8.584 million)

The agency had material transactions with pension schemes providing benefits to the agency's people, the Principal Civil Service Pension Scheme, alpha and the Local Government Pension Scheme as administered by the London Pension Fund Authority. These transactions are discussed on page 56 of the Remuneration and Staff Report and in Note 12.

During the year, no Board Member has undertaken any material transactions with the agency. The agency had no material transactions with any party related to the agency because of a Board member's interest in it or influence over it.

17. Events after the reporting period

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

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

18. Standards in issue but not yet effective

These accounts have been prepared in accordance with the Treasury's Financial Reporting Manual 2017-18. This manual typically applies the standards and interpretations that are effective for the accounting period to which it refers. New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in these accounts. The following standards may affect our accounts when they become effective:

IFRS 9 Financial Instruments	This standard was published on 24 July 2014 and is effective from 1 January 2018. It will apply to these financial statements in place of IAS 39. The agency does not currently hold assets or liabilities which would be affected by this change and does not anticipate doing so in future.
IFRS 15 Revenue from Contracts with Customers	Effective for years beginning on or after 1 January 2018, this new standard issued on 24 May 2014 replaces existing IFRS guidance in a single standard. This standard will not have a major impact on the agency's financial statements as the recognition of revenue upon the completion of performance obligations is not materially different from the current policy. All organisations will however be subject to extensive new disclosure requirements

IFRS 16 Leases	Effective for annual reporting periods beginning on or after 1 January 2019, IFRS 16 will provide a single model for all leases that will bring all leases on-balance sheet, unless the lease term is 12 months or less or the underlying asset has a low value. Due to the number of leases we hold, particularly on the buildings we occupy, we expect there to be a significant impact on the agency's financial statements arising from the re-classification of leases under this standard. We are reviewing the leases currently held and assessing the impact upon the financial statements in conjunction with our parent department as signatory on many of the building leases.

Payment of Local Authority Rates (POLAR)

Introduction

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

Background

POLAR is a scheme by which local authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a mission with diplomatic status. As per the Vienna Convention on Diplomatic Relations 1961 and Diplomatic Privileges Act 1964, all states and other bodies sending diplomatic representatives to another state are exempt from all national, regional or municipal dues and taxes in respect of premises of the mission. Under the scheme, diplomatic missions are encouraged to contribute an amount known as the Beneficial Portion. This is to take account of the extraneous services such as the fire service and street lighting. The Beneficial Portion was set at 6% of the overall rates bill in 2017-18.

VOA responsibilities

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

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

Facts and figures

In 2017-18 there were 231 diplomatic missions in the UK covering 467 properties. Of these diplomatic missions, all were in England except for 18 in Scotland, one in Wales and two in Northern Ireland. Rateable values ranged from less than £1,700 to £11.2 million. A total of 31 local authorities are involved in the POLAR scheme, mainly in Greater London. During 2017-18 the POLAR scheme required £76.5 million of funding, representing cash payments made to authorities, net of the Beneficial Portion recovered (2016-17: £63.9 million). The net Beneficial Portion collected was £4.3 million (2016-17: £3.7 million).

Glossary to the Financial Statements

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

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

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

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

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

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

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

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

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

IAS – International Accounting Standard. Accounting standards which government departments must comply with where relevant.

IFRIC – the IFRS Interpretations Committee (IFRIC) develops guidance on appropriate accounting treatment of particular issues. Government departments must comply with this guidance where relevant.

IFRS – International Financial Reporting Standards. Accounting standards which government departments must comply with where relevant.

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

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

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

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

Payables – payables are amounts recognised as owing by the agency at the end of the reporting period but payment has not been made.

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

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

Receivables – receivables represent all amounts recognised as owing to the agency at the end of the reporting period. A proportion of the receivable balance relates to revenue that is not yet overdue for payment.

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

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

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

Statement of Financial Position – provides a snapshot of the assets and liabilities of the agency as at the end of the reporting period.

CCS0618858770
978-1-5286-0538-0