



# The Valuation Tribunal Service

Annual Report and Accounts 2017-18

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2017-18

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# Overview



## Chief Executive's report

This year has again been one of significant change for the Valuation Tribunal Service (VTS). Against a challenging environment of reforming non-domestic rating, commonly referred to as business rates, we have striven to make progress in our aim of **providing the fairest, most effective and efficient service we can to those involved in local taxation appeals**. Not only did 1 April 2017 see the revaluation of all non-domestic properties, it also saw the introduction of a new process for challenging the rateable values attributed to them. 'Check, challenge and appeal', as a process, is firmly in place.

The internal reforms introduced to facilitate a more focussed disclosure and exchange process have had a significant positive impact in encouraging greater clearances of listed appeals.

I am grateful to the Board, my management team and VTS colleagues for the part they have played in achieving this success.

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

**Antonio Masella**

Chief Executive and Accounting Officer  
Valuation Tribunal Service



## Our services and what we do

Our vision is to *“provide the fairest, most effective and efficient service we can to those involved in local taxation appeals”*.

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

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

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

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

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

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

# Performance and activities

## OUR YEAR


**↑**

Procedures introduced from 1 July 2017, resulted in 50% of listed cases being settled without a hearing (up from typically 20%)

The number of listed cases that were postponed fell by 32% to 17%

**↓**

A new appraisal system was implemented for 2017-18, giving staff more ownership of the process



**↑**

The number of appeals determined by Tribunal panels rose by 19%, to 4,540

70 new VTE members were recruited and induction and training put in place so that they could quickly become active on panels



Average sickness absence for the year fell from 9.1 days to 4.3 days per full time equivalent employee

**↓**

A new appeals management system to handle appeals on the 2017 rating list was in place ready for the first appeals received from December 2017



A wide-ranging programme of IT modernisation and development of independent platforms began and the improvements were introduced with no down-time

Tablets were introduced for Tribunal panel members to use at the hearing, bringing added security and less reliance on print


All of our hearing guidance booklets were revised and 'crystal marked' by the Plain English Campaign



97% of staff received at least two days' training



Internal auditors concluded that the VTS was "in a good position to ensure compliance with GDPR" by May 2018







## Key risks and issues

Detail of these is given in the Governance Statement on page 31. Briefly they are:

- unknown workload following the introduction of Check, Challenge and Appeal (CCA), in terms of profile and numbers of appeals
- managing the fees-based system and covering administration costs
- changes in the Finance team
- uncertainty around the Doncaster office accommodation
- providing better service on a reduced budget.

## Going concern

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

The Statement of Financial Position on page 48 shows net liabilities of £15,928,000 at 31 March 2018. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring department. Grants and grant in aid may not be drawn in advance of need and will only be drawn as the liabilities fall due.

The grant in aid for 2018-19 takes into account the amounts required to meet the VTS's liabilities falling due in that year and has already been included in the sponsoring department's Parliamentary estimates for 2018-19. The department has confirmed funding for 2018-19 with indicative annual allocations through to 2020-21. Liability for all pension payments not met through the normal funding cycle will continue to fall to the department.

## Performance summary

The VTS achieved 11 of the 16 objectives set out in its Business Plan for 2017-18. Further details appear in the Performance analysis section on page 10.

Of the 10 key performance indicators that we identified for 2017-18, the VTS achieved or exceeded the targets for six of them (see page 12).

The change in the disclosure and exchange process has led to more settled disputes between the parties, without the need for a tribunal hearing, up to 50% from 20% of listed cases. Postponement rates have fallen from 49% of listed cases in 2016-17 to 17% over the year, speeding resolution for the parties and greatly reducing the amount of re-working of cases. We listed 20% fewer cases but the number of appeals determined rose by 19%, to 4,540.

Average staff headcount for 2017-18 was 68, three fewer than in 2016-17. VTE member numbers were 20% higher than in 2016-17, at 219, following a recruitment exercise.

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



## Volumetrics

Around 201,000 appeals were brought forward in April 2017 and another 78,000 were received. Table 1 shows the detail of these figures by appeal type.

**Table 1**

Appeal groups	Brought forward	Received	Cleared	Carried forward
Council tax: Completion Notice	70	620	540	150
Council tax: Penalty Notice	20	50	60	10
Council tax: liability	1,790	910	2,300	400
Council tax: Notice of invalidity	110	350	330	130
Council tax: reduction	420	820	880	360
Council tax: valuation	1,360	1,890	2,460	790
Non-domestic: Completion Notice	110	170	110	170
Non-domestic: Penalty Notice	20	10	20	10
Non-domestic: Transitional Certificate	140	70	70	140
Non-domestic rating list 2005	590	0	60	530
Non-domestic rating list 2010	195,600	72,600	137,700	130,500
Non-domestic rating list 2017	0	5	1	4
Non-domestic rating notice of invalidity 2005	50	0	10	40
Non-domestic rating notice of invalidity 2010	1,000	850	530	1,320
<b>Total</b>	<b>201,280</b>	<b>78,345</b>	<b>145,071</b>	<b>134,554</b>

Note: Figures in the Table are rounded to the nearest 10, except for non-domestic rates appeals against the 2010 list, which have been rounded to the nearest 100 and appeals against the 2017 list which are actuals.

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

During the year, 1,102 hearings days were held (1,057 in 2016-17), to which we listed 126,785 appeals, 22% fewer than in 2016-17 (162,145). This was to accommodate more effective pre-hearing disclosure and exchange procedures, which resulted in a 32% reduction in cases being deferred.

## Measurement of performance

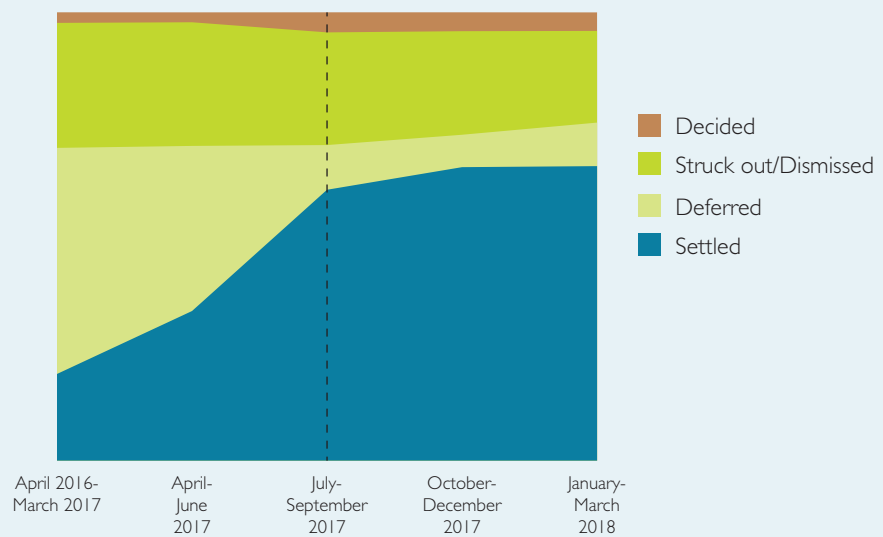
Last year we reported that the disclosure and exchange of evidence process in place had led to almost 85,000 statements of case from appellants and the VOA needing to be administered, yet only 1% of the appeals they related to requiring a VTE determination. The practice of automatically striking out appeals for non-compliance with the practice statements had also historically led to large numbers of reinstatement requests, many of which were successful. Working in conjunction with the VTE President, we focussed on finding ways to increase our efficiency and reduce this nugatory work, so that we could improve the service we provide to our users.

From 1 July 2017, we extended a more robust disclosure and exchange process, trialled in a successful pilot exercise, to all appeals against the 2010 rating list. At the same time, dismissals of cases replaced many of the automatic strike outs and the postponement policy of the Tribunal was strengthened. The positive outcomes of these changes are that:

- large numbers of statements of case no longer have to be managed, as the parties exchange them between themselves before the Tribunal needs to be involved
- this early exchange of evidence has led to more settled disputes between the parties, without the need for a tribunal hearing, rising from 20% of listed cases to over 50%
- there is more certainty as to the number of cases to be heard on the day
- reinstatement requests are down from over 4,000 to 600 for the year
- postponement rates have fallen from 49% of listed cases in 2016-17 to 17% over the year, speeding resolution for the parties and greatly reducing the amount of re-working of cases.

The chart below shows the impact of the new practices on the outcomes of appeals listed from July 2017.

Chart 1





To improve the efficiency of the listing process, we monitor hearing days in which best use is made of the resources and where two or more cases are argued before a Tribunal panel. The percentage of hearing days where two or more appeals were determined by a panel was 80% overall against a target of 78%.

We continue to commission customer research to gauge views of our service (see page 15). Feedback from those tribunal users who represent themselves makes clear that the speed of listing their appeal to a hearing and the speed with which they receive the written reasoned decision are of major importance to them. So a key service standard commitment for VTS staff is to list a council tax appeal to hearing date that is within five months of the date we received the appeal. In 2017-18 we achieved this in 93% of cases. We also aim to issue to the parties the panel's decision for all appeal types within one month of the hearing date. In 2017-18, 92% of decisions issued were sent to the parties within one month (compared to 95% in 2016-17). However, the number of decisions issued (4,540) was 19% higher than in 2016-17.

### Achievement of business objectives and key performance indicators

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

- support the VTE by administering a fair, efficient and accessible appeals system
- enhance the quality and consistency of our service to all stakeholders
- build capacity and capability in our staff, learning from their experience and feedback
- operate with financial and organisational initiative and efficiency.

Of the 16 objectives set in 2017-18, 11 were fully achieved. Table 2 shows the achievements towards these. The five that were not completed or completed in part carry forward to 2018-19.

**Table 2**

Actions planned	Timescale	Met?	Achievements
<b>Support the VTE by administering a fair, efficient and accessible appeals system</b>			
Implement an enhanced appeals process that provides greater certainty of cases actually requiring a hearing, allowing better organisation of hearing days.	By end of Quarter 1 (30 June 2017)	<b>Yes</b>	The Consolidated Practice Statement (CPS) was introduced on 1 July 2017.
Implement IT processes to facilitate paperless hearings and maximise on the efficiencies resulting from increased electronic appeal receipt and management.	By end of Quarter 3 (31 December 2017)	<b>In part</b>	Introduced tablets into the hearing environment and we are looking to build a "drop box" for professional representatives and the VOA for evidence to be submitted electronically. Subject to funding, this should be concluded in 2018-19.
Working with the VTE President, develop the membership so that it is more flexible, and better able to respond to change.	By end of Quarter 3 (31 December 2017)	<b>Yes</b>	Tribunal areas were reduced from nine to three on 1 January 2018 enabling the VTE membership to be more flexible.
Promote a better understanding amongst the public of the purpose of the VTE and VTS, and role of the VTE by reviewing our website and the statutory notices we issue.	By end of Quarter 4 (31 March 2018)	<b>Yes</b>	Website has been reviewed and statutory notices drafted for the new check, challenge and appeal process.
<b>Enhance the quality and consistency of our service to all stakeholders</b>			
Ensure appellants are well informed by revising our family of guidance booklets, our notices and guidance on the website using plain English, removing jargon and explaining legal terms and acronyms.	By end of Quarter 1 (30 June 2017)	<b>Yes</b>	Booklets have been reviewed and achieved 'Crystal marks' from the Plain English Campaign (PEC), and are in place.
Reduce the volume of outstanding appeals, so shortening the time appellants have to wait for their appeals to be dealt with by implementing, with the VTE, a new hearing process and becoming more robust on postponement requests.	By end of Quarter 4 (31 March 2018)	<b>Yes</b>	The volume of outstanding appeals has reduced following implementation of the new CPS. Postponements of listed cases have fallen by 32%.
Monitor feedback through our independent survey of tribunal users and complaints to evaluate how the new processes are impacting on them and our service to them, particularly for fee paying appellants.	By end of Quarter 4 (31 March 2018)	<b>Yes</b>	This annual process provides a good indication of frustrations in the system. Feedback has resulted in training for the VTE membership as well as process changes for staff. As we only received five appeals under the CCA process before the end of the year, we were unable to obtain any meaningful feedback to gauge the impact of paying a fee to make an appeal. This will be analysed as part of the rolling customer survey for 2018-19.



Actions planned	Timescale	Met?	Achievements
<b>Build capacity and capability in our staff, learning from their experience and from their feedback</b>			
Review the staff structure to align to new processes and ensure it remains responsive to and able to deliver the changes we face.	By end of Quarter 2 (30 September 2017)	<b>Yes</b>	A number of meetings were held with managers to better understand 'pressures' from their perspective and discuss ways to achieve lean processes without affecting performance. As a consequence staff have been re-aligned to reflect requirements of the CPS; technical staff are now more tribunal-facing, whilst support staff have been upskilled to deal with a wider range of back office duties.
Embed a simplified staff performance appraisal system that removes bureaucratic processes and encourages greater individual engagement.	By end of Quarter 1 (30 June 2017)	<b>Yes</b>	A new appraisal system is effective for 2017-18 reviews.
Progress recommendations arising from the staff survey conducted in 2015-16 and repeat the exercise.	By end of Quarter 3 (31 December 2017)	<b>Yes</b>	Actions have been progressed and initiatives introduced. The exercise was repeated in March 2018.
Introduce small team and individual excellence performance awards.	By end of Quarter 3 (31 December 2017)	<b>No</b>	There is a more pressing issue regarding recruitment and retention of capable staff and a benchmarking exercise will be conducted in 2018-19 to better understand any financial impact.
Develop leadership and management qualifications to develop those who want to be future leaders of the organisation.	By end of Quarter 2 (30 September 2017)	<b>Yes</b>	ILM qualification agreed and provider found. Candidates selected. Process started on 17 November 2017.
<b>Operate with financial and organisational initiative and efficiency</b>			
Implement an electronic document and records management system (EDRMS).	By end of Quarter 1 (30 June 2017)	<b>Yes</b>	Previous use of an EDRMS has been extended to manage documentation for other appeal types and a Board portal has been set up. Guidance and training have been implemented.
Continue to research ways of reducing costs and achieving value for money without reducing organisational flexibility and responsiveness in meeting targets.	By end of Quarter 2 (30 September 2017)	<b>In part</b>	Areas have been identified and introduced (such as the use of electronic expense claims for VTE members). This will be reviewed in 2018-19 with a new finance team in place.
Exit from the historical IT contract in order to deliver year on year cost savings and greater control.	By end of Quarter 4 (31 March 2018)	<b>In part</b>	The timetable for an exit strategy has been developed and discussions will continue into 2018-19.
Identify and implement improvements to affect more efficient financial and budgetary processes.	By end of Quarter 3 (31 December 2017)	<b>In part</b>	Improvements identified and effected where possible. With a new finance team this will be reviewed further in 2018-19.

# PERFORMANCE REPORT

continued

Performance analysis

The 10 key performance indicators for 2017-18, aligned to the strategic aims, were reported on to the Board, MHCLG and to staff throughout the year. Six of these were exceeded or met as Table 3 below shows.

**Table 3**

Performance measure	Target in 2017-18		Met?	Comments										
<b>Support the VTE by administering a fair, efficient and accessible appeals system</b>														
Hearing lists that result in two or more fully heard cases.	<b>78%</b>	<table border="1"> <caption>Percentage of hearing lists with two or more fully heard cases</caption> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2014-15</td><td>74%</td></tr> <tr><td>2015-16</td><td>80%</td></tr> <tr><td>2016-17</td><td>84%</td></tr> <tr><td>2017-18</td><td>80%</td></tr> </table>	Year	Percentage	2014-15	74%	2015-16	80%	2016-17	84%	2017-18	80%	<b>Yes</b>	Exceeded. In 80% of the hearing days arranged VTE panels determined two or more appeals.
Year	Percentage													
2014-15	74%													
2015-16	80%													
2016-17	84%													
2017-18	80%													
Reduce the postponement rate for listed appeals from 2016-17 levels.	<b>less than 50%</b>	<table border="1"> <caption>Postponement rate for listed appeals</caption> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2014-15</td><td>45%</td></tr> <tr><td>2015-16</td><td>54%</td></tr> <tr><td>2016-17</td><td>49%</td></tr> <tr><td>2017-18</td><td>17%</td></tr> </table>	Year	Percentage	2014-15	45%	2015-16	54%	2016-17	49%	2017-18	17%	<b>Yes</b>	Only 17% of listed cases were postponed as a result of the revised procedures introduced in July 2017 (see page 8).
Year	Percentage													
2014-15	45%													
2015-16	54%													
2016-17	49%													
2017-18	17%													
<b>Enhance the quality and consistency of our service to all stakeholders</b>														
Decisions for council tax appeals issued within 1 month of the hearing.	<b>87%</b>	<table border="1"> <caption>Percentage of council tax appeals issued within 1 month of the hearing</caption> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2014-15</td><td>89%</td></tr> <tr><td>2015-16</td><td>93%</td></tr> <tr><td>2016-17</td><td>94%</td></tr> <tr><td>2017-18</td><td>94%</td></tr> </table>	Year	Percentage	2014-15	89%	2015-16	93%	2016-17	94%	2017-18	94%	<b>Yes</b>	Exceeded, at 94%, despite more decisions being issued.
Year	Percentage													
2014-15	89%													
2015-16	93%													
2016-17	94%													
2017-18	94%													





Performance measure	Target in 2017-18		Met?	Comments										
Decisions for non-domestic rating appeals issued within 1 month of the hearing.	<b>87%</b>	<table border="1"> <tr><th>Year</th><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr> <tr><th>Percentage</th><td>82%</td><td>87%</td><td>96%</td><td>89%</td></tr> </table>	Year	2014-15	2015-16	2016-17	2017-18	Percentage	82%	87%	96%	89%	<b>Yes</b>	Exceeded at 89%, despite more decisions being issued.
Year	2014-15	2015-16	2016-17	2017-18										
Percentage	82%	87%	96%	89%										
Decisions on reinstatement applications issued within 6 weeks of receipt.	<b>80%</b>	<table border="1"> <tr><th>Year</th><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr> <tr><th>Percentage</th><td>51%</td><td>76%</td><td>75%</td><td>69%</td></tr> </table>	Year	2014-15	2015-16	2016-17	2017-18	Percentage	51%	76%	75%	69%	<b>No</b>	69%. Reinstatement applications were dealt with by VTE Vice-Presidents; they can now also be dealt with by chairmen. Applications fell under the new procedures from July 2017; in the last six months only 20 were received.
Year	2014-15	2015-16	2016-17	2017-18										
Percentage	51%	76%	75%	69%										
<b>Build capacity and capability in our staff, learning from their experience and from their feedback</b>														
Absence levels for all short-term sickness (fewer than 20 days)/FTE below that in 2016-17.	<b>below 4.2 days</b>	<table border="1"> <tr><th>Year</th><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td></tr> <tr><th>Absence Level</th><td>2.70</td><td>4.22</td><td>4.16</td><td>3.05</td></tr> </table>	Year	2014-15	2015-16	2016-17	2017-18	Absence Level	2.70	4.22	4.16	3.05	<b>Yes</b>	3 days. Further information about sickness absence is reported on page 40.
Year	2014-15	2015-16	2016-17	2017-18										
Absence Level	2.70	4.22	4.16	3.05										

# PERFORMANCE REPORT

continued

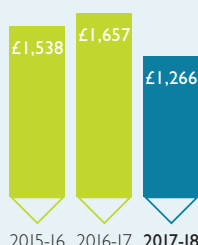
Performance analysis

Performance measure	Target in 2017-18	Met?	Comments
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## Operate with financial and organisational initiative and efficiency

Cost per appeal: operational budget/ appeals decided lower than in 2016-17.

**less than  
£1,657**

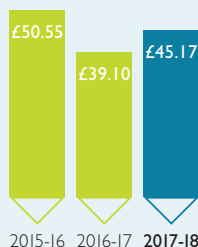


**Yes**

£1,266 as 19% more appeals were determined on a smaller operational budget.

Cost per appeal: operational budget/ appeals listed lower than in 2016-17.

**less than  
£39.10**

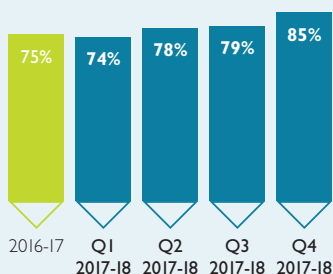


**No**

Though the operational costs were reduced, fewer appeals were listed in 2017-18 than in the previous year (see page 7) making the cost higher at £45.17.

External hearing venue hire costs are below £250 per booking.

**80%**

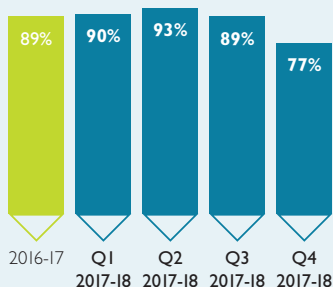


**No**

79% of hearing venues used during the year cost £250 or less, an improvement of 4% over 2016-17.

Improve time from receipt to payment of invoices from 2016-17 level.

**89%**



**No**

87.25%. The target was met or exceeded in the first three quarters, the decline coming only in the last quarter, due to competing pressures on the finance team.



### Tribunal user survey

We continue to commission monthly surveys of appellants who have recently represented themselves at a tribunal hearing as this provides us with quick feedback and, where necessary, allows us to respond with explanation and/or an action plan for improvement initiatives. In 2017-18, 30 telephone interviews were conducted each month, except December (25).

Looking at overall satisfaction levels, 57% of those surveyed were satisfied or very satisfied with the service they received from us. This was a slight downturn from the previous year's 62%, which was a four-year high. For successful appellants, 88% were satisfied or very satisfied compared to 50% of unsuccessful appellants. This latter figure is important for us because, typically, between 65-75% of appellants are unsuccessful in their appeal; our aim is that, nevertheless, they should feel that they have had a good and fair experience. This year 71% of these appellants were unsuccessful compared to 68% last year.

The main area of dissatisfaction appears to be focussed on the hearing itself and centred around perceptions of fairness and treatment by the hearing panel. Appellants tell us they value a straightforward appeals process. However, the impact of the more robust procedures put in place by the President of the Tribunal in the Consolidated Practice Statement may also have had an impact on satisfaction levels. We continue to look at ways of improving the user experience in areas that are within our gift, reflecting legislative requirements.

The feedback also tells us that appellants greatly appreciate dealing with one person throughout the appeal process, through phone calls or email exchanges. We are therefore gradually moving to a situation where our technical staff will each handle a caseload of appeals from receipt to hearing, thus providing a single focus for the appellant. This in turn provides opportunities to realign our current office-based technical teams to be even more tribunal-facing, as well as upskilling our administrative staff to take on more planning and preparation of tribunal hearings. With these measures we aim to achieve a higher level of satisfaction with our services in the coming years, anticipating that this will be even more challenging now that a fee has to be paid to make a business rates appeal against the 2017 rating list.

### Staff survey

In March 2018 we conducted a staff survey to follow up on the action plan we put in place after the 2015-16 staff survey. The response rate this time was 83%, 11% better than for the previous survey. Initial analysis of responses shows an increase in effectiveness of some of our new communication channels and supported the internal work put in place to improve understanding of the contribution of our performance development review process.

The area we now need to work further on as a service delivery organisation is workload planning. It is important that we review the workload regularly so that our resources continue to be effectively deployed to meet demands and to give us a better understanding about which of the changes we have put in place this year add more value. The intention is that this will drive employee engagement and lead to improved satisfaction in the work that our staff do.

### Training

During the year we provided specialist training for administrative staff with the aim of upskilling them to be more focussed on case managing appeals so that there is a better understanding of the end to end process.

Our tribunal-facing staff continue to benefit from quarterly faculty meetings, which have proved to be a useful forum for delivering technical training, case law and procedural or regulatory updates. During the year, the programme has been revised to include course work before and after the events, to prepare for and consolidate the learning from these face to face training days.

The VTS provided 351.5 days of training to staff, which is an average of five days per staff member. Overall, 97% of our staff received at least two days' training this financial year; those who did not were on maternity, sick leave or started employment with the organisation mid-way through the year.



## Valuation Tribunal for England (VTE) members

All VTE Chairmen and members were offered at least one day's face to face training during the year.

The VTE training and development programme comprised of one day's training delivered in each of nine regions. The significant notice period provided for these training days allowed members the flexibility of transferring to more convenient dates if required. In addition to this tranche of face to face training, an additional online suite of short modules was made available via our website, which equated to a further day's training. Our aim is to extend the concept of distance learning in future years.

In addition to the on going training programme, the VTE saw a cohort of 70 new members and chairmen join the organisation. Following an induction, these new members were required to complete the distance learning training programme as well as undertake a number of observation sessions at tribunal hearings. Newly appointed chairmen also attended a Judgecraft training day to prepare them for their role.

## Efficiencies

As a service delivery organisation we continue to look at ways of achieving financial as well as operational efficiencies. This year we have continued to focus on making additional payments into the pension fund in order to reduce the ongoing deficit and our future liabilities, as this will have a positive impact on future funding for the VTS and also reduce the ongoing liabilities for the departmental family (MHCLG Group).

## Corporate social responsibility

### Health and safety

During 2017-18 follow-up health and safety reports were commissioned on our offices in London and Doncaster to ensure that our premises continue to provide the environment we expect for our staff and visitors. The outcomes of these assessments indicated that we continue to maintain a healthy environment at all times. Action plans have been developed where necessary to address any of the minor areas identified for improvement.

In the year, there were five recorded incidents; none resulted in absence from work. No near misses were recorded.

### Estate matters

Our operation is focussed in two office locations, Doncaster and London. Our estate footprint remains at 961 sqm.

The lease on our Doncaster office expired on 1 September 2017 and we had hoped to have moved in to office space within a Department of Works and Pension (DWP) building in Doncaster. Due to DWP's estate rationalisation this move has not yet been possible. DWP has now indicated that we will be able to relocate to their office at the end of August 2018. A short lease renewal on our current Doncaster office to 31 May had been agreed, which has now been extended to 30 September 2018.

The lease on our London office, previously occupied by the now defunct NHS Direct, expires on 31 July 2020.

### External venues for hearings

In addition to the hearing rooms in the two offices, we use some 65 other venues throughout England to provide regional or more local tribunal hearings. We regularly review our venue portfolio to ensure that we continue to provide suitable and cost effective facilities for appellants. In line with other judicial bodies we are keen to harness technology to improve the experience for all users in the hearing environment. In the year ahead this will place greater emphasis on the use of modern facilities with suitable IT capabilities.

In our tribunal user survey we seek feedback on the venues we use and, on a scale of 1-10 (where 10 means completely satisfied), the average response was 8.1 for the type of venue/room used for the hearing.

Our KPI target to use venues costing £250 or less in 80% of cases was missed by 1%. With our move towards the use of digital facilities in the hearing environment, it is expected that the cost of venues used will increase and we will be reviewing the KPI in the light of this.



## Environment

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

The VTS operates a paper recycling programme and during the year, through recycling, has saved at least 113 trees from destruction and 214,000 litres of water. As an indicative measure of paper usage we calculate the amount of paper purchased and divide this by the number of appeals listed. In 2017-18, the number of sheets of paper per appeal listed was 4.6, down 20% on the 2016-17 figure.

## Equality and diversity

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

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

We continue to offer to translate our guidance and forms and during the year, we received one request (for guidance in the Czech language). We received 32 requests for interpreters and were able to fulfil 22 of these (28 of 35 in 2016-17) for appellants attending hearings (for Arabic, Bengali, Bulgarian, Farsi, Italian, Kurdish, Polish, Punjabi, Russian, Slovak, Spanish, Turkish and Vietnamese speakers).

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

Our website includes a link enabling the public to download, free of charge, 'Texthelp' software. This reads out the contents of any webpage, PDF file or word document. In addition to reading the contents of the website in a variety of languages and accents, the software contains a facility that explains the meaning of any word for the user and enables MP3 files to be created. Last year there were around 200 toolbar loads and 300 speech requests on our website.

## Complaints

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

During the year, 57 complaints about the administration were registered (compared to 22 in 2016-17). There were 21 complaints concerning postponements, either having a request refused or the case being deferred when a party wished to proceed; we are monitoring this. All complaints received a full response within a month. One complaint was escalated to the highest level of the three-stage complaints process for investigation by the Chief Executive (two in 2016-17); maladministration was not found. No complaints about the VTS were investigated by the Parliamentary and Health Services Ombudsman.

## Freedom of information and data protection

In 2017-18 there were 33 requests for data under the Acts, five fewer than in the previous year. All requests were dealt with within the statutory time limits and no internal reviews were requested during the year. No complaint about the way these requests were handled was made to the Information Commissioner. We publish on our website those responses that are deemed to be of wider public interest.



### Antonio Masella

Chief Executive  
Valuation Tribunal Service

5 July 2018



# Corporate governance report



## Directors' report

### Directors and Board

VTS Acting Chairman – John O'Shea

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

In 2017-18 the Board comprised:

- Martin Allingham
- Neil Buckley from 1 December 2017
- Robin Evans
- Lola Moses
- Gary Garland (VTE President), *ex officio* Member

A register of Board Members' interests is maintained, reviewed annually and is available for inspection; a summary appears on our website at [www.valuationtribunal.gov.uk/about-us/vts/board/](http://www.valuationtribunal.gov.uk/about-us/vts/board/).

### Data security and information risk

Data handling and information security meetings take place quarterly, chaired by the Board's Senior Information Risk Owner (SIRO) and attended by all VTS Information Asset Owners and the Data Protection Officer. This provides a forum for promoting compliance with information risk policy and process and promotes discussion on information risk issues and effective management across all VTS operational and head office functions.

The VTS has a mature Information Security System (ISS) in place covering policy, processes, governance and training. The movement in June 2017 to a shared service IT platform with MHCLG (Connect) provided a renewed focus on the ISS. We continue to liaise with our sponsor team to gain assurances on the protection offered across our IT infrastructure and are maintaining a proactive stance on updating our ISS to reflect the new arrangements.

A full impact assessment has been carried out ahead of the introduction of the General Data Protection Regulation and an action plan was put in place to work towards full compliance by 25 May 2018. This is an area of work that has also been the subject of an internal audit review and the resulting recommendations have been adopted.

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

Any non-compliance with guidelines or instructions has been addressed in a timely manner and, where necessary, controls have been strengthened to prevent reoccurrence. There were no incidents during the year that required escalation to the Information Commissioner's Office.

## Statement of Accounting Officer's responsibilities

Under the Local Government Act 2003, the Secretary of State has directed the VTS to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the VTS and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

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

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

## Governance Statement

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



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

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

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

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

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

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

In the absence of an appointed Chairman since the retirement of the previous incumbent on 31 October 2016, the Deputy Chairman, Mr John O'Shea, has been the Acting Chairman. Mr O'Shea's term of office as a VTS Board Member expired on 31 March 2018. The recruitment process for the Board Members is under the remit of the Office of the Commissioner for Public Appointments. Mr Robin Evans, an existing Board Member, has been appointed as Chairman and Suzanne McCarthy appointed as Deputy Chairman, both with effect from 1 April 2018. In November 2017, Mr Neil Buckley was appointed as an Independent Member of the Board fulfilling a vacancy that had arisen in December 2016. The vacancies in place did not affect the Board's ability to make decisions as four Members are required under Board Standing Orders for decisions to be made and at all Board meetings convened, this number was maintained. In any event, Schedule 4, paragraph 15 of the Local Government Act states "the validity of any proceedings of the Service shall not be affected by a vacancy amongst the members or by a defect in the appointment of a member".

The Framework Document governs the relationship between the VTS and MHCLG. I have quarterly Accounting Officer meetings with the sponsoring team where financial progress against budgets, staffing and financial resources, the risk register, key performance indicators and achievement of objectives against our Business Plan are reviewed and discussed. In addition, I have regular email exchanges and dialogue with our sponsoring team, who also receive Board minutes and papers, and have a standing invitation to Audit & Risk Assurance Committee meetings. Our relationship with the ministerial department continues to be strong and one of mutual respect that recognises the various pressures we each face. The establishment of more regular quarterly Accounting Officer meetings, bringing together the two arms of our sponsoring team, finance and policy, has contributed to a better understanding of where policy affects finance and vice versa and, more importantly, the pinch points and risks within our respective organisations and the impact any may have on ministerial and government priorities.

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

### **Board performance, assessment and effectiveness**

The Board met formally on seven occasions during the year, including a strategy day held in October 2017. Board agendas are structured to differentiate between reports for information and those for decision. The Board receives prompt, regular and meaningful management information on costs, efficiency, quality and performance to track progress and value for money. Standing items include reviews of the management accounts and strategic risk register and reports from the Chairman, the VTE President, myself and the Chairmen of the Board committees and the Programme Management Group. The Board receives quarterly reports on performance against objectives and KPIs, and workload data.

Preparing for the reformed appeal process under 'Check, Challenge and Appeal' (CCA) has been a key focus for the Board during this financial year as this will present a different way of working for the organisation. With the removal of the automatic trigger from proposal to appeal within three months, appeals will now not reach us until appellants have gone through the 'check' and 'challenge' stages with the Valuation Office Agency (VOA), and only if the appellant decides then to appeal against the VOA's decision, direct to us. This has allowed us to focus on the development of a new appeals management system, which was completed and in place by December 2017, in time to receive the first appeal. With only five appeals having been registered by the end of this financial year, it is still too soon to determine with great certainty whether any organisational changes will be required to better place the service to deliver its statutory obligations to the VTE. The Board will review this situation in the new financial year when appeal volumes will be more certain.

During the year we have seen changes in finance staff. In August 2017 our Finance Director, Tracey Cheetham resigned and following a smooth handover, Mark Duly was appointed as interim Finance Director pending a new recruitment process. On 1 February 2018 Keung Wong was appointed as Finance Director with Mr Duly remaining as interim Head of Finance (Government Accounting and Budgeting) to ensure a smooth transition and the successful completion of the year end accounts.



The continued focus on the wide-ranging IT development remains paramount and is often led by circumstances outside of our direct control. This includes a planned move from the HMRC central database platform in June 2019 as part of a now novated contract, the end of the MHCLG Connect shared system ending in April 2019, a resource allocation module to better allocate tribunal and staffing resources to the many hearings we hold in various venues across England. In addition, preparation for the introduction of the General Data Protection Regulation (GDPR) from May 2018 required a wholesale audit of the information we hold.

During the year, the Board also discussed:

- May 2017: Capital expenditure profile; Doncaster office move; performance of appeal workload, performance against KPIs; review of VTE recruitment gaps; reorganisation of finance team.
- June 2017: Audit & Risk Assurance Committee report; decision to approve the Annual Report and Accounts 2016-17; Register of Board members' interests.
- July 2017: Review at Quarter 1 of achievements towards Forward Plan objectives; Tribunal User action plan; Doncaster office move; review of the impact of VTE Directions regarding disclosure and exchange on workload; review of current VTE Regions (PAC Areas) and reducing these from nine to three; the impact of Government's Industrial Strategy Green Paper.
- September 2017: Review of requirements under GDPR and approval of the implementation plan; review of performance indicators; update on Doncaster office lease; review of appeal clearance rates following implementation of Consolidated Practice Statement on 1 July 2017.
- November 2017: consideration of business case to pay pension deficits; update on Doncaster office move and current lease; consideration of winter supplementary estimates submission; review of appeal clearance rates; Board effectiveness appraisal.
- January 2018: approval of revisions to Board governance documents and the scheme of delegations; review of Business Plan for 2018-19 and Corporate Plan for 2018-21; impact of the Upper Tribunal judgment of *Simpsons Malt Ltd and Others v Jones and Others (VOs)* and the Government's proposed legislation to reinstate the valuation position before the Supreme Court's decision in *Mazars*.
- March 2018: approval of the draft budget for 2018-19; review of the of Business Plan for 2018-19 and Corporate Plan for 2018-21.

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

**Table 4**

**Board Members' dates of appointment, Committee membership and attendance**

	Date of expiry of appointment	Attendance at Board meetings (7 in 2017-18)	Attendance at Audit & Risk Assurance (ARAC) Committee meetings (4 in 2017-18)	Attendance at Finance Committee meetings (5 in 2017-18)	Attendance at Remuneration & Terms of Service Committee meetings (1 in 2017-18)
John O'Shea	31 March 2018	■ 7	n/a	■ 5	■ 1
Martin Allingham	21 September 2019	■ 7	■ 4	n/a	■ 1
Robin Evans	31 October 2020	■ 6	■ 4	n/a	n/a
Lola Moses	7 February 2020	■ 5	■ 3	n/a	n/a
Neil Buckley	30 November 2020	■ 2 (of 2)	n/a	■ 2 (of 2)	n/a
Gary Garland	n/a	■ 6	n/a	■ 5	n/a
David Horne (independent member of the ARAC)	28 February 2020	n/a	■ 4	■ 3 (of 3)	n/a

■ Chairman   ■ Acting Chairman   ■ Member   ■ Observer

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

**The Audit & Risk Assurance Committee (ARAC)** provides the Board with an independent view of the assurance framework, overseeing the risk management strategy through 'tests' of the various risk registers to ensure that processes in place are effective and robust. I attend the Committee's meetings to provide an update to the risk register and present various reports. The Committee met four times during the year. It comprises three Members of the Board, one of whom is appointed by the Board as the Committee Chair, and one independent member, Dr David Horne. Following the departure of the previous Director of Finance in August 2017, the interim Finance Director attended such meetings. The newly appointed Finance Director, Keung Wong attended the March committee. External Auditors also attend meetings, at which their reports are reviewed and actioned and an MHCLG representative sometimes attends. At the end of every meeting, the Committee has a private session with the auditors, without staff. The Chairman has confirmed to me that no matters of concern were raised at these meetings.

During the year, this Committee recommended to the Board the adoption of the year end financial statements and the audit completion report. Our audited statutory accounts were laid before Parliament on 28 June 2017 with a clean audit opinion. The ARAC reviewed and approved a revised Risk Management Policy, the Standing Financial Instructions, Procurement Policy, Data Handling Policy and Guidance, Fraud Policy and Whistle-blowing Policy. It also considered all internal audit reports and monitored progress against management responses to and action plans for the various recommendations. The Committee also developed further the assurance map as an additional tool and conducted a short self-assessment exercise.



**The Finance Committee** monitors all financial aspects of the VTS and supports me, as the Accounting Officer, and provides assurance to the Board on financial planning and management. This Committee comprised two Board Members and met five times during the year. Dr David Horne, the independent audit committee member attended three meetings as an observer from the ARAC. Following the departure of the Director of Finance, the interim Finance Director attended these meetings with me. The newly appointed Finance Director attended the March Committee meeting.

**The Remuneration & Terms of Service Committee** determines policy on executive remuneration and terms and conditions of service. This Committee of two Board Members also exercises general oversight on matters relating to staff pay and performance related pay. During 2017-18 the Committee met once, to recommend to the Board and the sponsoring body the level of performance considered appropriate for the Chief Executive.

I kept in close, continuous contact with the Acting Chairman on any significant issues and developments. The statutory positions of the VTS and the VTE are set out in a protocol document between the two organisations and forms the basis of our relationship and our respective governance arrangements.

The VTE President and I continue to work to improve the way the VTS and VTE collaborate, which has allowed greater consideration of judicial and administrative matters and has moved us towards a single focus for the two separate organisations. The introduction of the Consolidated Practice Statement on 1 July 2017 setting various 'rules' around requirements has seen a significant increase in the number of business rates appeals settled prior to the actual hearing date. There are three management committees that provide me with additional support:

- **Executive Management Team (EMT)** – This group is made up of the Directors and me. Its role is to assist my decision-making by providing accurate information and to advise me on implementing operational and strategic Board-approved plans and to provide strategic direction to staff. The EMT met ten times during the year, including a high level strategy meeting in February 2018.
- **Strategic and Operational Interface Meetings** – These provide the opportunity to review the judicial and administrative interface and the impact on operational activity. At these, I meet with the Director of Operations & Development and the Clerk (Registrar) to the VTE.
- **Change Approvals Board (CAB)** – To maintain control over IT changes resulting from VTE requirements and changes in process, a CAB is in place so that any changes identified can be discussed, costed and evaluated and benefits analysed prior to implementation through projects. This Board comprises the Director of Operations & Development (as chair), the IT Manager, the IT Support Officer and the Business Development Officer.

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

### Corporate governance compliance

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

The Board supports the Accounting Officer in the discharge of obligations set out in *Managing Public Money* and its Standing Orders and Scheme of Delegations show those matters reserved for Board decision. The Board acts corporately and objectively when discharging its responsibilities, and Board Members act in the public interest in keeping with the Nolan principles of public life. Its meetings are recorded and minutes made widely available. At the beginning at every Board and committee meeting members are asked to declare any potential conflicts of interest, which are then noted in the minutes along with any action necessary to address them. An annual declaration of Board Members' interests is required and made available for inspection (see page 21).

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

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

The Board conducted a self-evaluation of its own effectiveness in 2017-18. This exercise made use of the NAO's Board Evaluation Questionnaire and the findings were discussed in depth at the Board meeting in November. The Board concluded overall satisfaction with how it was functioning and serviced. However, some of the Members' comments reflected the fact that last year's (2016) Board appraisal and Strategy Day were delayed and eventually did not take place, in the absence of a Chairman appointment.

The Board received a training session from NAO on the Board's and the Accounting Officer's responsibilities.





## Risk management and risk profile

The Risk Management Policy, which is published on the staff intranet, sets out the key features of risk management and provides guidance for staff on their role in the process. It was last reviewed in December 2017. I am responsible to the Board for ensuring that risks are managed effectively. There are a number of more detailed operational risk registers underpinning the strategic risk register. Each risk register owner takes responsibility for their own area of operation and reports on the processes of risk assessment, management actions to mitigate risk and highlight the possibility of risk failure. The registers clearly identify risk owners and mitigating strategies ensuring risk owners respond quickly. Risk registers are submitted to me quarterly. I carry out my assessment of the overarching strategic risk register with the Executive Management Team (EMT) at each of its meetings.

During the year we have been using an assurance map alongside the register, which identifies whether we have controls in place at the appropriate level (operational management; governance and oversight; independent/external) to monitor and mitigate risks. With input from an internal audit review, we have revisited our assurance mapping process to ensure that it provides an understandable and pertinent tool. To ensure it remains effective, as part of our internal audit program Mazars carried out a review and made observations for improvements. This audit review was carried out in February/March 2018; it is very reassuring to note that the report submitted by Mazars at the March 2018 Audit & Risk Assurance Committee confirmed "substantial assurance". I will be introducing further improvements to the presentation of the assurance map in the new financial year.

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

The review of the strategic risk register continues to be a standing agenda item at Board and ARAC meetings, with the Committee maintaining an overview of risk management. The Committee receives an annual opinion from the Head of Internal Audit on the overall effectiveness of internal controls including risk management. Their view continues to be that our governance, risk management and internal control arrangements are generally adequate and effective and that no weaknesses and exceptions highlighted by the audit work were fundamental in nature.

The Board has appointed the Director of Operations & Development as the Senior Information Risk Owner (SIRO), who is required to ensure that I am apprised of any matter which may affect information assurance and data security. The SIRO provides me with an assurance statement, which is drawn from similar assurances confirmed to him by each information asset owner and budget holder. Whilst much of the data the VTS produces and manages is in the public domain, the VTS operates within the demands of the Cabinet Office's security policy framework and the requirements of the data protection legislation, as well as respecting the public access rights in the Freedom of Information Act. There have been no information and protective security breaches during the year and there were no significant control weaknesses during the year ended 31 March 2018 or up to the date of approval of our Annual Report and Accounts.

## ACCOUNTABILITY REPORT

continued

Corporate governance report

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

In November 2017 Diane Russell, the Corporate Services Manager, was appointed also as Data Protection Officer (DPO) with key responsibilities in this area. Her focus has been very much in ensuring compliance with the legislation changes from May 2018 under GDPR.

As Accounting Officer, I also receive an annual assurance statement from the Finance Director providing assurance to me over the effectiveness of finance systems and adherence to procedure to identify and report fraud. However, with the Director of Finance leaving in August 2017, an interim Finance Director, Mark Duly, was employed to lead the finance team until the successful recruitment of a permanent Finance Director. Keung Wong was appointed to this role in February 2018. Although this annual assurance statement was not received from the previous Director of Finance covering the earliest period, both the interim Finance Director and the new Finance Director have provided this assurance for the subsequent period.

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

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

During the year, Internal Audit conducted audits and advisory work over 36 days, and the Committee received five reports based on the 2017-18 plan. Two of these reports were on: Reporting on KPI performance measures (adequate assurance) and the VTS's readiness for the compliance with the GDPR (substantial assurance). In addition, an advisory review of use of the SAP finance system was completed and an audit on the use of the VTS's assurance map was undertaken (substantial assurance). A follow-up report on recommendations since 2016 was also carried out, which concluded that, of 30 recommendations made, 20 had been implemented and five had been superseded; the remaining five are carried over to 2018-19. These reports concluded, therefore, that there were no fundamental weaknesses. On the basis of this audit work, our internal auditors consider that the VTS's governance, risk management and internal control arrangements are generally adequate and effective.

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

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



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

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

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

### Significant risks and issues

I recognise that these remain challenging times for the public sector in general and that restraint and sensitivity in using public money continue to be key objectives. The challenge for me continues to be in finding ways of being effective and efficient without dropping organisational flexibility as well as our responsiveness and ability to meet our service delivery aims.

The change in finance staff has brought its challenges, but the professionalism of this small team has not detracted from delivering the services required from us. We will be looking to rebuild our finance team as well as benchmarking salaries we offer to ensure that we remain competitive in attracting key staff to our organisation.

As a demand-led service, the actions of parties to appeals and other external stakeholders impact significantly on the VTS's planning and are largely outside of our control. Our implementation of the VTE's 'rules' regarding disclosure and exchange has started to shift some behaviours regarding a previous reluctance to engage, and we have seen significant increases in the number of appeals being settled, from 20% in 2016-17 to over 50% of cases listed in 2017-18. However, this still relies on significant numbers of appeals being listed. The associated pressure in listing high volumes of appeals is in making available sufficient tribunal hearing time on the day for those cases still unresolved and requiring determination. A recent superior court judgment issued on 4 December 2017 (*Simpsons Malt Ltd and Others v Jones and Others (VOs)*) has highlighted the requirement to give additional consideration to those cases where there has been partial compliance with the VTE's 'rules', before imposing a sanction. We are seeing that the percentage of cases actually requiring a decision has increased from what was normally 2% to 3% in the short time that this judgement has been applied, and this has an impact of available tribunal resource at the hearing itself.

## ACCOUNTABILITY REPORT

continued

Corporate governance report

The CCA process has been in place since 1 April 2017 and we registered five appeals under this new process. As appeals now only materialise once the 'check' and 'challenge' stages with the VOA have been completed, this low number of receipts to date has allowed us to test out our new system and the new processes based on the regulatory expectations on the parties. We are confident that our newly developed appeal management system functions as intended.

A major change as part of the new regulation is the introduction of fees to be paid when lodging a rating appeal against the 2017 list. The fees are set at £150 for a 'smaller' proposer and £300 for others and are refundable if the appeal is successful, with those fees held where the appeal is unsuccessful being paid to the Consolidated Fund. The risks regarding this new concept are twofold. Firstly, the payment of a fee to make an appeal will undoubtedly raise the expectations of appellants in the level of service that they receive, given that this is moving from a previously free to a fee-paying system. Secondly, the fees paid will be subject to transaction costs so the amounts we receive will be net after the processor's charges have been deducted. As fees are refundable if the appeal is successful in full or part, the shortfall in what was originally paid by the appellant and what we actually receive will need to be met from our current resource as an administrative cost. Depending on volumes of appeals where the fees are refunded, this could represent a significant amount. We are in discussions with our sponsoring department to assess future impact.

The implementation of a new Data Protection Act and the GDPR will no doubt bring their own challenges. The audit carried out gives us confidence that we are well prepared for the changes.

Following the lease on our current Doncaster office having come to an end on 2 September 2017, we secured a short lease extension enabling us to complete the discussions to co-locate to a DWP building in the vicinity. DWP is now working towards a relocation date at the end of August 2018; the current office's lease extension ends 30 September.

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

# Remuneration and staff report



## Remuneration

### Board members' emoluments and expenses

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

### Chairman's term of office

The office of Chairman was vacant from 1 November 2016 and was then filled by the Deputy Chairman, John O'Shea, whose term of office as a Board Member ended on 31 March 2018. Robin Evans, an existing Board Member, was appointed Chairman with effect from 1 April 2018.

### Senior executives

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

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

### Proportion of remuneration subject to performance

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

### Directors' contracts

#### Chief Executive

#### Permanent contract

Commenced on 1 February 2010  
3 months' notice for both parties

#### Director of Operations & Development

#### Permanent contract

Commenced on 1 January 2015  
3 months' notice for both parties

#### Director of Finance

#### Permanent contract

Commenced on 1 February 2018  
3 months' notice for both parties

## Audited information

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

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

#### Single total figure of remuneration

Board Members	Salary (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
John O'Shea	5-9	5-9	–	–	–	–	5-9	5-9
Robin Evans	5-9	5-9	–	–	–	–	5-9	5-9
Martin Allingham	5-9	5-9	–	–	–	–	5-9	5-9
Lola Moses	5-9	0-4	–	–	–	–	5-9	0-4
Anne Galbraith*	–	30-34	–	–	–	–	–	30-34
Ian Tighe**	–	0-4	–	–	–	–	–	0-4
Gary Garland***	65-69	35-39	–	–	26	14	90-94	45-49
Neil Buckley****	0-4	–	–	–	–	–	0-4	–

\* The Board Member served the full term of her contract and left on 31 October 2016.

\*\* The Board Member resigned and left on 20 December 2016.

\*\*\* The President is appointed by the Lord Chancellor and paid by the VTS; he is neither an employee of the VTS nor accountable to it. He is an *ex officio* Member of the Board and was appointed from 12 September 2016. During 2017-18 £25,878 (2016-17: £14,168 part year) was paid by the VTS into the Judicial Pension Scheme.

\*\*\*\* The Board Member was appointed on 1 December 2017.



## Remuneration of Directors

### Single total figure of remuneration

Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)**		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
<b>Antonio Masella</b> Chief Executive	90-94	90-94	5-9	5-9	–	–	75	90	170-179	185-189
<b>Lee Anderson</b> Director of Operations and Development	70-74	65-69	–	–	–	–	80	37	150-154	100-104
<b>Ann Bottom</b> Director of Finance and Information Systems	–	45-49	–	–	–	–	–	–	–	45-49
<b>Tracey Cheetham*</b> Finance Director (75-79 FTE)	25-29	5-9	–	–	–	–	–	2	25-29	5-9
<b>Mark Duly</b> Interim Finance Director (16/11/2017 – 31/01/18)	25-29	–	–	–	–	–	10	–	35-39	–
<b>Keung Wong</b> Finance Director (from 01/02/18)	10-14	–	–	–	–	–	4	–	15-19	–

\* Tracey Cheetham resigned with effect from 11 August 2017, therefore no figure is available as at 31 March 2018.

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

### Salary

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

### Bonuses

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

## Pensions

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

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

### Pension benefits

Officials	Accrued pension at pension age as at 31 March 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	Employer contribution to partnership pension account Nearest £100
<b>Antonio Masella</b> Chief Executive	59 plus lump sum 109	4 plus lump sum 2	866	788	45	–
<b>Lee Anderson</b> Director of Operations and Development	37 plus lump sum 65	4 plus lump sum 4	489	424	45	–
<b>Tracey Cheetham*</b> Finance Director	–	–	–	2	–	–
<b>Mark Duly</b> Interim Finance Director	1 plus lump sum 0	1	9	–	8	–
<b>Keung Wong</b> Finance Director	–	–	3	–	1	–

\* From 1 March 2017 to 18 August 2017, therefore no CETV for 2017-18. The member has frozen refund and the fund is awaiting instructions from the scheme member. The pension benefit value as at 31 March 2018 is £9,153.





## Fair pay disclosure

The VTS is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in the VTS in the financial year 2017-18 was £100,000-£104,999 including a bonus paid in May 2018 (2016-17: £95,000-£99,999). This was 2.8 times (2016-17: 2.8 times) the median remuneration of the workforce, which was £36,177 (2016-17: £34,645). In 2017-18, as for the previous year, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,000 to £104,000 (2016-17: £17,000 to £99,000).

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

	Ratio of top to median staff pay as at 31 March 2018	Ratio of top to median staff pay as at 31 March 2017
Remuneration band of highest paid director	£100,000-£104,999	£95,000-£99,999
Median total remuneration	£36,177	£34,645
Ratio	2.8	2.8

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2018 exceeded £40,000 (excluding pension contributions and staff performance related pay and including any London weighting) was 16 (2016-17:15).

Remuneration band	Period ended 31 March 2018 Number of staff	Period ended 31 March 2017 Number of staff
£40,000 to £44,999	2	1
£45,000 to £49,999	4	4
£50,000 to £54,999	3	5
£55,000 to £59,999	3	2
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	2	1
£75,000 to £79,999	1	1
£80,000 to £84,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
£95,000 to £99,999	0	1*
£100,000 to £104,999	1*	0

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

## Staff report

### Staff costs

Staff costs comprise:

	2017-18 £'000	2016-17 £'000
Wages and salaries	2,390	2,377
Social security costs	252	250
Other pension costs	884	598
Agency staff costs	283	452
<b>Total staff costs</b>	<b>3,809</b>	<b>3,677</b>

### Staff numbers as at 31 March 2018

As at 31 March 2018, the actual number of staff employed was 66 compared to 72 at 1 April 2017.

### Average number of staff over the year

The average staff headcount for the year, as reported in the table below, was 68 (2016-17: 71). There were no early retirements on ill-health grounds in 2017-18 (none in 2016-17).

During the year there were four starters and 10 leavers. Of the 10 leavers, one was a normal retirement, six were resignations, two were dismissals and one was a redundancy/early retirement. Due to the redundancy and age protocols of the LGPS, a person whose post becomes redundant over the age of 55 also has access to early release of their pension (as an 'early retirement'). This was the situation in this redundancy case. A recruitment exercise is underway to fill other vacancies.

Average number of persons employed:

	Permanently employed staff	Others	Total 2017-18	Total 2016-17
Directly employed	68	–	68	71
Other	–	4	4	8
<b>Total</b>	<b>68</b>	<b>4</b>	<b>72</b>	<b>79</b>



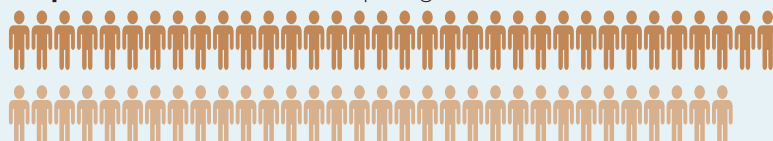
### Staff composition at 31 March 2018

#### Chart 2

**Directors** – three comprising: 100% male.



**All permanent staff** – 66 comprising: 52% female; 48% male.



The representation of ethnic minorities within the workforce at the end of the year decreased slightly to 18.2% compared to 20.6% in 2017.

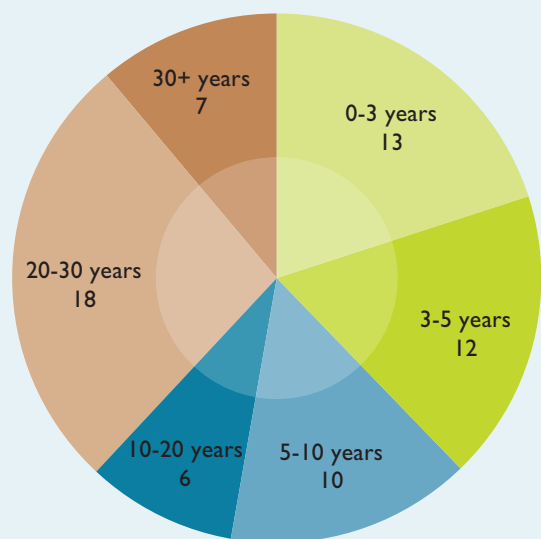
The percentage who declared themselves to have, or were assessed by occupational health as having a disability was 7.6% of the workforce.

The average length of service also reduced slightly from 13.4 years to 13.3 years (see Chart 3). The median length of service was seven years. (These figures include service in the former valuation tribunals before staff transferred to the VTS in 2004).

The average age of our staff increased slightly from 47.1 years to 47.3 (see Chart 4). The median age was 49.

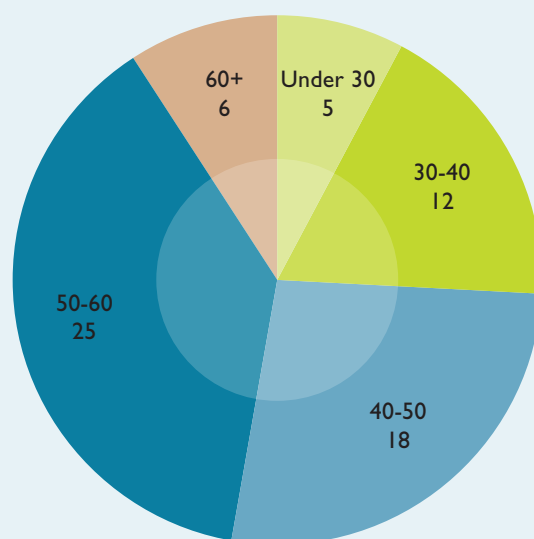
**Chart 3**

Employees' years of service as at 31 March 2018



**Chart 4**

Employees' age profile as at 31 March 2018



**Sickness absence data**

In 2017-18, 31 of our current staff (47%) had no sickness absence. The average sickness absence for the rolling year to 31 March 2018 reduced from 9.1 days to 4.3 days. Excluding the long-term sickness absence of three individuals (with three instances of long-term absence), average sickness absence was 3.05 days. Of the three individuals with long-term absence, two have returned successfully to work, whilst the third is expected to return shortly.

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

These included the Occupational Health Policy and Sickness Absence Policy and application of legal requirements in respect of making reasonable adjustments and phased return to work after longer term absences. Recruitment is monitored and reasonable adjustments are made for interview wherever necessary to do so. Any person with a disability who meets the essential criteria for the role is interviewed.



## Reporting of compensation schemes

There was one compulsory redundancy during 2017-18.

	Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
1				
2	<10			
3	10-25			
4	25-50			
5	50-100	1		1*
6	100-150			
7	150-200			
8	<b>Total number of exit packages</b>	1		1*
9	<b>Total cost/£'000</b>	90		90

\* Includes enhanced pension payment

### Off-payroll engagements

The VTS follows HMT guidance in respect of the engagement of temporary staff. Where agency staff that fall within the definition of IR35 are required, they are contracted via umbrella company arrangements ensuring that all payroll taxes and national insurance are deducted at point of payment. There are no off-payroll employees as at 31 March 2018.

#### New off-payroll engagements or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £220 per day and that last for longer than six months

Number of off-payroll engagements of Board Members and/or senior officials with significant financial responsibility during the financial year.	1
Details of the exceptional circumstances that led to each of the engagements above.	The Finance Director left the organisation on 11 August 2017. An interim was contracted under an agency contract as Head of Finance. He presented financial matters to the Executive Management Team (EMT) and Board but was not part of the EMT until he agreed a fixed term pay rolled contract on 16 November 2017 at which time he became a full member of the EMT.
Details of the length of time and dates each of these exceptional off-payroll engagements lasted.	8 August 2017 to 15 November 2017.
Has the Accounting Officer approved these exceptional circumstances?	Yes
Has the individual provided assurance? (if not please give reasons)	Paid via an umbrella company to ensure payment of taxes at source.
Total number of individuals both on and off-payroll that have been deemed "Board Members and/or senior officials with significant financial responsibility", during the financial year.	10

### Auditors' remuneration

The VTS Annual Report and Accounts are audited by the Comptroller and Auditor General who is appointed under statute. Auditors remuneration of £40,000 (2016-17: £40,000) was charged in the audit of these Accounts. No remuneration was paid to the external auditor in respect of non-audit services.

# Parliamentary accountability and audit report



The Non-Domestic Rating (Alteration of Lists and Appeals) (England) (Amendment) Regulations 2017 came into force on 1 April 2017. Having received a determination by the VOA, a taxpayer making an appeal to the Valuation Tribunal for England is required to pay a fee, set by statute. This fee is returnable in full in the event of a decision in favour of the taxpayer or remitted to HM Treasury where the appeal fails. During the course of the appeal process the VTS holds these funds as an agent of HM Treasury and therefore the funds are not available to defray the expenditure of the service. These funds are managed and shown separately from the funds of the VTS. In the year, the first five appeals were lodged with fees received totalling £900.

(Disclosures in this paragraph are audited.) The VTS has no remote contingent liabilities, gifts, losses or special payments to report under this Parliamentary Accountability disclosure. There were no losses for the 2017-18 financial year.

A handwritten signature in black ink, appearing to read 'Antonio Masella', is positioned above the printed name.

**Antonio Masella**

Accounting Officer  
Valuation Tribunal Service

5 July 2018

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Valuation Tribunal Service for the year ended 31 March 2018 under the Local Government Act 2003. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes, including the significant accounting policies. 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 the Valuation Tribunal Service'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 Local Government Act 2003 and Secretary of State 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 Tribunal Service 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 Board and Accounting Officer for the financial statements

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

## 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 Local Government Act 2003.





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 Tribunal Service'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 Tribunal Service'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.

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

## Other information

The Board and the Accounting Officer are 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 Secretary of State directions made under the Local Government Act 2003;
- in the light of the knowledge and understanding of the Valuation Tribunal Service and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the 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.

## 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

Comptroller and Auditor General

12 July 2018

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

# Statement of Comprehensive Net Expenditure

## for the year ended 31 March 2018



2017-18

The Valuation Tribunal Service Annual Report and Accounts

	Note	2017-18 £'000	2016-17 £'000
Staff costs	2	3,809	3,677
Purchase of goods and services	3	1,933	2,267
Other operating expenditure	3	525	643
Depreciation, amortisation and impairment charges	3	353	221
Provision and pensions expense	3	57	48
<b>Total operating expenditure</b>		<b>6,677</b>	<b>6,856</b>
Finance expense (net interest on pension liabilities)	3	507	756
<b>Net expenditure for the year</b>		<b>7,184</b>	<b>7,612</b>
<b>Other comprehensive net expenditure</b>			
<b>Items which will not be classified to net operating costs</b>			
Actuarial (gain) on pension scheme liabilities	10	(2,372)	(1,524)
<b>Total comprehensive net expenditure for the year ended 31 March</b>		<b>4,812</b>	<b>6,088</b>

The notes on pages 51 to 64 form part of these accounts.

## FINANCIAL STATEMENTS

# Statement of Financial Position

## as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	4	55	48
Intangible assets	5	530	405
<b>Total non-current assets</b>		<b>585</b>	<b>453</b>
<b>Current assets</b>			
Trade and other receivables	6	229	289
Cash and cash equivalents	7	175	240
<b>Total current assets</b>		<b>404</b>	<b>529</b>
<b>Total assets</b>		<b>989</b>	<b>982</b>
<b>Current liabilities</b>			
Trade and other payables	8	(748)	(946)
<b>Total current liabilities</b>		<b>(748)</b>	<b>(946)</b>
<b>Total assets less current liabilities</b>		<b>241</b>	<b>36</b>
<b>Non-current liabilities</b>			
Pensions	10	(16,169)	(20,388)
<b>Total non-current liabilities</b>		<b>(16,169)</b>	<b>(20,388)</b>
<b>Total assets less total liabilities</b>		<b>(15,928)</b>	<b>(20,352)</b>
<b>Taxpayers' equity</b>			
General fund		241	36
Pension reserve		(16,169)	(20,388)
<b>Total taxpayers' equity</b>		<b>(15,928)</b>	<b>(20,352)</b>

The notes on pages 51 to 65 form part of these accounts.

The financial statements were approved by the Board on 5 July 2018 and were signed on its behalf by:



**Antonio Masella**

Accounting Officer  
Valuation Tribunal Service

5 July 2018

# Statement of Cash Flows

## for the year ended 31 March 2018



	Note	2017-18 £'000	2016-17 £'000
<b>Cash flows from operating activities</b>			
Net operating cost	SoCNE	(7,184)	(7,612)
Employers pension contributions	10	(3,295)	(958)
<b>Adjustment for non-cash transactions</b>			
Depreciation and amortisation	4 & 5	300	220
Impairments	4 & 5	1	1
Loss on disposal of property, plant and equipment and intangible assets	4 & 5	53	–
Decrease/(Increase) in trade and other receivables	6	60	(83)
Other non-cash pension movements	10	1,448	1,402
(Decrease)/Increase in trade and other payables	8	(198)	308
Use of provisions	9	–	(105)
<b>Net cash outflow from operating activities</b>		<b>(8,815)</b>	<b>(6,827)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(36)	–
Purchase of intangible assets	5	(450)	(158)
<b>Net cash outflow from investing activities</b>		<b>(486)</b>	<b>(158)</b>
<b>Cash flows from financing activities</b>			
Grant in aid received from sponsoring department	TpEq	9,236	7,204
<b>Net cash inflows from financing activities</b>		<b>9,236</b>	<b>7,204</b>
<b>Net (decrease)/increase in cash and cash equivalents for the period before adjustment for receipts and payments for Check Challenge Appeal</b>			
		<b>(65)</b>	<b>219</b>
Receipts in respect of Check Challenge Appeal outside the scope of the VTS's activities	14	1	–
<b>Net (decrease)/increase in cash and cash equivalents for the period after adjustment for receipts and payments for Check Challenge Appeal</b>		<b>(64)</b>	<b>219</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>240</b>	<b>21</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>176</b>	<b>240</b>

The notes on pages 51 to 65 form part of these accounts.

# Statement of Changes in Taxpayer's Equity for the year ended 31 March 2018

	Note	General Fund £'000	Pension Reserve £'000	Total Taxpayers' Equity £'000
<b>Balance at 31 March 2016</b>		–	<b>(21,468)</b>	<b>(21,468)</b>
Grants from sponsoring department		7,204	–	7,204
Comprehensive net expenditure for the year	SoCNE	(7,612)	–	(7,612)
Transfers between reserves		444	(444)	–
Actuarial gains		–	1,524	1,524
<b>Balance at 31 March 2017</b>		<b>36</b>	<b>(20,388)</b>	<b>(20,352)</b>
Grants from sponsoring department		9,236	–	9,236
Comprehensive net expenditure for the year	SoCNE	(7,184)	–	(7,184)
Transfers between reserves		(1,847)	1,847	–
Actuarial gains	10	–	2,372	2,372
<b>Balance at 31 March 2018</b>		<b>241</b>	<b>(16,169)</b>	<b>(15,928)</b>

The notes on pages 51 to 65 form part of these accounts.



## Note 1 Statement of accounting policies

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury and Accounts Direction as issued by the Ministry of Housing Communities and Local Government (MHCLG). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounting policies also meet the accounting and disclosure requirements of the Companies Act 2006 to the extent these are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the VTS for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the financial statements. All policies adopted for the VTS are described below.

### 1.2 Going concern basis

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

The Statement of Financial Position shows net liabilities of £15,928,000 at 31 March 2018. This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not to be met from the VTS's other sources of income, may only be met by future grants or grant in aid from the sponsoring department. Grants and grant in aid may not be drawn in advance of need and will only be drawn as the liabilities fall due.

The grant in aid for 2018-19 takes into account the amounts required to meet the VTS's liabilities falling due in that year and has already been included in the sponsoring department's Parliamentary estimates for 2018-19. MHCLG has confirmed funding for 2018-19 with indicative annual allocations through to 2020-21. Liability for all pension payments not met through normal funding cycle will continue to fall to MHCLG.

### 1.3 Standards adopted by the VTS

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

### 1.4 Future accounting developments

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

The following IFRSs are to be adopted:

**IFRS 9 Financial Instruments (effective from 2018-19).** The standard introduces new classification categories and subsequent measurement requirements for financial assets, as well as the introduction of a new approach for calculating and recognising impairments. The VTS's financial assets consist primarily of cash balances and short term receivables and payables, and are not therefore materially affected by the introduction of the expected credit loss model or the changes in asset classifications.

**IFRS 15 Revenue from contracts with customers (effective from 2018-19).** The standard establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The VTS is unaffected by the introduction of IFRS 15, as it earns no income. The fees received by the VTS under CCA are remitted to the consolidated fund, and therefore do not form part of the VTS's own financial statements.

**IFRS 16 Leases (effective from 2019-20).** The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As at the reporting date, the VTS has non-cancellable operating lease commitments of £540,872 (see note 12), part of which may become right-of-use assets, which will increase the value of assets and liabilities on the VTS's Statement of Financial Position. The application of IFRS 16 in the public sector context has yet to be confirmed by the FReM.

### 1.5 Non-current assets

The FReM permits public bodies to determine the most appropriate valuation methodology. Non-current assets are held at current value in existing use and are depreciated/amortised on a straight line basis over their estimated useful life. The VTS capitalisation threshold is £5,000.

Where assets have short useful lives or low values, the FReM permits the adoption of depreciated historic cost as a proxy for current value in existing use. The VTS has concluded that the assets held meet these criteria and therefore has adopted the depreciated historic cost model.

### 1.6 Property, plant and equipment

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

The VTS does not hold any financial interest in land or buildings; it occupies premises rented or leased from its landlords. The VTS has property lease obligations on two offices as at 31 March 2018.

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

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

### 1.7 Intangible assets

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





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

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

### 1.8 Grant in aid

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

### 1.9 Employee benefits

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

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

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

Asset values are estimated based on projected returns for the year and are updated using actual returns figures obtained after the year end where this results in a material change in values.

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

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

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

IAS19 requires an organisation to account for pension liabilities as they arise, regardless of when pension payments are due to be paid. Setting side by side the value of all future pension payments and the snapshot value of investments as at 31 March each year results in either an overall deficit or a surplus. The total net deficit arising for the VTS as at 31 March 2018 was £16,169,000. The assessment of current surplus or deficit arising from an IAS19 valuation carries with it no additional payment requirement from the VTS as the actuarial valuation, carried out every three years, sets revised employer contribution rates to ensure that existing assets and future contributions will be sufficient to meet future pension payments.

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

#### **1.10 Leases**

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

#### **1.11 Provisions**

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

#### **1.12 VAT**

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

#### **1.13 Taxation**

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

#### **1.14 Financial instrument risk**

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



### 1.15 Appeal fees

The Non-Domestic Rating (Alteration of Lists and Appeals) (England) (Amendment) Regulations 2017 came into force on 1 April 2017. Having received a determination by the VOA, a taxpayer making an appeal to the Valuation Tribunal for England is required to pay a fee. This fee is returnable in the event of a decision in favour of the taxpayer, or remitted to HM Treasury where the appeal fails. During the course of the appeal process the VTS holds these funds as an agent of HM Treasury and therefore the funds are not available to defray the expenditure of the service. These funds are managed and shown separately from the funds of the VTS and do not form part of the organisation's financial statements.

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

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

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

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

The discount rate has been calculated using a Single Equivalent Discount Rate (SEDR) which has been derived using sample future cash flows to identify the appropriate point on the Merrill Lynch AA corporate bond yield curve for 2 to 30 years and the curve is assumed to be flat beyond the 30 year point. Based on future pension cash flows, a discount rate of 2.55% has been deemed appropriate, compared with 2.7% last year.

## Note 2 Staff costs

Staff costs comprise:

	2017-18 £'000	2016-17 £'000
Wages and salaries	2,390	2,377
Social security costs	252	250
Other pension costs	884	598
Agency staff costs	283	452
<b>Total staff costs</b>	<b>3,809</b>	<b>3,677</b>

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

# FINANCIAL STATEMENTS

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Notes to the accounts

## Note 3 Other operating costs

	Note	2017-18 £'000	2016-17 £'000
<b>Cash items</b>			
<b>Other operating expenditure</b>			
VTE costs		289	362
Board costs		36	77
Travel and subsistence		150	151
Training		50	53
		<b>525</b>	<b>643</b>
<b>Purchase of goods and services</b>			
Support services (IT, legal and finance)		448	545
Rentals under operating leases		441	403
IT (maintenance and licences)		231	596
Post and communications		282	278
Tribunal costs		155	113
Printing and publications		57	35
Auditors remuneration and expenses		40	40
Other goods and services		220	195
Variable maintenance		26	30
Heating and lighting		17	12
Internal audit		16	20
		<b>1,933</b>	<b>2,267</b>
<b>Non-cash items</b>			
Administration charge – pensions	10	57	48
Net interest on pension liabilities	10	507	756
Amortisation	5	256	169
Depreciation	4	44	51
Loss on disposal of property, plant and equipment and intangible assets	4,5	53	–
Impairments and other non-cash movements	4	1	1
		<b>917</b>	<b>1,025</b>
<b>Total</b>		<b>3,375</b>	<b>3,935</b>



## Note 4 Property, plant and equipment

	Leasehold improvements £'000	Furniture and fittings £'000	Information technology £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2016	60	73	339	472
Disposals	(60)	–	(145)	(205)
<b>At 31 March 2017</b>	<b>–</b>	<b>73</b>	<b>194</b>	<b>267</b>
Additions	–	–	36	36
Disposals	–	(68)	(106)	(174)
Reclassifications	–	–	22	22
<b>At 31 March 2018</b>	<b>–</b>	<b>5</b>	<b>146</b>	<b>151</b>
<b>Depreciation</b>				
At 1 April 2016	60	46	266	372
Charge for period	–	12	39	51
Disposals	(60)	–	(145)	(205)
Impairments	–	–	1	1
<b>At 31 March 2017</b>	<b>–</b>	<b>58</b>	<b>161</b>	<b>219</b>
Charge for period	–	11	33	44
Disposals	–	(67)	(101)	(168)
Impairments	–	1	–	1
<b>At 31 March 2018</b>	<b>–</b>	<b>3</b>	<b>93</b>	<b>96</b>
<b>Net book value at 31 March 2018</b>	<b>–</b>	<b>2</b>	<b>53</b>	<b>55</b>
<b>Owned at 31 March 2018</b>	<b>–</b>	<b>2</b>	<b>53</b>	<b>55</b>
<b>Net book value at 31 March 2017</b>	<b>–</b>	<b>15</b>	<b>33</b>	<b>48</b>
<b>Owned at 31 March 2017</b>	<b>–</b>	<b>15</b>	<b>33</b>	<b>48</b>

**Note 5 Intangible assets**

	IT assets under construction £'000	IT developments and licences £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2016	–	2,339	2,339
Additions	157	1	158
Disposals	–	(590)	(590)
Impairments	–	8	8
<b>At 31 March 2017</b>	<b>157</b>	<b>1,758</b>	<b>1,915</b>
Additions	426	24	450
Disposals	(6)	(1,669)	(1,675)
Reclassifications	(577)	555	(22)
<b>At 31 March 2018</b>	<b>–</b>	<b>668</b>	<b>668</b>
<b>Amortisation</b>			
At 1 April 2016	–	1,923	1,923
Charge for period	–	169	169
Disposals	–	(590)	(590)
Impairments	–	8	8
<b>At 31 March 2017</b>	<b>–</b>	<b>1,510</b>	<b>1,510</b>
Charge for period	–	256	256
Disposals	–	(1,628)	(1,628)
Reclassifications	–	–	–
<b>At 31 March 2018</b>	<b>–</b>	<b>138</b>	<b>138</b>
<b>Net book value at 31 March 2018</b>	<b>–</b>	<b>530</b>	<b>530</b>
<b>Owned at 31 March 2018</b>	<b>–</b>	<b>530</b>	<b>530</b>
<b>Net book value at 31 March 2017</b>	<b>157</b>	<b>248</b>	<b>405</b>
<b>Owned at 31 March 2017</b>	<b>157</b>	<b>248</b>	<b>405</b>

**Note 6 Trade and other receivables**

	2017-18 £'000	2016-17 £'000
Prepayments and accrued income	215	281
Season ticket interest free loans	14	8
<b>Balance at 31 March</b>	<b>229</b>	<b>289</b>

**Note 7 Cash and cash equivalents**

	Note	2017-18 £'000	2016-17 £'000
<b>Cash at bank at 1 April</b>		240	21
Increase (decrease) in cash for the year	SCF	(65)	219
<b>Cash at bank and held at 31 March</b>		<b>175</b>	<b>240</b>

All bank balances are held with the Government Banking Service.

Within this balance £1,000 (2016-17: £nil) relates to fees held for appeals under the 2017 Non-Domestic Rating Appeal Regulations and is not available to defray the operating expenses of the VTS (See Note 14).

**Note 8 Trade and other payables**

	Note	2017-18 £'000	2016-17 £'000
Amounts falling due within one year:			
Trade payables		366	377
Accruals and deferred income		381	569
Check Challenge Appeal	14	1	–
<b>Balance at 31 March</b>		<b>748</b>	<b>946</b>

**Note 9 Provisions**

	2017-18 £'000	2016-17 £'000
Balance at 1 April	–	105
Provided in the year	–	–
Utilised in year	–	(105)
<b>Balance at 31 March</b>	<b>–</b>	<b>–</b>

# FINANCIAL STATEMENTS

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Notes to the accounts

## Note 10 Pensions

Year ended 31 March 2018	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
<b>Opening position</b>	<b>43,757</b>	<b>(64,145)</b>	<b>(20,388)</b>
Current service cost	–	(831)	(831)
Administration costs	(57)	–	(57)
<b>Total service cost</b>	<b>(57)</b>	<b>(831)</b>	<b>(888)</b>
Net interest			
Interest income on plan assets	1,200	–	1,200
Interest cost on defined benefit obligation	–	(1,707)	(1,707)
<b>Total net interest</b>	<b>1,200</b>	<b>(1,707)</b>	<b>(507)</b>
Termination benefits		(117)	(117)
<b>Total (expenditure)/income recognised in the statement of comprehensive net expenditure</b>	<b>1,143</b>	<b>(2,655)</b>	<b>(1,512)</b>
Cash flows			
Plan participants contributions	164	(164)	–
Employer contributions*	3,359	–	3,359
Benefits paid including expenses	(2,057)	2,057	–
Unfunded benefits paid	(96)	96	–
<b>Expected closing position</b>	<b>46,270</b>	<b>(64,811)</b>	<b>(18,541)</b>
Re-measurements			
Changes in financial assumptions	–	746	746
Return on assets excluding amounts included in net interest	1,626	–	1,626
<b>Total re-measurements recognised in the statement of other comprehensive net expenditure</b>	<b>1,626</b>	<b>746</b>	<b>2,372</b>
<b>Closing position</b>	<b>47,896</b>	<b>(64,065)</b>	<b>(16,169)</b>

\* Contributions by employer including unfunded

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





Year ended 31 March 2017	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
<b>Opening position</b>	<b>36,826</b>	<b>(58,294)</b>	<b>(21,468)</b>
Current service cost	–	(598)	(598)
Administration costs	(48)	–	(48)
<b>Total service cost</b>	<b>(48)</b>	<b>(598)</b>	<b>(646)</b>
Net interest			
Interest income on plan assets	1,305	–	1,305
Interest cost on defined benefit obligation	–	(2,061)	(2,061)
<b>Total net interest</b>	<b>1,305</b>	<b>(2,061)</b>	<b>(756)</b>
Termination benefits	–	–	–
<b>Total (expenditure)/income recognised in the statement of comprehensive net expenditure</b>	<b>1,257</b>	<b>(2,659)</b>	<b>(1,402)</b>
Cash flows			
Plan participants contributions	165	(165)	–
Employer contributions	958	–	958
Benefits paid including expenses	(2,209)	2,209	–
Unfunded benefits paid	(103)	103	–
<b>Expected closing position</b>	<b>36,894</b>	<b>(58,806)</b>	<b>(21,912)</b>
Re-measurements			
Changes in demographic assumptions	–	385	385
Changes in financial assumptions	–	(10,633)	(10,633)
Experience	–	4,909	4,909
Return on assets excluding amounts included in net interest	6,146	–	6,146
Other actuarial losses	717	–	717
<b>Total re-measurements recognised in the statement of other comprehensive net expenditure</b>	<b>6,863</b>	<b>(5,339)</b>	<b>1,524</b>
<b>Closing position</b>	<b>43,757</b>	<b>(64,145)</b>	<b>(20,388)</b>

## FINANCIAL STATEMENTS

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Notes to the accounts

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

Assumptions as at	31 March 2018		31 March 2017		31 March 2016	
	% pa	% real	% pa	% real	% pa	% real
RPI increase	3.35	–	3.5	–	3.2	–
CPI increases	2.35	–1.0	2.6	–0.9	2.2	–1.0
Salary increase	3.85	0.5	1.5	–2.0	4.2	1.0
Pension increases	2.35	–1.0	2.6	–0.9	2.2	–1.0
Discount rate	2.55	–0.8	2.7	–0.8	3.6	0.4

These assumptions are set with reference to market conditions at 31 March 2018. The 'real' assumptions shown are with reference to the Retail Prices Index (RPI).

The discount rate has been calculated using a Single Equivalent Discount Rate (SEDR) which has been derived using sample future cash flows to identify the appropriate point on the Merrill Lynch AA corporate bond yield curve for 2 to 30 years and the curve is assumed to be flat beyond the 30 year point. Based on future pension cash flows, a discount rate of 2.55% has been deemed appropriate, compared with 2.7% last year.

The Retail Prices Index (RPI) increase assumption is set based using a similar approach to the SEDR described above. The Single Equivalent Inflation Rate (SEIR) using the Bank of England implied inflation curve over the 2 to 30 year period, with inflation assumed to be flat beyond the 40 year period. Using the inflation curve an SEIR has been determined as appropriate to reflect the impact of inflation on the pension fund. The RPI assumption using SEIR is assumed to be 3.35% p.a., compared with 3.5% assumed last year.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries, Barnett Waddingham, have made a further assumption that CPI will be 1.0% p.a. below RPI i.e. 2.35% p.a. This is a larger RPI/CPI differential than last year, but they believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation method and recent independent forecasts.

In the longer term salaries are assumed to increase by 1.5% above CPI (3.85%) including the impact of promotional scales.

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

The assumed life expectancies from age 65 are:

Life expectancy from age 65		31 March 2018	31 March 2017
Retiring today	Males	22.2	22.1
	Females	24.7	24.6
Retiring in 20 years	Males	24.5	24.4
	Females	27.0	26.9



The table below summarises the membership data, as at 31 March 2016, for members receiving funded benefits. The average age of unfunded pensioners has not been calculated and is therefore not shown.

Member data summary	Number of members	Salaries/pensions £'000	Average age
Active members	63	2,173	50
Deferred members	142	451	49
Pensioners	200	1,608	73
Unfunded pensioners	47	94	–

### Sensitivity analysis

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

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

Sensitivity analysis	£'000s	£'000s	£'000s
<b>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	63,037	64,065	65,110
Projected service costs	794	810	827
<b>Adjustment to long term salary increase</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	64,128	64,065	64,002
Projected service costs	810	810	810
<b>Adjustment to pension increases and deferred revaluation</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of obligation	65,048	64,065	63,097
Projected service costs	827	810	793
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of obligation	66,584	64,065	61,644
Projected service costs	836	810	785

### Statement of Financial Position

The asset and liability values as at 31 March are reflected in the table on page 60 and are reported in the Statement of Financial Position on page 48 as the total pension net liability of £16,169,000.

Unfunded benefits paid as at 31 March 2018 amounted to £96,000 (2016-17: £103,000). The liability for unfunded benefits at 31 March 2018 was £1,690,000 (2016-17: £1,761,000). This is contained within the net pension liability of £16,169,000 (2016-17: £20,388,000).

## FINANCIAL STATEMENTS

continued

Notes to the accounts

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 6%.

The estimate asset allocation as at 31 March 2018 is as follows:

Asset breakdown	31 March 2018		31 March 2017	
	£'000s	%	£'000s	%
Equities	29,286	61%	25,927	59%
Target return portfolio	10,737	23%	9,246	21%
Infrastructure	2,093	4%	2,304	6%
Property	3,446	7%	2,231	5%
Cash	2,334	5%	4,049	9%
<b>Total</b>	<b>47,896</b>	<b>100%</b>	<b>43,757</b>	<b>100%</b>

### Projected pension expense for the year to 31 March 2019

Projections for the year to 31 March 2019	31 March 2019 £'000
Service cost	810
Net interest on the defined liability(asset)	417
Administration expenses	62
<b>Total loss (profit)</b>	<b>1,289</b>
Employer contributions	337

### Note II Capital commitments

Contracted capital commitments at 31 March 2018 not otherwise included in these accounts	2017-18 £'000	2016-17 £'000
Connect	–	288
Appeals Management	–	199
<b>Total</b>	<b>–</b>	<b>487</b>

At 31 March 2018 there were no contracted capital commitments not otherwise included in these accounts.

### Note 12 Commitments under operating leases

Obligations under operating leases for the following periods comprise:	2017-18 £'000	2016-17 £'000
<b>Buildings</b>		
Not later than one year	243	272
Later than one year and not later than 5 years	298	541
<b>Total</b>	<b>541</b>	<b>813</b>



### Note 13 Related party disclosures

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

The values of related party transactions include the following:

- Grant in aid of £9,235,713 (2016-17: £7,203,846) was received from MHCLG.
- The VTS is a non-departmental public body and during the year the VTS had various material transactions with the ministerial department but not with any other entity for which MHCLG is regarded as the parent department.
- In addition, the VTS has had various transactions with other government departments and other central government bodies which include:
  - Payments of £489,082 (2016-17: £649,809) were made to the VOA for IT support and maintenance services. The VOA is an executive agency of HMRC.
  - Payments of £3,021,376 (2016-17: £960,301) were made to the LGPS pension fund representing employer's contributions for the year for funded and unfunded schemes, excluding settlements.
  - Remittances were made to HMRC for social security costs of £810,806 (2016-17: £788,807).
  - Payments of £380,584 (2016-17: £345,307) were made to NHS Property Services for office rent, service charges, heating and lighting.

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

### Note 14 Check, Challenge and Appeal fees

Under the Non-Domestic Rating (Alteration of Lists and Appeals) (England) (Amendment) Regulations 2017 which came into force on 1 April 2017 appellants are required to pay a fee, returnable if their appeal is upheld or remitted to Consolidated Fund when not. The VTS is not permitted to utilise these funds to defray its operating costs and they are held pending determination.

	No	£'000
<b>Balance at 1 April 2017</b>	<b>–</b>	<b>–</b>
Fees received during the period	5	1
Less: Cases determined in favour of the Appellant	–	–
Add back: Fees held for repayment to the Appellants at 31 March	–	–
Less: Cases determined in favour of the Authority	(1)	–
Add back: Fees held for remittance to the Consolidated Fund at 31 March	1	–
<b>Balance at 31 March 2018</b>	<b>5</b>	<b>1</b>

### Note 15 Events after the reporting period

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

# Accounts direction

## The Valuation Tribunal Service

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

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

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

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

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



An officer in the Department for Communities and Local Government

31 March 2010

