



The Valuation Tribunal Service

Annual Report and Accounts 2018-19

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Chief Executive's report

Our priorities for the year have very much continued to focus on the delivery of a high quality and value for money service that remains both flexible and responsive to the inevitable changes and challenges that arise. We have fully embedded the process for appealing the 2017 rating list and this year we have begun to see appeals being lodged and resolved under the new regulations, using the new digital platform we introduced to facilitate their receipt and listing.

We convened a total of 999 hearing days during the year and facilitated the listing of 83,000 appeals throughout England. As well as listing council tax appeals received following disputes with the respective billing authorities, our focus during the year has been on reducing the outstanding number of 2010 rating list appeals arising from disputes with the Valuation Office Agency and bringing to a head those appeals that are not subject to superior court determinations.

Whilst maintaining business as usual, we set out at the beginning of the year to achieve 15 specific objectives and have successfully met 11 of them, with significant progress made on a further objective that will complete earlier in this financial year. This has been a good achievement and I am grateful to my Executive Management Team, staff and the Board for the part they have played in achieving this success.

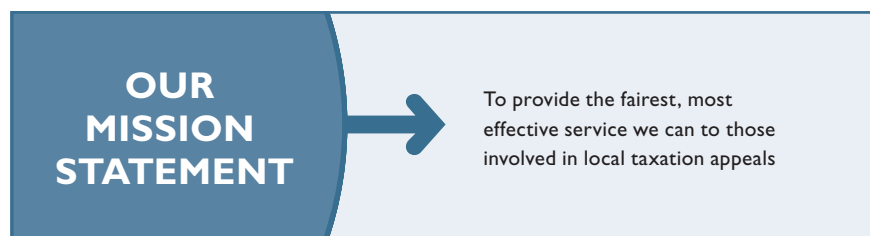
A handwritten signature in black ink, appearing to read 'Antonio Masella', written in a cursive style.

Antonio Masella

Chief Executive and Accounting Officer
Valuation Tribunal Service



Our services and what we do



The VTS is an administrative statutory body¹, which supports the Valuation Tribunal for England (VTE)².

The VTE's jurisdiction covers appeals on:

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

The VTS is an executive non-departmental public body (NDPB), sponsored by the Ministry of Housing, Communities and Local Government (MHCLG); the VTE is a tribunal NDPB.

In supporting the VTE, the VTS's roles include arranging and administering hearing days, training VTE members, providing general assistance to appellants and their representatives, and issuing 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 President of the VTE has a statutory duty to ensure that arrangements are made for appeals to be determined in accordance with the Regulations³.

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.

¹ The VTS was established under the Local Government Act 2003 and created on 1 April 2004.

² The VTE was established by the Local Government and Public Involvement in Health Act 2007, which amended the 2003 Act; it came into being on 1 October 2009.

³ Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) Regulations 2009 SI 2009 No 2269 as amended.



Key risks and issues

Detail of these is given in the Governance Statement on page 28. Briefly they are:

- inability to accurately forecast appeals workload because the regulatory process means that this is entirely dependent on the activity of the parties to appeals
- the suitability of our Doncaster office accommodation following co-location with another government department
- future office locations given Cabinet Office policy with regard to moving public servants outside the M25
- the challenges of recruiting sufficient non-paid (volunteer) VTE members through the Judicial Appointments Commission process.

Going concern

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

The Statement of Financial Position on page 43 shows net liabilities of £12,772k at 31 March 2019. This includes 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 can only be drawn as the liabilities fall due.

The grant in aid for 2019-20 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 2019-20. Liability for all pension payments not met through the normal funding cycle will continue to fall to the Department.



Performance summary

The VTS completed 11 of the 15 actions identified to meet the strategic priorities set out in its Business Plan for 2018-19, and part completed the other four. In particular, we successfully implemented a process for administering 'check, challenge, appeal' cases that has allowed the prompt listing of these appeals made under new regulations. We moved to a shared IT service with our sponsoring Department, using cloud technology to provide a more flexible working environment. In October we relocated our Doncaster office with minimal disruption to operations and service delivery. Towards the end of the year we introduced a Learning Management System to provide online training and development for staff and VTE members. Further details appear in the Performance analysis section on page 6.

Of the eight key performance indicators (KPIs) that we identified for 2018-19, the VTS achieved or exceeded the targets for six of them (see page 10). In 2017-18 we achieved or exceeded targets for six out of 10 KPIs.

Average staff headcount for 2018-19 was 64, four fewer than in 2017-18. VTE member numbers were 188 as at 31 March 2019, a decrease of 31 over the year.

The VTS continues to operate within budget and, with the approval of MHCLG, has used underspends to make pension deficit payments to the London Pension Fund Authority thus reducing our ongoing liabilities.

Performance analysis

Volumetrics

Around 134,500 appeals were brought forward in April 2018 and just over 10,000 were received. Table I shows the detail of these figures by appeal type.

Table I

Appeal type	Brought forward at 1/4/18	Received 2018-19	Cleared 2018-19	Carried forward 31/3/19
Council tax: Completion Notice	150	800	780	170
Council tax: Penalty Notice	10	20	20	10
Council tax: liability	400	1,020	950	470
Council tax: Notice of invalidity	130	240	320	50
Council tax: reduction	370	800	770	400
Council tax: valuation	800	1,820	1,760	860
Non-domestic: Completion Notice	170	260	270	160
Non-domestic: Penalty Notice	–	–	–	–
Non-domestic: Transitional Certificate	140	40	80	100
Non-domestic rating: Notice of invalidity 2005	40	–	30	10
Non-domestic rating: Notice of invalidity 2010	1,320	190	950	560
Non-domestic rating list 2005	530	–	140	390
Non-domestic rating list 2010	130,500	4,800	70,200	65,100
Non-domestic rating list 2017	4	65	33	36
Total	134,564	10,055	76,303	68,316

Note: Figures in the Table are rounded to the nearest 10, except for non-domestic rating 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, because of reinstatements or clearances of appeals.

During the year, 999 hearing days were held (1,102 in 2017-18), to which we listed nearly 83,000 appeals (127,000 in 2017-18) and issued 3,623 Tribunal determinations. Although fewer than the number of determinations in 2017-18, this reflects the robust disclosure and exchange process we implemented which is drawing out the issues in dispute more clearly, leading to settlements between the parties prior to the hearing of the appeal. Now, some 70% of listed appeals are settled between the parties whereas, before the revised process came in, the figure was typically 20%.

The closure of the 2010 rating list together with the volume of cases held up because of legal proceedings in the higher courts has resulted in a lower number of appeals being listed this financial year. The new 'check, challenge, appeal' procedures for the 2017 rating list have, to date, resulted in a small number of cases progressing through to a hearing. It is anticipated that this number will increase significantly in the year ahead.



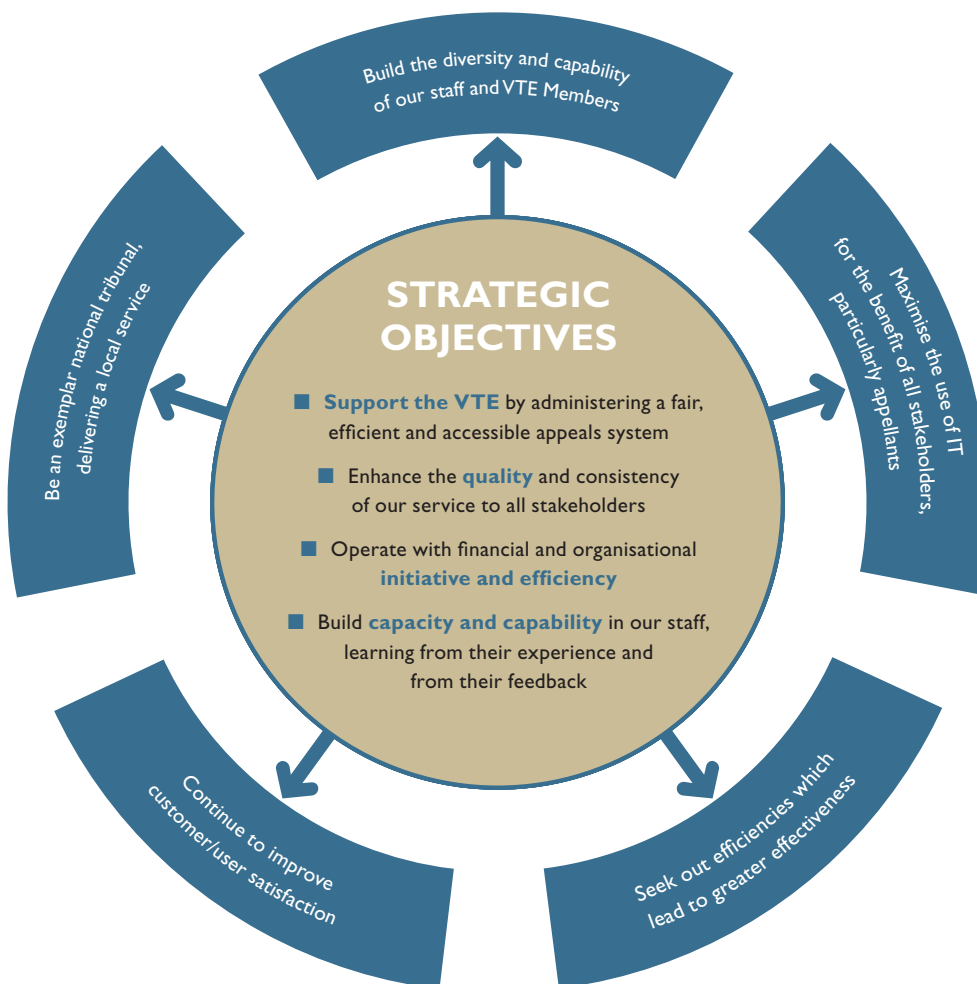
Measurement of performance

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 met the target of 80% (the same percentage as in 2017-18).

We continue to commission customer research to gauge views of our service (see page 13). 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 or an appeal against the 2017 rating list to a hearing date that is within five months of the date we received the appeal. In 2018-19 we achieved this in 86% and 100% of cases respectively. We also aim to issue the panel's decision for all appeal types within one month of the hearing date. In 2018-19, 96% of decisions issued were sent to the parties within one month (compared to 92% in 2017-18).

Achievement of business objectives and key performance indicators

The VTS Business Plan outlines the objectives for the organisation. The Board and the MHCLG sponsor team receive a performance report quarterly. This report is aligned to our objectives and details our performances in each of the key strategic areas, as shown below.



Of the **15** actions planned to meet the strategic objectives set in 2018-19, **11** were fully completed. Table 2 shows the achievements towards these. The remaining four were completed in part and carry forward to 2019-20.

Table 2

STRATEGIC OBJECTIVE

Deliver a listing programme that successfully implements the new requirements of ‘check, challenge, appeal’ (CCA) and enables the parties to resolve appeals as efficiently as possible.

ACTION	ACHIEVEMENT	COMMENTS
1 Prepare a national listing programme that effectively drives through clearances	FULLY COMPLETED	Around 90% of listed appeals were cleared
2 Review the Consolidated Practice Statement to ensure it provides an effective process for dealing with non-domestic rating appeals	FULLY COMPLETED	Typically, 70% of listed cases were settled between the parties without the Tribunal's involvement
3 Maintain a robust approach to granting postponements	FULLY COMPLETED	Despite a superior court decision which prompted the criteria for granting these requests to be revised, only 9.5% of appeals listed for the year were postponed

STRATEGIC OBJECTIVE

Successfully complete our programme of IT changes for the CCA process for the benefit of internal and external users that will allow us to successfully implement this new change when appeal volumes increase.

Number 6 below was initially two separate actions published in our 2018-19 Business Plan (*‘promoting paperless hearings’* and *‘encouraging the use of tablets at hearings’*). As the two actions are linked, they have been combined.

ACTION	ACHIEVEMENT	COMMENTS
4 Build on our new appeal management system to provide a portal for users to drop in information and check their appeal's status	PART COMPLETED	Enhancements for users of the appeal management system will be completed in 2019-20
5 Develop accounting and operational processes to manage fees paid to lodge CCA appeals	PART COMPLETED	Internal audit on fees management concluded there was ‘adequate assurance’. However, integration with Govpay for an online system will be completed in 2019-20
6 Promote paperless hearings for CCA appeals and encourage VTE members to use tablets at hearings	FULLY COMPLETED	Tablets were trialled and, following a review, a more suitable model is being procured for use in 2019-20
7 Issue VTE decisions within one month of the hearing	FULLY COMPLETED	96% of decisions were issued to target



STRATEGIC OBJECTIVE

Migrate our appeal data from the current appeal data base to the new appeal management system introduced in December 2017.

ACTION	ACHIEVEMENT	COMMENTS
8 Review plans to migrate and cleanse appeal data from the current HMRC environment to our new appeals management system	PART COMPLETED	A new platform to receive the data has been built and the migration of cleansed data will take place in summer 2019

STRATEGIC OBJECTIVE

Ensure our staff structure is optimised to deal with the new statutory regime and fully understand the impact of legislative changes so that we can determine the optimal size and skills mix.

ACTION	ACHIEVEMENT	COMMENTS
9 Review how we provide our services and ensure we remain fit for purpose in the light of appeal reforms	FULLY COMPLETED	CEO held discussions with all groups of staff about how they believe our services can be delivered better; points from those discussions have been actioned
10 Review our staffing structure to optimise service delivery	FULLY COMPLETED	Three new national operational management posts (from five) will be in place from July 2019

STRATEGIC OBJECTIVE

Keep under review the balance of skills and experience within the VTE membership to ensure they reflect the needs of the modern Tribunal and judicial environment.

ACTION	ACHIEVEMENT	COMMENTS
11 Review the diversity of the VTE membership	FULLY COMPLETED	Regularly reviewed by the VTE President and the CEO. Analysis identifies future recruitment needs. Currently 76% are white British (4% not declaring), 67% male and 10% disabled
12 Implement a training programme for the VTE	FULLY COMPLETED	Training programme fully implemented in three regions (North, Midlands, South) see page 12

STRATEGIC OBJECTIVE

Implement and embed a cyber security regime and data protection policies and practices to meet the requirements of the General Data Protection Regulation (GDPR).

ACTION	ACHIEVEMENT	COMMENTS
13 Review and implement data protection policies in readiness for GDPR in May	FULLY COMPLETED	Policies and accountability documentation in place and staff training given
14 Appoint a data protection officer (DPO) responsible to the Board	FULLY COMPLETED	DPO appointed by the Board
15 Review cyber security within the organisation and document the security regime	PART COMPLETED	Breach reporting policy is in place and a log of incidents reviewed by the SIRO; no incidents had to be reported to the ICO. The move in February 2019 to MHCLG's cloud-based Office365 platform provides a renewed focus on security and will lead to a revision of the document set. A cyber security audit is scheduled for 2019-20

The eight key performance indicators for 2018-19, 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 shows.

Table 3

PERFORMANCE MEASURE	TARGET IN 2018-19		MET?	COMMENTS										
Support the VTE by administering a fair, efficient and accessible appeals system														
Hearing lists that result in two or more fully heard cases	80%	<table border="1"> <tr><th>Year</th><th>Percentage</th></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> <tr><td>2018-19</td><td>81%</td></tr> </table>	Year	Percentage	2015-16	80%	2016-17	84%	2017-18	80%	2018-19	81%	Yes	81% Whether a case proceeds to a hearing on the day, irrespective of our having listed it, is a matter solely for the parties concerned. Whilst we always aim to make best use of resources, there are many occasions when parties settle at the door of the hearing.
Year	Percentage													
2015-16	80%													
2016-17	84%													
2017-18	80%													
2018-19	81%													
Maintain the postponement rate for listed appeals at or below 2017-18 levels	10% or lower	<table border="1"> <tr><th>Year</th><th>Percentage</th></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> <tr><td>2018-19</td><td>9.5%</td></tr> </table>	Year	Percentage	2015-16	54%	2016-17	49%	2017-18	17%	2018-19	9.5%	Yes	9.5% A KPI supported by a robust, published postponement policy. A superior court decision questioned the criteria used for granting these requests and this necessitated changing this from 'exceptional reasons' to 'good reasons'. However, the target was still met.
Year	Percentage													
2015-16	54%													
2016-17	49%													
2017-18	17%													
2018-19	9.5%													
Hearings for CCA appeals (2017 rating list) are listed to a hearing date that is within five months of receipt	100%	This was a new KPI for 2018-19 as the first appeals under this system began to be submitted.	Yes	100% The low number of appeals received under the new regulations has permitted a greater evaluation of our processes and gradual familiarisation for all parties.										
Build capacity and capability in our staff, learning from their experience and from their feedback														
Absence levels for all short-term sickness (fewer than 20 days)/ FTE maintained at 2017-18 levels or below	below 3.05 days	<table border="1"> <tr><th>Year</th><th>Days</th></tr> <tr><td>2015-16</td><td>4.20</td></tr> <tr><td>2016-17</td><td>4.16</td></tr> <tr><td>2017-18</td><td>3.05</td></tr> <tr><td>2018-19</td><td>2.50</td></tr> </table>	Year	Days	2015-16	4.20	2016-17	4.16	2017-18	3.05	2018-19	2.50	Yes	2.5 days We continue to manage sickness using the Bradford Index factor and are very responsive to staff absences.
Year	Days													
2015-16	4.20													
2016-17	4.16													
2017-18	3.05													
2018-19	2.50													

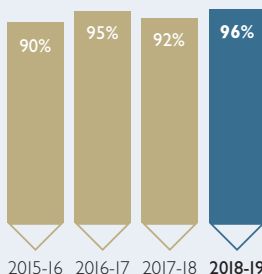


PERFORMANCE MEASURE	TARGET IN 2018-19	MET?	COMMENTS
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Enhance the quality and consistency of our service to all stakeholders

Decisions for appeals are issued within one month of the hearing

88%



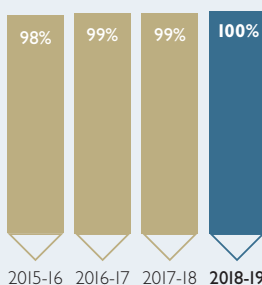
Yes

96%

Our key aim is to issue a very high percentage of reasoned decisions to appellants quickly, as we know this is important to them.

Decisions on appeals are issued within two months of the hearing

100%



Yes

100%

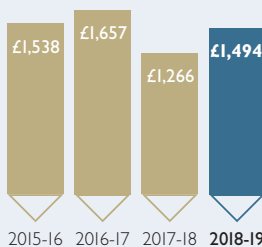
Factors, such as site inspections, cannot always be arranged to fit within our target timescale for issuing decisions. However, this KPI ensures that those decisions are still issued as promptly as possible.

PERFORMANCE MEASURE	TARGET IN 2018-19	MET?	COMMENTS
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Operate with financial and organisational initiative and efficiency

Cost per appeal: operational budget/ appeals decided is lower than in 2017-18

less than £1,266



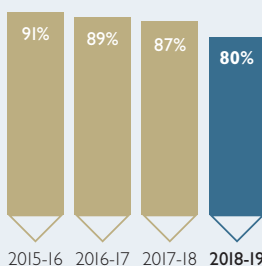
No

£1,494

The complexity of cases being heard and the impact of superior court decisions on procedural matters have resulted in fewer appeals being transacted per hearing. Although we have missed the target, the figure compares favourably with earlier years.

Improve time from receipt to payment of invoices from 2017-18 level

87% or better paid within 5 days



No

80%

The percentage of invoices paid within target has increased to 93% since Quarter 1, when delays were as a result of resource issues in the Finance team.



Training

We provided a total of 311 days of training to our staff during the year, an average of 4.6 days per member of staff. Overall, 85% of our staff received at least two days' face to face training during the year. Taking into account the fact that all staff completed at least one online training module, the number receiving two days of training rises to 95%.

During the year we implemented a Mental Health and Wellbeing Strategy and have provided a continued emphasis on this throughout the year with a number of 'time to talk' sessions organised across both our offices. In addition, we invested in training individuals to become Mental Health first aiders.

We were pleased to roll out a 'Supporting a Service Culture' initiative to staff that concentrated on how we engage with our customers. This focussed on the fact that everyone is a customer, irrespective of whether a colleague, a user of our service or a Valuation Tribunal for England (VTE) member, and how we as individuals can be more supportive.

Succession planning and upskilling existing staff remains a key consideration for the organisation, with four individuals now having successfully completed the Institute of Leadership and Management (ILM) programme. Developing staff to attain suitable professional qualifications within the workplace continues to be a major investment for us, with three administrative staff undertaking NVQs in Business and Administration and three technical staff working their way through the Institute of Revenues, Rating and Valuation (IRRV) professional qualification.

Regular Faculty meetings have continued to be a useful forum for delivering technical training, case law updates and procedural or regulatory changes to our technical staff, with more timely updates being made available online.

To support staff and VTE member development we implemented a Learning Management System in March. The purpose is to move to the accessibility of a more flexible and more responsive method of providing a broad range of training material to staff and VTE members to assist with their individual career development.

Valuation Tribunal for England (VTE) members

For administrative purposes, the VTE membership is notionally arranged into three geographical areas, with training events mirrored in each. We provided at least one day's face to face training to each VTE member during the year.



Tribunal user feedback

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. In 2018-19, 30 telephone interviews were conducted each month.

Looking at overall satisfaction levels, 55% 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 57%. For successful appellants, 86% were satisfied or very satisfied compared to 43% of unsuccessful appellants. This latter figure is important for us because our aim is that everyone should feel that they have had a good and fair experience. This year 71% of the appellants interviewed were unsuccessful.

It remains a challenge for us to be recognised as a separate, independent service provider in part of an appeals process that starts with a challenge to either the VOA or the local council. Often an appellant's view of the VTS will be coloured by their experience throughout the whole of the process. We continue to look for ways to distinguish ourselves and key to this is our staff. Staff professionalism continues to show through as one of our strengths, with 77% satisfied with this aspect; similarly 72% were satisfied with staff helpfulness.

We commissioned a small piece of qualitative research with members of the public who had no prior knowledge of the service to gain valuable feedback about the guidance we provide and the ease with which an appeal can be made. The insights we have gained from all this research will be invaluable in a project in 2019 to review aspects of our communication with appellants, including the ease of accessing information and using our online services.

We also actively participate at various local taxation conferences and events held throughout England where we share the platform with government, public sector and rating and council tax specialists. During the year under review, the Chief Executive and/or Director of Operations and Development accepted a number of engagements to speak at various national events, including the Institute of Revenues, Rating and Valuation (IRRV) annual conference (the professional body for local taxation), the Rating Surveyors' Association, the Royal Institution of Chartered Surveyors' Rating Diploma Holders' Conference, and the National Rating Day. These have proved very valuable in sharing our experiences with those who are more frequent users of our service and learning about theirs. This year we also took advantage of having an exhibition stand at the IRRV annual conference in Telford. This provided an ideal opportunity to engage with users of our service on a more one to one basis and to hear and respond to their individual views.



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. This year, to ensure we receive the information we need to address the complaint appropriately, we introduced an online complaint form to encourage as many as are able to access it to use it.

During the year, 44 formal complaints about the administration were registered (compared to 57 in 2017-18) and fewer than half of them were upheld, which is consistent with the previous year. In all, 34 of the complaints were resolved at the first stage of the revised two-stage complaints process. There were 14 complaints concerning aspects of customer service, 11 of which were resolved at the first stage. This was a driver for additional customer relationship training in the last quarter of the year and we will continue to monitor these complaints. All complaints received a full response within a month. No complaints about the VTS were investigated by the Parliamentary and Health Services Ombudsman during the year.

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 MHCLG group.

Estate matters

Our operation is focussed in two office locations, Doncaster and London. In October 2018, we co-located in to office space within a Department for Work and Pensions (DWP) building in Doncaster until September 2020. This meant a 10% reduction in our overall estate footprint, from 962 sqm to 857 sqm.

The lease on our London office expires on 31 July 2020.



External venues for hearings

In addition to two hearing rooms in the London office, we use some 70 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, so there has been a greater emphasis recently on identifying venues with suitable Wi-Fi capabilities.

In our tribunal user survey we seek feedback on the venues we use; 72% were satisfied with the type of venue/room used for the hearing in 2018-19. We will be carrying out a full survey of the venues used in the coming year.

Health and safety

In the year, there were two recorded incidents in the London office and none in the Doncaster office or any of our hearing venues. None resulted in absence from work and no near misses were recorded.

Environment

The VTS is exempt from the requirement to report on sustainability; nevertheless it acknowledges its responsibility to have sound environmental practices.

The VTS operates a paper recycling programme and during the year, through recycling, has saved at least 78 trees from destruction and 148,000 litres of water.

Equality, diversity and inclusion

We review regularly our policies relating to equality, diversity and inclusion to ensure that we continue to meet our statutory obligations both as an employer and a public body. 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 all those who use our services.

We ensure that as far as possible our offices and hearing venues comply with the access requirements of the Equality Act 2010. 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 fulfilled 20 of these (22 of 32 in 2017-18) for appellants attending hearings (for Arabic, Bangla/Bengali, Chinese, Czech, Gujarati, Hungarian, Italian, Mirpuri, Pashto, Polish, Slovak, Somali, Tamil and Turkish 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. Though a BSL signer was engaged to meet an appellant's request this year, the case was settled before the hearing.

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 50 toolbar loads and 30 speech requests on our website.

Freedom of information and data protection

In 2018-19 there were 54 requests for data that are not readily available; this represents a 65% increase in both information and subject access requests over 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

19 July 2019

Corporate governance report



Directors' report

Directors and Board

VTS Chair – Robin Evans

VTS Chief Executive & Chief Operating Officer and Accounting Officer – Antonio Masella

In 2018-19 the Board comprised:

- Martin Allingham
- Neil Buckley
- Kevin Everett (from 1 September 2018)
- Suzanne McCarthy (Deputy Chair)
- 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/.

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 historically maintained a comprehensive Information Security System (ISS) covering policy, processes, governance and training. The movement in February 2019 to a shared service cloud-based IT platform with MHCLG provides a renewed focus on the ISS and necessitates a further review and update of the document set.

An internal cyber security audit review is scheduled to take place in 2019-20 which will provide assurances on controls in place to mitigate the risk from common internet-based threats and general system vulnerability.

We continue to develop our accountability documentation to meet our obligation under Article 5 of the GDPR to demonstrate compliance and to ensure our staff understand their responsibilities under the new data protection legislation.

All risks have been evaluated with the necessary controls proportionate to the risk in place and, where required, with actions clearly specified. 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 and
- 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 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, as Chief Executive of and Accounting Officer for the VTS, I 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 with our sponsoring Department, the Ministry of Housing, Communities and Local Government (MHCLG). The Framework, updated in December 2018, 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. This Governance Statement reflects and reports this assurance.

I have responsibility for the overall organisation, financial, 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 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.

Under its governing legislation the VTS has a non-executive Board, the majority of whom must be senior members (serving Chairmen) of the VTE. This majority is normally made up of three VTE senior members and the VTE President, who is an *ex officio* Member of the Board. The Chair 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.

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, was appointed as Chair and Suzanne McCarthy appointed as Deputy Chair, both with effect from 1 April 2018. In September 2018, Mr Kevin Everett was appointed as the third VTE senior member on the Board, filling a vacancy that arose from 31 March 2018.

The Framework Document (revised in December 2018) governs the relationship between the VTS and MHCLG. I have quarterly Accounting Officer meetings with the MHCLG sponsoring team where financial progress against budgets, staffing and financial resources, the risk register, key performance indicators (KPIs) 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 attend Audit & Risk Assurance Committee meetings. Our relationship with the Department continues to be one of mutual respect that recognises the various 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, which is under my stewardship. 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.

The separate statutory positions of the VTS and the VTE are set out by legislation, but our working relationship is set out in a protocol document and forms the basis of our relationship and our respective governance arrangements. The VTE President and I continue to collaborate in the consideration of judicial and administrative matters, which assists in providing a single focus for the two separate organisations.



Board performance, assessment and effectiveness

The Board met formally on eight occasions during the year, including a strategy day held in October 2018. 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. This information is of a quality that enables the Board to determine whether the VTS is on track to meet its strategic objectives and is acting within its risk appetite. Standing items include reviews of the management accounts and strategic risk register and reports from the Chair, the VTE President, myself, the Chairs of the Board committees, and the Director of Operations & Development on the change programme. The Board receives quarterly reports on performance against objectives, KPIs, and workload data.

During the year a Board portal was implemented, which has facilitated dissemination of and navigation around meeting documents, and eliminated paper from the Boardroom.

During the year, the Board also discussed:

- May 2018: Capital expenditure profile; Doncaster office move; appeal workload; performance against KPIs in 2017-18
- June 2018: Audit & Risk Assurance Committee report; decision to approve the Annual Report and Accounts 2017-18; Register of Board Members' interests
- July 2018: Tribunal User action plan; Doncaster office move; membership of the Board's Committees and constitution of the Board; Judicial Appointments Commission (JAC) process for the recruitment of VTE members
- September 2018: Update on Doncaster office move to co-locate in a Department for Work and Pensions (DWP) building; the business case for business-to-business interface for 2017 list appeals; draft revised Framework Document governing the VTS and MHCLG relationship
- November 2018: business case to pay pension deficits; business case to exit the central database platform; Board effectiveness appraisal and skills audit; three-year financial plan; follow up discussions on outcomes of the Board's Strategy Day
- January 2019: approval of revisions to Board governance documents; review of Business Plan for 2019-20/Corporate Plan for 2019-22; draft VTS budget for 2019-20; Directors' salaries; Board training needs; business case for additional pension deficit payment
- March 2019: approval of the draft budget for 2019-20; approval of the Business Plan for 2019-20/Corporate Plan for 2019-22.

ACCOUNTABILITY REPORT









continued

Corporate governance report

The Board composition and attendances at meetings are shown in Table 4.

Table 4

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

	Date of expiry of appointment	Attendance at Board meetings (7 Board meetings and a strategy day in 2018-19)	Attendance at Audit & Risk Assurance Committee (ARAC) meetings (4 in 2018-19)	Attendance at Finance Committee meetings (4 in 2018-19)	Attendance at Remuneration & Terms of Service Committee meetings (2 in 2018-19)
 Martin Allingham	21 September 2019	■ 7	■ 3	n/a	■ 2
 Neil Buckley	30 November 2020	■ 6	n/a	■ 4	n/a
 Robin Evans	31 March 2021	■ 8	n/a	■ 4	■ 2
 Kevin Everett	31 August 2021	■ 5 of 5	n/a	n/a	n/a
 Gary Garland	n/a	■ 7	n/a	■ 3	n/a
 Suzanne McCarthy	31 March 2021	■ 8	■ 4	n/a	■ 2
 Lola Moses	7 February 2020	■ 7	■ 4	n/a	n/a
 David Horne (independent member of the ARAC)	(28 February 2020) resigned on 7 December 2018	n/a	■ 1 of 2	n/a	n/a

■ Chair ■ Member



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

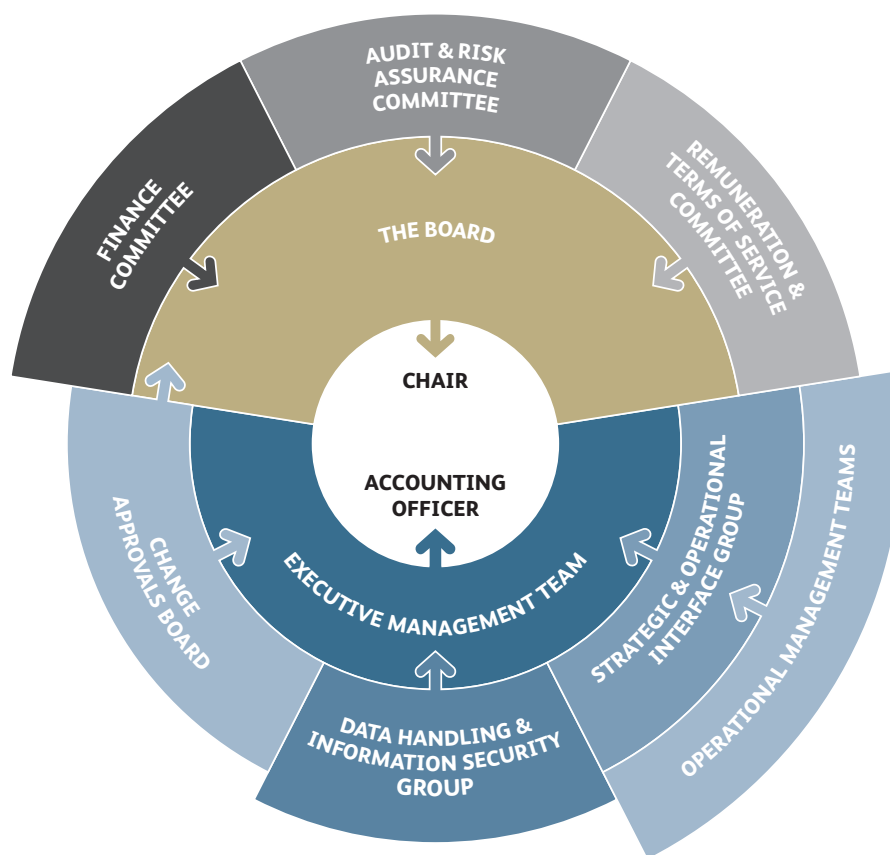
The Audit & Risk Assurance Committee (ARAC) provides the Board with an independent view of the assurance framework, overseeing the risk management strategy through 'tests' of the various risk registers to ensure that processes in place are effective and robust. I attend the Committee's meetings to provide an update to the risk register and present various reports. The Finance Director also attends. 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 usually an independent member. The independent member, Dr David Horne, who had served for five years, resigned on 7 December 2018 due to other work commitments, and there has been vacancy since. External and Internal 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 Chair 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 18 July 2018, with a clean audit opinion. The ARAC reviewed and approved revised policies on Risk Management, Procurement, Data Handling, Whistle-blowing and Fraud, and the Fraud Response Plan. It also considered all internal audit reports and monitored progress against management responses to and action plans for the various recommendations. Risks relating to the Spending Review, the Doncaster office lease expiry and the IT change programme were matters the Committee focussed on over the year. The Committee also 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 three Board Members and met four times during the year. The Finance Director and Financial Controller attend these meetings with me.

The Remuneration & Terms of Service Committee determines policy on executive remuneration and terms and conditions of service. This Committee of three Board Members also exercises general oversight on matters relating to staff pay and performance-related pay. During 2018-19 the Committee met to recommend to the Board and MHCLG the level of performance considered appropriate for the Chief Executive, and once more to discuss an external review of executive Director salaries.

Chart I



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 in the delivery of the VTS’s aims and to provide strategic direction to staff. The EMT met on ten occasions during the year.
- **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, the Data Protection Officer, the Business Analyst 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 an 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 17).

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

Board Members, with the exception of the VTE President, are appraised annually by the Chair, 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 2018-19. This exercise made use of an adapted PWC Board Assessment Questionnaire, comprising 45 statements; the findings were discussed in depth at the Board meeting in November. The Board concluded overall satisfaction with how it was functioning and serviced. A skills audit followed, to identify training needs and my Training Manager is in dialogue with each Board Member to assist them in developing a training programme that addresses their individual needs.

Risk management and risk profile

We maintain a culture where risk management is not just a process, but is integral to the 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 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 May 2018. I am responsible to the Board for ensuring that risks are managed effectively. There are a number of more detailed operational risk registers underpinning the strategic risk register. Each risk register owner takes responsibility for their own area of operation and reports on the processes of risk assessment, management actions to mitigate risk and highlight the possibility of risk failure. The registers clearly identify risk owners and mitigating strategies ensuring risk owners respond quickly. Risk registers are submitted to me quarterly. I carry out my assessment of the overarching strategic risk register with the EMT at each of its meetings.

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. Its 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.

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.

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. 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 2019 or up to the date of approval of our Annual Report and Accounts.

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.

The Corporate Services Manager was appointed by the Board as Data Protection Officer (DPO) with key responsibilities in this area. Her focus continues to be in ensuring compliance with the legislation changes which came in from May 2018 under new data protection legislation, including the 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. There were no instances of fraud or suspected fraud that the Finance Director was aware of or notified about during the year.



The VTS has a Whistle-blowing Policy and I have not been notified of any whistle-blowing incidents, nor have I been made aware of any such reports being raised in 2018-19.

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 ARAC meetings to ensure appropriate challenge. All agreed audit recommendations are logged and progress against implementation is monitored and reported at every EMT and ARAC meeting.

During the year, Internal Audit conducted audits and advisory work over 36 days, and the Committee received four reports based on the 2018-19 plan. These reports were on: Communications (substantial assurance), general ledger (adequate assurance), processing fees received with appeals under the new 'check, challenge, appeal' (CCA) process for the 2017 rating list (adequate assurance) and Business Continuity Planning (adequate assurance). A follow up report on recommendations since 2017 was also carried out, which concluded that, of 20 recommendations made, 15 had been implemented; the remaining five were progressing towards completion. These reports concluded that there were no fundamental weaknesses, with some improvements required to enhance the overall adequacy and effectiveness of the framework of governance, risk management and control. 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 maintain a very transparent style of working. I ensure the Board remains up to speed on any significant issues and developments. Board meetings are structured so that Members are able to provide appropriate challenge as well as support.

Accounting Officer meetings: I meet with both the Finance and Policy teams within MHCLG at quarterly meetings and this provides opportunities to discuss a variety of matters, including a review of the strategic risk register and performance against KPIs, as well as carrying out 'deep dives' in a number of areas. For each meeting I provide a detailed letter setting out concerns and challenges to assist in focussing our discussions.

Executive Management Team (EMT): The EMT considers all strategic and policy issues affecting the delivery of the VTS's 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 and 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

A core focus of our work has been on facilitating the clearance of 2010 list non-domestic rating appeals (61,016). The volume of appeals received under the new CCA process for the 2017 rating list has been low, with 65 appeals received during 2018-19. Although the CCA regulations have been in force since 1 April 2017, we always expected the appeals would take some time to materialise given that (a) any appeal is subject in the first instance to the formal VOA stages and (b) the new processes needed to embed. Due to current low volumes, it is still too early to formalise meaningfully how many 'challenges' made to the VOA will materialise as appeals. This makes it difficult for us to plan ahead.

The co-location of our Doncaster presence into the DWP estate took place on 17 October 2018 and, to facilitate this move, our occupation was on a Tenancy at Will. Sub-lease negotiations with the landlord have been protracted and we have yet to formally sign a lease on the premises. At the time of writing, the position has not changed, and we are still occupying part of the third floor under a Tenancy at Will. Whilst I am confident that there is security in our current occupation given that it is with a major central government body, continuing under a Tenancy at Will is not ideal. Discussions with DWP are ongoing in this respect.

Our co-location with DWP has restricted our ability to have an in house hearing room; DWP does not permit staff facilities to be used by non-staff, which would have required us to install our own separate toilet facilities. As this would have been a significant expense to the public purse, and capital prohibitive, we currently do not have the benefit of a hearing room within the premises. We will, therefore, be looking to relocate to an office location in the surrounding area where an in house hearing room can be more easily accommodated and where we have more direct control over our occupation.

Currently, 40% of the total VTS workload is in respect of London and the South East. This is workload that is primarily serviced through the two dedicated tribunal hearing rooms within the current London office. Cabinet Office's Places for Growth programme to relocate arm's length bodies outside the M25 area will challenge us as a service delivery organisation and I have submitted a business justification for exemption from the programme to maintain a continued presence within the London area (Zones 1-2), as well as in the north of the country. Places for Growth has responded to this justification and concluded that whilst the VTS does not meet the necessary requirements to be granted a 'blanket' exemption from the Government policy, we have made a sufficient case to maintain a presence in London on the basis of critical business need. I will now be working with the Government Property Agency to explore the options that fit best with our business needs in London.

Remuneration and staff report



Remuneration

Board Members' emoluments and expenses

The remuneration of the Chair 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.

Chair's term of office

Robin Evans, an existing Board Member, was appointed Chair with effect from 1 April 2018 to 31 March 2021.

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 Chair.

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
Finance Director	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 in the accompanying pages, is audited.

Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration

Board Members	Salary (£'000)		Pension benefits (to nearest £'000)		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
John O'Shea*	–	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	5-9	–	–	5-9	5-9
Gary Garland ***	65-69	65-69	26	26	90-94	90-94
Neil Buckley	5-9	0-4	–	–	5-9	0-4
Suzanne McCarthy****	5-9	–	–	–	5-9	–
Kevin Everett*****	0-4	–	–	–	0-4	–

* The Board Member served the full term of his contract and left on 31 March 2018.

** The Board Member was elected as Chair on 1 April 2018.

*** 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 2018-19, £26,377 (2017-18: £25,878) was paid by the VTS into the Judicial Pension Scheme.

**** The Board Member was appointed on 1 April 2018.

***** The Board Member was appointed on 1 September 2018.



Remuneration of Directors

Single total figure of remuneration

Officials	Salary (£'000)		Bonus payments (£'000)		Pension benefits (to nearest £'000)***		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Antonio Masella Chief Executive	95-100	90-94	5-9	5-9	12	75	110-124	170-179
Lee Anderson Director of Operations and Development	75-79	70-74	–	–	34	80	105-114	150-154
Tracey Cheetham* Finance Director	–	25-29 (75-79 FTE)	–	–	–	–	–	25-29
Mark Duly** Interim Finance Director	–	25-29 (75-79 FTE)	–	–	–	10	–	35-39
Keung Wong Finance Director (from 01/02/2018)	70-74	10-14 (70-74 FTE)	–	–	23	4	90-99	15-19

* Tracey Cheetham resigned with effect from 11 August 2017, therefore no figure is available as at 31 March 2019.

** Mark Duly served as the Interim Finance Director from 16 November 2017 to 31 March 2018. He has left the organisation and subsequently transferred his pension to another pension provider. Therefore, no figure is available as at 31 March 2019.

*** 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 increases 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.

The VTS is in the process of reviewing its executive pay and this may result in changes during 2019-20.

Bonuses

The Chief Executive's bonus is restricted to a maximum of 10% of gross salary. The Remuneration & Terms of Service Committee recommends the level of the 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 31.03.19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31.03.19 £'000	CETV at 31.03.18 £'000	Real increase in CETV £'000
Antonio Masella Chief Executive	49 plus lump sum 88	1 plus lump sum 0	863	866	35
Lee Anderson Director of Operations and Development	34 plus lump sum 57	2 plus lump sum 0	530	489	36
Tracey Cheetham* Finance Director	—	—	—	—	—
Mark Duly** Interim Finance Director	—	—	—	9	—
Keung Wong Finance Director	2 plus lump sum 0	2 plus lump sum 0	19	3	9

* Tracey Cheetham is currently classified as a deferred member, therefore no CETV figure as at 31 March 2019.

** Mark Duly transferred his pension to another pension provider, therefore no CETV figure as at 31 March 2019.



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 2018-19 was £100k-£105k including a bonus paid in May 2019 (2017-18: £100k-£105k). This was 3.1 times (2017-18: 2.8 times) the median remuneration of the workforce, which was £34k (2017-18: £36k). In 2018-19, as for the previous year, no employees received remuneration in excess of the highest paid Director. Remuneration ranged from £19k to £105k (2017-18: £17k to £105k).

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 2019	Ratio of top to median staff pay as at 31 March 2018
Remuneration band of highest paid Director	£100,000-£104,999	£100,000-£104,999
Median total remuneration	£34,106	£36,177
Ratio	3.1	2.8

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2019 exceeded £40,000 (excluding pension contributions and staff performance related pay and including any London weighting) was 14 (2017-18:16).

Remuneration band	Period ended 31 March 2019 Number of staff	Period ended 31 March 2018 Number of staff
£40,000 to £44,999	1	2
£45,000 to £49,999	4	4
£50,000 to £54,999	3	3
£55,000 to £59,999	1	3
£60,000 to £64,999	2	–
£65,000 to £69,999	–	–
£70,000 to £74,999	1	2
£75,000 to £79,999	1	1
£80,000 to £84,999	–	–
£85,000 to £89,999	–	–
£90,000 to £94,999	–	–
£95,000 to £99,999	–	–
£100,000 to £104,999	1*	1*

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

Staff report

Staff costs

Staff costs comprise:

	2018-19 £'000	2017-18 £'000
Wages and salaries	2,316	2,390
Social security costs	246	252
Other pension costs	1,026	884
Agency staff costs	159	283
Total staff costs	3,747	3,809

Staff numbers as at 31 March 2019

As at 31 March 2019, the actual number of staff employed was 68 compared to 66 at 1 April 2018.

Average number of staff over the year

The average staff headcount for the year, as reported in the table below, was 64 (2017-18: 68). There were no early retirements on ill-health grounds in 2018-19 (or in the previous two years).

During the year there were 11 starters and nine leavers. Of the nine leavers, seven were resignations (three of which coincided with decisions to take early retirement). Under the terms of the Local Government Pension Scheme, a person who reaches age 55 can elect to access their (actuarially reduced) pension without any requirement for permission from their employer. The reasons for the other two leavers were both related to the expiry of temporary contracts; one individual voluntarily resigned ahead of the end of the contract as they had obtained a position with another organisation and the other was in legal terms a dismissal due to the end of the temporary contract (the person was occupying a temporary interim position pending a new permanent appointment to a key Director level role within the VTS).

Average number of persons employed:

	Permanently employed staff 2018-19	Others 2018-19	Total 2018-19	Total 2017-18
Directly employed	64	–	64	68
Other	–	4	4	4
Total	64	4	68	72



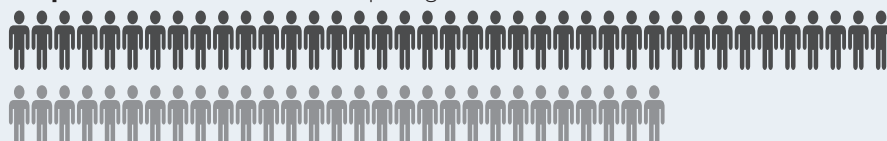
Staff composition at 31 March 2019

Chart 2

Directors – three comprising: 100% male.



All permanent staff – 68: comprising: 57% female; 43% male.



The representation of ethnic minorities within the workforce at the end of the year decreased slightly to 16.2% compared to 18.2% in 2018.

Those who declared themselves or were assessed by occupational health as likely to be considered to have a disability, under the legal definition in the Equality Act 2010, totalled nine individuals (13.2% of the workforce as at 31 March 2019).

The average length of service reduced slightly from 13.3 years to 12.4 years (see Chart 3). The median length of service also reduced from seven years to six. (These figures include service in the former valuation tribunals before staff transferred to the VTS in 2004).

The average age of our staff decreased from 47.3 years to 45.7 (see Chart 4). The median age was 48 years.

Chart 3

Employees' years of service as at 31 March 2019

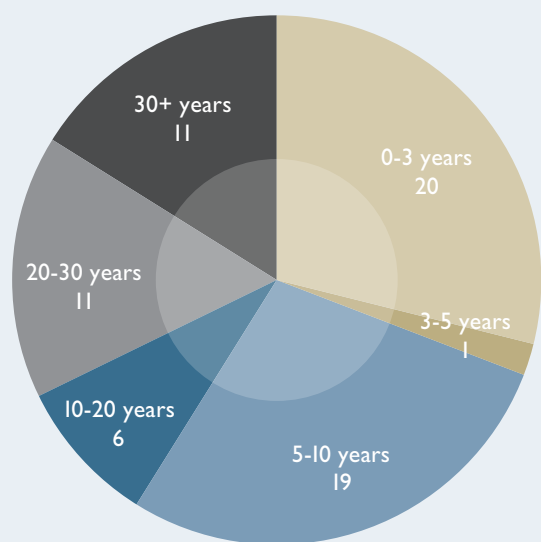
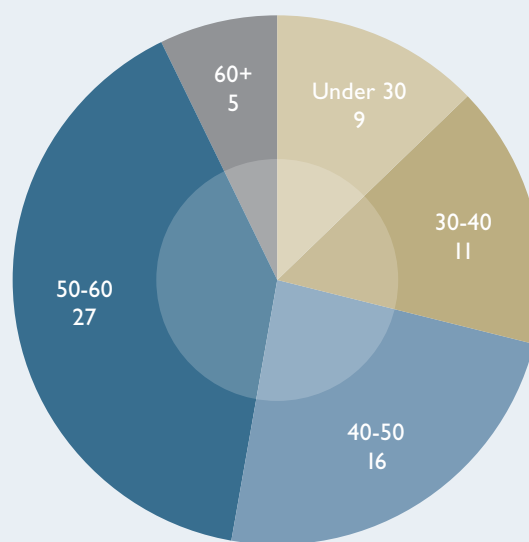


Chart 4

Employees' age profile as at 31 March 2019



Sickness absence data

In 2018-19, 34 of our current staff (50%) had no sickness absence. The average sickness absence for the rolling year to 31 March 2019 increased from 4.3 days to 6.4 days. Excluding the long-term sickness absence (over 20 days), average sickness absence was 2.5 days, which remains in line with our KPI of maintaining short-term absence under three days per employee.

Staff policies applied during the financial year in relation to people with disabilities

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.

The trigger points for sickness monitoring can be adjusted where employees have identified themselves or have been identified as having a disability. The definition of disability is a legal construct albeit influenced by medical information. The VTS provides an external, confidential Employee Assistance Programme and commissions additional counselling or occupational health referrals for staff where appropriate from two providers: one based in the north of England and one in the south. As detailed under Training (see page 12), the VTS is building on its well-being and mental health arrangements and providing support in the workplace.



Reporting of compensation schemes

There were no redundancies agreed during 2018-19.

Off-payroll engagements

The VTS follows HM Treasury 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 were no off-payroll engagements in 2018-19.

Auditor's remuneration

The VTS Annual Report and Accounts are audited by the Comptroller and Auditor General who is appointed under statute. Auditor's remuneration of £40k (2017-18: £40k) 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, 65 appeals were lodged with fees received totalling £14k.

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 2018-19 financial year.



Antonio Masella

Accounting Officer
Valuation Tribunal Service

19 July 2019



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 2019 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 2019 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.

Conclusions relating to going concern

I am required to 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.

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.
- 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.

Gareth Davies

Comptroller and Auditor General

22 July 2019

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Staff costs	2	3,747	3,809
Purchase of goods and services	3	2,137	1,933
Other operating expenditure	3	504	525
Depreciation, amortisation and impairment charges	3	207	353
Pensions expense	3	62	57
Total operating expenditure		6,657	6,677
Finance expense (net interest on pension liabilities)	3	405	507
Net expenditure for the year		7,062	7,184
Other comprehensive net expenditure			
Items which will not be classified to net operating costs			
Actuarial (gain) on pension scheme liabilities	10	(3,109)	(2,372)
Total comprehensive net expenditure for the year ended 31 March		3,953	4,812

The notes from page 46 form part of these accounts.

Statement of Financial Position

as at 31 March 2019



	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	4	165	55
Intangible assets	5	637	530
Total non-current assets		802	585
Current assets			
Trade and other receivables	6	258	229
Cash and cash equivalents	7	318	175
Total current assets		576	404
Total assets		1,378	989
Current liabilities			
Trade and other payables	8	(1,039)	(747)
Total current liabilities		(1,039)	(747)
Total assets less current liabilities		339	242
Non-current liabilities			
Pensions	10	(13,111)	(16,169)
Total non-current liabilities		(13,111)	(16,169)
Total assets less total liabilities		(12,772)	(15,927)
Taxpayers' equity			
General fund		339	241
Pension reserve		(13,111)	(16,169)
Total taxpayers' equity		(12,772)	(15,928)

The notes from page 46 form part of these accounts.

The financial statements were approved by the Board on 19 June 2019 and were signed on its behalf by:

Antonio Masella

Accounting Officer
Valuation Tribunal Service
19 July 2019

FINANCIAL STATEMENTS

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Cash flows from operating activities			
Net operating cost	SoCNE	(7,062)	(7,184)
Employers pension contributions	10	(1,453)	(3,295)
Adjustment for non-cash transactions			
Depreciation and amortisation	4 & 5	202	300
Impairments	4 & 5	–	1
Loss on disposal of property, plant and equipment and intangible assets	4 & 5	5	53
Decrease/(Increase) in trade and other receivables	6	(29)	60
Other non-cash pension movements	10	1,492	1,448
(Decrease)/Increase in trade and other payables	8	292	(198)
Adjustment IRO prior year CCA		–	1
Net cash outflow from operating activities		(6,553)	(8,814)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(152)	(36)
Purchase of intangible assets	5	(272)	(450)
Net cash outflow from investing activities		(424)	(486)
Cash flows from financing activities			
Grant in aid received from sponsoring department	TpEq	7,120	9,236
Net cash inflows from financing activities		7,120	9,236
Net (decrease)/increase in cash and cash equivalents for the period		143	(64)
Cash and cash equivalents at the beginning of the period	7	175	240
Cash and cash equivalents at the end of the period	7	318	176

The notes from page 46 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019



	Note	General Fund £'000	Pension Reserve £'000	Total Taxpayers' Equity £'000
Balance at 31 March 2017		36	(20,388)	(20,352)
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
Balance at 31 March 2018		241	(16,169)	(15,928)
Grants from sponsoring department		7,120	–	7,120
Comprehensive net expenditure for the year	SoCNE	(7,062)	–	(7,062)
Transfers between reserves		40	(40)	–
Actuarial gains	10	–	3,098	3,098
Balance at 31 March 2019		339	(13,111)	(12,772)

The notes from page 46 form part of these accounts.

Notes to the accounts

Note 1 Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FRoM) 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 FRoM 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 FRoM 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 £12,772k at 31 March 2019. 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. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need and will only be drawn as the liabilities fall due.

The grant in aid for 2018-19 has taken 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. Liability for all pension payments not met through the 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, and intangible assets.

The following IFRSs have been adopted in the current financial year:

IFRS 9 Financial Instruments

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 therefore not materially affected by the introduction of the expected credit loss model, nor the changes in asset classification.



IFRS 15 Revenue from contracts with customers

The standard establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with customers. The VTS is unaffected by the introduction of IFRS 15 as it earns no material income. The fees received by the VTS for appeals lodged on the 2017 rating list (see Note 1.16) are remitted to the Consolidated Fund, and therefore do not form part of the VTS's own financial statements.

1.4 Future accounting developments

Policies are applied in accordance with International Accounting Standards (IAS) 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 16 Leases (effective from 2020-21)

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 £298k (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 details of the application of IFRS 16 in the public sector will be confirmed in the 2020-21 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 lives. The VTS capitalisation threshold is £5k.

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 £5k 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 value.

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 2019.

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 the life of the 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 £5k 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 value.

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	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 LGPS Regulations 1997, as amended. It is contracted out of the state second pension. The London Pensions Fund Authority (LPFA) administers the LGPS on behalf of all VTS employees with Barnett Waddingham as the scheme's actuaries.

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

The net pension liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the calculated liabilities at the latest valuation, less the scheme assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated every three years by Barnett Waddingham 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 2019, is £12,904k. 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

In accordance with IAS37, property dilapidations are recognised at the start of the lease and utilised at the 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 accruals.

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 Interest rate risk

All of the VTS's financial assets and liabilities carry nil or fixed rates of interest and are, therefore, not exposed to significant interest rate risk.

1.15 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 for non-financial items in line with VTS expected purchase and usage requirements and the VTS is therefore exposed to little credit, liquidity, or market risk.

1.16 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.

1.17 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.

Note 2 Staff costs

Staff costs comprise:

	2018-19 £'000	2017-18 £'000
Wages and salaries	2,316	2,390
Social security costs	246	252
Other pension costs	1,026	884
Agency staff costs	159	283
Total staff costs	3,747	3,809

Please see the Remuneration and staff report (from page 29) for further detail on staff costs.



Note 3 Other operating costs

	Note	2018-19 £'000	2017-18 £'000
Cash items			
Other operating expenditure			
VTE costs		260	289
Board costs		60	36
Travel and subsistence		136	150
Training		48	50
		504	525
Purchase of goods and services			
Support services (IT, legal and finance)		456	448
Rentals under operating leases		493	441
IT (maintenance and licences)		509	231
Post and communications		247	282
Tribunal costs		136	155
Printing and publications		31	57
Auditors remuneration and expenses		40	40
Other goods and services		176	220
Variable maintenance		20	26
Heating and lighting		13	17
Internal audit		16	16
		2,137	1,933
Non-cash items			
Administration charge – pensions	10	62	57
Net interest on pension liabilities	10	405	507
Amortisation	5	164	256
Depreciation	4	38	44
Loss on disposal of property plant and equipment and intangible assets	4,5	5	53
Impairments and other non-cash movements	4	–	–
		674	917
Total		3,315	3,375

Note 4 Property, plant and equipment

	Furniture and fittings £'000	Information technology £'000	Total £'000
Cost or valuation			
At 1 April 2017	73	194	267
Additions		36	36
Disposals	(68)	(106)	(174)
Reclassifications	–	22	22
At 31 March 2018	5	146	151
Additions	–	152	152
Disposals	–	(105)	(105)
At 31 March 2019	5	193	198
Depreciation			
At 1 April 2017	58	161	219
Charge for period	11	33	44
Disposals	(67)	(101)	(168)
Impairments	1	–	1
At 31 March 2018	3	93	96
Charge for period	1	36	37
Disposals	–	(100)	(100)
At 31 March 2019	4	29	33
Net book value at 31 March 2019	1	164	165
Owned at 31 March 2019	1	164	165
Net book value at 31 March 2018	2	53	55
Owned at 31 March 2018	2	53	55



Note 5 Intangible assets

	IT assets under construction £'000	IT developments and licences £'000	Total £'000
Cost or valuation			
At 1 April 2017	157	1,758	1,915
Additions	426	24	450
Disposals	(6)	(1,669)	(1,675)
Reclassifications	(577)	555	(22)
At 31 March 2018	–	668	668
Additions	267	5	272
At 31 March 2019	267	673	940
Amortisation			
At 1 April 2017	–	1,510	1,510
Charge for period	–	256	256
Disposals	–	(1,628)	(1,628)
At 31 March 2018	–	138	138
Charge for period	–	165	165
At 31 March 2019	–	303	303
Net book value at 31 March 2019	267	370	637
Owned at 31 March 2019	267	370	637
Net book value at 31 March 2018	–	530	530
Owned at 31 March 2018	–	530	530

Note 6 Trade and other receivables

	2018-19 £'000	2017-18 £'000
Prepayments and accrued income	252	215
Season ticket interest free loans	6	14
Balance at 31 March	258	229

FINANCIAL STATEMENTS

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Notes to the accounts

Note 7 Cash and cash equivalents

	Note	2018-19 £'000	2017-18 £'000
Cash at bank at 1 April		175	240
(Decrease)/increase in cash for the year	SCF	143	(65)
Cash at bank and held at 31 March		318	175

The following balance at 31 March was held at:

Government banking services	318	175
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Note 8 Trade and other payables

	2018-19 £'000	2017-18 £'000
Amounts falling due within one year:		
Trade payables	522	366
Accruals and deferred income	517	381
Balance at 31 March*	1,039	747

* The 2017-18 total includes 'check, challenge and appeal' fees amount of £1k. This year, the VTS elected not to include any such details, as the relevant monies are held outside the scope of VTS's operational activities.

Note 9 Provisions

The VTS has no provisions for either the current or prior year.



Note 10 Pensions

Year ended 31 March 2019	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Opening position	47,896	(64,065)	(16,169)
Current service cost	–	(818)	(818)
Administration costs	(62)	–	(62)
Past service costs including curtailments	–	(208)	(208)
Total service cost	(62)	(1,026)	(1,088)
Net interest			
Interest income on plan assets	1,203	–	1,203
Interest cost on defined benefit obligation	–	(1,608)	(1,608)
Total net interest	1,203	(1,608)	(405)
Termination benefits		–	–
Total (expenditure)/income recognised in the statement of comprehensive net expenditure	1,141	(2,634)	(1,493)
Cash flows			
Plan participants contributions	165	(165)	–
Employer contributions*	1,442	–	1,442
Benefits paid including expenses	(2,098)	2,098	–
Unfunded benefits paid	(96)	96	–
Expected closing position	48,450	(64,670)	(16,220)
Re-measurements			
Changes in demographic assumptions	–	2,583	2,583
Changes in financial assumptions	–	(2,539)	(2,539)
Experience	–	–	–
Return on assets excluding amounts included in net interest	3,065	–	3,065
Changes in asset ceiling	–	–	–
Other actuarial losses	–	–	–
Total re-measurements recognised in the statement of other comprehensive net expenditure	3,065	44	3,109
Closing position	51,515	(64,626)	(13,111)

* Contributions by employer including unfunded pension payments.

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

The pension valuation has made allowance for the Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age-discrimination within the Judicial and Fire Service Pension schemes respectively.

The adjustment has been made on the basis that all active members in the Fund as at 31 March 2012 are covered by the transitional protections.

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Notes to the accounts

The estimated impact on the total IAS19 liabilities as at 31 March 2019 is £208k and this has been allowed for as a past service cost in the statement of profit or loss. Past service costs arise as a result of introduction or withdrawal of, or changes to, member benefits. In calculating the estimated impact, our actuaries used the analysis provided by Government Actuarial Department (GAD) along with the result of the IAS19 disclosure prepared for VTS at 31 March 2019.

For the purposes of their calculations, they assumed the following: salaries to increase at 1.5% p.a. above CPI in addition to a promotional scale; an allowance for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Year ended 31 March 2018	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Opening position	43,757	(64,145)	(20,388)
Current service cost	–	(831)	(831)
Administration costs	(57)	–	(57)
Total service cost	(57)	(831)	(888)
Net interest			
Interest income on plan assets	1,200	–	1,200
Interest cost on defined benefit obligation	–	(1,707)	(1,707)
Total net interest	1,200	(1,707)	(507)
Termination benefits	–	(117)	(117)
Total (expenditure)/income recognised in the statement of comprehensive net expenditure	1,143	(2,655)	(1,512)
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	–
Expected closing position	46,270	(64,811)	(18,541)
Re-measurements			
Changes in demographic assumptions	–	–	–
Changes in financial assumptions	–	746	746
Experience	–	–	–
Return on assets excluding amounts included in net interest	1,626	–	1,626
Changes in asset ceiling	–	–	–
Other actuarial losses	–	–	–
Total re-measurements recognised in the statement of other comprehensive net expenditure	1,626	746	2,372
Closing position	47,896	(64,065)	(16,169)



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

Assumptions as at	31 March 2019		31 March 2018		31 March 2017	
	% pa	% real	% pa	% real	% pa	% real
RPI increases	3.45	–	3.35	–	3.50	–
CPI increase	2.45	(1.0)	2.35	(1.0)	2.60	(0.9)
Salary increases	3.95	0.5	3.85	0.5	1.50	(2.0)
Pension increases	2.45	–	2.35	(1.0)	2.60	(0.9)
Discount rate	2.40	(1.1)	2.55	(0.8)	2.70	(0.8)

These assumptions are set with reference to market conditions at 31 March 2019. 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 two 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 2.40% has been deemed appropriate, compared with 2.55% last year.

The RPI increase assumption is set based using a similar approach to the SEDR described above. The Single Equivalent Inflation Rate (SEIR) uses the Bank of England implied inflation curve over two to 30 years, 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 3.45% p.a., compared with 3.35% 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 (2.45% 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 (to 3.95%) including the impact of promotional scales.

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

The post retirement mortality tables have been constructed based on Club Vita (life expectancy) analysis. These tables are then projected using the Continuous Mortality Investigation (CMI) 2018 Model, as opposed to the CMI 2015 Model used in the last year's pension valuation. The core assumptions were adopted within the model, including continuing to adopt a long-term improvement rate of 1.5% p.a.

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Notes to the accounts

The assumed life expectancies from age 65 are:

Life expectancy from age 65		31 March 2019	31 March 2018
Retiring today	Males	21.2	22.2
	Females	23.7	24.7
Retiring in 20 years	Males	22.9	24.5
	Females	25.6	27.0

The table below summarises the membership data, as at 31 March 2019, 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	80

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
Adjustment to discount rate	0.10%	0.00%	(0.10%)
Present value of obligation	63,650	64,689	65,747
Projected service costs	812	829	846
Adjustment to long-term salary increase	0.10%	0.00%	(0.10%)
Present value of obligation	64,760	64,689	64,618
Projected service costs	829	829	829
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	(0.10%)
Present value of obligation	65,674	64,689	63,720
Projected service costs	846	829	812
Adjustment to life expectancy assumptions	+ 1 Year	None	(1) Year
Present value of obligation	67,230	64,689	62,247
Projected service costs	855	829	803



Statement of Financial Position

The asset and liability values as at 31 March are reflected in the table on page 55 and are reported in the Statement of Financial Position on page 43 as the total pension net liability of £13,111k.

Unfunded benefits paid as at 31 March 2019 amounted to £96k (2017-18: £96k). The liability for unfunded benefits at 31 March 2019 was £1,659k (2017-18: £1,690k). This is contained within the net pension liability of £13,111k (2017-18: £16,169k).

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 10%.

The estimate asset allocation as at 31 March 2019 is as follows:

Asset breakdown	31 March 2019		31 March 2018	
	£'000s	%	£'000s	%
Equities	28,436	55%	29,286	61%
Target return portfolio	13,135	25%	10,737	23%
Infrastructure	2,923	6%	2,093	4%
Property	4,627	9%	3,446	7%
Cash	2,394	5%	2,334	5%
Total	51,515	100%	47,896	100%

Projected pension expense for the year to 31 March 2020

Projections for the year	31 March 2020 £'000s
Service cost	829
Net interest on the defined liability(asset)	311
Administration expenses	67
Total loss (profit)	1,207
Employer contributions	340

Note II Capital commitments

The VTS has no capital commitments for either the current or prior year.

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Notes to the accounts

Note 12 Commitments under operating leases

Obligations under operating leases for the following periods comprise:	2018-19 £'000	2017-18 £'000
Buildings		
Not later than one year	223	243
Later than one year and not later than five years	75	298
Total	298	541

The VTS is currently in discussion with the lessor to set out the terms of the lease on the Doncaster office and, therefore, the total commitment of £298k is solely in respect of the London office.

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 £7,120k (2017-18: £9,235k) was received from MHCLG.
- The VTS is a non-departmental public body and during the year the VTS had various material transactions with the Department but not with any other entity for which 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 £312k (2017-18: £489k) were made to the VOA for IT support and maintenance services. The VOA is an executive agency of HMRC.
 - Payments of £1,442k (2017-18: £3,021k) 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 £796k (2017-18: £810k).
 - Payments of £335k (2017-18: £381k) 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, 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 the Consolidated Fund when not. The VTS is not permitted to utilise these fees to defray its operating costs and they are held pending the Tribunal's determination.

	Number	£'000
Balance as 1 April 2018	5	0.9
CCA appeals received during the period	65	14.6
Determined in favour of the appellants	18	4.1
Held for repayment to the appellants at 31 March	3	0.8
Determined in favour of the respondent	16	3.4
Held for remittance to the Consolidated Fund at 31 March	2	0.4
Balance at 31 March 2019	41	9.2

	Number	£'000
Balance as 1 April 2017	–	–
CCA appeals received during the period	5	0.9
Determined in favour of the appellants	–	–
Held for repayment to the appellants at 31 March	–	–
Determined in favour of the respondent	1	–
Held for remittance to the Consolidated Fund at 31 March	1	–
Balance at 31 March 2018	5	0.9

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