Valuation Office Agency

VALUATION OFFICE AGENCY

ANNUAL REPORT & ACCOUNTS 2019-20

HC 720

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ANNUAL REPORT & ACCOUNTS 2019-20

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FOREWORD
BY MELISSA TATTON, CHIEF EXECUTIVE

"What we do continues to matter. Our business rates and council tax valuations underpin more than £50 billion of taxation, so our work is vital in funding local public services."

Welcome to the Valuation Office Agency's (VOA) Annual Report and Accounts.

The impact of COVID-19 means the agency is operating in a radically altered world.

As with many other organisations, it has also had a huge impact on the way we work, with the majority of colleagues working from home and dealing with customers through online and digital channels.

The current crisis has underlined the importance of our work to modernise the agency, and in some areas it has accelerated change.

As the UK starts to emerge from the immediate crisis, and as an agency we look ahead to new challenges and press on with our transformation plans, it's important we don't lose sight of our achievements in 2019-20.

Overall, the agency's performance was really strong. We met or exceeded our performance targets in all but one area, and delivered all our revaluation milestones. The government has since confirmed that the next revaluation will not take place in 2021 and announced on 21 July that it will take place in 2023, which will provide more certainty for businesses and better reflect the impact of COVID-19.

At the same time, there are indications that colleagues feel we've made progress in making the agency a better place to work. There is more to do, but a nine percentage point increase in our People Survey scores is an encouraging sign that we're changing things for the better.

We have also made good progress in our recruitment and, as importantly, in developing our own people and attracting talented students and graduates to provide us with a pipeline of future surveyors. 65 colleagues gained professional qualifications and 316 colleagues are on surveyor pipeline schemes. This gives me confidence that we're building ever stronger foundations for the future.

I continue to be impressed by the skill, dedication and professionalism of our people. I'm incredibly proud of their effort, hard work and flexibility, as we balanced delivering a number of challenging priorities.

What we do continues to matter. Our business rates and council tax valuations underpin more than £50 billion of taxation, so our work is vital in funding local public services.

As we move into the next decade, we'll need to continue to show flexibility, adaptability and determination to transform our ways of working, and deliver on our core purpose.[1]

Melissa Tatton

Melissa Tatton, CBE
Chief Executive

1 Melissa Tatton discharged the role of the agency's Chief Executive and Accounting Officer during 2019-20 and up until the appointment of Jonathan Russell as interim Chief Executive and Accounting Officer on 7th September 2020. Jonathan formally received assurances from Melissa, that at the point of transfer there was a sound system of governance, risk management and internal controls in place within the agency and that the 2019-20 Annual Report and Accounts provided a true and fair representation of the agency's performance and financial position during the accounting period.

Who we are and what we do

Who we are

The VOA is an executive agency of HM Revenue and Customs (HMRC). We employ approximately 3,300 people, based on full-time equivalents, with offices in 42 locations throughout England, Scotland and Wales.

Core purpose

We are the public sector's property valuation experts and advisers, providing the valuations needed to support local taxation and benefits; our work underpins the funding of vital public services.

Vision

To be a world-leading provider of public sector valuations.

Strategic objectives 2019-20

Our strategic objectives for 2019-20 were:

- Produce reliable property valuations
- Provide a clear and consistent experience for our customers, clients and stakeholders
- Design and deliver a professional, efficient and engaged organisation.

What we do

The work we do enables the collection of approximately £58 billion[1] of revenue in non-domestic rates (NDR) (also known as business rates) and council tax in England and Wales, which helps to fund essential public services. We also help determine fair rents and housing allowance received, as well as undertaking property valuation work for a range of public sector clients.

Business rates

We compile and maintain statutory rating lists of the rateable values for over two million non-domestic properties, enabling the collection of approximately £26 billion[2] in business rates by billing authorities throughout England and Wales.

Council tax

We compile and maintain statutory valuation lists of council tax bands for approximately 26 million domestic properties, enabling the collection of approximately £32 billion[1] in council tax throughout England and Wales.

Housing allowances

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

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

Statutory valuations

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

District Valuer Services

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

2 Source: Country and regional public sector finances: Financial year ending March 2019 (ONS).

£58 billion

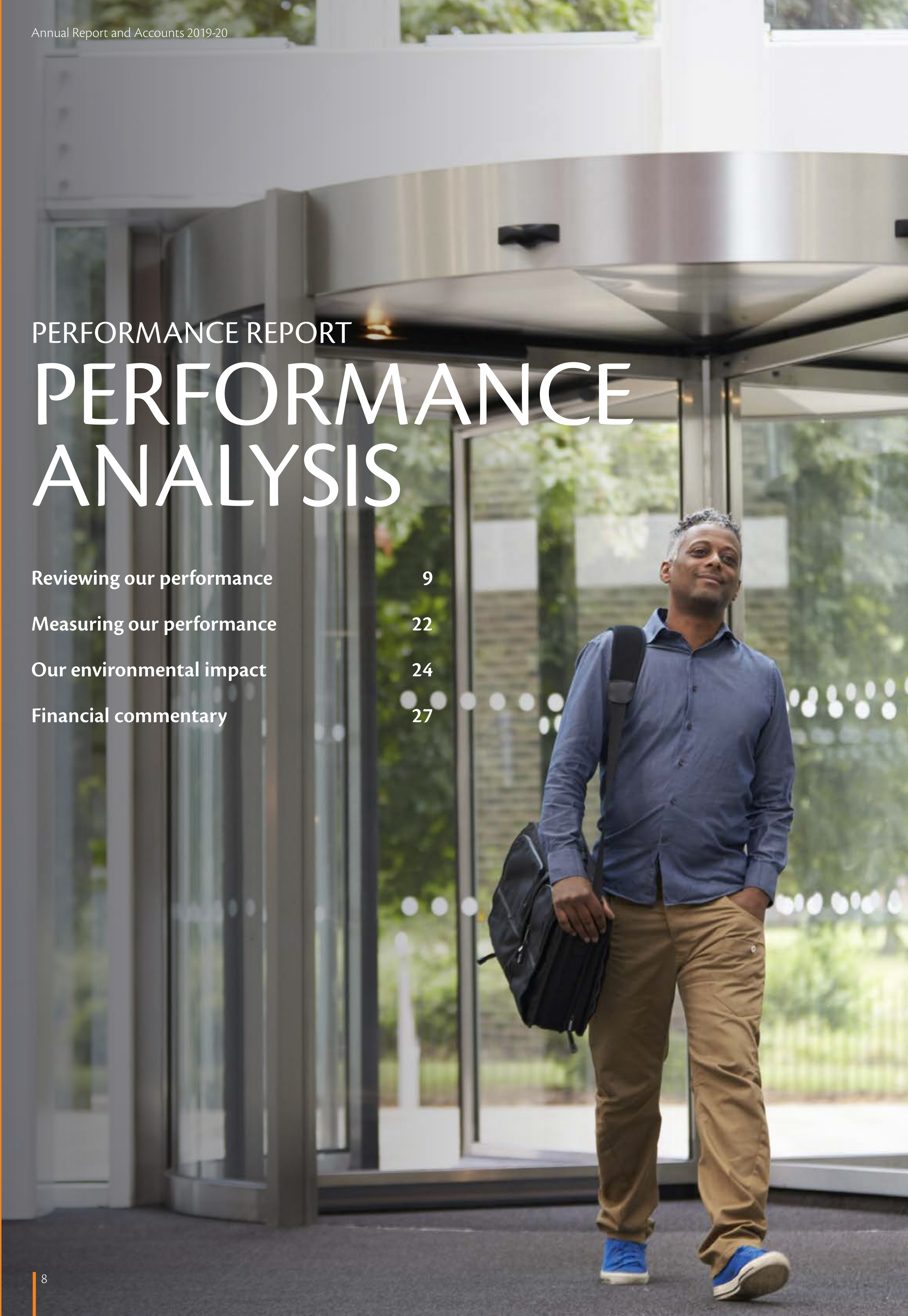
Our work contributes to the collection of non-domestic rates and council tax to help fund essential public services

26 million

Domestic properties are maintained in our council tax list

Two million

Non-domestic properties are valued for business rates



PERFORMANCE REPORT

PERFORMANCE ANALYSIS

REVIEWING OUR PERFORMANCE

“ / ”

Central and local government rely on our valuations to ensure customers pay the right property taxes.

95%

of our council tax reports were investigated within 90 days

497,700

council tax reports investigated

191,300

non-domestic properties reports raised and investigated during 2019-20

All

2010 business rate appeals within our control successfully dealt with before our September deadline

This section sets out how we have performed against our strategic objectives and commitments set out in our 2019-20 Business Plan.

One

Objective 1

Produce reliable property valuations

Central and local government rely on our valuations to ensure customers pay the right property taxes. To do this we must deliver a service our customers, clients and stakeholders can rely on.

During 2019-20 we had been preparing for the next business rates revaluation in 2021, and future revaluations thereafter. To support this we have taken an increasingly risk-based approach, making use of modern technology and analytical methods to focus our resources on where they can bring best value.

The government has since confirmed that the next revaluation will instead take place in 2023; the valuations that we have delivered provide important evidence about the property market.

Next business rates revaluation

Revaluations are designed to ensure that business rates are based on up-to-date property values. This maintains fairness in the system by redistributing the total amount payable to reflect changes in the property market.

On 1 May 2019 we started carrying out the 2 million valuations needed for the 2021 business rates revaluation across England and Wales and since then have made good progress towards delivering the programme.

In February 2020 we exceeded our first key milestone of valuing 80% and validating (quality assuring) 40% of the 2 million properties in the rating lists for England and Wales.

The government has since confirmed that the next revaluation will not take place in 2021 and announced on 21 July that it will take place in 2023, which will provide more certainty for businesses and better reflect the impact of COVID-19.

Business rates

On 1 April 2017, the 2017 rating list came into force. Businesses or their agents could continue to make appeals against the 2010 list in limited circumstances until 31 December 2019. Over the life of the list we resolved around 1.1 million appeals with 71% resulting in no change to the lists.

The agency met its commitment to deal with all the 2010 appeals within its control by the end of September 2019. As at 31 March 2020 we had 55,300 outstanding appeals against the 2010 rating list, these are pending the outcome of litigation in the relevant courts; processing these is outside the control of the agency.

During 2019-20 we raised and investigated 191,300 reports after receiving information about property changes from billing authorities or customers, as part of our work to maintain both the 2010 and 2017 business rating lists. Appeals for Wales and against the 2010 list for England are dealt with under business rates not the check and challenge service.

we raised and investigated 191,300 reports... as part of our work to maintain both the 2010 and 2017 business rating lists.

NDR Checks

92%*	78,720	Checks resolved	2019-20
79%*	53,360	Checks resolved	2018-19

* % resolved within 3 months

Check and challenge service

The check and challenge service allows businesses to check the facts held about their properties and view their valuation details before deciding whether to challenge their valuation.

We have continued to listen to stakeholders and conduct user research in order to make improvements to our online check and challenge service.

For example, we made changes to make it easier for customers to see the status of their cases, added advanced search facilities and a new digital correspondence service that improved the way we communicate with customers. In addition, we have continued to work with agents and their software developers to support them to interact directly with the service and improved our internal systems to increase efficiency in case processing.

On 7 May 2020, we published statistics on the number of checks and challenges received for the 2017 rating list (England).

As at 31 March 2020, since the service started on 1 April 2017 we had:

- registered 158,910 checks. 150,480 of these checks have been resolved
- registered 31,920 challenges. 12,200 of these challenges were resolved and 2,160 were incomplete and therefore not accepted.

Council tax

We continued to maintain the council tax valuation lists by raising and investigating 497,700 reports, after receiving information about property changes from billing authorities or taxpayers.

We cleared 95% of maintenance reports within 90 working days.

Housing allowances

We collect and interpret rental information for domestic properties for use in the operation of parts of the benefit system. This year, we collected 513,000 items of letting data.

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

Where we were asked to provide advice to local authorities on the maximum subsidy level payable for housing benefit claims under the Housing Benefit referral system, and no inspection was required, we determined over 99% of referrals within three working days, exceeding our 96% target.

We also deal with instances where we are asked to set the maximum rent that can be charged for regulated tenancies. This year we received just under 34,500 requests, known as Fair Rent cases, and resolved over 99% within 40 working days, exceeding our target.

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

District Valuer Services

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

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

Statutory valuations

We provide statutory property advice to public sector clients, including supporting HMRC's work on inheritance tax, capital gains tax and other areas of tax compliance. We also deal with Right to Buy determinations and Community Infrastructure Levy appeals in England and Wales, and provide the Department for Work and Pensions (DWP) with valuations to support the administration of benefits.

We cleared initial appraisals for HMRC within an average of four working days. We completed 82% of DWP cases within seven working days, providing valuation advice to support the administration of benefits.

Valuation integrity

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

Our business rates and council tax teams both achieved valuation integrity scores of 96%. Our housing allowances, statutory valuations and property services teams achieved 98%, 96% and 95% respectively.

Two

Objective 2

Provide a clear and consistent experience for our customers, clients and stakeholders

We aim to make things as straightforward as possible for our customers; work collaboratively with stakeholders and ensure that we consistently deliver what we promise.

To provide customers with the service they deserve, we continually look at how we do things and improve how we operate.

Continuously improving how we do things

Improvements to check and challenge service

We have continued to listen to stakeholders and conduct user research in order to make further improvements to our online check and challenge service. We have also made improvements to our internal VOA systems to enable efficient case handling.

Last year, for example, we made changes to make it easier for customers to see the status of their cases, and continued to work with agents and their software developers to support them to interact directly with the check and challenge service. We added a new digital correspondence service that improved the way in which we communicate with our customers, we also added advanced search facilities and updated and improved our internal systems to improve efficiency in case processing.

Business Systems Transformation

We will need to change the way we operate to increase our productivity and meet our customers' quality and timeliness expectations.

This year we have launched the Business Systems Transformation (BST) programme. The programme will re-design and simplify our core business processes, and introduce new, more flexible data structures and technology systems to support them. It will reduce the need for administrative processing and information-entry, freeing colleagues to focus their time and skills where they add most value.

Improving operational processes

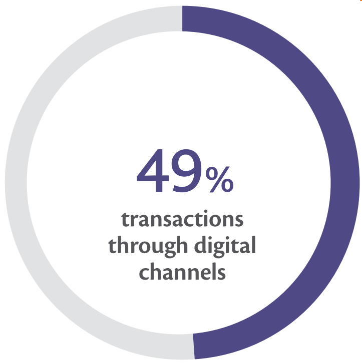
We have rolled out a new approach to continuous improvement (CI), listening to and working with colleagues to identify and deliver improvements to the operational processes they work with every day. This has included creating a network of CI practitioners and supporting them to gain CI qualifications. Colleagues have run CI projects looking at the check and challenge service, market information and revaluation.

Improving our customers' experience

We are committed to providing a consistently good service to our customers and continue to look at how we can improve their experience.

We want to deal with more customers' queries at the first point of contact, reducing the need for them to have to contact us more than once. While we know customers will want to interact with us in a range of ways, increasingly they want to be able to go online to sort their query – and we are continuing to develop and improve our digital services.

Customer Contact



Our customer services teams are the first point of contact for our customers, dealing with all initial telephone queries and correspondence.

We are consolidating all our customer services work into two customer service centres, bringing together expertise, ensuring consistent service standards and enabling us to more easily flex to customer demand.

We have continued to look at how we can improve customer correspondence and our online support and digital services to make it easier for customers to self-serve or find information online without the need to call.

The number of customers and agents registered with our check and challenge service is growing steadily, 156,270 as at 31 March 2020, and we continue to make improvements to the service based on their feedback.

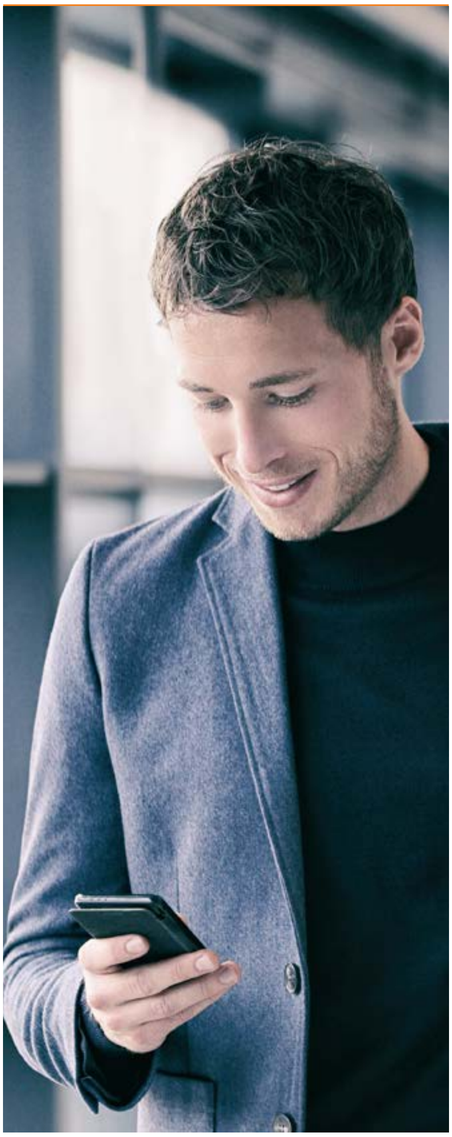
This year, 820,000 people checked their business rates valuation through GOV.UK.

Supporting customers who need additional support

We take our obligations under the public sector equality duty seriously, and aim to ensure our services are accessible to all our customers.

This year we have reviewed and improved our customer service processes with that in mind, in particular, we have made changes to make sure customers who require

This year, **820,000** people checked their business rates valuation through GOV.UK.



a reasonable adjustment have their needs met, updated our internal guidance and delivered updated training to our customer services teams.

Handling complaints

Most of our customers use our services without any problems, but we recognise that we do not always get things right and complaints can help us identify how we can improve. By listening to our customers and acting on their feedback, we can identify steps to put matters right.

In 2019-20 we received 839 complaints. We resolved 868 complaints during the year, of which 29% were fully or partially upheld.

If customers are dissatisfied with our decision, they have the right to seek further independent scrutiny by the Adjudicator's Office and then ultimately they can request an investigation by the Parliamentary Ombudsman.

The Adjudicator provides a fair and unbiased investigation of complaints. In 2019-20 the Adjudicator investigated 24 cases, of which 21 were not upheld and 3 were partially upheld. No formal complaints were referred to the Ombudsman.

Handling customer data and information

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

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

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

Working with our stakeholders

We continue to engage with stakeholders through a number of regular forums attended by representatives of local authorities, professional bodies, businesses and agents – and continue to talk to trade associations and sector stakeholders as part of the preparations for future revaluations.

Three

Objective 3

Design and deliver a professional, efficient and engaged organisation

We are committed to delivering reliable valuations and a clear and consistent experience for our customers, clients and stakeholders. To deliver that commitment we are continuing to cultivate an efficient organisation and professional, engaged people.

We are continually improving how we operate and get the right people, in the right places, with the right skills. We are investing in creating a positive experience for our people, whether that's how colleagues work, the tools they use to do that work, the environment they work in or the professional development they receive.

We are also reducing our costs and continuing to improve efficiency and productivity.

Building our surveyor pipeline

We remain one of the largest employers of chartered surveyors in the UK, and are recognised for our excellent training, flexibility and the significant variety of our work.

> ...we continue to develop our own people through a range of programmes and build relationships with universities to attract talented students and graduates to provide a pipeline of future surveyors.

Recruiting and retaining qualified surveyors is challenging for both the public and private sector. Our recent three year pay deal, which includes the implementation of a new pay scale for qualified surveyors with increased starting rates of pay, will help us recruit the right capability into the agency and retain them.

As well as recruiting qualified surveyors, we continue to develop our own people through a range of programmes and build relationships with universities to attract talented students and graduates to provide a pipeline of future surveyors.

316

Graduates, placement students, apprentices working towards surveying qualifications

78

Level 6 chartered surveyor apprentices

28

Of our graduates have joined our SEO Surveyor workforce

The agency has 316 graduates, university placement students, apprentices and caseworkers working to obtain surveying qualifications. This includes 78 'Level 6 chartered surveyor' and 35 'Level 3 surveying technician' apprenticeships. This year 28 of our graduates joined our SEO Surveyor workforce.

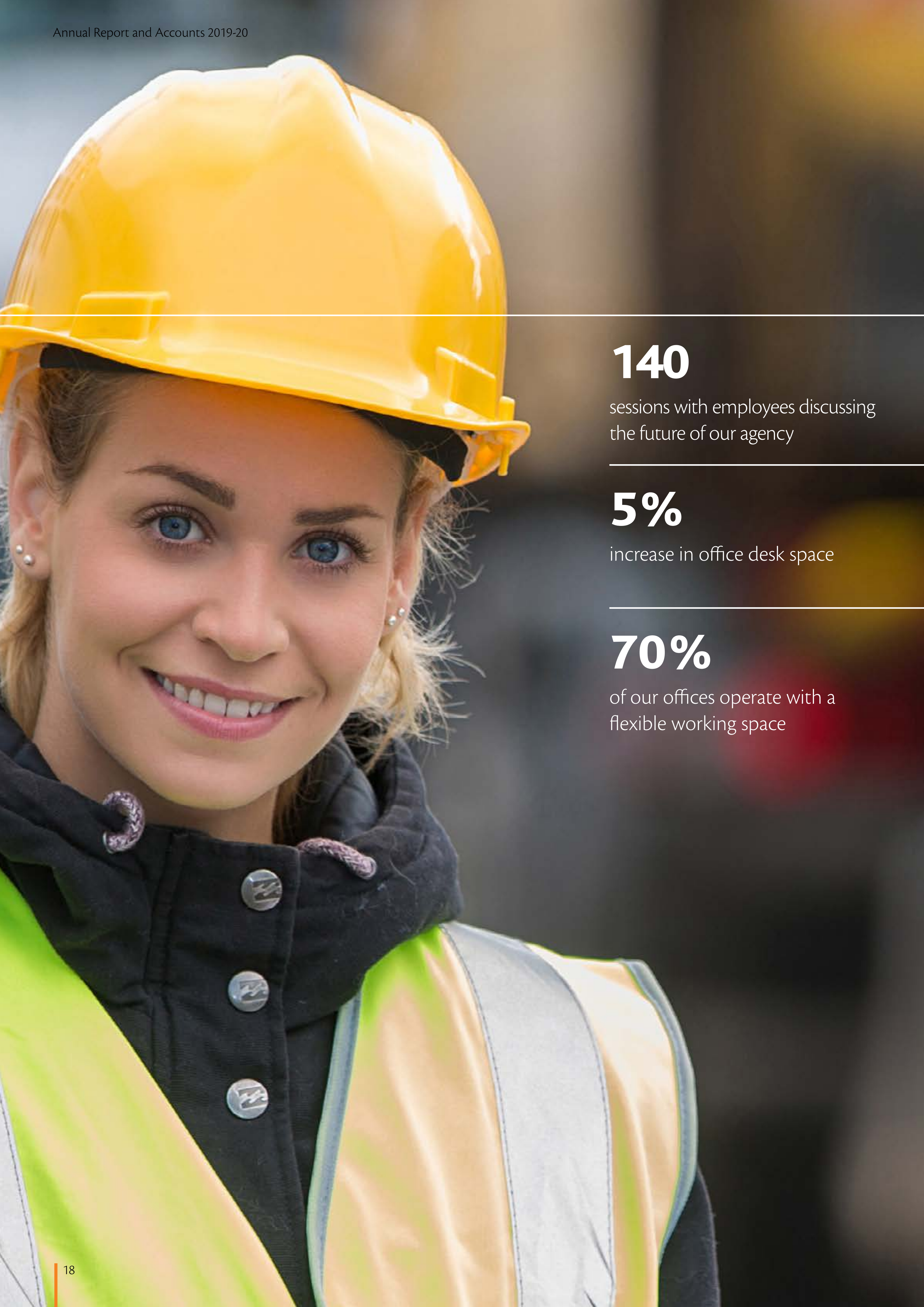
Alongside this, we have introduced a Royal Institution of Chartered Surveyors (RICS) approved experiential qualification that gives our people a route to achieve chartered status, which takes account of their professional experience. Currently, 21 colleagues are working towards this.

Developing professionalism

We are committed to strengthening and retaining the right skills across all our job roles. We have a multi-skilled workforce with a range of professional qualifications and experience, around 91% of our people work in operational roles.

This year, 552 colleagues joined the agency including customer service staff, as well as qualified surveyors and other caseworkers.

Over the past year we have supported more than 65 of our people to gain professional qualifications, we have 182 of our people enrolled on apprenticeship schemes, with 119 new apprenticeships this year and we have exceeded the target for 2.3% of our workforce to be new apprentice starts.



140

sessions with employees discussing the future of our agency

5%

increase in office desk space

70%

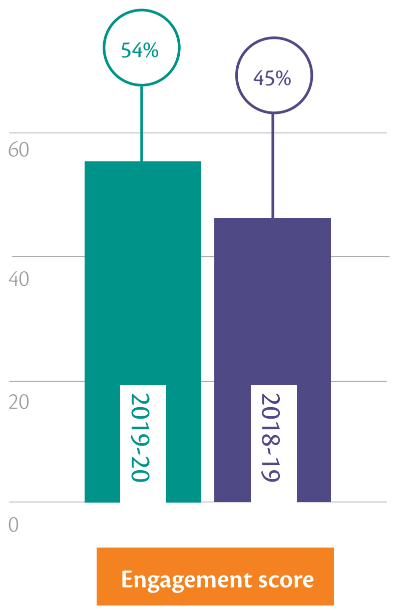
of our offices operate with a flexible working space

People and Locations

This year we have developed our People and Locations Strategy to continue to ensure we recruit and retain people with the key future skills we will need, in the locations where we need them. The strategy will help us to deliver our services more cost-effectively, transfer specialist knowledge between staff more easily and help people develop their careers.

We have continued to deliver our estates consolidation, aligning with government policy, moving to a smaller number of locations to drive greater operational effectiveness, better local career pathways and more visible leadership. We have increased desk capacity by over 5% (200) and now over 70% of our offices operate with flexible working space.

We currently have 42 offices. This year we have confirmed the new locations of three offices, including Plymouth, Bristol and Colchester and are working on the solution for another six (Aberdeen, Exeter, Oxford, Southampton, Swansea and Wrexham). We have also relocated into one new office, closed one office, invested £0.8m in improving our working environments and reduced our running costs by £1.32m.



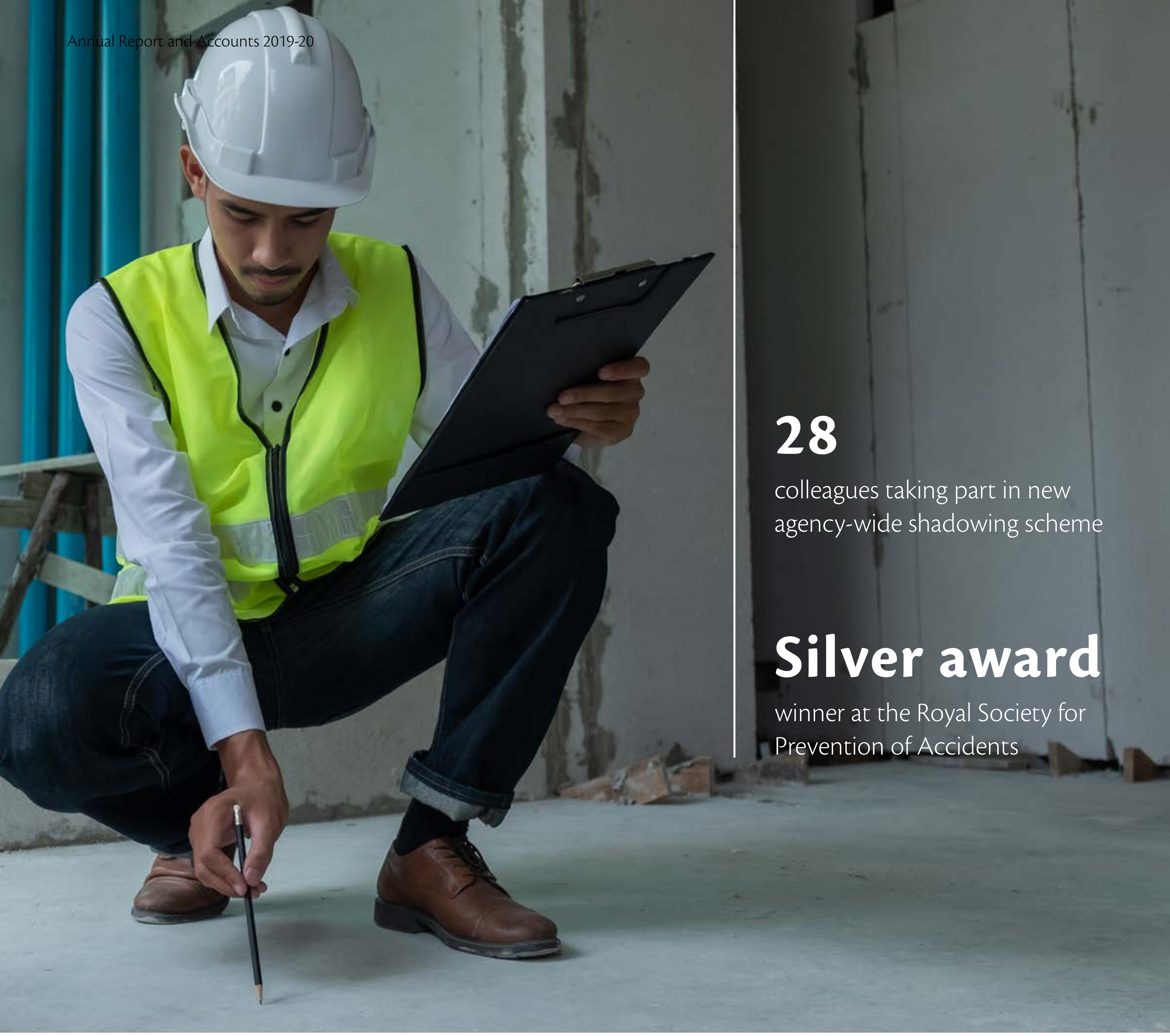
Leadership and engagement

This year, we rolled out our Valuing our Future programme. The executive committee and senior leaders held over 140 sessions across all of our offices. We communicated a clear and compelling vision of the agency's future to our colleagues, we listened to our employees and took action in response to feedback.

Our 2019 Civil Service People Survey overall engagement score was 54%, a nine percentage point increase on 2018. This was the joint third largest increase across the organisations that took part. While encouraging, we know this is an area where continued work is needed.

Health, safety and wellbeing

Our health, safety and wellbeing approach is delivered through a range of activities and led by the newly appointed Executive Committee Health and Wellbeing Champion, Derek Thomas.



28

colleagues taking part in new agency-wide shadowing scheme

Silver award

winner at the Royal Society for Prevention of Accidents

Our sickness absence levels increased in 2019-20 with an average of 7.1 working days lost per person as at March 2020 compared with 6.3 working days at the end of April 2019. This is just above the Civil Service target.

The agency was a Royal Society for Prevention of Accidents Silver Award winner, recognising our good management practices which are delivering continued improvement in this area.

Diversity and inclusion

We want our workforce to reflect the diversity of our customers.

We have Executive Committee Champions and employee groups in place for ten diversity strands. These groups offer the opportunity for colleagues to share their experiences, and input to what we do. We have also:

- 28 colleagues taking part in new agency-wide shadowing scheme

> Investment in better IT and mobile technology allows our people to work more effectively, whether they are in the office or out in the field...

- welcomed participants on the government's Summer Diversity Internship and Autism Internship programmes
- worked in partnership with our diversity groups to raise awareness of the diversity and inclusion agenda, through communications, events and focus groups
- focused on improving senior representation of people with protected characteristics, undertaking analysis work to identify areas we can target action in
- refreshed our diversity data declaration campaign with an emphasis on senior leader role modelling
- worked closely with the wider Civil Service Diversity and Inclusion (D&I) team to ensure alignment with the Civil Service D&I Strategy and ambitions

Improving our technology

Investment in better IT and mobile technology allows our people to work more effectively, whether they are in the office or out in the field – and our teams can collaborate more closely to provide a joined-up service to our customers.

At the beginning of the year, our digital and IT team integrated with HMRC's. Since then, work has been ongoing to align the core technology and digital functions of both organisations for the benefit of our people and customers.

This year we rolled out Skype, installed WiFi access points in 33 VOA locations, in addition to the offices where it was already installed (Canary Wharf, Croydon and Leeds), delivered new mobile devices and merged our email with HMRC's.

Looking forward we are seeking to change the way we operate through our BST programme, to redesign and simplify our core business processes and introduce more flexible data structures and technology systems to support them.

MEASURING OUR PERFORMANCE

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

At the start of the 2019-20 financial year, we published a one year business plan with a set of performance measures and targets to measure ourselves against. The table below sets out our performance in 2019-20 against the targets published in the business plan. For 2019-20 we met all of our performance targets with the exception of challenge timeliness.

Measure	Our Business plan targets	Our 2019-20 performance	Our 2018-19 performance
Timeliness			
Council tax	Clear 95% of reports within 90 working days.	Cleared 95% of reports within 90 working days.	Cleared 93% of reports within 90 working days.
Business rates	Clear 95% of reports within 90 working days.	Cleared 97% of reports within 90 working days.	Cleared 95% of reports within 90 working days.
Check and challenge service	Resolve 90% of check cases within three months of receipt and 90% of challenge cases resolved within 12 months of receipt.	Resolved 92% of check cases within three months of receipt and just under 60% of challenge cases were resolved within 12 months of receipt[3].	Resolved 79% of check cases within three months of receipt and 81% of challenge cases within 12 months of receipt.
Housing allowances	Where no inspections are required, determine more than 96% of housing benefit referrals within three working days.	Where no inspections were required, determined over 99% of housing benefit referrals within three working days.	Where no inspections were required, determined over 99% of housing benefit referrals within three working days.
Fair rent	Determine 95% of fair rent cases within 40 working days.	Determined over 99% of fair rent cases within 40 working days.	Determined over 99% of fair rent cases within 40 working days.
Statutory valuations	Clear all initial appraisals for HMRC within an average of five working days.	Cleared all initial appraisals for HMRC within an average of four working days.	Cleared all initial appraisals for HMRC within an average of five working days.
	Report 80% of DWP cases within seven working days.	Reported over 82% of DWP cases within seven working days.	Reported 80% of DWP cases within seven working days.

3 Challenge: With the next revaluation of business rates brought forward to 2021 it was clear that the target would be very challenging given the need to prioritise the work on the next Revaluation and work to meet the commitment to deal with all 2010 business rates appeals within the agency's control.

Measure	Our Business plan targets	Our 2019-20 performance	Our 2018-19 performance
Valuation Quality			
A check on the quality of our valuation, process compliance and timeliness in making a valuation decision	For our housing allowances, fair rent, statutory valuations and property services business areas, achieve valuation quality of at least 95%.	We achieved valuation quality of 98% for housing allowances and fair rent, 96% for statutory valuations and 95% for property services.	We achieved valuation quality of 99% for housing allowances and fair rent, 96% for statutory valuations and 95% for property services.
	For our business rates and council tax business areas, achieve valuation quality of at least 94%.	Our business rates and council tax areas both achieved valuation quality of 96%.	Our business rates and council tax areas achieved valuation quality of 97% and 96% respectively.
Serving our Customers			
How we deal with customer enquiries	Deal with at least 70% of enquiries to our customer contact points at first point of contact	We dealt with over 89% of enquiries to our customer contact points at first point of contact.	We dealt with 70% of enquiries to our customer contact points at first point of contact.

OUR ENVIRONMENTAL IMPACT

64%

reduction in water consumption per FTE since 2014-15

58%

reduction in business travel this year

84%

reduction in paper usage

Tenth consecutive year

that our greenhouse gas emissions have reduced

This year the agency has continued to take practical action to reduce its environmental impact and meeting the Greening Government Commitments.

During 2019-20 actions taken include:

- reduced our greenhouse emissions across the estate and the business operations for the tenth consecutive year
- changed business behaviour through increased use of available Skype audio and video technologies, which has reduced our travel footprint
- initiated work on a pilot Environmental Management System

Next year alongside continuing with the above, we will also:

- responsibly reduce waste from the Estates Transformation Programme through reuse of furniture and equipment
- demonstrate integrity by obtaining external accreditation for our Environmental Management System
- continue to encourage reducing consumption of natural resources in order to minimise pollution and work with relevant suppliers and stakeholders to eliminate Consumer Single Use Plastics (CSUP) across the business

Environmental performance

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

Greenhouse gas emissions

Target to 2020

To reduce the agency's emissions by 45% (government target 32%)

Position at 31 March 2020

82% less emissions than in 2009-10

Comment on performance against target

Exceeded

Key things we did and are continuing to do

Continuing to vacate inefficient buildings, reducing the overall footprint and move into fewer, modern energy and resource efficient premises

This year we've achieved a 67% overall reduction in business travel as a result of streamlining work processes and encouraging people to use technology for meetings.

Reducing waste sent to landfill

Target to 2020

To send less than 10% of waste to landfill

Position at 31 March 2020

1%

Comment on performance against target

Exceeded

Key things we did and are continuing to do

The majority of our offices have Dry Mixed Recycling facilities.

We have 100% coverage with shredding and recycling of our paper waste.

Proactively plan for and monitor reuse of furniture within our estate.

Choosing suppliers who commit to recycling equipment and furniture that has reached end of life.

Water

Target to 2020

To continue to reduce water consumption from 2014-15 onwards

Position at 31 March 2020

64% reduction in water consumption per FTE since 2014-15

Comment on performance against target

Exceeded

Key things we did and are continuing to do

Relocating to water efficient premises.

Proactively reminding people to report leaks across the estate.

Paper

Target to 2020
To reduce paper usage by 50%

Position at 31 March 2020
84% reduction

Comment on performance against target
Exceeded

Key things we did and are continuing to do
Invested in technology such as use of laptops and tablets, actively encouraging our people to cut their reliance on paper.

Significantly reduced the number of operational printers when relocating to Regional Hubs or modernising our offices.

Domestic flights

Target to 2020
To reduce the number of domestic flights by 30%

Position at 31 March 2020
58% reduction

Comment on performance against target
Exceeded

Key things we did and are continuing to do
We have refreshed our travel policies actively informing colleagues to make environmentally friendly travel arrangements

Climate change and biodiversity

We have reduced risk in acquiring property which could be affected by flooding through climate change. We complete flood risk assessments and use the information to inform strategic decisions on how we determine office locations.

Green areas currently represent less than 1% of our estate. However this will change as we move into regional centres and we will have the opportunity to partner with HMRC to develop the biodiversity of the sites.

FINANCIAL COMMENTARY

Our financial performance is set out in the accounts attached to this report in pages 77 to 116.

Over the course of the financial year we have been preparing for the next revaluation of business rates, delivering our operational services and making improvements to our check and challenge service.

The agency's principal financial objective is to operate within the budget and control totals set by HMRC. It recovers funding for the full costs of delivering objectives for other government departments.

Income

Income for 2019-20 was £41.3 million, plus HMRC vote funding of £163.7million which is accounted for in reserves. The total amount of funding was £18.6 million (10.0%) higher than the previous year to help prepare for the next business rates revaluation and future revaluations thereafter; this additional work was funded by HMRC.

Managing costs

Total spending for 2019-20 was £207.7 million, including £1.8 million non-cash pension costs. Pay costs, including early departures, were £152.1 million, 73.2% of total costs, representing a 6.3% increase on the previous year (£143.1 million). The increase in pay costs was due to higher numbers of staff joining the agency across the year combined with an increased pay settlement. The average number of people (FTE) employed over the year increased by 119 (3,163 in 2018-19 to 3,282 in 2019-20); this was a result of planned and successful recruitment. The other contributing factor to the increase was the additional employer pension contributions. These increased by 33.3% (£7.1 million) following a Scheme Actuary review of employer contributions and increased LGPS employer contributions.

Accommodation costs were £12.2 million, 5.9% of total costs, representing a 6.7% reduction on the previous year (£13.1 million); this reflects the reducing size of the estate and the move into government hub buildings.

IT costs were £13.6 million, 6.5% of total costs, representing a 3.6% decrease on the previous year (£14.1 million). The fall is mainly due to cashable savings achieved on software licence subscriptions and cost reduction on Wide Area Network (WAN) as we reduce our building estate.

Depreciation and amortisation charges were £9.4 million, 4.5% of total costs, representing a 26.3% increase on the previous year (£7.5 million). The increase relates to intangible assets where additions have had their economic life linked

> We have worked quickly to adjust to dealing with customer contact through online channels and email.

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

Controlling cash flow

Cash forecasting is working effectively with a target to pay 80% of valid invoices within five days of receipt of the goods, in line with Department for Business, Energy & Industrial Strategy guidance. This year 98% of invoices were paid within five days.

Investing in our services

We invested £5.5 million in our IT capital assets in 2019-20 to provide infrastructure and equipment to support service delivery. An additional £0.8 million was invested in accommodation to support reducing the agency's footprint.

Financial outlook

We have continued to deliver against our requirements to deliver the next revaluation of business rates and have kept on track against our plan. The next financial year remains challenging; we have secured sufficient funding to enable us to continue our operations and taken significant steps to ensure that we can continue to deliver for our customers whilst remaining within our budgets and control totals. It will however be very challenging to meet our performance targets, particularly with the uncertainty around volumes in our check and challenge service. We will be publishing a revised one year business plan for 2020-21 setting out our plans for the year.

As highlighted in the CEO's foreword, the agency has been carefully considering the potential risks and impacts of COVID-19 in developing its response plan. This has meant that we have had to make changes to ensure the delivery of our services balanced against new emerging demands and changing priorities, whilst maintaining the health and wellbeing of our people and will continue to do so.

We have worked quickly to adjust to dealing with customer contact through online channels and email. We are having to respond to the impact of COVID-19 across most areas of our work, whether that's handling fair rent cases, dealing with queries over council tax bands for domestic properties or delivering services to our most vulnerable and digitally excluded customers.

We have prioritised work related to COVID-19 and hardship cases and have seen a significant increase in the number of checks registered by customers. We expect this to place extra demand on our check and challenge service as they flow through and have reallocated existing resources to deal with these as effectively as possible.

The government has since confirmed that the next revaluation will not take place in 2021 and announced on 21 July that it will take place in 2023, which will provide more certainty for businesses and better reflect the impact of COVID-19. Our immediate focus for 2020-21 does not change and we will complete the delivery of the valuations as they provide important evidence about the property market. Once completed we will look towards reallocating our resources to other priority areas.

Looking forward to the rest of 2020-21 we recognise that we are balancing a number of financial risks and opportunities as a result of COVID-19, and whilst we may face pressure on our resource budget, we expect to accommodate this within our agreed funding allocation.

Adoption of going concern basis

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

Accounts

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

Jonathan Russell, CB
Interim Chief Executive
16 November 2020

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

GOVERNANCE STATEMENT

This governance statement sets out the governance, risk management and internal control arrangements for the agency. It applies to the financial year 1 April 2019 to 31 March 2020 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

Melissa Tatton discharged the role of the agency's Chief Executive and Accounting Officer during 2019-20 and up until the appointment of Jonathan Russell as interim Chief Executive and Accounting Officer on 7 September 2020. As such he sought assurances from her to inform his approval of this statement.

Executive agency arrangements

The agency is an executive agency of HMRC. The Chief Executive of the agency is a Treasury appointed Accounting Officer and is accountable for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the conduct of the agency's day-to-day operations and management of the agency, including making changes to the organisation as are necessary to maintain and improve the performance. The Chief Executive is a HMRC Commissioner, Tax Assurance Commissioner and member of HMRC's Executive Committee.

HMRC's Chief Executive, as Principal Accounting Officer for HMRC, is responsible for ensuring that there is a high standard of financial management in HMRC as a whole, including the agency. The Financial Secretary to the Treasury (in their role as departmental Minister for HMRC) has ministerial responsibility for the agency.

Executive Committee
Sets strategy and oversees business performance, business delivery and transformation delivery

Board
Provides challenge and advice on agency strategy, performance and capability

Board sub-committee

Audit and Risk Assurance Committee
Provides assurance and scrutiny on control, risk and governance

Our governance structure

Our governance structure is summarised in the diagram on this page. The Executive Committee (ExCom) is the primary decision-making forum for the agency and also reviews performance and transformation. The Board provides challenge and advice on the agency's strategy, capability and performance and is, alongside the Accounting Officer, supported by the Audit and Risk Assurance Committee.

This structure enables ExCom to undertake effective and transparent decision-making and provides appropriate challenge and assurance by our non-executives.

Board focus in 2019-20

Strategy

- Agency strategy
- Stakeholder strategy
- Future Revaluations

Planning and Performance

- Agency performance data and hub
- Business planning
- Financial planning
- Service performance

Risk management

- Strategic risk review
- Risk appetite

Transformation

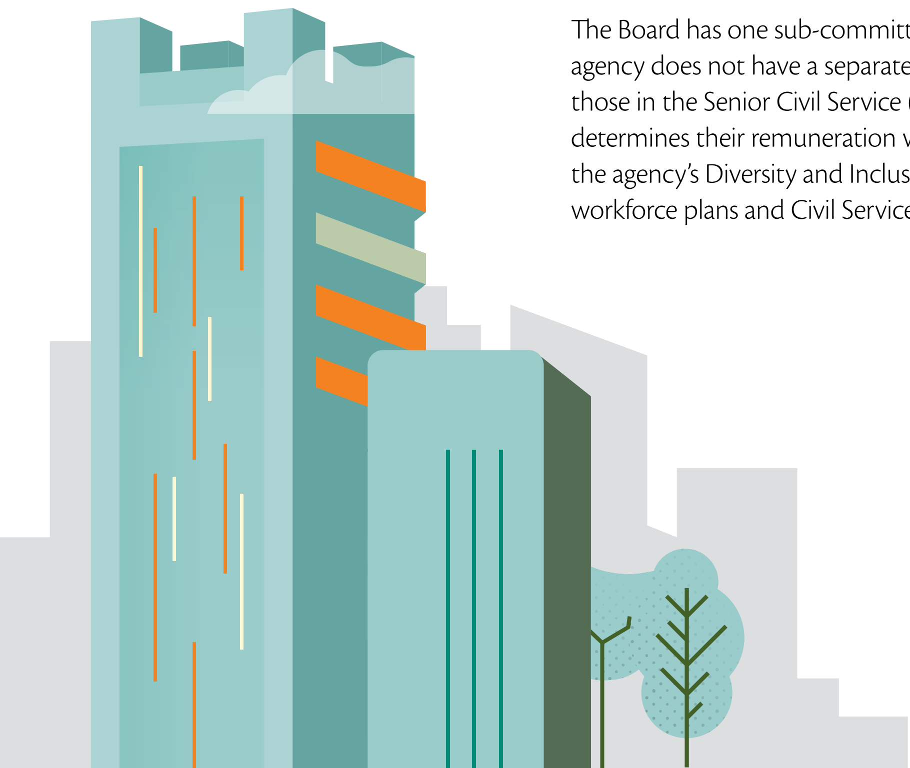
- Prioritisation of Transformation portfolio
- Business Systems Transformation

Governance

- Board effectiveness

People

- Diversity and Inclusion
- People Survey results
- Reward and Remuneration strategy
- Workforce Planning



The Board

The role of the Board is critical to our success as an executive agency. The Board consists of the Lead non-executive, two other non-executive directors, the Chief Executive, Chief Finance Officer, Chief Strategy and Transformation Officer and the Chief Valuer. Other senior executives attend as the agendas dictate. The Board is chaired by the Lead non-executive director, and helps to guide the agency strategically by drawing upon a range of public and private sector expertise.

In 2019-20 the Board met five times and has provided challenge, advice and assurance to the Executive team on strategy, business planning, reviewing performance and transformation progress. The Board is advisory and does not have a role in operational decision-making.

The Board has one sub-committee, the Audit and Risk Assurance Committee. The agency does not have a separate People, Nominations and Governance Committee as those in the Senior Civil Service (SCS) roles are members of HMRC's SCS and HMRC determines their remuneration within SCS pay policy guidelines. Matters relating to the agency's Diversity and Inclusion strategy, future organisational design, strategic workforce plans and Civil Service People Survey results, are considered by the Board.

Audit and Risk Assurance Committee focus in 2019-20

Annual Report and Accounts

- Agency Annual Report and Accounts (AR&A)
- AR&A lessons learned and planning

Resilience and Security

- Business continuity
- Cyber security

Audit and Assurance

- Director of Internal Audit's annual opinion for 2019-20
- Internal audit planning and coverage and management response to issues identified
- NAO planning and completion reports for the AR&A
- Transformation IPA review outcomes
- Assurance mapping

Controls and processes

- Whistleblowing process
- GDPR
- Counter fraud
- Valuation Integrity

Risk management

- Risk management framework
- Risk report
- Deep dive: Revaluation 2021 and Future Revaluations
- Fraud risk assessment

Audit and Risk Assurance Committee (ARAC)

ARAC provides independent assurance to the Board and the Accounting Officer on the integrity of financial statements and comprehensiveness and reliability of assurances across the agency on governance, risk management and the control environment.

The committee is chaired by a non-executive director, with one further non-executive director and two non-executive members. The National Audit Office, HMRC Internal Audit, and agency Chief Executive, Chief Finance Officer and/or Director of Finance and Business Planning also attend each meeting. The Committee met six times in 2019-20.

Non-executives

Our non-executives bring external experience and expertise to the agency, playing an important role in providing advice, challenge and scrutiny to the work of ExCom and the agency more widely. Our non-executives also contribute their expertise outside the formal Board and Committee structure.

Board effectiveness

The Board conducts a thorough analysis of its effectiveness on an annual basis through structured questionnaires based on those issued by the Cabinet Office as part of its wider cross-government Board Effectiveness Review. The review is used as an opportunity for the Board to assess progress and ensure there is continuous improvement in the Board's effectiveness and impact. Our Board also regularly reviews its effectiveness as part of the arrangements for each meeting.

The 2019-20 review found that the outcomes of the agency's extensive governance review in 2017-18 had been successfully implemented. Governance arrangements throughout the agency were clear and Board members fully understood their roles. The

Board also felt improvements had been made to ensure a better flow of information to non-executives between Board meetings.

Register of Interests

The agency maintains a register of interests of its Board and Committee members to ensure that any potential conflicts of interest can be identified and managed, in line with the Code of Conduct for Board Members of public bodies.

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

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

Executive Committee

The Executive Committee is the agency's primary decision-making body. ExCom oversees and assures all of the agency's work and is responsible for setting and delivering our strategic objectives. ExCom is chaired by the Chief Executive. Its membership comprises all of the executive directors with the Chief Information Officer of VOA Customer Group (HMRC) and the Head of Communications (VOA) as standing invitees. It is the primary forum in which the executive directors make collective decisions.

In 2019-20 ExCom met 20 times to discuss and make decisions on a wide range of strategic, operational and financial issues. Every month ExCom reviews the agency's performance against key performance indicators and other targets and measures, and considers opportunities for improvement. It also reviews the status of, and management actions for, agency risks and issues.

ExCom provides senior governance and oversight for the delivery of the agency's transformation portfolio, which included prioritisation across the agency's portfolio and resolving issues escalated from supporting programme boards. The key programmes of the transformation portfolio are reviewed on a monthly basis.

In 2019-20 ExCom considered financial planning, both in-year management to optimise the use of funding and also longer term financial planning for future years, to ensure the right balance between capacity, capability and risk. Other matters covered this year include: the check and challenge service, communications and engagement, Estates Strategy, future revaluations and our technical integration with HMRC.

In addition, ExCom has continued to recognise and celebrate agency successes as well as lessons learned.

The committee regularly reviews its own effectiveness as part of the arrangements for each meeting.

Meeting attendance by executives and non-executives

Non-executive Directors	Board	ARAC	ExCom
Sue Hall[4]	5 (5)	1 (1)	-
Terry Babbs[5]	5 (5)	5 (5)	-
Stephen Hughes	4 (5)	6 (6)	-
Non-executive Members			
Helen Aston[6]	-	4 (4)	-
Robert Milburn	-	6 (6)	-
Executives			
Melissa Tatton[7]	5 (5)	-	18 (20)[6]
Tim Bianek[8]	2 (3)	-	15 (20)
Aneen Blackmore	5 (5)	-	18 (20)
Graham Brammer[9]	-	-	5 (7)
Alan Colston	5 (5)	-	17 (20)
Philip Macpherson[10]	-	-	0 (0)
Jonathan Russell[12]	-	-	16 (20)
Derek Thomas[11]	-	-	13 (13)
Pedro Wrobel[13]	0 (0)	-	0 (1)
Carolyn Bartlett/Kirsty Wildgoose[14]	1 (1)	-	3 (3)

4 Sue Hall stepped down from ARAC on 14th April 2019 and was eligible for one meeting in 2019-20.
5 Terry Babbs joined as a non-executive director and ARAC member on 15th April 2019
6 Helen Aston joined as a non-executive member on 3rd June 2019.
7 Melissa Tatton left the VOA on 6th September 2020.
8 Tim Bianek was made a member of the Board following the merging of the Chief Strategy and Transformation Officer roles and left the VOA on 31st March 2020.
9 Graham Brammer left the VOA on 1st September 2019.
10 Philip Macpherson left the VOA on 6th April 2019.
11 Derek Thomas joined as Chief Operating Officer on 9th September 2019.
12 Jonathan Russell was appointed as interim Chief Executive from 7th September 2020.
13 Pedro Wrobel left the VOA on 8th April 2019.
14 Carolyn Bartlett and Kirsty WIldgoose joined as Chief Strategy and Transformation Officer on 1st February 2020 in a job sharing role.

Effectiveness of risk management

To help ensure we meet our strategic objectives, it's vital that our risk management framework is operated effectively at all levels across the agency, from operational decision-making on individual cases, through to managing change and strategic risks. Everyone in the VOA, from Board level down, has a clear role to play. This section explains how we identify and then address all these risks.

Risk management framework

ExCom establish the risk management framework and sponsor individual complex strategic risks and issues, reviewing them on a regular basis throughout the year. A flow of risk reporting operates through the agency supported by visual management tools in order to drive effective risk conversations.

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

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

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

We receive regular independent assurance on the effectiveness of risk management across the agency, for example, from Internal Audit and from reviews undertaken across the wider government.

During 2019-20, HM Treasury published a revised 'Orange Book', setting out the risk management principles that all government organisations must apply. We have reviewed our risk management framework to ensure alignment and can confirm that our approach is fully compliant.

Risk capability improvements

We are continuously looking for opportunities to enhance risk management capability across the agency. Specifically, in 2019-20 we have:

- reviewed our risk management framework and refreshed our Risk Appetite Statement, helping build a risk aware culture

- refreshed the agency's strategic risks to ensure that ExCom are managing those risks that have greatest potential impact on the organisation
- strengthened the linkage between our top level risks, our strategic objectives and appetite categories
- integrated the management of our internal fraud risks within our overall risk management approach
- developed the agency risk network, supporting closer working to share best practice and build capability
- worked closely with HMRC's risk function to ensure our approach to risk management, including building our maturity, is aligned and proportionate.

Our plans to improve risk management

As part of our commitment to continuous improvement, in 2020-21 we will:

- streamline the tools used for risk management across the agency, to ensure consistency of approach to reporting and managing our risks
- continue to assess our risk management maturity, implementing improvements that help to build risk management capability and effectiveness
- further develop our assurance map, helping us to link our key processes with the risks they present, the controls in place to mitigate them and the sources of assurance we have for each.

Strategic risk overview

Our strategic risks are all complex and cross-cutting and have the potential to affect the delivery of objectives, confidence in the agency and reputation with the public and our ability to achieve the benefits and efficiencies required by our Spending Review settlement.

Each of our strategic risks is sponsored by an executive director on behalf of ExCom. The table below describes the risks and the key steps we took to manage them in 2019-20:

Key risk	Key mitigating actions
Funding, affordability and resource capacity: there is a risk that we are unable to deliver planned service and transformation outcomes through to 2023, the longer term impact being impaired ability to deliver future core services.	To mitigate this risk we: • worked closely with sponsors to secure the required budget settlements • continued to deploy effective mechanisms to monitor and successfully enable transformation benefits • began to develop a strategic workforce plan to help inform individual business planning • built capability through a new financial training programme being delivered across the agency.
Leadership, capability and motivating our people: there is a risk that ineffective leadership causes disengagement amongst our people, challenging our ability to move towards the agency's future direction and achieve our strategic objectives.	During the year we have continued to develop our people. We have: • issued regular briefings to enable managers to cascade key messages effectively • motivated and engaged people through the agency's total reward package (including People Awards, bonus scheme and wellbeing strategy) • delivered Valuing Our Future events, providing an ongoing opportunity for all staff to feedback to senior leaders on the impact and effectiveness of change across the agency • introduced a new recruitment system with the Success Profiles framework, to bring a more tailored and inclusive approach to selection, and to support performance and development.
Cyber threats and security: there is a risk that we fail to implement and maintain effective cyber security capability, controls and response.	There has been a wide range of actions to mitigate this risk which include: • integrated our security team into HMRC, which enabled consistent and proportionate defence mechanisms to be put in place • developed comprehensive security induction and refresher training for all staff • undertook a programme of system security assurance, in alignment with policy • delivered user awareness campaigns, including 'think before you click' initiative.

Key risk	Key mitigating actions
Delivering change: there is a risk that we are unable to deliver sustainable transformation.	We are delivering an ambitious transformation programme. Managing this effectively is crucial to our success. We have: • engaged our leadership team and colleagues in our transformation journey • built a centralised programme and project management capability model • continued to improve the framework and supporting tools to enable effective change delivery.
Managing data and information: there is a risk that we will not be able to access, protect and use the data and information necessary to complete transformation or fulfil our future role in a timely and efficient manner and in compliance with legislation.	To ensure the data we hold is reliable, up to date and acted upon we: • worked with our strategic partners to understand and establish options for data flow and exchange improvements • identified the data and information needs of new standardised processes • refreshed our policy and guidance to ensure regulation compliance.
Technology: there is a risk that our business applications and supporting infrastructure may not meet our business needs, for example reliability, performance, data or ability to support other transformation.	To mitigate this risk we: • established a technical strategy and road map in alignment to business requirement • developed our capability to support heritage applications and infrastructure • ensured technology modernisation requirements are factored into future design work.
Check and challenge service: there is a risk that we will not be able to deliver the service, as currently designed, within available resources when volumes increase.	In order to mitigate this risk we: • worked with stakeholders to identify the priority improvements for the check and challenge service • developed and published a clear plan for delivery of service improvements • developed operational contingency plans in case of spikes in volume • sought opportunities for process efficiency • improved the availability of appropriate management information.

Key risk	Key mitigating actions
Revaluation 2021: there is a risk that we fail to deliver Revaluation 2021 in a way that achieves wider government policy objectives.	To mitigate this risk we: • developed our delivery plans, including how we will work with local authorities, professional bodies and trade associations in planning and delivering Revaluation 2021 • worked to ensure we have the skills and resources we need to deliver.
Three Yearly Revaluations and Maintenance: there is a risk that we do not deliver the three yearly revaluation and maintenance programme in a way that meets the government's policy objective.	To mitigate this risk we have: • developed the policy and systems to support the delivery of more frequent revaluations in the future • identified how we can use data more effectively, to ensure that our people can make valuations in the most efficient way possible.
Business Systems Transformation: there is a risk that the BST Programme cannot be delivered in line with the initial business case and realise the operational savings expected.	To mitigate this risk we have: • begun to identify how we can redefine our processes and the way we work, with the aid of more modern technology • worked with government to secure the support and funding to ensure proposed changes can be implemented.

Whilst there has been minimal impact on the delivery of our objectives in 2019-20 in light of COVID-19, we have been considering the risks the agency faces going forward. No new strategic risks have been identified though the likelihood of our current risks around funding, cyber threats and security and check and challenge service materialising have marginally increased. Given the changing circumstances we will continue to carefully consider the risks and potential impact of future developments.

Accounting Officer's report

Overview

We follow HM Treasury guidance on internal controls, intended to provide reasonable assurance and maintain propriety. This is a proportionate approach and not intended to eliminate all risk of failure.

Our commitments and resource allocation are published in our business plan and pages 22-23 of this annual report summarises performance against objectives and KPIs.

Financial responsibilities within the agency

As the VOA's Accounting Officer I delegate financial authority through annual letters of delegation to each of the executive directors to manage the budget for their business areas within agreed financial limits, spending controls approvals and Managing Public Money guidelines. Each executive director is supported by the Finance Director and dedicated finance support. The executive directors cascade these delegations within their own areas and financial authority limits are set at each stage.

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

Each executive director has provided a statement to me as Accounting Officer, with their assurances that they have operated a sound system of governance, risk and control in their business area. These statements are reviewed by Internal Audit and Corporate Governance and Risk Management. VOA's ARAC also provides assurance to me on these statements. Key themes from the individual executive director statements and the review process have been discussed with me.

Oversight and scrutiny

We have several forums which provide regular and robust oversight, scrutiny and assurance throughout the year. This includes ExCom, the Board and ARAC and through regular business reviews with HMRC.

Underpinning these senior forums, each individual executive director has their own senior leadership forum for the discussion of performance, risk and issue management for their areas. There is an established process by which issues can be escalated from these to ExCom.

Audit and Risk Assurance Committee (ARAC)

ARAC completed its programme of work for the year and, in addition to reporting to the agency's Board following each of its meetings, has produced an annual report of its work for both my and the Board's consideration. ARAC has not identified any further issues for disclosure.

HMRC and Tailored Review of the agency

Under Cabinet Office guidance Departments are required to carry out Tailored Reviews of their public bodies. HMRC led a Tailored Review of the agency which commenced during 2018-19 and was published on 27 February 2020. The review made four recommendations, which can be viewed here (www.gov.uk/government/publications/hmrcs-review-of-the-valuation-office-agency). The review recognised that the agency's governance and controls were effective and concluded that no changes were needed to the structure of the VOA, and that it should remain an executive agency of HMRC.

The agency has agreed an updated framework document with HMRC which describes the governance structure of the VOA and responsibilities of HMRC and the VOA's Board and ExCom.

External reports and assurance

External reports on the agency are produced as required by external scrutiny bodies including the National Audit Office. We act on the recommendations they make including those within their audit completion report.

Internal audit

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

As Accounting Officer, I am advised on internal control matters through audit reports (and other assurance reports at ExCom). ARAC also reviews and requires actions on internal audit reports.

Each year the Head of Internal Audit provides an opinion statement to me as Chief Executive, providing assurance on the adequacy of the agency's framework of governance, risk management and control. In 2019-20 this was based primarily on the 19 internal audits undertaken during the year.

An overall rating of 'moderate' assurance was again provided for year ended 31 March 2020. This indicates that the agency has a reasonable control environment though there are some improvements required to enhance the adequacy and effectiveness of the overall system of governance, risk management and control.

The opinion recognised the positive direction of travel and the improvements we have made to enhance financial governance, operational effectiveness and risk management. Some control challenges remain around compliance with some corporate processes, including management of leave, travel and subsistence, workplace assessments and the need to further strengthen second line assurance on these.

The following points were highlighted to me in the report:

- Overall governance across all areas of the agency has continued to be strengthened with responsibilities and accountabilities clearly defined.

- Risk management activity is effectively applied across the business, with a number of audits receiving substantial assurance in this area.

- Individual internal audit findings show a continued improvement in control across operational systems, noting that awareness had been raised through improvements to guidance and operating procedures. However some weaknesses remain in corporate systems, with compliance issues and inconsistency in the application of controls.

- The BST programme is progressing well for the stage of the programme, with work underway to further enhance the risk and control framework.

- The ongoing integration of the agency's Digital services with HMRC provides opportunities and challenges particularly around the plans for technical integration and the transition of IT hardware management.

- The agency has a good track record in implementing audit recommendations with all actions cleared on time.

It noted that whilst effectively managed, our risk profile remains challenging, reflecting our need to balance resources across a number of priorities including the delivery of the next revaluation, the check and challenge service and our transformation plans. It also recognised that COVID-19 will result in additional pressures to manage.

Internal control framework

We have also continued our work to improve our overall internal control framework. We have further developed the agency's assurance map, which provides on overview of the controls and sources of assurance for all our key processes. This has enabled us to identify opportunities for improvement in our controls and assurance activity. The assurance map together with an audit needs assessment undertaken by Internal Audit has informed the audit planning for 2020-21.

Significant control issues and current control challenges

I can confirm that the agency has not had any significant control issues during the course of the year.

As highlighted in the Head of Internal Audit opinion, I recognise that there remain control challenges to address in relation to compliance issues with some corporate systems and weaknesses in assurance particularly around people management.

During the year we have actively taken further steps to address these, through ensuring individuals understand their responsibilities, improving line management controls and establishing more robust second line assurance checks. Whilst this has resulted in some uplift in compliance, further opportunities have been identified to improve compliance and ensure controls are applied consistently across the organisation.

The agency set up a process and control working group, led by the Chief People Officer, to address compliance issues to further strengthen controls and assurance in this area. Processes have been simplified and streamlined and policies and guidance updated with accountabilities and responsibilities more clearly defined. A new risk based approach to second line assurance around compliance with people management processes has been developed. This will be implemented in early 2020-21 and once embedded should improve internal control.

General Data Protection Regulation

We have continued to implement and embed processes to ensure compliance with the Data Protection Act, 2018 and the principles set out in the General Data Protection Regulations which came into effect in May 2018. Our progress was noted in a recent Internal Audit review of our implementation, which recognised the enhancements made in the last year and identified some further opportunities for an action plan in place to address these. Our implementation programme is actively monitored by ExCom and the Data Protection Officer in HMRC, whose role also oversees the agency.

Security

ExCom receives regular security incident reports, which include details of any personal data-related incidents as reported on page 49. A regular security incident report is also presented to ARAC.

I also receive formal assurance from the agency's Information Asset Owners that information risk has been appropriately managed in the conduct of the agency's business.

Quality assurance of business critical models

Agency processes are in place to underpin quality assurance of business critical models, and a register of these models is maintained, consistent with the recommendations of the 2013 Macpherson review.

Technology

There are a number of areas where the agency is managing Technical Debt and associated technical risk in its IT estate/infrastructure in light of ageing platforms and legacy applications. We recognised that this would increase without significant investment in both modern applications and IT infrastructure. A review has been conducted to assess the risk and inform our capital investment plans for 2020-21 and beyond.

In 2020-21 we will begin to build a robust technical foundation that is fit for purpose, for now and for the future by further integrating with HMRC's estate for desktop services and network; investing in our core application platform (the Central Database) and our customer facing systems and; transitioning our systems to a more strategic datacentre hosting solution.

Compliance with the Corporate Governance Code of Good Practice

I have assessed the agency's governance arrangements against the requirements set out in the Corporate Governance in Central Government Departments' Code of Good Practice 2017 and confirm that the agency complies with all of the requirements where appropriate.

The code focuses on governance arrangements for ministerial government departments and therefore there are elements not directly relevant; as we are an executive agency of HMRC and not a ministerial government department.

For example the Board does not include ministers and non-executives are appointed on approval from HMRC's Accounting Officer and not the Secretary of State. However, we comply with the spirit and principles of the code to ensure good governance in the agency.

Conclusion

Our overall control framework and risk management and governance arrangements have continued to be strengthened during the year. The agency has managed a number of new challenges during the year, in particular the issues and risks around recruitment and funding were driven by the impact of undertaking earlier and more frequent business rates revaluations, along with ensuring that we could set a balanced budget.

I recognise that the agency, like many other public bodies, will always have multiple risks to manage at any one time, however I am satisfied that the governance arrangements that were in place throughout 2019-20 have been sufficient to continue managing risks effectively.

I was formally appointed as Accounting Officer for the VOA on 7 September 2020. As Accounting Officer I can confirm that effective governance arrangements were maintained during 2019-20 and in the period of to the point of signing these accounts which comply with relevant guidance including Managing Public Money and the Corporate Governance in central government departments: Code of good practice.

Continuity in effective governance has been maintained as there has been no gap between the departure of our former Chief Executive and Accounting Officer, Melissa Tatton, and my appointment as interim Chief Executive and Accounting Officer from 7 September 2020. Melissa has provided assurances to me in her transfer of Accounting Officer responsibilities, that at the point of transfer a sound system of governance, risk management and internal control systems was in place.

There has been no change to the agency's control framework and robust arrangements have been put in place to actively manage the risks relating to the impact of COVID-19 on the agency's operations. This includes contingency plans around delegated authority in the event that senior leaders were unavailable as a result of COVID-19.

Taking into account the assurances I have received together with the other evidence available to me, I conclude that the agency overall has in place a sound system of governance, risk management and internal control with effective plans to ensure continuous improvement and that the Annual Report and Accounts as a whole is fair, balanced and understandable.

J Russell

Jonathan Russell, CB
Interim Chief Executive
16 November 2020

DIRECTORS' REPORT

Executive Directors

Melissa Tatton

Chief Executive and Accounting Officer

Aneen Blackmore

Chief Finance Officer

Alan Colston

Chief Valuer

Jonathan Russell

Chief People Officer

Derek Thomas

Chief Operating Officer

Carolyn Bartlett

Chief Strategy and Transformation Officer

Kirsty Wildgoose

Chief Strategy and Transformation Officer

Carolyn Bartlett and Kirsty Wildgoose carry out the role of Chief Strategy and Transformation Officer on a job-share arrangement.

Non-executive Directors

Terry Babbs

Non-executive Director

Sue Hall

Non-executive Director

Stephen Hughes

Non-executive Director

Directors

Full disclosure of the serving directors for 2019-20 is available in the Governance statement and remuneration report of this document.

Pensions

For information on how the agency's pension liabilities are treated in the accounts, and more details on the pension schemes it operates, please see the remuneration and staff report and note 11 to the financial statements.

Register of interests

For more information on the agency's register of interests, please see page 35 of the Governance statement.

Personal data related incidents

During 2019-20 there were 12 personal-related incidents. All were assessed and considered as low impact and did not require reporting to the Information Commissioner's Office.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the agency 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 agency and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

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

The Permanent Secretary and Principal Accounting Officer of HM Revenue and Customs has designated the Chief Executive of the agency as its Accounting Officer. 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 agency's assets, are set out in Managing Public Money published by the HM Treasury.

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

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

Jonathan Russell, CB
Interim Chief Executive
16 November 2020

ACCOUNTABILITY REPORT

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

This report incorporates the agency's directors' remuneration information and the agency's staff report. The first section will outline the breakdown of each director's total remuneration and pension interest, detailing pay, pension and other benefits. For the purposes of this report "director" has been interpreted to mean any member of the agency's Executive Committee plus our non-executive directors, and thus excludes any other staff who are members of the Senior Civil Service. The second section will cover details of staff numbers, costs and other staff-related disclosures for the agency.

Director remuneration

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

Contracts, notice periods and termination periods

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

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

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

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

In line with the departure arrangements agreed in 2018-19, the agency paid an exit package to one former director in 2019-20.

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

Salary and pension entitlements

The following section details the remuneration and pension interest of the agency's directors.

Salaries

These include:

- gross salary
- overtime[15]
- reserved rights to London weighting or London allowances[16]
- recruitment and retention allowance[17]
- private office allowances and any other allowance to the extent that it is subject to UK taxation[18].

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

Directors' bonus payments

For Senior Civil Servants in the agency, bonus payments are awarded in relation to the performance of the individual throughout the year. The bonuses reported in 2019-20 relate to performance in 2018-19. The agency pays performance-related pay and bonuses in line with the scheme which applies to the Senior Civil Service as a whole.

Benefits in kind

The monetary value of benefits in kind covers any benefits an employer provides that HMRC treats as a taxable emolument. The benefits in kind in the table on page 58 for directors relate to travel and subsistence payments paid for travel to a location which, due to the frequency of travel, is deemed to be a permanent place of work or they relate to hospitality provided at external events.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age

15-18 No such payments were made in 2019-20.

(or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections; three providing benefits on a final salary basis (**classic, premium** or **classic plus**) with a normal pension age of 60 and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 15% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in CETV

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

Travel and subsistence reimbursements

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

Pay multiples (these disclosures are subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in the agency (excluding pension benefits) in 2019-20 was £160-165k (2018-19: £135k-140k). This was 5.56 times (2018-19: 5.03) the median remuneration of the workforce, which was £29,250 (2018-19: £27,312). The increase is as a result of the highest paid director receiving increased pay (non-pensionable) for the additional responsibilities of the Tax Commissioner role which commenced in October 2019 and an in-year bonus.

Total remuneration includes:

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

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

In 2019-20 (also in 2018-19) no employees received remuneration in excess of the highest paid director. Remuneration for all employees excluding pension benefits ranged from £18,900 - £160k-£165k (2018-19: £17,562 to £135k-£140k).

Remuneration

The following sections provide details of the remuneration and pension interests of the directors of the agency.

The information in the following table is subject to audit.

Directors' remuneration information

	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100) [1]		Pension Benefits (£'000)		Total remuneration (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Melissa Tatton Chief Executive	140-145 (145-150 full year equivalent)	135-140	10-15	-	200	100	50-55	160-165	210-215	295-300
Carolyn Bartlett Chief Strategy and Transformation Officer (appointed 1 February 2020) [3]	10-15 (60-65 full year equivalent)	-	-	-	-	-	15-20	-	25-30	-
Tim Bianek Chief Transformation Officer (to 8 April 2019) and Chief Strategy and Transformation Officer (from 9 April 2019 to 31 March 2020) [2 & 3]	120-125	120-125	-	-	-	-	45-50	75-80	170-175	195-200
Aneen Blackmore Chief Finance Officer	110-115	110-115	10-15	-	-	-	40-45	40-45	165-170	150-155
Graham Brammer Chief Operating Officer (until 1 September 2019)	55-60 (130-135 full year equivalent)	130-135	-	-	-	-	-	-	55-60	130-135
Alan Colston Chief Valuer [4]	95-100	40-45 (90-95 full year equivalent)	-	-	14,600	-	135-140	70-75	250-255	115-120
Philip Macpherson Chief Digital and Information Officer (until 6 April 2019)	0-5 (90-95 full year equivalent)	90-95	-	-	-	-	-	25-30	0-5	120-125
Jonathan Russell Chief People Officer [5]	100-105	100-105	10-15	-	700	-	35-40	15-20	155-160	120-125
Derek Thomas Chief Operating Officer (appointed 9 September 2019)	50-55 (90-95 full year equivalent)	-	-	-	-	-	85-90	-	140-145	-
Kirsty Wildgoose Chief Strategy and Transformation Officer (appointed 1 February 2020) [3]	10-15 (60-65 full year equivalent)	-	-	-	-	-	10-15	-	20-25	-
Pedro Wrobel Chief Strategy Officer (until 8 April 2019) [2]	0-5 (95-100 full year equivalent)	95-100	-	-	-	-	5-10	30-35	5-10	125-130
Terry Babbs Non-executive Director (appointed 15 April 2019)	5-10 (full year equivalent 5-10)	-	-	-	-	-	-	-	5-10	-
Sue Hall Non-executive Director	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Stephen Hughes Non-executive Director	10-15	10-15	-	-	-	-	-	-	10-15	10-15

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

[2] Following Pedro's departure the role of Chief Strategy Officer was covered by Tim Bianek.

[3] Carolyn Bartlett and Kirsty Wildgoose carry out the role of Chief Strategy and Transformation Officer on a job-share arrangement.

[4] The benefit in kind for Alan Colston is £14,600 for the payment of hotel and travel costs travelling to his second permanent workplace. Taxation and National Insurance contributions relating to these payments amount to £6,100.

[5] The benefits in kind for Jonathan Russell is £700 for the payment of daily travel allowance.

The information in this table is subject to audit.

Directors' pensions

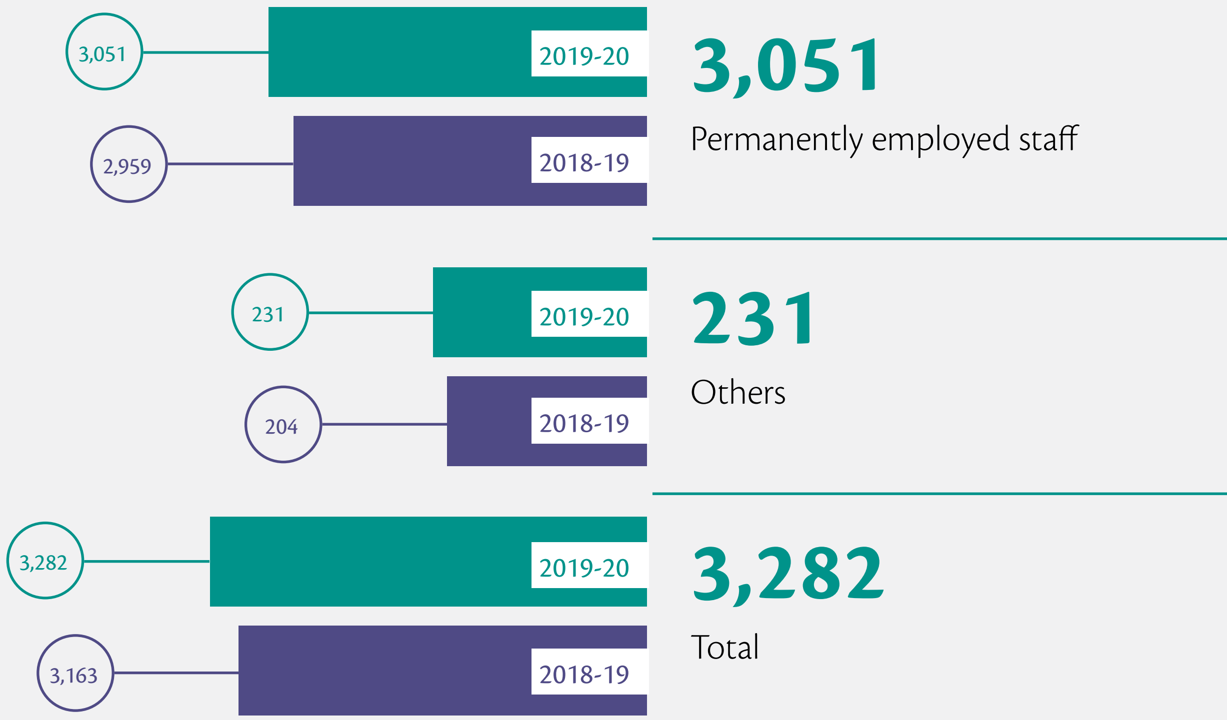
	Accrued pension at pension age - as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Melissa Tatton Chief Executive	50-55 plus a lump sum of 120-125	2.5-5 plus a lump sum of 0-2.5	1,046	964	32
Carolyn Bartlett Chief Strategy and Transformation Officer (appointed 1 February 2020)	25-30 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0-2.5	417	404	11
Tim Bianek Chief Transformation Officer (to 8 April 2019) And Chief Strategy and Transformation Officer (from 9 April 2019 to 31 March 2020)	30-35	2.5-5	518	465	25
Aneen Blackmore Chief Finance Officer	10-15	2.5-5	96	69	16
Alan Colston Chief Valuer	35-40 plus a lump sum of 85-90	5-7.5 plus a lump sum of 12.5-15	680	546	105
Philip Macpherson Chief Digital and Information Officer (until 6 April 2019)	30-35 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0	566	566	0
Jonathan Russell Chief People Officer	40-45 plus a lump sum of 120-125	0-2.5 plus a lump sum of 5-7.5	949	868	38
Derek Thomas Chief Operating Officer (appointed 9 September 2019)	30-35 plus a lump sum of 70-75	2.5 -5 plus a lump sum of 7.5-10	530	448	64
Kirsty Wildgoose Chief Strategy and Transformation Officer (appointed 1 February 2020)	20-25	0-2.5	296	286	9
Pedro Wrobel Chief Strategy Officer (until 8 April 2019) Chief People Officer	25-30	0-2.5	314	311	3

Terry Babbs, Sue Hall and Stephen Hughes are not members of the Civil Service Pension scheme, and Graham Brammer was not an active member of the scheme.

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

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

(a) Staff numbers and costs



Staff costs comprise:

	Permanently employed staff (£'000)		Others (£'000)		Total (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Wages and salaries	104,958	99,233	6,174	5,514	111,132	104,747
Social security costs	9,352	10,415	229	190	9,581	10,605
Other pension costs	27,408	20,670	851	537	28,259	21,207
	141,718	**130,318**	**7,254**	**6,241**	**148,972**	**136,559**
Less recoveries in respect of outward secondments	(102)	(134)	-	-	(102)	(134)
Total staff costs	**141,616**	**130,184**	**7,254**	**6,241**	**148,870**	**136,425**

The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2019-20 was £1.5 million (2018-19: £1.5 million), and the total consultancy expenditure within staff costs for 2019-20 was £nil (2018-19: £nil).

Pension past service cost

A number of the agency's people are members of the Local Government Pension Scheme. Details of this scheme can be found in note 11 to the financial statements.

Civil Service pensions

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

For 2019-20, employer contributions of £26.3million (2018-19: £19.8 million), were payable to the PCSPS and alpha at one of four rates in the range of 26.6% - 30.3% of pensionable earnings, based on salary bands compared to 20.0% - 24.5% for 2018-19;

this follows a Scheme Actuary review of employer contributions. The contribution rates are set to meet the cost of the benefits accruing during 2019-2020, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £139,269 (2018-19: £121,654) were paid to one or more of the appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. The agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,521 (2018-19: £4,721, 0.5% of pensionable pay) were payable to the PCSPS and alpha to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £12,427 (2018-19: £11,069).

Six employees retired on ill-health grounds during 2019-20, with a total additional accrued pension liabilities of £40,469 (there were seven in 2018-19 with a total additional accrued pension liability of £41,250).

(b) Early departure costs

	2019-20	2018-19
	£'000	£'000
Additional provisions made	-	5,393
Costs during the year	3,428	1,552
Unused amounts reversed	(210)	(320)
Total in-year costs	**3,218**	**6,625**

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

Exit package cost by band	No. compulsory redundancies		No. other departures		Total no. exit packages by band	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
< £10,000	-	-	4	3	4	3
£10,001 - £25,000	-	-	21	42	21	42
£25,001 - £50,000	-	-	38	39	38	39
£50,001 - £100,000	-	-	15	28	15	28
£100,001 - £150,000	-	-	-	1	-	1
Total no. exit packages by type	-	-	78	113	78	113
Total operating cost (£'000)	-	-	2,664	4,191	2,664	4,191

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

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

Reporting on the tax arrangements of public sector appointees

We report to HM Treasury about off-payroll appointments of more than six months and more than £245 a day. From 6 April 2017, reforms to intermediaries legislation (known as IR35) came into effect. Details of our contractors, who are in scope of the reformed legislation, are provided in Tables 1 and 2:

Table 1: All off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months:

	Valuation Office Agency
No. of existing engagements as of 31 March 2020	0

Table 2: All new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months:

	Valuation Office Agency
No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:

	Valuation Office Agency
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	11

STAFF REPORT

3,320

full-time equivalent (FTE) people working for us on 31 March 2020

99

is the increase in our headcount since 01 April 2019

Our staff and senior civil servants numbers

On 31 March 2020 the agency had 3,320 full-time equivalent (FTE) people working for us, including senior management.

Since 1 April 2019 our headcount increased by 99 (net).

Senior Civil Service (SCS)

As of 31 March 2020 the agency has 21 SCS employees and 19 SCS posts.

Data as of 31 March 2020 (headcount not FTE):

Grade	Total
SCS3	1
SCS2	7
SCS1	13

Data as of 31 March 2020 (headcount not FTE):

Grade	Female	Male	Total
SCS	8	13	21
Other staff	1,830	1,747	3,577
Totals	1,838	1,760	3,598

Declared ethnicity category of employees:

The agency's ethnicity data is drawn from information voluntarily provided by employees. Of 3,598 employees (headcount rather than FTE) at 31 March 2020, 2,400 have provided a response and a further 205 chose not to declare which takes the total declaration rates to 2,605 (72%) of the agency.

In accordance with Cabinet Office guidance, from this year we are excluding those who have chosen not to declare their ethnicity when calculating the proportion of BAME staff in the agency.

	BAME	% BAME[19]	Total declared	Total not declared	Total responses	% declared[20]
G7, G6 and SCS	12	4.08	294	34	328	82.00
AA to SEO	297	14.10	2,106	171	2,277	71.20

Gender pay gap analysis:

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

The gender pay gap figures below show the difference in the mean and median rates of pay between men and women in the agency for base pay using 1 April 2020 data. The difference is expressed as a percentage of the hourly rate of pay for male and female employees.

	Hourly rate for women	Hourly rate for men	Gender pay gap
Mean	£13.86	£15.86	12.6%
Median	£12.36	£14.36	13.9%

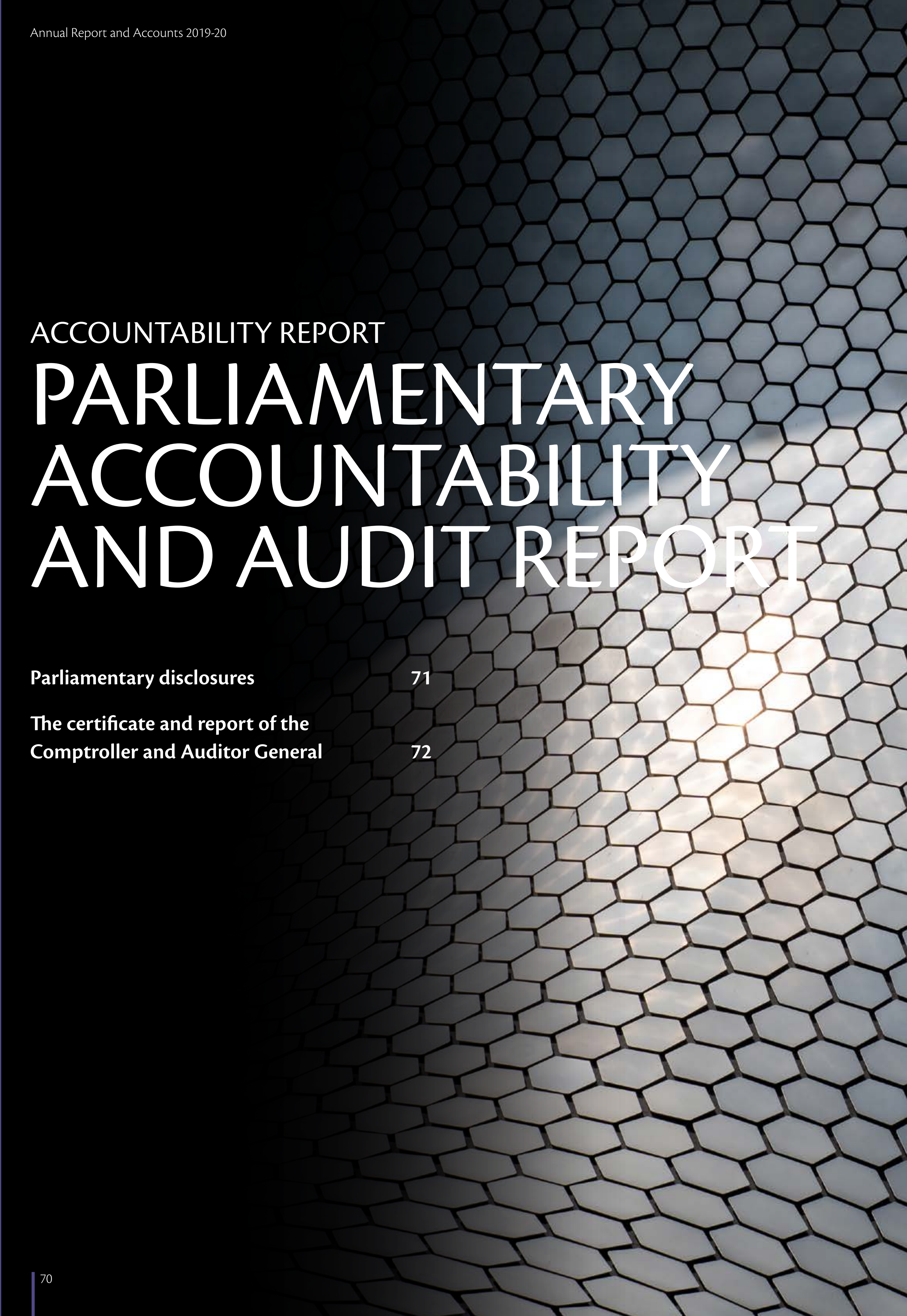
These headline figures take no account of the agency's grade structure, the different ratio of women and men within each grade, or the different national, intermediate or London pay rates.

Sickness absence data

For details on sickness absence data, please see Health, safety and wellbeing on page 20.

19 This is calculated by the number of declared BAME staff divided by the total declared figure.

20 This is calculated by the total number of responses divided by the number of staff within that grade range.



ACCOUNTABILITY REPORT

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

PARLIAMENTARY DISCLOSURES

All disclosures in this report are subject to audit.

Fees and charges

For details of the agency's fees and charges income, please see note 2 to the financial statements.

Remote contingent liabilities

A remote contingent liability is where the likelihood of settlement is too remote to meet the definition of a contingent liability. The agency has no quantifiable remote contingent liabilities as at 31 March 2020.

The agency has incurred losses and made special payments throughout the year. These are individually and collectively below the reporting threshold of £300,000 set down in Managing Public Money.

Losses and special payments

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

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

Regularity of expenditure

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

To the date of this statement, there have been no instances of material irregularity, impropriety or funding non-compliance discovered during the financial year.

Jonathan Russell, CB
Interim Chief Executive
16 November 2020

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. 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 Office Agency's affairs as at 31 March 2020 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016.

I am independent of the Valuation Office Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Valuation Office Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Valuation Office Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Valuation Office Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- conclude on the appropriateness of the Valuation Office Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Valuation Office Agency to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Valuation Office Agency to cease to continue as a going concern.

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

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

Other Information

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

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies | 19 November 2020
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure (SoCNE) for the year ended 31 March 2020

		2019-20	2018-19
	Note	Total £'000	Total £'000
Revenue from contracts with customers	3	41,332	42,846
Staff costs	4	(152,087)	(143,050)
Purchase of goods and services	4	(46,123)	(41,207)
Provision expense	4	112	(625)
Other operating expenditure	4	(118)	(321)
Depreciation, amortisation and impairment charges	4	(9,438)	(7,474)
Total operating expenditure	4	(207,654)	(192,677)
Net expenditure for the year		(166,322)	(149,831)
Other comprehensive expenditure:			
Net gain on revaluation of intangible assets	6	406	568
Net gain on revaluation of tangible assets	5	151	-
Actuarial (loss)/gain on pension fund	11	(368)	11,252
Re-measurement of net defined pension asset for changes in asset ceiling	11	(465)	(12,349)
Total comprehensive net expenditure		**(166,598)**	**(150,360)**

The notes on pages 81 to 116 form part of these accounts

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	7,810	9,361
Intangible assets	6	20,172	21,140
Prepayments		-	57
Pension asset	11	6,731	8,736
Total non-current assets		**34,713**	**39,294**
Current assets			
Trade and other receivables	7	6,270	8,920
Contract assets		1,799	1,920
Cash and cash equivalents	8	29,056	22,352
Total current assets		**37,125**	**33,192**
Total assets		**71,838**	**72,486**
Liabilities			
Current liabilities			
Trade and other payables	9	(27,352)	(20,026)
Short term provisions	10	(1,130)	(7,125)
Amounts payable to the Consolidated Fund	8	(1,541)	(1,328)
Total current liabilities		**(30,023)**	**(28,479)**
Total assets less current liabilities		**41,815**	**44,007**
Non-current liabilities			
Liability in respect of PFI assets	9	-	(42)
Total non-current liabilities		-	**(42)**
Total assets less total liabilities		**41,815**	**43,965**
Taxpayers' equity			
General fund		40,935	43,146
Revaluation reserve		880	819
Total taxpayers' equity		**41,815**	**43,965**

The notes on pages 81 to 116 form part of these accounts.

J Russell

Jonathan Russell, CB
Interim Chief Executive
16 November 2020

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Cash flows from operating activities			
Net expenditure for the year		**(166,322)**	**(149,831)**
Adjustments for:			
Depreciation of property, plant and equipment	5	2,548	2,305
Amortisation of intangible assets	6	6,890	5,169
Net loss on disposal of non-current assets	5/6	-	180
Creation and reversal of provisions	10	(322)	5,698
Use of provisions	10	(5,673)	(3,267)
Notional auditor's remuneration	4	85	75
Pension fund expenditure passing through the SoCNE	11	1,806	1,230
Movements on pension asset and pension fund income and expenditure not passing through the SoCNE	11	(634)	(685)
Pension fund contribution not passing through SoCNE		675	851
Decrease in trade and other receivables	7	2,707	50
Decrease in contract assets		121	351
Increase in trade and other payables and other liabilities	9	7,497	272
Less movements in payables relating to items not passing through operating costs		(178)	(128)
Net cash outflow from operating activities		**(150,800)**	**(137,730)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(846)	(3,095)
Purchase of intangible assets	6	(5,516)	(5,827)
Net cash outflow from investing activities		**(6,362)**	**(8,922)**
Cash flows from financing activities			
Parliamentary funding received		163,688	143,565
Receipts on behalf of the Consolidated Fund		213	155
Capital element of payments in respect of on-balance sheet PFI assets		(35)	(26)
Net cash inflow from financing activities		**163,866**	**143,694**
Net increase/(decrease) in cash and cash equivalents in the period		**6,704**	**(2,958)**
Cash and cash equivalents at the beginning of the period	8	**22,352**	**25,310**
Cash and cash equivalents at the end of the period	8	**29,056**	**22,352**

The notes on pages 81 to 116 form part of these accounts.

Statement of Changes in Taxpayers' Equity (SoCTE) for the year ended 31 March 2020

		2019-20			2018-19		
		General fund	Revaluation reserve	Total reserves	General fund	Revaluation reserve	Total reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance		**43,146**	**819**	**43,965**	**49,264**	**570**	**49,834**
Changes in taxpayers' equity for the period							
Parliamentary funding received		163,688	-	163,688	143,565	-	143,565
Net gain on revaluation of intangible assets	6	-	406	406	-	568	568
Net gain on revaluation of tangible assets	5	-	151	151	-	-	-
Net expenditure for the year		(166,322)	-	(166,322)	(149,831)	-	(149,831)
Actuarial (loss)/gain on pension fund	11	(368)	-	(368)	11,252	-	11,252
Remeasurement of net defined pension asset for changes in asset ceiling	11	(465)	-	(465)	(12,349)	-	(12,349)
Third party pension liability payments	11	675	-	675	851	-	851
Realised and transferred to general fund		496	(496)	-	319	(319)	-
Notional charges - auditor's remuneration	4	85	-	85	75	-	75
Balance carried forward		**40,935**	**880**	**41,815**	**43,146**	**819**	**43,965**

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

The notes on pages 81 to 116 form part of these accounts.

NOTES TO THE AGENCY'S ACCOUNTS

Note 1 Statement of accounting policies

As the agency is a government entity, the financial statements have been prepared in accordance with the 2019-20 government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

Note 1.1 Accounting convention

The agency's accounts have been prepared using the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets (see notes 1.6 and 1.7).

The accounts have been prepared on a going concern basis.

Note 1.2 Revenue

Revenue principally comprises charges for services provided by the agency to other government departments, agencies, non-departmental public bodies and external customers.

Under IFRS15 the agency recognises revenue in a way which depicts the transfer of promised services to our customers and for the amount to which we expect to be entitled for those services.

A summary of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers is shown in note 3.

Note 1.3 Financial assets

A financial asset is recognised when the agency becomes a party to the contractual provisions of the instrument. The exception is where the financial asset is consideration from customers for services provided. In these cases the agency recognises the financial asset when our revenue recognition criteria are met (see note 3). A financial asset is removed from the Statement of Financial Position when the contractual right to the asset expires, or when the asset is transferred to another party.

The agency's business model is to hold financial assets to collect contractual cash flows only. Financial assets are measured at amortised cost and consist of trade and other receivables, contract assets and cash and equivalents.

At each reporting date the agency recognises a loss allowance at an amount equal to lifetime expected credit losses. The amount of impairment loss is calculated based on the expected shortfall looking forward over the lifetime of the exposure.

The amount of the impairment is recognised in the Statement of Comprehensive Net Expenditure in the period of impairment.

Note 1.3.1 Trade receivables

The majority of the agency's trade receivables are held with other government departments and other public sector bodies, which the agency currently assesses as having a low risk of default and historical instances of impairment associated with these debts have been rare. Therefore the agency currently recognises zero expected credit losses for trade receivables.

Note 1.3.2 Contract assets

Contract assets are classed as a financial asset. They represent revenue recognised from progress on contracts where performance obligations are partly satisfied (see note 3). The cost is calculated using records of time spent on the work and our hourly charge rate which reflects the estimated full cost of the service, as required by 'Managing Public Money'. Contract assets are measured net of expected credit losses which are calculated based on foreseeable losses on current contracts and for irrecoverable amounts. Recoverability is estimated for future years based on a five-year weighted average recovery rate.

Note 1.3.3 Cash and cash equivalents

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

Note 1.4 Financial liabilities

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

Other liabilities consist of PFI-related liabilities, provisions and statutory liabilities. On initial recognition they are measured at fair value. Subsequently, accruals and trade payables are measured at amortised cost and deferred income is measured at cost. The treatment of PFI related liabilities is described in note 1.12

Note 1.5 Civil penalties

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

Note 1.6 Property, plant and equipment

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

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

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

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

Increases in asset values are recognised in the revaluation reserve within taxpayers' equity, except to the extent they reverse previous downwards revaluations recognised in net expenditure. Any subsequent revaluations of the asset are matched off against the amount of the revaluation reserve relating to the asset. However if the devaluation exceeds the amount in the revaluation reserve relating to this asset, an impairment results (see note 1.9).

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

Depreciation

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

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

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

Expenditure falling below these values is expensed in the Statement of Comprehensive Net Expenditure. Where appropriate, individual assets falling below the minimum value for capitalisation are grouped and thus capitalised. Individual assets above the recognition threshold are also grouped, usually at the time of purchase, and within asset classes where the estimated useful lives are the same. Intangible assets are also grouped on a similar basis (see note 1.8).

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

Note 1.7 Intangible assets

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

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

Assets under construction costs are accumulated until the asset is ready to be brought into service when the asset is transferred to the relevant asset class and amortisation commences. On initial recognition, the agency values intangible assets at the directly attributable costs incurred to bring them into use. In subsequent periods, the agency accounts for developed software on a fair value basis using modified historical cost. This involves applying a revaluation index using appropriate indices from the Office for National Statistics. Indices are applied annually on 31 March if there is any material change in the carrying values of the assets. The treatment of changes in valuation is the same as that used for property, plant and equipment (see note 1.6).

Amortisation

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

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

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

Note 1.8 Grouped assets

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

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

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

Note 1.9 Impairment of non-financial assets

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

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

Note 1.10 Provisions for liabilities and charges

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

Note 1.11 Employee benefits

Pensions

The agency operates two different pension arrangements.

a) Civil Service Pension Schemes

Principal Civil Service Pension Scheme (PCSPS)
The majority of past and a large number of present permanent staff members are part of the PCSPS.

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

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

Pension scheme members who first joined the Civil Service pension's arrangements by 30 July 2007 have their benefits calculated as a fraction of their final salary.

Members first joining the arrangements after this date are entitled to benefits based on career average salary.

b) Local Government Pension Scheme (LGPS)

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

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

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

The scheme managers carry out a formal valuation of the scheme's assets and liabilities for the purpose of setting employers' contributions every three years. A valuation was undertaken at 31 March 2019, the next will be 31 March 2022.

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

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

Early departure costs

Costs of early departures are recognised when the agency is committed to the departure. They are disclosed in the remuneration and staff report. The increased pension liabilities in respect of LGPS members due to early departures are recognised within the pension liability (note 11).

Note 1.12 Private Finance Initiative (PFI) transactions

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

- the agency controls the service provided using the infrastructure; and

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

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

Details of the agency's PFI arrangements can be found in note 13.

Note 1.13 Leases

The agency's non-PFI leases are all operating leases (i.e. the risks and rewards of ownership remain with the lessor). Rentals paid by the agency under operating lease agreements are charged to the Statement of Comprehensive Net Expenditure over the period of the lease term, in order to reflect the consumption of economic benefit. Future obligations for lease rentals at 31 March 2020 are disclosed in note 12.

Note 1.14 Critical accounting judgements and key sources of estimation uncertainty

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

– **Provisions for legal claims and early departures (note 10)**

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

– **Measurement of the LGPS pension asset/liability (note 11)**

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

– **Measurement of the employee leave accrual (note 9)**

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

Note 1.15 Corporate overhead recharges – notional (Note 4)

In 2019-20 HMRC took on the responsibility to provide VOA with all IT services whilst funding remains with VOA; this is covered by a Memorandum of Understanding. In 2020-21, the budget and accountability for IT service charges will become a corporate overhead services cost and will be recognised by the agency as a notional charge, with the core department recording the associated credit. The agency still benefits from the use of these corporate services but the full budgets will be retained by HMRC in order to procure and manage the services more efficiently and effectively whilst increasing resilience in the service provision.

Note 2 Operating segments for the year ended 31 March 2020

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

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

- the reportable operating segment has discrete financial information; and
- the reportable operating segment provides a distinct service to its customers.

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

Business rates and council tax

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

The major client for this service is HMRC, which provides £164.3 million or 95% of the segment's total resources for its work in England. In 2018-19, they provided £143.6 million or 94% of the segment's total resources. Our work in Wales is funded by the Welsh Government, which contributes £9.1 million or 4% (2018-19: £6.9 million or 5%).

District Valuer Services[21]

Delivery of valuation advice for national taxes, principally:

- For Inheritance Tax and Capital Gains Tax to HMRC £7.2 million (2018-19: £7.6 million)
- For the operation of Community Infrastructure Levy provisions £0.05 million (2018-19: £0.06 million) for MHCLG and Right to Buy provisions £1.4 million (2018-19: £1.4 million) for MHCLG and Welsh Government
- For the assessment of entitlements to benefits from DWP £0.2 million (2018-19: £0.3 million)
- Delivery of valuation services and property advice to other public sector bodies £0.1 million (2018-19: £0.03 million)

Local Housing Allowances and fair rents

Rent assessment services are used for assessing Housing Benefit claims and for determining fair rents in accordance with the Rent Act 1977. The segment's principal client is the DWP contributing £6.8 million (2018-19: £7.0 million) and additional work done is carried out for MHCLG, contributing £1.8 million (2018-19: £1.9 million).

Corporate services costs are distributed across all three operating segments.

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21 Property Services and Statutory Valuations team have been combined effective June 2019

	2019-20			2018-19		
	Income from fees and charges	Full cost of providing services	Surplus/ (deficit)	Income from fees and charges	Full cost of providing services	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Business rates and council tax	173,395	174,809	(1,414)	152,873	157,996	(5,123)
District Valuer Services	22,982	22,106	876	-	-	-
Property Services [1]	-	-	-	15,303	15,135	168
Statutory Valuations Team [1]	-	-	-	9,307	9,307	-
Local Housing Allowances and fair rents	8,643	8,933	(290)	8,928	9,009	(81)
Total	**205,020**	**205,848**	**(828)**	**186,411**	**191,447**	**(5,036)**

[1] VOA now has three operating segments following the combination of Property Services and Statutory Valuations Team into District Valuer Services (DVS).

Reconciliation to Statement of Comprehensive Net Expenditure

	2019-20	2018-19
	£'000	£'000
(Deficit) per above	(828)	(5,036)
Funding shown in SoCTE	(163,688)	(143,565)
Non-cash pension costs not recovered from clients	(1,806)	(1,230)
Total net comprehensive expenditure	**(166,322)**	**(149,831)**

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

Note 3 Revenue from contracts with customers

In 2019-20 the agency has recognised £41.3 million (2018-19: £42.8m) of revenue from contracts with customers.

The following disclosures describe the material sources of revenue arising from contracts with customers, and supplement those provided in note 2.

Revenue category	Revenue negotiated annually	Revenue charged on an hourly basis
Revenue streams	• Council tax and business rates (Wales) • Housing Allowances • Fair Rent • Statutory Valuations Team (HMRC)	• Property Services • Statutory Valuations Team (DWP) • Statutory Valuations Team (Right to Buy)
Total revenue recognised	£25.5m	£15.8m
Timing of Revenue Recognition (and satisfaction of performance obligations)	Over time (1)	Over time (2)

1) Our service level agreements to deliver these statutory services are negotiated on an annual basis. The agency's framework agreement requires that we recover the full cost of the services we provide to our customers. The agency agrees funding for each year in advance with our funding providers in order to achieve this objective. For each of these services we have several performance obligations and our funding providers are able to use the services we provide as they are performed as they simultaneously receive and consume the benefits provided by our performance. This means our performance obligations are satisfied over time.

We invoice funding providers in equal instalments on a monthly basis and payment is required at the latest by the tenth working day for most providers. The agency holds quarterly performance discussions with its funding providers covering in-year operational and financial matters. If our performance is significantly outside of agreed levels we discuss whether a funding adjustment or corrective action is required. Sustainable efficiencies delivered in the financial year would usually be reflected in future funding settlements.

2) The agency recognises revenue over time for these services where it has a right to payment for an amount that at least compensates the agency for its performance completed to date, which is equivalent to the selling price of the goods or services transferred to date in the event that the customer or another party terminates the contract for reasons other than the agency's failure to perform as promised. This right is conveyed either by the agency's standard terms of engagement, the Service Level Agreement or by administrative practice for each contract. This work also does not create an asset with an alternative use to the agency.

In each case the agency recognises revenue using an input method. Client Fees are calculated on a diary basis using records of time spent on client activity and pre-determined hourly charge-out rates derived to recover estimated full costs of the service, as required by Managing Public Money. This provides a faithful depiction of the transfer of services as our performance obligations are heavily labour-intensive to fulfil.

The agency's performance obligations for this work vary in their duration from smaller valuations that are completed within a few working days up to multi-year contracts. In each contract the performance obligation is to undertake work on property valuations or assessments, the output of which is a report. Until the performance obligation is completely satisfied the agency recognises a contract asset from the value of unbilled resource expended on the performance obligation. Typically an invoice is issued on completion of the performance obligation, although as agreed in our contracts we hold the right to invoice on an interim basis for longer-term contracts. On issue of an invoice this contract asset becomes a trade receivable. Payment terms for invoices raised are 30 days from the receipt of the invoice.

If the customer is not satisfied with our work we will discuss their concerns in full, and issue a refund where it is fair and appropriate.

The agency has adopted the practical expedient in paragraph 121 of IFRS15 because, as described above, it has a right to consideration from our customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. There is no consideration from contracts with customers that is not included in the transaction price.

The contract balances from revenue with customers are:

	31 March 2020	31 March 2019
Receivables, which are included in Trade and Other Receivables (note 7)	£5.1m	£6.1m

Note 4 Expenditure for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Staff costs			
Wages and salaries		111,132	104,747
Social security costs		9,581	10,605
Other pension costs		28,259	21,207
Early departure costs		3,217	6,625
Less recoveries in respect of outward secondments		(102)	(134)
		152,087	**143,050**
Purchases of goods and services			
IT service charges		7,338	6,754
Accommodation excluding non-domestic rates		11,232	11,197
Travel and subsistence		4,605	4,642
Accommodation - non-domestic rates		1,000	1,917
HMRC service charges		8,371	2,122
Other computing costs		6,229	7,326
Telephone charges		753	730
Postage and couriers		1,355	1,128
External training		1,151	922
Research and development		130	41
Contracted-out services		1,357	1,668
Subscriptions		1,421	1,348
Legal claims and services (excluding movement in provisions)		466	555
Printing, stationery and distribution		95	307
Rentals under operating leases		1	(18)
PFI Finance charges		18	24
Sundry costs		601	544
		46,123	**41,207**
Provision expense			
Provision movements in-year		(112)	625
		(112)	**625**
Other operating expenditure			
Auditor's notional remuneration		85	75
Losses and special payments		33	66
Net loss on disposal of non-current assets		-	180
		118	**321**
Depreciation, amortisation and impairment charges			
Depreciation of property, plant and equipment	5	2,548	2,305
Amortisation of intangible assets	6	6,890	5,169
		9,438	**7,474**
Total operating expenditure		**207,654**	**192,677**

A further breakdown of staff costs, as well as details on pensions and exit packages, can be found on pages 61-64 in the remuneration and staff report.

Details of the opening and closing balances of the provision for early retirement and pension obligations can be found in note 10.

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

In 2019-20 our digital and IT team integrated with HMRC. The agency retained the budget and paid the costs via an increase in the HMRC service charge. In 2020-21, the budget and accountability for IT services charges will become a corporate overhead services cost and will be recognised by the agency as a notional charge following agreement that HMRC retain the full budgets for these services.

Note 5 Property, plant and equipment

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2019	1,867	8,871	1,266	11,573	6,277	**29,854**
Additions	-	-	846	-	-	**846**
Disposals	-	-	-	(339)	(328)	**(667)**
Reclassifications	-	417	(1,307)	646	244	**-**
Revaluations	3,352	-	-	-	-	**3,352**
At 31 March 2020	**5,219**	**9,288**	**805**	**11,880**	**6,193**	**33,385**
Depreciation:						
At 1 April 2019	1,699	8,256	-	7,604	2,934	**20,493**
Charged in the year	160	362	-	1,467	559	**2,548**
Disposals	-	-	-	(339)	(328)	**(667)**
Revaluations	3,201	-	-	-	-	**3,201**
At 31 March 2020	**5,060**	**8,618**	**-**	**8,732**	**3,165**	**25,575**
Net book value:						
At 31 March 2020	**159**	**670**	**805**	**3,148**	**3,028**	**7,810**
At 31 March 2019	**168**	**615**	**1,266**	**3,969**	**3,343**	**9,361**

The agency's buildings are PFI financed. All other property, plant and equipment are owned, and no donated assets were held during the year (31 March 2019: nil). The agency's buildings were valued by DVS, a unit of the agency, on 31 March 2020. The revaluation related to the Shrewsbury office which is held in the agency's Statement of Financial Position as the only remaining service concession asset under IFRIC 12.

There is no material difference between the gross value of buildings disclosed above and open market value. The agency's accounting policy for revaluation is described in note 1.6.

	Buildings	Accommodation refurbishments	Assets under construction	Information technology hardware and telecommunications equipment	Furniture, fittings and office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2018	1,867	9,296	414	12,674	5,762	**30,013**
Additions	-	-	3,095	-	-	**3,095**
Disposals	-	(461)	-	(2,285)	(508)	**(3,254)**
Reclassifications	-	36	(2,243)	1,184	1,023	-
At 31 March 2019	**1,867**	**8,871**	**1,266**	**11,573**	**6,277**	**29,854**
Depreciation:						
At 1 April 2018	1,615	8,160	-	8,629	2,858	**21,262**
Charged in the year	84	484	-	1,251	486	**2,305**
Disposals	-	(388)	-	(2,276)	(410)	**(3,074)**
At 31 March 2019	**1,699**	**8,256**	-	**7,604**	**2,934**	**20,493**
Net book value:						
At 31 March 2019	**168**	**615**	**1,266**	**3,969**	**3,343**	**9,361**
At 31 March 2018	**252**	**1,136**	**414**	**4,045**	**2,904**	**8,751**

Note 6 Intangible assets

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2019	74,118	3,428	77,546
Additions	-	5,516	5,516
Disposals	(5)	-	(5)
Reclassifications	3,630	(3,630)	-
Revaluations	1,074	-	1,074
At 31 March 2020	**78,817**	**5,314**	**84,131**
Amortisation:			
At 1 April 2019	56,406	-	56,406
Charged in the year	6,890	-	6,890
Disposals	(5)	-	(5)
Revaluations	668	-	668
At 31 March 2020	**63,959**	-	**63,959**
Net book value:			
At 31 March 2020	**14,858**	**5,314**	**20,172**
At 31 March 2019	**17,712**	**3,428**	**21,140**

The developed software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £14.124 million (31 March 2019: £17.022 million).

	Developed Software	Assets Under Construction	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1 April 2018	68,543	1,888	**70,431**
Additions	-	5,827	**5,827**
Disposals	(36)	-	**(36)**
Reclassifications	4,287	(4,287)	-
Revaluations	1,324	-	**1,324**
At 31 March 2019	**74,118**	**3,428**	**77,546**
Amortisation:			
At 1 April 2018	50,517	-	**50,517**
Charged in the year	5,169	-	**5,169**
Disposals	(36)	-	**(36)**
Revaluations	756	-	**756**
At 31 March 2019	**56,406**	-	**56,406**
Net book value:			
At 31 March 2019	**17,712**	**3,428**	**21,140**
At 31 March 2018	**18,026**	**1,888**	**19,914**

Note 7 Trade receivables and other assets

Trade receivables and other current assets:	31 March 2020 £'000	31 March 2019 £'000
Trade and other receivables	5,105	6,077
Prepayments	1,165	2,843
	6,270	**8,920**
Other non-current assets:		
Prepayments	-	57
Total	**6,270**	**8,977**

Note 8 Cash and cash equivalents

At 31 March 2020, the agency held £29.1 million of cash (31 March 2019: £22.4 million).

The cash balance disclosed above includes £1.541 million (31 March 2019: £1.328 million) of civil penalties which have been collected on behalf of the Consolidated Fund (see note 1.5).

Note 9 Trade payables and other liabilities

Current financial and other liabilities:	31 March 2020 £'000	31 March 2019 £'000
Trade and other payables	896	738
Accruals and deferred income	19,164	12,697
Employee leave accrual	7,292	6,591
	27,352	**20,026**
Amounts payable to the Consolidated Fund	1,541	1,328
	28,893	**21,354**
Non-current financial and other liabilities:		
Non-current liability in respect of on-balance sheet PFI assets	-	42
Total	**28,893**	**21,396**

Note 10 Provisions
(a) Movements in provisions

	Early departure and additional pension commitments	Provision for legal claims and compensation	Provision for accommodation costs	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2019	5,415	1,626	84	7,125
Increase in provision	-	196	-	196
Provisions not required written back	(210)	(308)	-	(518)
Provisions utilised in the year	(5,205)	(468)	-	(5,673)
Balance at 31 March 2020	-	1,046	84	1,130

Provisions for early departure and additional pension commitments
We have continued to deliver our estates consolidation and run exit schemes for site closures as well as corporate services. The detailed accounting policy for early departure costs is set out in note 1.11. The costs are expected to fall due as shown below in note 10b and the total in-year costs are detailed in the remuneration and staff report.

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

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

Early retirement and pension commitments fall due:	31 March 2020 £'000	31 March 2019 £'000
Within one year	-	5,415
Between one and two years	-	-
	-	5,415

Note 11 Pension benefit obligations

Introduction

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

The accounting entries in respect of the year ended 31 March 2020 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. Using the latest triennial valuation, performed at 31 March 2019. The actuary allows for the different financial assumptions required by IAS 19. To calculate the asset share, the actuary has rolled forward our share of the scheme's assets at the last formal valuation, allowing for investment returns and the effect of payments in and out of the fund. Service costs have been estimated using contribution information supplied to the actuary.

The actuarial loss on the pension fund of £0.4 million, then adjusted down by £0.8 million due to re-measurement to the asset ceiling under IAS 19 has resulted in a pension asset of £6.7 million at 31 March 2020, having previously been an asset of £8.7 million at 31 March 2019. The performance of the scheme assets during the year has been weaker, showing a negative of £4.6 million. In addition, there have been changes in the demographic assumptions used by the actuary, which have almost eliminated the increase in the defined benefit obligation which arose from higher inflation in year and lower returns on corporate bonds.

In 2019-20, the agency made contributions at a rate of 20.4% (also in 2018-19) of pensionable salary. The total cash contribution that the agency expects to make to the LGPS scheme in the year to 31 March 2021 is £0.646 million.

Transactions relating to the Local Government Pension Scheme

Recognised as operating costs		2019-20		2018-19
	£'000	% of pay	£'000	% of pay
Service cost	1,904	28.0%	1,274	24.4%
Net interest on defined benefit	(342)	-5.0%	(274)	-5.3%
Administrative expenses	244	3.6%	230	4.4%
	1,806	**26.6%**	**1,230**	**23.6%**
Actual return on scheme assets	**(687)**		**15,933**	

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

Recognised in Statement of Changes in Taxpayers' Equity	2019-20	2018-19
	£'000	£'000
Return on plan assets in excess of interest	(4,574)	11,490
Other actuarial (losses) on assets	(6,404)	-
Actuarial gains (losses) arising from changes in financial assumptions	12,136	(7,322)
Actuarial gains (losses) arising from changes in demographic assumptions	(396)	7,084
Experience (loss) on defined benefit obligation	(1,130)	-
Actuarial gain (losses) recognised in Statement of Changes in Taxpayers' Equity	**(368)**	**11,252**

Under IAS 19, the surplus in the defined benefit plan as shown in this note is only recognised as an asset on the Statement of Financial Position up to the value of the asset ceiling, which is the present value of economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. The net defined benefit pension asset on the Statement of Financial Position at 31 March 2020 has been reduced by £12.8m to reflect the value of the asset ceiling.

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

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

Assets and liabilities relating to the Local Government Pension Scheme

	31 March 2020	31 March 2019
	£'000	£'000
Fair value of scheme assets	174,059	187,424
Present value of funded liabilities	(154,219)	(166,005)
Net asset	19,840	21,419
Present value of unfunded obligations	(295)	(334)
Remeasurement of net defined benefit pension asset for changes in asset ceiling	(12,814)	(12,349)
Net asset in the Statement of Financial Position	**6,731**	**8,736**

Reconciliation of fair value of the scheme liabilities

	31 March 2020	31 March 2019
	£'000	£'000
Opening defined benefit obligation at 1 April	166,339	166,301
Service cost	1,240	1,260
Interest cost	3,545	4,169
Remeasurements losses/(gains) arising from changes in financial assumptions	(12,155)	7,348
Experience gains on defined beneficial obligation	1,130	-
Remeasurements losses/(gains) arising from changes in demographic assumptions	396	(7,084)
Estimated benefits paid	(6,752)	(5,728)
Past service costs, including curtailments	664	14
Contributions by scheme participants	124	76
Estimated unfunded benefits paid	(17)	(17)
Closing defined benefit obligation at 31 March	**154,514**	**166,339**

Reconciliation of fair value of the scheme assets

	31 March 2020	31 March 2019
	£'000	£'000
Opening fair value of assets at 1 April	187,424	176,679
Interest on assets	3,887	4,443
Return on assets less interest	(4,574)	11,490
Other actuarial gains	(6,404)	-
Administration expenses	(244)	(230)
Contributions by the employer including unfunded	675	851
Contributions by scheme participants	124	76
Estimated benefits paid plus unfunded net of transfers in	(6,829)	(5,885)
Estimated fair value of scheme assets at 31 March	**174,059**	**187,424**

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

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

In line with HM Treasury accounting guidance, DWP cannot fund the agency for the amounts recognised as operating costs above. These costs totalling £1.81 million for 2019-20 (2018-19: £1.23 million) are instead fully financed by our sponsor department HMRC. The agency is effectively therefore indemnified against this liability.

Sensitivity analysis

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

	£'000	£'000	£'000
Adjustments to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	152,249	154,514	156,815
Projected service cost	1,050	1,071	1,092
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	154,646	154,514	154,384
Projected service cost	1,072	1,071	1,070
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	156,691	154,514	152,369
Projected service cost	1,092	1,071	1,051
Adjustment to life expectancy assumptions	+1 year	None	- 1 year
Present value of total obligation	159,676	154,514	149,520
Projected service cost	1,107	1,071	1,036

History of surplus or deficit in the scheme

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	174,059	187,424	176,679	172,476	146,496
Fair value of defined benefit obligations	(154,514)	(166,339)	(166,301)	(171,393)	(154,330)
Net surplus/(deficit) arising from defined benefit obligation before asset ceiling adjustment	**19,545**	**21,085**	**10,378**	**1,083**	**(7,834)**

Financial assumptions

	31 March 2020 % per year	31 March 2019 % per year
RPI increases	2.9%	3.5%
CPI increases	2.0%	2.5%
Salary increases	3.0%	4.0%
Pension increases	2.0%	2.5%
Discount rate	2.4%	2.4%

The discount rate is the annualised yield at the 16 year point on the Merrill Lynch AA rated corporate bond yield curve.

Composition of scheme assets

	31 March 2020		31 March 2019	
	£'000	%	£'000	%
Equities	93,944	54.0%	101,966	54.4%
Target return funds	44,845	25.8%	49,982	26.7%
Alternative assets	29,959	17.2%	28,916	15.4%
Cash	5,311	3.0%	6,560	3.5%
	174,059		**187,424**	

Demographic and statistical assumptions

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

Life expectancy from age 65 (years)	31 March 2020	31 March 2019
Retiring today:		
Males	21.7	21.3
Females	24.0	23.8
Retiring in 20 years:		
Males	23.1	23.0
Females	25.5	25.6

The post retirement mortality is based on the Club Vita mortality analysis, projected using the CMI_2018, (the most recent model, also used in 2019), allowing for a long term rate of improvement of 1.25% per annum and adopting the default smoothing parameter of 7.0. The effect of updating the demographic assumptions is reflected in the Change in demographic assumptions figure. In addition, it has been assumed that members will exchange half of their commutable pension for cash at retirement, that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age and the proportion of membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

Note 12 Commitments under leases

Operating leases

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

	31 March 2020 £'000	31 March 2019 £'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	3,146	5,922
Later than one year and not later than five years	4,601	6,691
Later than five years	7,112	35
	14,859	**12,648**
Other		
Not later than one year	51	4
Later than one year and not later than five years	9	6
Later than five years	-	-
	60	**10**

The obligations have increased during the year as the agency has committed to leases with significantly longer terms. The agency has no right to purchase the land and buildings leased under operating leases.

Note 13 Commitments under PFI contracts

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

(a) Off-balance sheet

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

Total commitments, analysed by period in which they are due:	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	890	2,055
Later than one year and not later than five years	388	1,617
Later than five years	-	-
	1,278	3,672

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

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

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

In the year to 31 March 2020, the agency paid £2.7 million (2018-19: £3.2 million) to the STEPS contractor in respect of off-balance sheet properties and service charges. In addition to the STEPS scheme described above, the agency occupies space in buildings procured under PFI schemes by HMRC and the Department for Work and Pensions. Lease commitments to other government bodies in respect of these buildings are included in note 12.

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

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

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

was a total of £2.7 million (2018-19: £3.3 million).

Future commitments in respect of these payments are analysed below:

Total commitments, analysed by period in which they are due:	31 March 2020	31 March 2019
	£'000	£'000
Not later than one year	900	2,072
Later than one year and not later than five years	388	1,627
Later than five years	-	-
	1,288	**3,699**

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

Note 14 Contingent liabilities at 31 March 2020

Contingent liabilities are as follows:

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

The agency is confident of success in those cases which are not accounted for within the agency's provisions. This is often because the agency has already won in a lower court or because it has received legal advice confirming the strength of its position. The agency cannot easily assess third party costs in these cases but it is estimated that there is £0.3 million (31 March 2019: £0.1 million) of contingent liabilities as at the end of the financial year.

Note 15 Related party transactions for the year ended 31 March 2020

The agency is an executive agency of HMRC. HMRC is a related party and the agency had a significant number of material transactions with it during the year. Reported income in the year includes £7.2 million (2018-19: £7.6 million) earned from HMRC and expenditure includes £13.7 million (2018-19: £3.1 million) invoiced to the agency by HMRC. Current assets include £0.4 million (31 March 2019: £nil) of debt due from HMRC and £0.1 million (31 March 2019: £nil) of current liabilities due to HMRC. (These figures exclude transfers of tax, national insurance and pension contributions that result from HMRC acting as our payroll provider.)

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

DWP	£7.0 million	(2018-19: £7.3 million)
MHCLG	£3.3 million	(2018-19: £3.4 million)
Welsh Government	£9.1 million	(2018-19: £8.6 million)

The agency had material transactions with pension schemes providing benefits to the agency's people, the Principal Civil Service Pension Scheme, alpha and the Local Government Pension Scheme as administered by the London Pension Fund Authority. These transactions are discussed on pages 62-63 of the remuneration and staff report and in note 11.

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

Note 16 Events after the reporting period

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

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

Note 17 Standards in issue but not yet effective

These accounts have been prepared in accordance with the Treasury's Financial Reporting Manual 2019-20. This manual typically applies the standards and interpretations that are effective for the accounting period to which it refers. New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in these accounts. The impact on our accounts from such standards is described below:

IFRS 16 Leases
On 20th March 2020, in light of COVID-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) have decided that IFRS 16 implementation in the public sector will be deferred for a further year to 2021-22.

IFRS 16 leases is being applied by HM Treasury in the government Financial Reporting Manual (FReM) from 1 April 2021 (deferred from 1st April 2020 and with a limited option for early adoption from 1 April 2019). IFRS 16 Leases replaces IAS 17 Leases and fundamentally changes the accounting treatment of leases for lessees. The current IAS 17 model, which requires entities to distinguish between finance leases (on Statement of Financial Position (SoFP)) and operating leases (off SoFP) will be replaced by a 'right-of-use' model that requires lessees to recognise on SoFP their right-of-use of assets and associated liabilities.

IFRS 16 provides a single lessee accounting model and requires lessees to recognise assets and liabilities for leases. The following practical expedients will be applied:-

Short term lease exemption: No adjustments will be made upon transition for leases for which the underlying asset is of low value. VOA are using a low value threshold of £5,000, in line with our capitalisation threshold for all assets (other than accommodation refurbishments (£15,000)). VOA do not intend to apply IFRS 16 to intangible assets and these will be accounted for under IAS 38 Intangibles.

VOA has elected to adopt the following assumptions on transition:

1. where there is no intention to stay beyond a lease end date, costs will be capitalised up to the point of the lease date;

2. where there is an intention to exercise a break clause or terminate a lease before the contracted lease end date, lease costs to this point of break/termination will be captured as well as early termination costs or penalties;

3. where a lease is renewable and it is reasonable to assume that the lease will be renewed, these costs will be captured and capitalised;

4. where no plan exists to stop renewing the lease before 5 years, limit the renewal to 5 years, based on Estates Strategy and Spending Review periods.

HM Treasury mandate that IFRS 16 in the public sector will be implemented using the cumulative catch-up method, therefore comparatives will not be restated and the cumulative effect of initially applying the Standard at 1 April 2021 will be recognised as an adjustment to taxpayers' equity.

In making the transition into IFRS 16, VOA will review existing and future contracts to identify lease and non-lease (i.e. service) elements. VOA exposure falls primarily into two areas, Estates and IT.

If implementation of IFRS 16 had not been postponed, as at 31 March 2020, £11.7m of the £14.9m total commitments under leases (note 12) would have been moved onto the SoFP. Additional amounts would also have been brought to account on the basis of VOA's intention to renew a lease, now required by IFRS 16, regardless of a current commitment.

Payment of Local Authority Rates (POLAR)

Introduction

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

Background

POLAR is a scheme by which local authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a diplomatic mission or international organisation with diplomatic status. In accordance with the Vienna Convention on Diplomatic Relations 1961, Diplomatic Privileges Act 1964 or relevant Statutory Instrument, diplomatic missions and international organisations are exempt from all national, regional and municipal dues and taxes in respect of premises of the mission, other than such as represent payment for specific services rendered.

Under the scheme, diplomatic missions and international organisations are required to contribute an amount known as the Beneficial Portion. This is to take account of the extraneous services rendered, such as the fire services and street lighting. The Beneficial Portion was set at 6% of the overall rates bill.

VOA Responsibilities

The VOA administers the POLAR scheme. Essentially, the VOA's role is to liaise with local authorities, diplomatic missions, international organisations and the Foreign and Commonwealth Office (FCO).

The VOA pays 100% of the rates liability to the local authorities and then seeks to recover the Beneficial Portion from the mission or organisation. If a mission or organisation falls into arears then the FCO will remind them of the legal requirement to pay the Beneficial Portion.

Fact and Figures

In 2019-20, there were 173 diplomatic missions in London, plus 34 Consulates outside of London and 41 International Organisations. There are four consulates in Northern Ireland. Rateable values ranged from less than £520 to £12.95 million. A total of 34 local authorities are involved in the POLAR scheme, with 18 in Central London.

During 2019-20 the POLAR scheme required £83.9 million of net funding, representing cash payments made to authorities, net of Beneficial Portion (2018-19 £66.8 million). The net Beneficial Portion collected was £5.2 million (2018-19 £4.9 million). These are the FReM reported amounts included in HMRC accounts.

Glossary to the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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