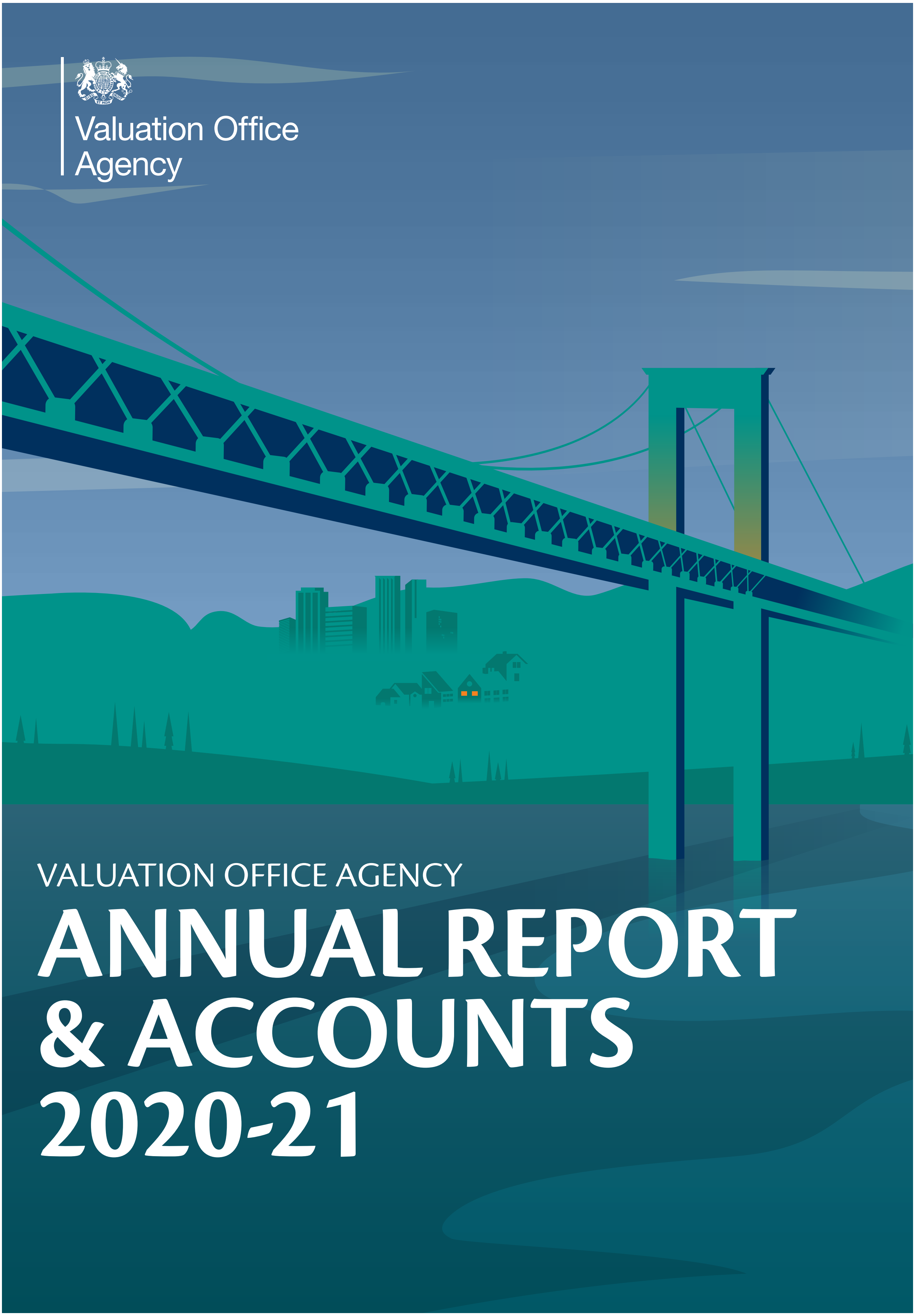
Valuation Office Agency



VALUATION OFFICE AGENCY

ANNUAL REPORT & ACCOUNTS 2020-21

HC 772

VALUATION OFFICE AGENCY

ANNUAL REPORT & ACCOUNTS 2020-21

For the period 1 April 2020 to 31 March 2021.

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

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HC 772

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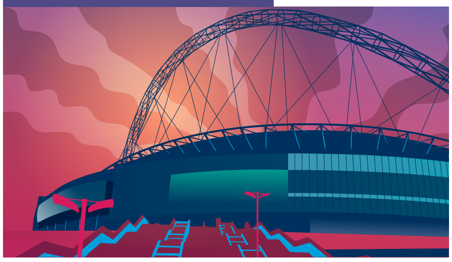

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FOREWORD

BY JONATHAN RUSSELL, CHIEF EXECUTIVE

Welcome to the Valuation Office Agency's annual report and accounts for 2020-21.

As for the rest of the country, 2020 was an extraordinary year for the agency. COVID-19 has had a huge impact on us, personally and professionally.

Lockdown restrictions meant we needed to change the way we operate overnight. For us, as for many other organisations, this created significant challenges balancing delivering our services, at a critical time for many customers, while keeping our employees safe.

We enabled all employees to work from home and started dealing with customers primarily through online and digital channels. Our phonelines were closed for a period as we provided support to HMRC's COVID-19 helplines, alongside this we made technical changes that enabled our contact centre teams to take calls remotely.

We had to re-engineer many of our processes and move colleagues into teams dealing with customer queries to meet the increased demand in this area.

We saw an unprecedented increase in volumes of Checks and Challenges, as customers looked to establish their eligibility for COVID-19 support grants or sought a reduction in their rateable value as a result of COVID-19 restrictions. For a period at the beginning of the pandemic, this meant we took longer than usual, and longer than we'd want, to respond to our customers. We were also forced to pause physical property inspections temporarily. Throughout, we have prioritised our handling of hardship cases, and we remain very conscious of the impact COVID-19 continues to have on many of our customers and their businesses.

Considering the cumulative impact of the pandemic, the fact that operational performance remained strong was a huge achievement. We have met or exceeded our performance targets in all but two areas.

The pandemic also led to changes in the wider business rates landscape that have operational consequences for the agency.

In July 2020, as a result of the pandemic, the government confirmed that the next Revaluation would be postponed to 2023 to help reduce uncertainty for businesses affected by the pandemic. Delivering this new programme is, and will continue to be, a priority for us.

Most recently, at the end of March 2021, the government announced changes in England which mean that the measures brought in as a result of coronavirus will not be considered a Material Change in Circumstance (MCC) for the purposes of business rates valuations. This is because the government decided that the MCC system wasn't the right mechanism to help businesses that need further support as a result of the pandemic.

We made good progress in modernising the agency. Our Business System Transformation programme is re-designing and simplifying our core business processes. The investment we secured for it, will see us start to deliver the technological systems that underpin those new processes in 2021-22.

Alongside this we completed the integration of our core technology with HMRC's and, importantly, upgraded the IT kit our people use.

This year's people survey score increased by another eight percentage points to 62%, our highest ever score. It's a really encouraging sign that colleagues feel continuing progress has been made in making the agency a better place to work and, I hope, a reflection that colleagues have felt supported during the pandemic.

Over 320 people joined the agency last year including many talented students and graduates to provide us with a pipeline of future surveyors; in total 336 people are on surveyor pipeline schemes. We have also continued to develop existing colleagues with 71 gaining professional qualifications.

This year has demonstrated the agency's ability to adapt. Our response to COVID-19 gives me every confidence in our ability to meet the challenges that undoubtedly lie ahead and to respond to any changes in the wider business rates landscape that might occur.

This is more important than ever as our business rates and Council Tax valuations typically underpin more than £60 billion of local government taxation which will be vital in funding the UK's local public services as we emerge from the disruption caused by the pandemic.

It has been a tough year, but the agency has continued to deliver thanks to the hard work and professionalism of our people. I am extremely proud of them and what they have achieved – in a year that was difficult for many, their care and commitment to our work has really stood out.

> It has been a tough year, but the agency has continued to deliver thanks to the hard work and professionalism of our people.

Jonathan Russell, CB
Chief Executive
28 October 2021

WHO WE ARE AND WHAT WE DO

3,307

People based on full-time equivalents

36

offices throughout England, Scotland and Wales

Who we are

The VOA is an executive agency of HM Revenue and Customs (HMRC). We employ approximately 3,310 people, based on full-time equivalents, with offices in 36 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

Our strategic objectives are:

- 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 typically enables the collection of approximately £60 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 local 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, typically enabling the collection of approximately £27 billion[1] 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, typically enabling the collection of approximately £34 billion[1] in council tax throughout England and Wales.

Housing allowances

We determine Local Housing Allowance 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.

1 Source: Country and regional public sector finances: Financial year ending March 2020 (ONS).

PERFORMANCE REPORT

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“ / ”

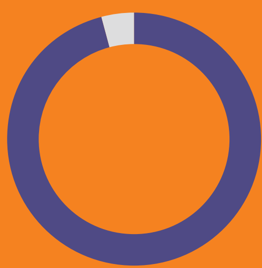
Central and local government rely on our valuations to ensure customers pay the right property taxes.

97%

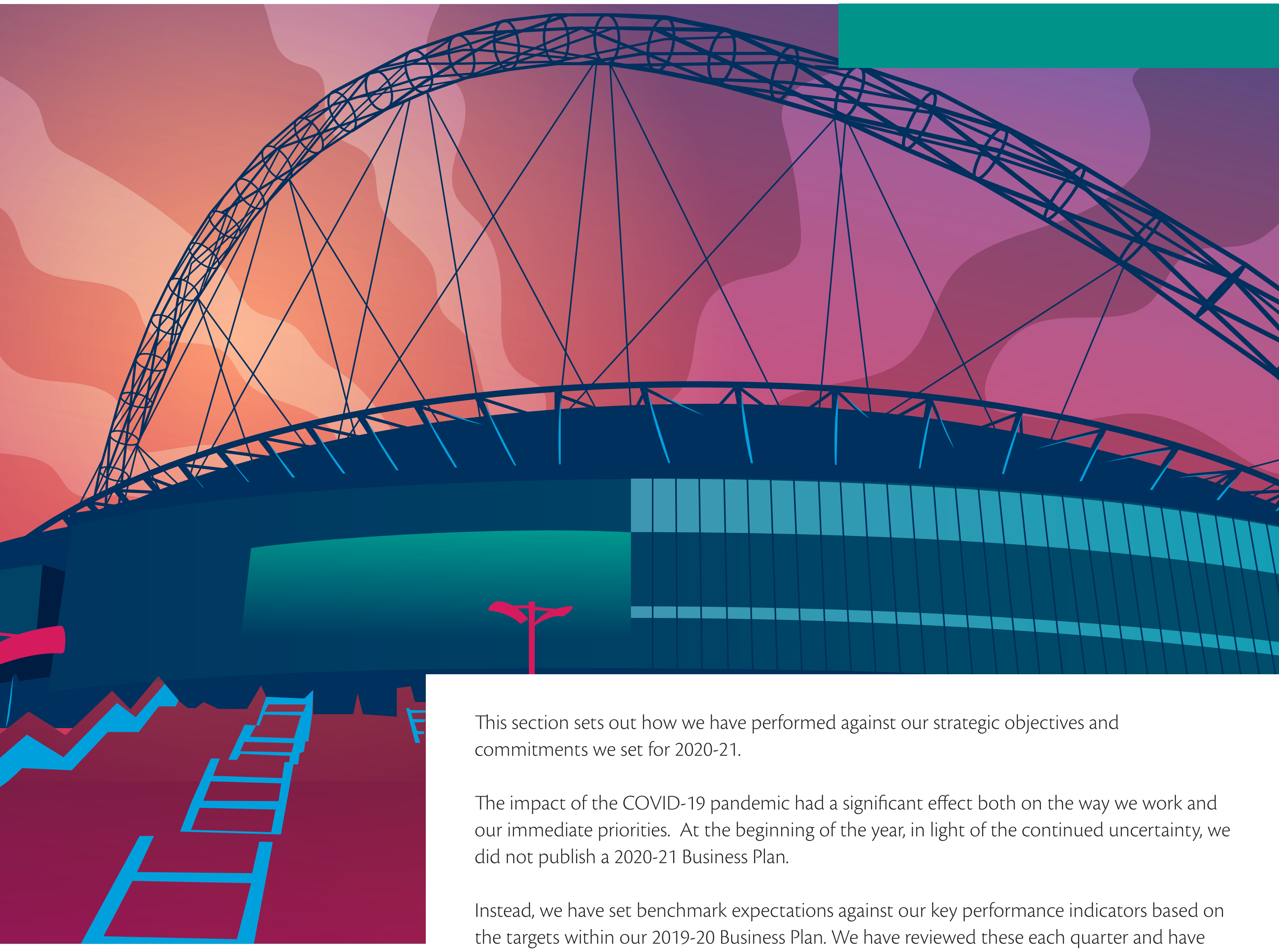
of our business rates reports were cleared within 90 days

97%

of our council tax reports were investigated within 90 days



REVIEWING OUR PERFORMANCE



This section sets out how we have performed against our strategic objectives and commitments we set for 2020-21.

The impact of the COVID-19 pandemic had a significant effect both on the way we work and our immediate priorities. At the beginning of the year, in light of the continued uncertainty, we did not publish a 2020-21 Business Plan.

Instead, we have set benchmark expectations against our key performance indicators based on the targets within our 2019-20 Business Plan. We have reviewed these each quarter and have monitored our performance against them.

We have continued to deliver for our customers meeting the majority of our performance targets with the exception of our timeliness targets on our challenge and fair rent work.

As a result of COVID-19 we have received unprecedented volumes citing Material Change in Circumstances. Consequently, we have prioritised hardship cases and those related to COVID-19. Given that we are also delivering the next revaluation to a compressed timescale, this meant the target of dealing with 90% of challenges within 12 months could not be delivered.

COVID-19 also meant we had to adapt our fair rent process from one that was largely paper-based and relied on hard copy post to move to more digital ways of working. Whilst this happened cases built up and, while we have now dealt with the outstanding cases, our timeliness in determining these cases was impacted.

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.

> Revaluations are designed to ensure that business rates are based on up-to-date property values.

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.

At the start of 2020-21 we had been preparing for the next business rates revaluation in 2021 and in June 2020 met our key milestone of completing the valuation and validation (quality assuring) of the 2.1 million properties in the rating list for England and Wales.

On 21 July 2020 the government confirmed that the next revaluation will take place in 2023, which will provide more certainty for businesses and better reflect the impact of COVID-19. Completion of the delivery of the valuations by June 2020 provided us with valuable evidence about the property market to inform this next revaluation.

We have responded to the challenge of delivering the next revaluation in 2023 to a compressed timetable – preparing for and starting the valuations that support it.

Since 1 September 2020, we have been in the first phase looking to collect rental information, cleanse existing data and create market knowledge reports as part of our necessary pre-valuation activities.

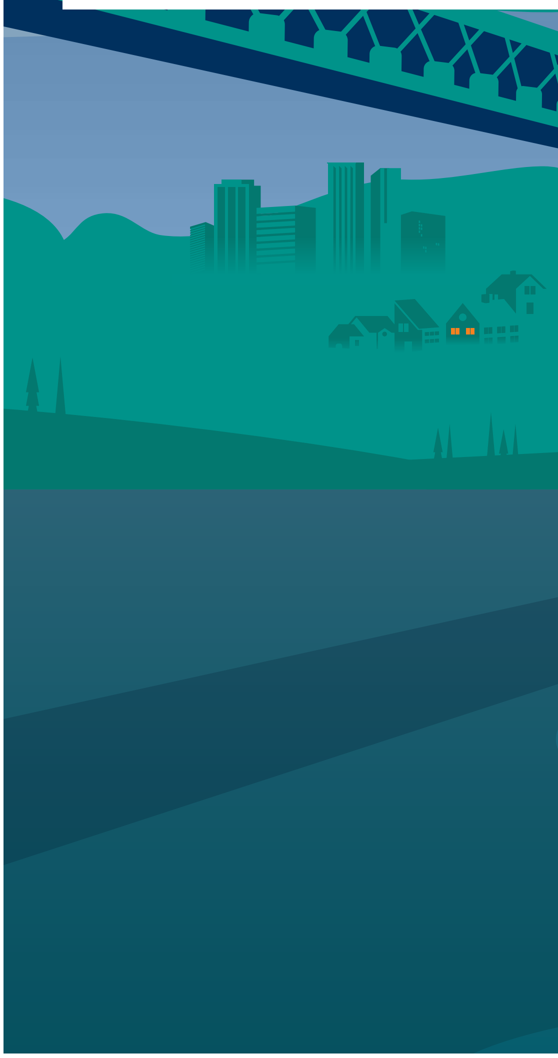
Business rates

During 2020-21 we raised and investigated 201,700 reports after receiving information about property changes from billing authorities or customers. This is part of our work to maintain both the 2010 and the 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. As at 31 March 2021 there were 28,700 outstanding appeals against the 2010 lists. These largely relate to cases that had been held up pending the outcome of litigation in the relevant courts. The agency expects to deal with the majority of those within its control by the end of December 2021.

201,700

business rates reports raised and investigated during 2020-21



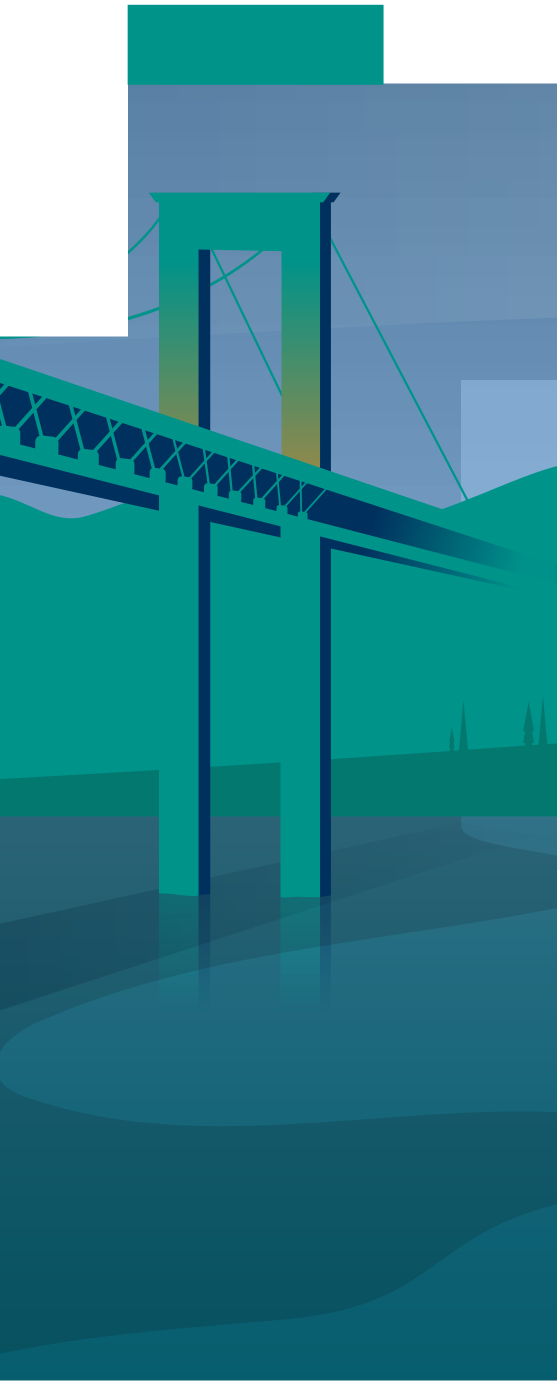
Check and challenge service

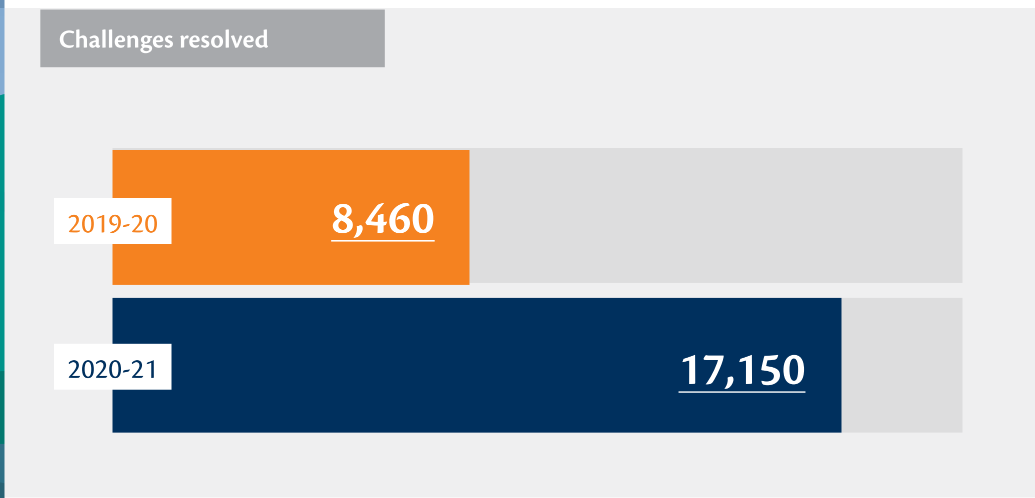
The check and challenge service allows businesses to check the facts held about their properties and view their valuation details before deciding whether to challenge their valuation.

There has been a substantial increase in the volumes of checks and challenges registered this year, in particular those citing a Material Change of Circumstances (MCCs) due to COVID-19 impacts. During 2020-21 we have:

- Registered 409,430 checks; of which 75% cited COVID-19 impacts and 393,560 resolved. This compares with 76,520 checks registered over the whole of 2019-20.
- Registered 69,420 challenges; of which 77% cited COVID-19 impacts and 17,150 resolved. This compares with 18,930 challenges registered over the whole of 2019-20.

We have prioritised hardship cases and those nearing the statutory deadline.





On 4 May 2021, we published statistics on the number of checks and challenges received for the 2017 rating list (England).

As at 31 March 2021, since the service started on 1 April 2017, we had:

- Registered 568,340 checks. 544,050 of these checks have been resolved.
- Registered 101,260 challenges. 29,340 of these challenges were resolved. There were also 5,540 incomplete challenges which were therefore not accepted.

Council tax

We continued to maintain the council tax valuation lists by raising and investigating over 430,900 reports, after receiving information about property changes from billing authorities or taxpayers.

We cleared 97% 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. In 2020-21 we collected 456,000 items of letting data, determined Local Housing Allowance 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 met our target of determining 96% of referrals within three working days.

456,000

items of letting data collected in 2020-21

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 21,500 requests, known as Fair Rent cases, and resolved 55% within 40 working days, below our 95% target. This was because up until COVID-19, the Fair Rent Process relied on hard copy exchange of documents. Whilst we quickly moved to more digital ways of working, dealt with outstanding cases and recovered our performance, the need to prioritise older cases impacted our timeliness.

> We have continued to gather data about lettings in the private rental sector to support the production of the Consumer Pricing Index including owner occupiers' housing costs (CPIH) measure of consumer inflation.

We have continued to gather data about lettings in the private rental sector to support the production of the Consumer Pricing Index including owner occupiers' housing costs (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 92% 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.

The agency's approach to measuring quality changed for 2020-21. We moved away from a percentage score system to a more qualitative approach based on valuation outcomes and customer experience, which has been assured by Internal Audit. An overall assurance rating is provided by our valuation assurance team of either exceed, reliable, partial or unsatisfactory.

We achieved a valuation integrity score of 'reliable' across all our business areas including business rates, council tax, housing allowances, statutory valuations and property services.

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.

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.

This year, for example, we have 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 need to change the way we operate to increase our productivity and meet our customers' quality and timeliness expectations.

Last year we launched the Business Systems Transformation (BST) programme. The four year 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. As part of the Spending Review 2020 we received £22m of funding for 2020-21 to support the programme to move from design to delivery.

Improving operational processes

In 2020-21 we continued our approach to continuous improvement, listening to and working with colleagues to identify and deliver improvements to the operational processes they work with every day.

This year colleagues have run continuous improvement projects looking at the check and challenge service, revaluation and non-domestic ratings maintenance and council tax maintenance as well as supporting the Business Systems Transformation programme.

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.

In 2020 we began work to review our customer charter. This sets out the standards of behaviour and values our customers can expect of us, setting out more clearly the experience we want to deliver for them and their responsibilities in return.

We have also established a customer advisory group, to continue to raise the profile and increase visibility of customer experience and build a more customer focused culture. Alongside this we

> We also have a dedicated Welsh Language Service based in Cardiff.

have introduced customer journey owners, who are responsible for understanding the experience of our customers and finding ways to improve their end-to-end journey.

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. We have enhanced information available to our customers online, digitalising more of our forms.

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

At the start of the year, due to COVID-19 our phonelines were closed for a period as we provided support to HMRC's COVID-19 helplines. We continued to support our customers through online channels whilst we made technical changes to our telephony lines to enable our contact centres to take calls remotely from home. We also made improvements to our interactive voice response system to ensure our customers had their enquiries dealt with quickly and efficiently.

1,753,000

GOV.UK

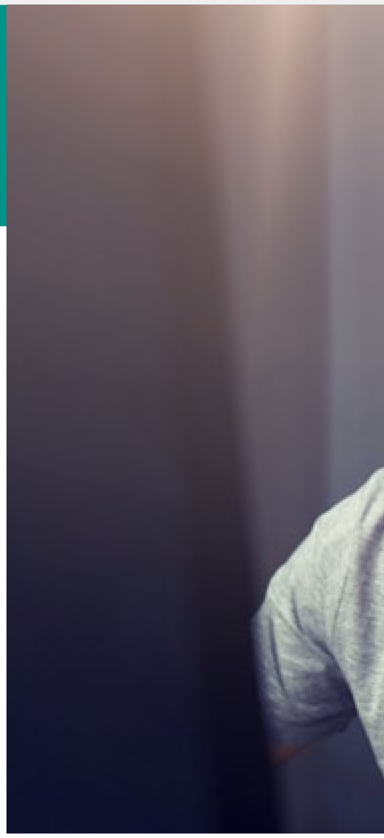
people checked their business rates valuation through GOV.UK

We handled just over 377,000 customer contacts during the year, with 99% dealt with at the first point of contact. We saw contact through digital channels increase by 39%, with 67% of customers satisfied with the digital service. We also handled around 140,000 calls, with an average speed of answer of 5 minute and 40 seconds.

We are continuing to consolidate our customer service model, bringing together expertise, ensuring consistent service standards and enabling us to more easily flex to customer demand. We also have a dedicated Welsh Language Service based in Cardiff.

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.

...we have made changes to ensure that customers who may need extra support have access to it



The number of customers and agents registered with our check and challenge service grew further, 200,720 as at 31 March 2021, and we continue to make improvements to the service based on their feedback.

This year, 1,753,000 people checked their business rates valuation through GOV.UK

Helping 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 ensure that customers who may need extra support have access to it, updated our internal guidance and delivered updated training to our customer services teams.

We have improved our reporting processes to ensure that complaints involving vulnerable customers or those needing additional support are dealt with effectively.

The improvements we have made are in our recently published equalities update report.[2]

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

2 Available here

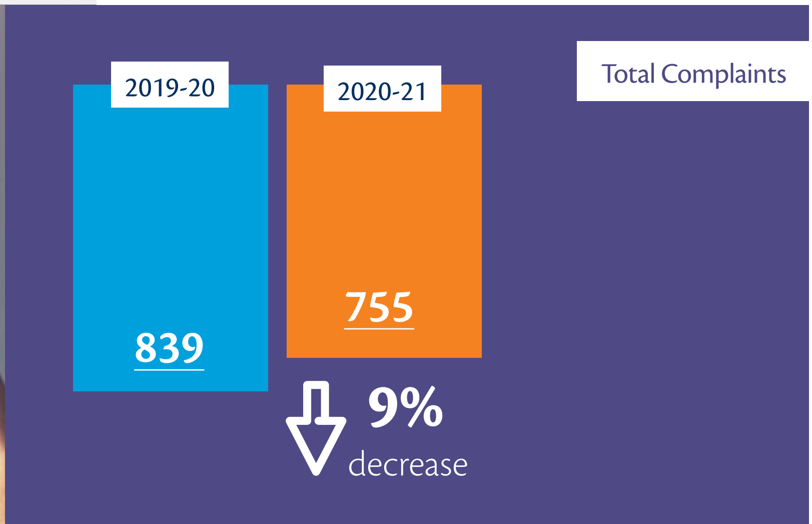
other organisations on our cyber and data security controls, including technical defences, response capabilities and ensuring staff awareness of good practice.

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

During 2020-21 there were 16 personal-related incidents. All were assessed and considered as low impact and did not require reporting to the Information Commissioner's Office.

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 2020-21 we received 755 complaints. We resolved 740 complaints during the year, of which 31% 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 2020-21 the Adjudicator investigated 23 cases, of which 19 were not upheld, 3 partially upheld and 1 was fully upheld. No formal complaints were referred to the Ombudsman.

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 the Revaluation 2023.

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. In order to do that, we are focused on continually improving how we operate, and on making the agency a great place to work, where colleagues feel trusted, engaged and able to be at their best.

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.

336

people working to obtain surveying qualifications

105

Level 6 chartered surveyor apprentices

55

Level 3 surveying technician apprentices

16

working towards a Royal Institution of Chartered Surveyors (RICS) approved experiential qualification

Building our surveyor pipeline

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

Recruiting and retaining qualified surveyors is challenging for both the public and private sector.

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.

The agency has 336 graduates, university placement students, apprentices and caseworkers working to obtain surveying qualifications. This includes 105 'Level 6 chartered surveyor' and 55 'Level 3 surveying technician' apprenticeships. This year 33 of our graduates and 'Level 6 chartered surveyor' apprentices joined our SEO Surveyor workforce.

Alongside this, there are currently 16 colleagues working towards a Royal Institution of Chartered Surveyors (RICS) approved specialist assessment qualification that gives them a route to achieve chartered status, which takes account of their professional experience.

In addition to building our surveyor pipeline we are also looking at how we make best use of our surveyor resource, both in terms of the work they do and how they can be used more effectively.

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 90% of our people work in operational roles.

This year, 342 colleagues joined the agency including customer service staff, as well as qualified surveyors and other caseworkers. COVID-19 has meant we have had to welcome, induct and train new colleagues more creatively and many of them remotely.

Over the past year we have supported 71 of our people to gain professional qualifications, we have 221 of our people enrolled on apprenticeship schemes, with 88 new apprenticeships this year and we have exceeded the target for 2.3% of our workforce to be new apprentice starts.

People and locations

In light of COVID-19 and the recruitment needed to support Revaluation 2023 we are reviewing our ways of working and our estates strategy. This will reflect a more flexible approach, what our workforce demands are and where our people need to be based.

We have continued to consolidate our estate, in line 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 decreased desk capacity by over 8% (249) and now over 80% of our offices operate with flexible working space.

We currently have 36 offices. This year we have relocated our offices in Birmingham, Colchester, Glasgow, Plymouth and Swansea and moved our offices in Cardiff, Edinburgh and Leeds into the HMRC Regional centre. We have closed seven offices (Bangor, Crewe, Lincoln, Northampton, Gloucester, Shrewsbury and Worthing) and have expanded our offices in Durham and Hull. In addition, we have reduced our office footprint in Canary Wharf, London. We have also invested £3.1m in improving our working environments, this included the refurbishment of existing offices as well as the move to regional centres to ensure we have safe, high-quality workspaces for our people.

Leadership and engagement

The findings from our 2020 Civil Service People Survey results were positive, providing a strong indication that our engagement and communications strategies are having a positive impact.

We have seen improvements in all nine of the core themes within the People Survey, which measured different aspects of our peoples' experience at work.

In a year that has been very different and challenging in comparison to others, we are pleased with the progress we have made, particularly on our overall engagement score. This was 62%, an eight-percentage point increase on 2019 the joint-third largest increase across the organisations that took part. It was also positive to see an increase in our inclusion and fair treatment, which rose by over ten-percentage points to 83%. While the progress we have made across all the themes encouraging, we know continued work is needed.

Health, safety and wellbeing

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

Health and wellbeing is a priority within the VOA and more so than ever before, during these unprecedented times.

In response to COVID-19, we updated our package of health and wellbeing support, and launched a health and wellbeing communication campaign. This raised awareness of the support available to colleagues, what steps people could take to improve their own health and wellbeing, and how they could help others.

Overall engagement score

62%

increased by **8** points

Inclusion and fair treatment

increased by **10** points to **83%**

Throughout the last year, we have continually reviewed our Estates and HR policies to ensure we put the health and wellbeing of our people first. Taking action to protect our people, making sure our workplaces were COVID-19 secure and that people could work safely from home.

Diversity and inclusion

We have published our equalities update report[3], which updates on progress against the equality objectives we set in 2017.

At the same time, we also published new equality objectives for 2020-2024[3], reflecting our priorities on diversity and inclusion.

3 Available here

We are committed to promoting equality of opportunity for all and ensuring that equality considerations are an integral part of the way we work. As an employer we will continue to ensure our people represent the communities we serve and that we attract and retained talented colleagues. We also remain committed to supporting colleagues from lower socio-economic backgrounds and have joined HMRC's 'Stride' scheme which provides mentoring for them.

In December 2020, we launched our Race Equality Action Plan to improve race equality in the agency, particularly the representation of ethnic minorities at senior levels. We will provide more learning & development opportunities for colleagues in order to support them to progress. We will reinforce these opportunities with training for managers as we continue to build an inclusive workplace.

In parallel we purchased and built over 1,000 new devices to enable colleagues to work from home and rolled out MS Teams all by the end of the first quarter.

Improving our technology

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

Last year our digital and IT team integrated with HMRC's. Since then, work has continued to align our core technology and digital functions with HMRC for the benefit of our people and customers.

This year we have made important progress on this, migrating our email to HMRC's Office 365 and introducing Microsoft Teams. We have rolled out managed secure printers across all offices and made improvements to our office networks.

Following successful pilots, we are on the final part of this work, delivering new, more powerful laptops to everyone in the agency and to move to HMRC's central IT support model. This will make our people's day to day work easier and faster through a more improved and consistent service.

Due to COVID-19 we have had to roll these out and support people remotely. Whilst this has been challenging, we expect to complete this early in the new financial year.

We have continued to build the resilience of our IT services and begun to address the Technical Debt of our IT estate which is expensive to run and inflexible due to infrastructure and services that have not been updated for many years. We have focused on our critical priorities and reduced the risk of being unable to recover our Central Database by bringing it back into support whilst we undertake the programme to fundamentally transform our core systems. In addition, we have updated our externally facing services to adhere to the government policy on Accessibility. As well as investing to tackle Technical Debt, we are ensuring that we have arrangements in place so that we do not allow problems to reoccur and that we maintain our IT estate going forward.

This was all delivered simultaneously with us responding to the impact of COVID-19. At the start of pandemic many of our people worked from home in-line with government guidance at that time. Initially 30% of our colleagues did not have the equipment to work remotely, who mainly worked in our contact centres. We worked closely with HMRC to expand our virtual private network to increase the number of connections to our systems. In parallel we purchased and built over 1,000 new devices to enable colleagues to work from home and rolled out MS Teams all by the end of the first quarter. Delivering this with the significant logistical challenges presented, with the rapid purchase of new devices at a time of high demand and the need to roll these out remotely, was a huge achievement.

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 beginning of the year, in light of the continued uncertainty from COVID-19, we did not publish a 2020-21 Business Plan. Instead, we set benchmark expectations against our key performance measures based on the targets within our 2019-20 business plan.

The table below sets out our performance in 2020-21 against these. For 2020-21 we met all of our performance expectations apart from challenge and fair rent timeliness.

Our check and challenge service faced unprecedented demand because of COVID-19. We therefore prioritised hardship cases and those nearing their statutory deadlines. This coupled together with need to deliver the Revaluation 2023 to a compressed timescale meant the challenge timeliness target could not be met.

COVID-19 also meant we had to adapt our fair rent process from one that was largely paper-based and relied on hard copy post to move to more digital ways of working. Whilst this happened cases built up and, while we have now dealt with the outstanding cases, our annual average timeliness in determining these cases was impacted.

Measure	Our performance expectations	Our 2020-21 performance	Our 2019-20 performance	
Timeliness				
Council tax	Clear 95% of reports within 90 working days.	97% cleared within 90 working days.	Cleared 95% within 90 working days.	Exceeded
Business rates	Clear 95% of reports within 90 working days.	97% cleared within 90 working days.	Cleared 97% within 90 working days.	Exceeded
Check and challenge service	Resolve 90% of check cases within three months of receipt.	97% resolved within three months of receipt.	92% resolved within three months of receipt.	Exceeded
	Resolve 90% of challenge cases resolved within 12 months of receipt.	43% resolved within 12 months of receipt.	Just under 60% resolved within 12 months of receipt.	Below target
Housing allowances	Where no inspections are required, determine more than 96% of housing benefit referrals within three working days.	96% of referrals determined within three working days.	Over 99% of referral determined within three working days.	Met
Fair rent	Determine 95% of fair rent cases within 40 working days.	55% determined within 40 working days.	Over 99% determined within 40 working days.	Below target

Measure	Our performance expectations	Our 2020-21 performance	Our 2019-20 performance	
Statutory valuations	Clear all initial appraisals for HMRC within an average of five working days.	All initial appraisal cleared within four working days.	All initial appraisal cleared within four working days.	Exceeded
	Report 80% of DWP cases within seven working days.	92% DWP cases reported within seven days.	82% DWP reported within seven days.	Exceeded
Valuation Quality[1]				
A check on the quality of our valuation, process compliance and timeliness in making a valuation decision	Achieve valuation quality of at least reliable, across all business areas.	Reliable.	N/A	Met
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.	99% of enquiries dealt with at first point of contact.	89% of enquiries dealt with at first point of contact.	Exceeded

[1] The agency's approach to measuring valuation quality changed for 2020-21, see page 13 for more detail.

SUSTAINABILITY REPORTING AND OUR ENVIRONMENTAL IMPACT

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

During 2020-21 actions taken include:

- Continued reduction in our greenhouse emissions across the estate and the business operations for the eleventh consecutive year
- Responsibly reduced waste from the Estates Transformation Programme through reuse of furniture & equipment
- Gained external accreditation for the estates team's Environmental Management System
- Provided tailored learning and development for the estates team on sustainable development

Next year alongside continuing with the above, we will be reviewing the estate to determine the optimum path towards achieving net zero carbon emissions by 2050.

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 and connect with the Sustainable Development Goals of Climate Action, and Responsible Consumption and Production. Our governance for sustainable development and environmental performance is through the Head of Location Transformation, and the Sustainability Manager.

The agency has achieved a significant reduction, compared with the 2009-10 baseline, against each commitment leading to exceeding our performance targets.

	Greenhouse gas emissions	**Reducing waste sent to landfill**	**Water**	**Paper**	**Domestic flights**
Target to 2021	To reduce the agency's emissions by 45% (government target 32%)	To send less than 10% of waste to landfill	To continue to reduce water consumption from 2014-15 onwards	To reduce paper usage by 50%	To reduce the number of domestic flights by 30%
Position at 31 March 2021	95% less emissions than in 2009-10	1%	68% reduction in overall water consumption since 2014-15	97%	98% [1]
Comment on performance against target	Exceeded	Exceeded	Continually improving	Exceeded	Exceeded

[1] The total number of domestic flights in 2020-2021 was much lower than originally anticipated due to the impact of COVID-19 travel regulations

Key things we did and are continuing to do

Greenhouse gas emissions

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

Reducing waste sent to landfill

- 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

- Relocating to water efficient premises.
- Proactively reminding people to report leaks across the estate.

Paper

- Invested in technology such as use of laptops and tablets, actively encouraging our people to cut their reliance on paper.
- Significantly reducing the number of operational printers when relocating to government hubs or modernising our offices.

Domestic flights

- 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 government hubs 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 69 to 101.

Over the course of the financial year we have been preparing for the next revaluation of business rates, delivering our operational services and managing our check and challenge service in a period which saw an unprecedent level of checks and challenges as a result of COVID-19.

The agency's principal financial objective is to operate within the budget and control totals set by HMRC. In 2020-21 the agency received vote funding of £158.2 million to support the full resource costs of delivering our commitments.

Finance summary

The below table shows a comparison between the financial periods 2020-21 and 2019-20 of income and key areas of expenditure. Further explanation of movements in funding is set out below.

	2020-21	**2019-20**
	£'000	£'000
Income	40,217	41,332
Expenditure:		
Staff costs	152,721	152,087
Purchase of goods and services, provision expense and other expenditure	28,754	46,129
Depreciation, amortisation and impairment charges	11,986	9,438
Net operating expenditure	**153,244**	**166,322**

Income

VOA recovers funding for the full costs of delivering objectives for other government departments, negotiated on an annual basis. Income is also generated from property advice and valuation service contracts to other clients within the wider public sector. The slight decrease in income in 2020-21 is due to the impact of COVID-19.

Expenditure

Staff costs

A detailed breakdown of staff costs can be found on page 55 within the staff report. Staff costs were £152.7m, a slight increase on the previous year. This was primarily due to an increased pay settlement.

Purchase of goods and services, provisions and other expenditure
Travel and expenses have reduced by £4.0 million in year to £0.6 million (2019-20: £4.6 million) due to the impact of COVID-19.

IT costs were £7.8 million, (2019-20: £13.6 million). The reduction is mainly due to the transfer of digital non-pay costs to HMRC as part of the digital integration and is an expansion to our existing agreement.

Depreciation, amortisation and impairment charges have increased by £2.5m due to the transfer of existing intangible IT assets to HMRC as part of our digital integration, also to new asset additions being depreciated over a shorter economic life.

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

> We invested £3.7 million in our IT capital assets in 2020-21 to provide infrastructure and equipment to support service deliver

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 86% of invoices were paid within five days.

Investment
We invested £3.7 million in our IT capital assets in 2020-21 to provide infrastructure and equipment to support service delivery. This included investment on the Business Systems Transformation and Revaluation 2023 programmes.

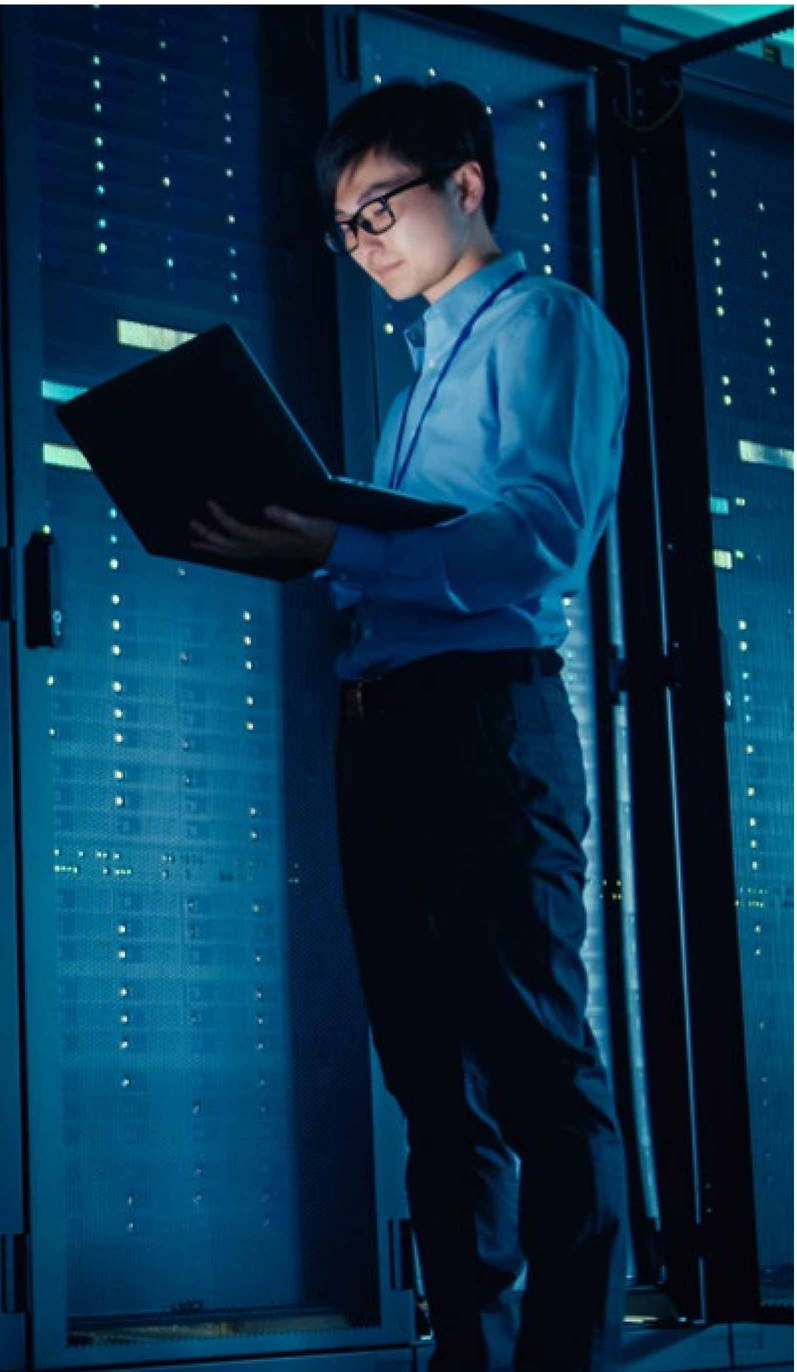
Financial outlook

We continued to deliver against most of our performance expectations, despite the challenges that the pandemic presented. On 21 July 2020, the government confirmed that the next revaluation would take place in 2023; as a result, we have begun the programme of work to deliver this and are on track against our plan.

We recognise that 2021-22 will continue to be challenging, whilst we emerge from the pandemic, given the need to deliver the next Revaluation in a shorter timescale alongside our other commitments.

On 25 March 2021 the government announced that COVID-19 measures which affect the occupation of a property will not be considered as an MCC. Secondary legislation has come into effect and applies to future cases, with primary legislation announced to apply retrospectively to cases already received. At the same time the government also announced an additional £1.5bn package to support business that had not already received business rates relief.

The VOA has contacted rate payers and agents who had submitted a Challenge MCC to advise them about the changes.



The government's fundamental review of business rates was published on 27 October 2021. The VOA will work through the financial and operational implications now the outcome has been announced.

Whilst we are undertaking a recruitment programme to bring in the additional resource needed to deliver the Revaluation 2023, constraints around qualified surveyor resource mean that it will continue to be very difficult to meet performance expectations on our check and challenge service. As such we will continue to prioritise hardship cases as well as those challenge cases near to the statutory deadline to minimise any impact this may have.

We have secured adequate funding which should enable us to meet our commitments, though the handling of COVID-19 MCCs in 2021-22 remains an issue to be worked through.

Securing continued investment for our IT transformation in future years will be a priority as part of the next Spending Review.

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.

J Russell

Jonathan Russell, CB
Chief Executive
28 October 2021

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

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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 2020 to 31 March 2021 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 2020-21 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. Jonathan Russell was appointed permanent Chief Executive on 9 September 2021.

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 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 2020-21

Strategy

- Agency strategy
- External affairs strategy
- Revaluation 2023
- Fundamental Review of Business Rates
- Compliance Strategy

Planning and Performance

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

Transformation

- Prioritisation of transformation portfolio
- Business systems transformation

COVID-19

- COVID-19 impact and response plan including handling of MCCs

Risk management

- Strategic risk review
- Risk horizon scan and risk appetite

Governance

- Board effectiveness

People

- Diversity and inclusion
- People Survey results
- Health and wellbeing strategy
- Workforce planning

The Board

The role of the Board is critical to our success as an executive agency and it provides advice and challenge on the agency's strategy, performance and capability.

The role of the Board is critical to our success as an executive agency and it provides advice and challenge on the agency's strategy, performance and capability.

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 2020-21 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. A key focus for the Board in 2020-21 has been to provide advice and challenge on the agency's COVID-19 response plan.

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 2020-21

Annual Report and Accounts

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

Audit and Assurance

- Head of Internal Audit's annual opinion for 2020-21
- Internal audit planning and management response to issues identified
- NAO planning and completion reports for the AR&A
- Transformation review outcomes
- Assurance mapping

COVID-19 Resilience and Security

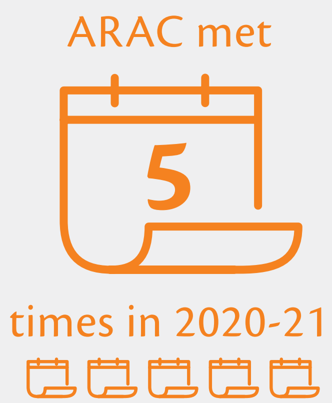
- Business continuity and lessons learnt from agency's COVID-19 response plan.
- Cyber security

Controls and processes

- Whistleblowing process
- Counter fraud
- Quality assurance of business-critical models
- Compliance with HR policies and processes

Risk management

- Risk management framework
- Risk report
- Deep dive: Technical Integration and Technical Health Programme
- 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 five times in 2020-21.

A key area of focus for the committee in 2020-21 has been advising and providing assurance on the VOA's business continuity arrangements and lessons learned in the response to COVID-19.

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.

> An independent board effectiveness review found the VOA's governance arrangements were working effectively and complied with best practice

Board effectiveness

A thorough analysis of the Board's effectiveness is conducted 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

As the last independent review of the agency's governance arrangements was undertaken in 2017-18, in line with best practice, the 2020-21 Board Effectiveness was conducted by our parent department, HMRC.

An independent board effectiveness review found the VOA's governance arrangements were working effectively and complied with best practice identified within HM Treasury Corporate Governance Code. Whilst no issues were identified a small number of areas for improvement were highlighted, which are already being implemented. One of which was to recruit an additional non-executive director to the Board, to help balance the composition.

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 a potential conflict of interest 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 (ExCom) 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 2020-21 ExCom met 22 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 2020-21 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: COVID-19 response plan, the check and challenge service including the handling of COVID-19 MCCs, the Fundamental Review of Business Rates, communications and engagement, Estates Strategy, Revaluation 2023 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

	Board	ARAC	ExCom
Non-executive directors			
Sue Hall	5 (5)	-	-
Terry Babbs	5 (5)	5 (5)	-
Stephen Hughes	4 (5)	5 (5)	-
Non-executive members			
Helen Aston	-	5 (5)	-
Robert Milburn	-	5 (5)	-
Executives			
Jonathan Russell [4]	5 (5)	-	19 (22)
Aneen Blackmore	5 (5)	-	21 (22)
Alan Colston	5 (5)	-	19 (22)
Derek Thomas	-	-	19 (22)
Carolyn Bartlett / Kirsty Wildgoose	5 (5)	-	21 (22)

4 Melissa Tatton was made Director General of the HMRC's COVID-19 Response Unit on 20 March 2020. Melissa continued in her role as Accounting Officer for the VOA, though was not required to attend Board meetings as Jonathan Russell was appointed acting CEO of the VOA on 25 March 2020 to manage day to day operations. He was appointed as interim Chief Executive and Accounting Officer from 7 September 2020 after Melissa took up a secondment opportunity with another organisation. She formally left the VOA on 31 March 2021 when her secondment position was made permanent. Jonathan Russell was appointed permanent Chief Executive on 9 September 2021.

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.

In 2020, the government revised the 'Orange Book', which sets out the risk management principles that all government organisations must apply. We have reviewed our risk management framework and can confirm that it is aligned and is fully compliant.

Risk management capability improvements

We are continuously looking for opportunities to enhance risk management capability across the agency. Specifically, in 2020-21 we have:

- reviewed our risk management framework and refreshed our Risk Appetite Statement in line with new government guidance, helping build a risk aware culture
- further enhanced the quality of information provided to the Board and its subcommittees to enable robust assurance over the management of strategic risks
- refreshed the agency's strategic risks to ensure that ExCom are managing those risks that have greatest potential impact on the organisation
- reviewed our risk appetite and increased our focus and analysis of risk exposure, to help ensure the necessary mitigating actions bring risks within tolerance

- strengthened the linkage between our top-level risks, our strategic objectives and appetite categories
- ensured that key risks and opportunities arising as a result of COVID-19 and other changes to the agency's operating environment, have been identified and are being managed effectively
- expanded 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 to identified risks, 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.

Throughout the year we have been continuously reviewing the impact of COVID-19 on our existing strategic risks. For most of the risks, the pandemic has increased the level of threat we face, meaning it has been necessary to identify and implement additional actions to ensure that we remain within agreed tolerance levels. Given the pandemic is an ongoing and evolving threat, we will continue to carefully consider the risks and potential impact of future developments.

Significant changes to the agency's strategic risks

Cyber Threats and Security – The level of risk facing the agency has reduced due to digital integration with HMRC, meaning that the VOA now benefits from more advanced and comprehensive cyber security controls.

Check and Challenge Service – The VOA's exposure to this risk has increased over the year, primarily reflecting the challenge of managing a significantly increased caseload, as a result of COVID-19.

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 2020-21:

Key risk	Key mitigating actions	Risk Rating and Trend[1]
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: • Updated the strategic workforce plan to give greater confidence of future staffing requirements • Reviewed the VOA performance expectations for 2020-21 in light of the impact of COVID-19 • Delivered a robust funding submission to HM Treasury ahead of Comprehensive Spending Review 2020, to help ensure that the VOA receives the funding required to deliver its strategic objectives.	
Leadership, capability and motivating our people: there is a risk that ineffective leadership causes disengagement amongst our people, challenging our ability to support the agency's 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 • Developed a more tailored and inclusive approach to recruitment through the Success Profiles recruitment system.	
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: • Continued digital integration with HMRC, providing the VOA with increased capacity and capability to identify, manage and respond to cyber-attacks. • Increased the agency's protection and resilience from cyber-attacks, including moving all staff onto Office 365, introducing new safeguards to prevent spam and phishing attacks and raising staff awareness through new and updated security guidance.	
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.	

[1] Trend shows how the risk assessment has changed from April 2020 to March 2021

Key risk	Key mitigating actions	Risk Rating and Trend[1]
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 have: • Implemented an Information Governance Framework, ensuring that information risks are identified and managed appropriately • Reviewed processes to ensure data is processed safely and securely • Delivered training to all staff highlighting the importance of GDPR and the proper use of data • Taken legal advice to confirm that any data shared is done so in compliance with legislation.	
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 have: • 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.	To mitigate this risk we have: • Established a head of check and challenge service delivery to lead check and challenge related work across all operational areas • Sought opportunities for further process efficiency • Accelerated cross-training of staff to help manage the increase in check and challenge cases resulting from COVID-19	
Revaluation 2023: there is a risk that we are unable to successfully deliver Revaluation 2023.	To mitigate this risk we have: • developed our delivery plans, including how we will work with local authorities, professional bodies and trade associations in planning and delivering Revaluation 2023 • worked to ensure we have the skills and resources we need to deliver.	NEW
Business Systems Transformation: there is a risk that the BST Programme cannot deliver the benefits or outcomes as described in the business case.	To mitigate this risk we have: • continued identifying 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.	
Customer Service: there is a risk that the agency does not modernise and adapt our customer service delivery to reflect changing customer behaviours and our strategic priorities.	To mitigate this risk we have: • enhanced internal quality assurance measures to ensure customers consistently receive the right level of service • developed a more joined-up approach to the work across the agency aimed at enhancing customer experience • ensured that customer contact channels remained available throughout the COVID-19 pandemic	NEW

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 24-25 of this annual report summarises performance against objectives and key performance indicators.

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 sponsorship

The agency has an agreed framework document in place 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 2020-21 this was based primarily on the 21 internal audits undertaken during the year.

An overall rating of 'Moderate' assurance was provided for third year running for the year ended 31 March 2021. The following points were highlighted to me in the report:

- Overall, control effectiveness has improved with a strong control framework in place for corporate functions such as finance and HR as well as information governance. Opportunities to enhance the first line operational controls were identified around alignment of guidance with revised processes and consistency in the application of quality assurance checks. This had already been identified through our Valuation Integrity second line assurance and actions were already underway to address.

- That we have a mature understanding of our risk profile and have effectively managed unprecedented levels of risks and issues as a result of COVID-19, with substantial assurance received on risk management across several audits. The VOA's risk profile remains challenging, reflecting the need to balance resources across competing priorities including the delivery of the Revaluation 2023, the check and challenge service and our transformational activities.

- Although improving challenges remain around the integration of the agency's Digital services with HMRC around the IT service relationship and balancing resources around managing technical debt and system enhancements.

- Whilst we have strong leadership and credible plans for our Business System Transformation, delivery remains extremely challenging given the scale, complexity and ambitious timelines of the programme. As a result, there remained a high level of inherent risk, which we continue to actively manage to bring within tolerance.

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 2021-22.

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 we have addressed the control challenges previously identified in relation to compliance issues with some corporate systems and weaknesses in assurance particularly around people management.

Following the simplification and streamlining of processes and guidance in this area last year, this year we have taken further steps to address this. A new risk-based approach to second line assurance around compliance has been implemented 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 17. 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 risk in its IT infrastructure in light of ageing platforms and legacy applications. We recognised that this would increase without significant investment in modernising our applications and IT infrastructure. A review was conducted which assessed the risk and informed our capital investment plans for 2020-21 and beyond.

In 2020-21 we began to build a robust technical foundation that is fit for purpose, for now and for the future by further integrating with HMRC's IT estate for workplace services and network; investing in stabilising our core application platform (the Central Database), our customer facing systems and; transitioning our systems to a more strategic datacentre and 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. This was supported by the findings of the independent review of our governance arrangements undertaken by the HMRC Sponsor Team in Spring 2020-21.

Conclusion

During 2020-21 we have faced an unprecedented level of uncertainty and challenges to manage as a result of the COVID-19 pandemic. The resilience and flexibility of our response plan has enabled us to continue to fulfil our statutory duties and deliver on our core services for our customers.

During this time, we have maintained the agency's control framework and robust arrangements were put in place to actively manage the risks relating to the impact of COVID-19 on the agency's operations. We inevitably had to make some risk-based adjustments to some key processes, where we did so, we put in additional monitoring and assurance to control the risk of error and fraud.

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 2020-21 have been resilient and flexible enough to respond to the ever changing priorities due to COVID-19 and effectively manage the risks and issues that have continued to emerge during the year.

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 2020-21 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.

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
Chief Executive
28 October 2021

DIRECTORS' REPORT

Executive Directors

JONATHAN RUSSELL

Chief Executive and Accounting Officer

ANEEN BLACKMORE

Chief Finance Officer

ALAN COLSTON

Chief Valuer

DEREK THOMAS

Chief Operating Officer

CAROLYN BARTLETT

Chief Strategy and Transformation Officer

{ Job-share }

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

SUE HALL

Lead Non-executive Director

TERRY BABBS

Non-executive Director

STEPHEN HUGHES

Non-executive Director

Directors

Full disclosure of the serving directors for 2020-21 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 10 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

This is reported on page 17.

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
Chief Executive
28 October 2021

ACCOUNTABILITY REPORT

REMUNERATION AND STAFF REPORT

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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 SCS 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.

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[5]
- reserved rights to London weighting or London allowances[5]
- recruitment and retention allowance[5]
- private office allowances and any other allowance to the extent that it is subject to UK taxation.[5]

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

Directors' bonus payments

For SCS's in the agency, bonus payments are awarded in relation to the performance of the individual throughout the year. The bonuses reported in 2020-21 relate to performance in 2019-20. The agency pays performance-related pay and bonuses in line with the scheme which applies to the SCS 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 53 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 (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

5 No such payments were made during 2020-21.

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 2020-21 was £125-£130k (2019-20: £160k-165k). This was 4.25 times (2019-20: 5.56) the median remuneration of the workforce, which was £30,000 (2019-20: £29,250). The decrease is a result of the highest paid director changing.

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 2020-21 (also in 2019-20) no employees received remuneration in excess of the highest paid director. Remuneration for all employees excluding pension benefits ranged from £19,845 to £125k-£130k (2019-20: £18,900 to £160k-£165k).

Remuneration

The following two tables provide details of the remuneration and pension interests of the agency's directors.

The information in these tables are subject to audit.

Directors' remuneration information

	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind [1] (to nearest £100)		Pension Benefits (£'000)		Total remuneration (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Jonathan Russell Interim Chief Executive and Chief People Officer [2]	120-125	100-105	5-10	10-15	-	700	15-20	35-40	145-150	155-160
Melissa Tatton Chief Executive (until 6 Sep 2020) [3]	65-70 (145-150 full year equivalent)	140-145 (145-150 full year equivalent)	10-15	10-15	-	200	25-30	50-55	100-105	210-215
Carolyn Bartlett Chief Strategy and Transformation Officer [4]	65-70 (75-80 full year equivalent)	10-15 (60-65 full year equivalent)	0-5	-	-	-	70-75	15-20	140-145	25-30
Aneen Blackmore Chief Finance Officer	110-115	110-115	5-10	10-15	-	-	40-45	40-45	160-165	165-170
Alan Colston Chief Valuer	95-100	95-100	0-5	-	700	14,600	45-50	135-140	140-145	250-255
Derek Thomas Chief Operating Officer	95-100	50-55 (90-95 full year equivalent)	0-5	-	-	-	125-130	85-90	225-230	140-145
Kirsty Wildgoose Chief Strategy and Transformation Officer [4]	65-70 (75-80 full year equivalent)	10-15 (60-65 full year equivalent)	0-5	-	-	-	70-75	10-15	135-140	20-25
Sue Hall Lead Non-executive Director	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Terry Babbs Non-executive Director	5-10	5-10 (full year equivalent 5-10)	-	-	-	-	-	-	5-10	5-10
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] Jonathan Russell moved from the alpha to the partnership pension scheme on 1 May 2020. Employer contributions to the partnership scheme for 2020-21 totalled £19,500 and are not reflected in the table above. Jonathan Russell was appointed acting CEO of the VOA on 25 March 2020 to manage day to day operations. He was appointed as interim Chief Executive and Accounting Officer from 7 September 2020 and appointed permanent Chief Executive on 9 September 2021. The salary figure in the table above reflects the fact that he has been acting in the Chief Executive role throughout 2020-21.

[3] Melissa Tatton took up a secondment opportunity with another organisation from 7 September 2020 to 31 March 2021. She formally left the VOA on 31 March 2021 when her secondment position was made permanent.

[4] Carolyn Bartlett and Kirsty Wildgoose carry out the role of Chief Strategy and Transformation Officer on a job-share arrangement. Part-time hours were increased for both individuals in March 2021.

Directors' pensions

	Accrued pension at pension age - as at 31 March 2021 and related lump sum £'000	Real increase in pension age at 65 and related lump sum £'000	CETV at 31 March 2021 £'000	CETV at 31 March 2020 £'000	Real increase in CETV £'000
Jonathan Russell Interim Chief Executive and Chief People Officer	40 - 45 plus lump sum of 125 - 130	0 - 2.5 plus lump sum of 0 - 2.5	969	951	16
Melissa Tatton Chief Executive (until 6 Sep 2020) [1]	55 - 60 plus a lump sum of 120-125	0 – 2.5 plus a lump sum of 0 - 2.5	1,068	1,047	15
Carolyn Bartlett Chief Strategy and Transformation Officer	30 – 35 plus lump sum of 65 - 70	2.5 – 5 plus lump sum of 5 – 7.5	487	417	45
Aneen Blackmore Chief Finance Officer	10 - 15	2.5 - 5	124	96	16
Alan Colston Chief Valuer	40 - 45 plus a lump sum of 85 - 90	2.5 - 5 plus a lump sum of 0 - 2.5	735	680	27
Derek Thomas Chief Operating Officer	35 - 40 plus a lump sum of 80 - 85	5 - 7.5 plus a lump sum of 10 - 12.5	644	530	91
Kirsty Wildgoose Chief Strategy and Transformation Officer	25 - 30	2.5 - 5	356	296	46

[1] The prior year CETV figure has been recalculated due to revision to adjustment factors used in the calculation

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:

	2020-21	2019-20
Total	3,231	3,282
Permanently employed staff	3,040	3,051
Others	191	231

Staff costs comprise:

	Permanently employed staff (£'000)		Others (£'000)		Total (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Wages and salaries	106,007	104,958	5,667	6,174	111,674	111,132
Social security costs	10,873	9,352	260	229	11,133	9,581
Other pension costs	28,202	27,408	923	851	29,125	28,259
	145,082	**141,718**	**6,850**	**7,254**	**151,932**	**148,972**
Less recoveries in respect of outward secondments	(88)	(102)	-	-	(88)	(102)
Total staff costs	**144,994**	**141,616**	**6,850**	**7,254**	**151,844**	**148,870**

The staff expenditure detailed above includes contingent labour and consultancy expenditure. The total amount for contingent labour expenditure in 2020-21 was £0.5 million (2019-20: £1.5 million), and the total consultancy expenditure within staff costs for 2020-21 was £1.1 million (2019-20: £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 10 to the financial statements.

Civil Service pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes. The agency is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Civil Service Pensions : Resource Accounts (civilservicepensionscheme.org.uk).

For 2020-21, employer contributions of £27.6 million (2019-20: £26.3 million) were payable to the PCSPS and alpha at one of four rates during 2020-21 (and 2019-20) in the range of 26.6% - 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary review of employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-2021, 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 £185,864 (2019-20: £139,269) were paid to one or more of the appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%.

The agency also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £6,971 (2019-20: £5,521, 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 £18,452 (2019-20: £12,427).

Four employees retired on ill-health grounds during 2020-21, with a total additional accrued pension liability of £21,717 (there were six in 2019-20 with a total additional accrued pension liability of £40,469).

Early departure costs

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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
< £10,000	-	-	31	4	31	4
£10,001 - £25,000	-	-	30	21	30	21
£25,001 - £50,000	-	-	28	38	28	38
£50,001 - £100,000	-	-	3	15	3	15
£100,001 - £150,000	-	-	-	-	-	-
Total no. exit packages by type	-	-	92	78	92	78
Total operating cost (£'000)	**-**	**-**	**1,908**	**2,664**	**1,908**	**2,664**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The table above shows the total cost of exit packages agreed and accounted for in 2020-21 (2019-20 comparative figures are also given). £2.41m exit costs were paid in 2020-21, the year of departure (2019-20: £4.67m). 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 of off-payroll appointments

In line with HM Treasury guidance on off-payroll appointments, tables 1 and 2 below provide information on our highly paid and/or senior off-payroll appointments; off-payroll appointments are those which are not on the agency's payroll.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2021, earning £245 per day[6] or greater

	Valuation Office Agency
No. of existing engagements as of 31 March 2021	**2**
Of which:	
No. that existed < 1 year	**2**

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2021, earning £245 per day[6] or greater

	Valuation Office Agency
No. of temporary off-payroll workers engaged during the year ended 31 March 2021	**5**
Of which:	
Not subject to off-payroll legislation[7]	**0**
Subject to off-payroll legislation and determined as in-scope of IR35[7]	**5**
Subject to off-payroll legislation and determined as out-of-scope of IR35[7]	**0**
No. of engagements reassessed for compliance or assurance purposes during the year	**1**
Of which: No. of engagements that saw a change to IR35 status following review	**0**

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021:

	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.	**7**

6 The £245 threshold is set to approximate the minimum point of the pay scale for a Senior Civil Servant.

7 A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the agency must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

STAFF REPORT

Our staff and senior civil servants numbers

On 31 March 2021 the agency had

3,307

full-time equivalent (FTE) people working for us, including senior management.

Since 31 March 2020 our headcount decreased by **25** (net)

Staff turnover

The VOA's staff turnover percentage for 2020-21 was **5.8%**

Senior Civil Service (SCS)

As of 31 March 2021, the agency has

22 SCS employees and **21** SCS posts

Data as of 31 March 2021 (headcount not FTE):

Grade:	SCS3	SCS2	SCS1
	2	5	15

Data as of 31 March 2021 (headcount not FTE):

	Female	Male	Total
SCS	10	12	22
Other staff	1,843	1,708	3,551
Totals	1,853	1,720	3,573

Declared ethnicity category of employees:

The agency's ethnicity data is drawn from information voluntarily provided by employees. Of 3,573 employees (headcount rather than FTE) at 31 March 2021, 2,462 have provided a response which is a declaration rate of 69% and a further 185 employees chose not to declare.

In accordance with Cabinet Office guidance, we exclude those who have chosen not to declare their ethnicity when calculating declaration rates and the proportion of ethnic minority staff in the agency.

	Ethnic Minority	% Ethnic Minority	Total declared	Total not declared	Total responses	% declared
G7, G6 and SCS	19	6	319	31	350	76
AA to SEO	294	14	2,143	154	2,297	68

The agency is committed to supporting ethnic minority colleagues and increasing representation in line with wider Civil Service aspirations.

Internally, our race diversity group has launched a Mentor Me scheme and colleagues can access specific development programmes across the Civil Service.

The agency is included in HMRC's ambitious goals for representation at Senior Civil Service level and will be working closely with them over the next year to achieve those goals.

Gender pay gap analysis:

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 31 March 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	£14.43	£16.04	10.0%
Median	£12.93	£13.85	6.6%

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.

The gender pay gap report for 2020-21 has been delayed by the Equality & Human Rights Commission until December 2021 because of the impact of COVID-19.

Trade union relationships

The VOA manages relationships with the trade union in accordance with current best practice.

Sickness absence data

	Working Days
2020-21 (as at 31 March 21)	4.6
2019-20 (as at 31 March 20)	7.1
Civil Service target	7.0

ACCOUNTABILITY REPORT

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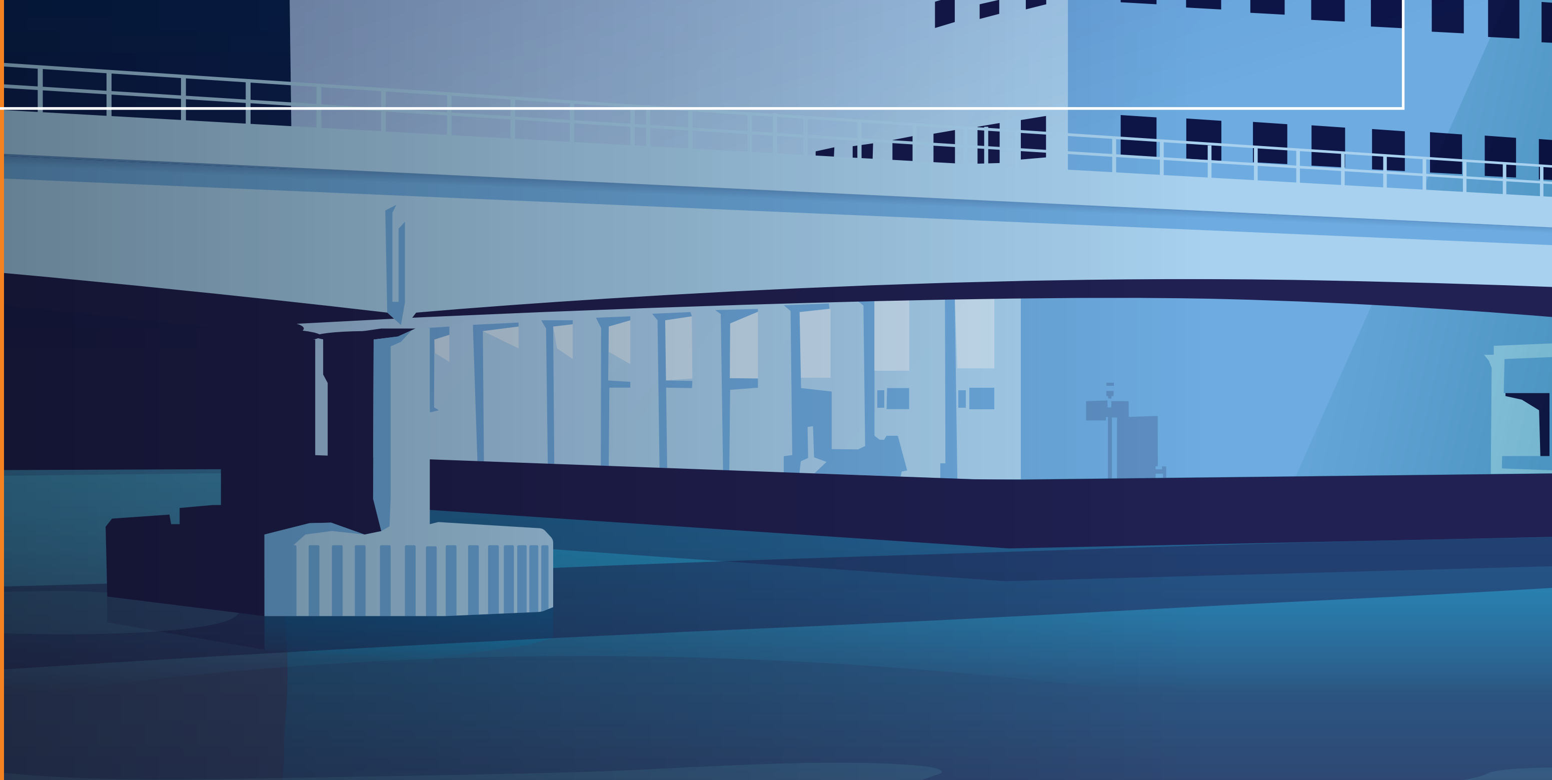


PARLIAMENTARY DISCLOSURES

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 2021.

Losses and special payments

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 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
Chief Executive
28 October 2021

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 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the Valuation Office Agency 's net operating expenditure for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Valuation Office Agency in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Valuation Office Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Valuation Office Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Valuation Office Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Valuation Office Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Valuation Office Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the Valuation Office Agency will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Valuation Office Agency's internal audit team and those charged with governance, including obtaining and reviewing supporting documentation relating to the Valuation Office Agency's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Valuation Office Agency's controls relating to the Government Resources and Accounts Act 2000, Managing Public Money and pensions legislation;
- discussing among the engagement team and involving relevant external specialists, including pensions specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and defined benefit pensions assets and liabilities;

- obtaining an understanding of the Valuation Office Agency's framework of authority as well as other legal and regulatory frameworks that the Valuation Office Agency operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Valuation Office Agency. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, legislation governing the statutory functions of valuation officers, employment law, tax legislation, health and safety legislation and pensions legislation;
- performing analytical procedures on forecast income and expenditure against prior year outturn to identify any unusual movements or new transaction streams; and
- reviewing areas of spend against Cabinet Office spending controls categories.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- obtaining evidence of Cabinet Office approval for expenditure identified to be covered by spending controls.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

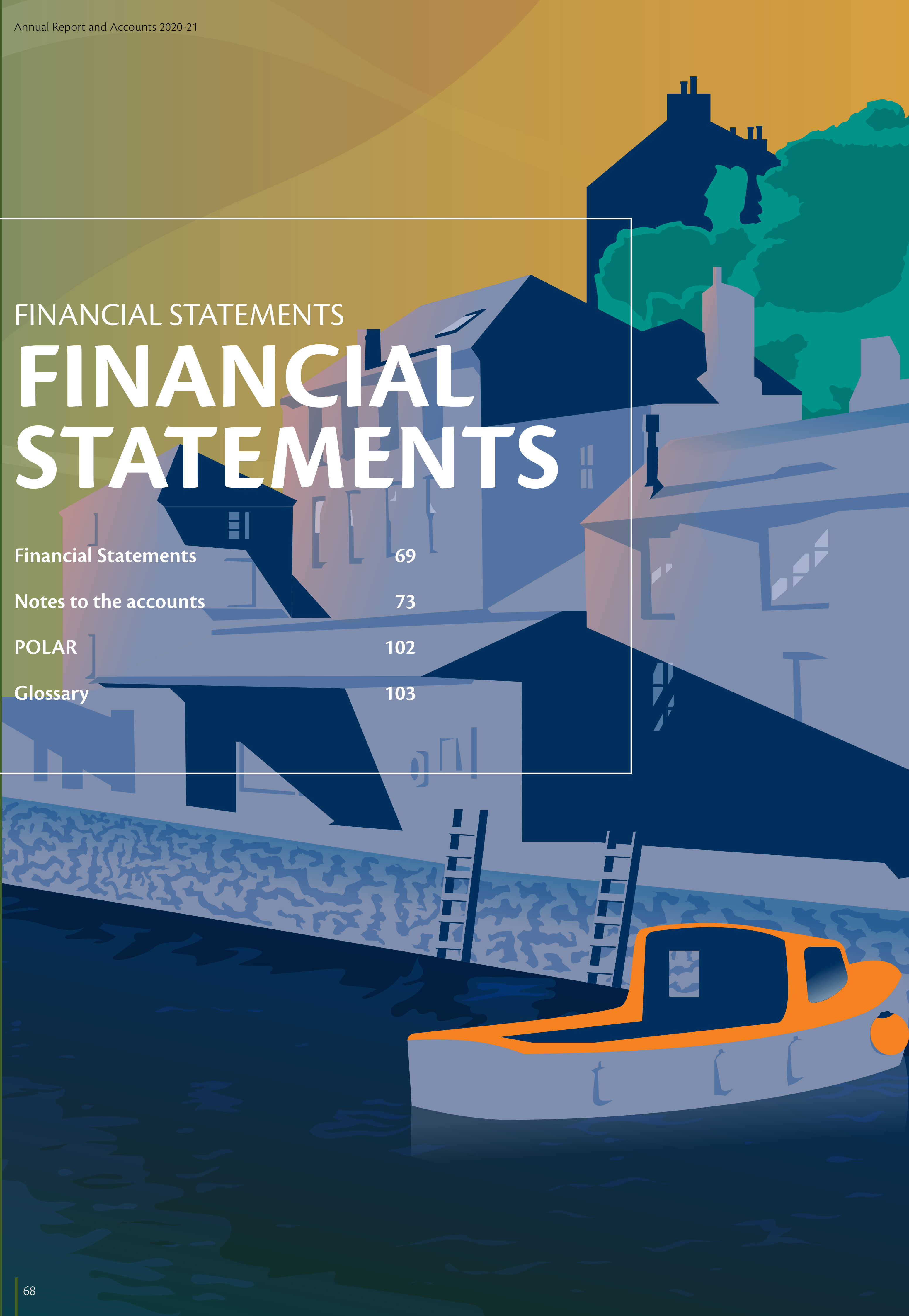
In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and the Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
1 November 2021



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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Statement of Comprehensive Net Expenditure (SoCNE) for the year ended 31 March 2021

		2020-21	2019-20
	Note	**Total** £'000	**Total** £'000
Revenue from contracts with customers	3	**40,217**	**41,332**
Staff costs	4	(152,721)	(152,087)
Purchase of goods and services	4	(28,588)	(46,123)
Provision expense	4	180	112
Other operating expenditure	4	(346)	(118)
Depreciation, amortisation and impairment charges	4	(11,986)	(9,438)
Total operating expenditure	4	**(193,461)**	**(207,654)**
Net operating expenditure for the year		**(153,244)**	**(166,322)**
Other comprehensive net expenditure:			
Net gain on revaluation of tangible assets	5	-	151
Net gain on revaluation of intangible assets	6	329	406
Actuarial loss on pension fund	10	(395)	(368)
Re-measurement of net defined pension asset for changes in asset ceiling	10	170	(465)
Comprehensive net expenditure for the year		**(153,140)**	**(166,598)**

The notes on pages 73 to 101 form part of these accounts.

Statement of Financial Position as at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	7,176	7,810
Intangible assets	6	15,280	20,172
Pension asset	11	5,820	6,731
Total non-current assets		**28,276**	**34,713**
Current assets			
Trade and other receivables	7	4,774	6,270
Contract assets		1,611	1,799
Cash and cash equivalents	8	33,785	29,056
Total current assets		**40,170**	**37,125**
Total assets		**68,446**	**71,838**
Liabilities			
Current liabilities			
Trade and other payables	9	(32,082)	(27,352)
Provisions		(950)	(1,130)
Amounts payable to the Consolidated Fund	8	(1,578)	(1,541)
Total current liabilities		**(34,610)**	**(30,023)**
Total assets less current liabilities		**33,836**	**41,815**
Non-current liabilities			
Total non-current liabilities		**-**	**-**
Total assets less total liabilities		**33,836**	**41,815**
Taxpayers' equity and other reserves			
General fund		33,369	40,935
Revaluation reserve		467	880
Total equity		**33,836**	**41,815**

The notes on pages 73 to 101 form part of these accounts.

Jonathan Russell, CB
Chief Executive
28 October 2021

Statement of Cash Flows for the year ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Cash flows from operating activities			
Net operating expenditure		**(153,244)**	**(166,322)**
Adjustments for non-cash transactions:			
Depreciation of property, plant and equipment	5	2,441	2,548
Amortisation of intangible assets	6	8,482	6,890
Net loss on disposal of non-current assets	4	1,063	-
Creation and reversal of provisions		(180)	(322)
Use of provisions		-	(5,673)
Notional auditor's remuneration	4	95	85
Pension fund expenditure passing through the SoCNE	10	1,306	1,806
Movements on pension asset and pension fund income and expenditure not passing through the SoCNE		(620)	(634)
Pension fund contribution not passing through SoCNE	10	678	675
Decrease in trade and other receivables	7	1,496	2,707
Decrease in contract assets		188	121
Increase in trade and other payables	9	4,767	7,497
Less movements in payables relating to items not passing through operating costs		(5,235)	(178)
Net cash outflow from operating activities		**(138,763)**	**(150,800)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,028)	(846)
Purchase of intangible assets	6	(1,301)	(5,516)
Net cash outflow from investing activities		**(2,329)**	**(6,362)**
Cash flows from financing activities			
Parliamentary funding received		145,825	163,688
Receipts on behalf of the Consolidated Fund		38	213
Capital element of payments in respect of on-balance sheet PFI contracts		(42)	(35)
Net cash inflow from financing activities		**145,821**	**163,866**
Net increase in cash and cash equivalents in the period		**4,729**	**6,704**
Cash and cash equivalents at the beginning of the period	8	**29,056**	**22,352**
Cash and cash equivalents at the end of the period	8	**33,785**	**29,056**

The notes on pages 73 to 101 form part of these accounts.

Statement of Changes in Taxpayers' Equity (SoCTE) for the year ended 31 March 2021

		2020-21			2019-20		
	Note	General fund £'000	Revaluation reserve £'000	Tax payers' equity £'000	General fund £'000	Revaluation reserve £'000	Tax payers' equity £'000
Opening balance		**40,935**	**880**	**41,815**	**43,146**	**819**	**43,965**
Changes in taxpayers' equity for the period							
Parliamentary funding received		145,825	-	145,825	163,688	-	163,688
Net gain on revaluation of tangible assets	5	-	-	-	-	151	151
Net gain on revaluation of intangible assets	6	-	329	329	-	406	406
Comprehensive net expenditure for the year		(153,244)	-	(153,244)	(166,322)	-	(166,322)
Asset transfer to HMRC	4	(1,437)	-	(1,437)	-	-	
Actuarial loss on pension fund	10	(395)	-	(395)	(368)	-	(368)
Remeasurement of net defined pension asset for changes in asset ceiling		170	-	170	(465)	-	(465)
Third party pension liability payments	10	678	-	678	675	-	675
Transfer between reserves		742	(742)	-	496	(496)	-
Notional charges - auditor's remuneration	4	95	-	95	85	-	85
Balance carried forward		**33,369**	**467**	**33,836**	**40,935**	**880**	**41,815**

The notes on pages 73 to 101 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 2020-21 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.

The accounts have been prepared in accordance with the direction given by HM Treasury on 23 December 2020, in accordance with Section 7(1), (2) and (5) of the Government Resource and Accounts Act 2000.

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 (until 31 March 2021), 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 1.8).

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 1.9).

PFI assets recorded under International Financial Reporting Interpretations Committee 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 SOCNE. 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 SOCNE. 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, and 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 SOCNE 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 10).

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 International Accounting Standard 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. This arrangement ended on 31 March 2021 as planned.

Details of the agency's PFI arrangements can be found in note 12.

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 SOCNE over the period of the lease term, in order to reflect the consumption of economic benefit. Future obligations for the lease rentals for the period ended 31 March 2021 are disclosed in note 11.

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

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. Estimates are made based on past experience and legal advice.

Measurement of the LGPS pension asset (note 10)

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 and flexi 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 and flexi balances. 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 2 Operating segments for the year ended 31 March 2021

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 ExCom. The segmental analysis below is based on the detail presented to ExCom who review financial information based on three reportable segments, with corporate services costs distributed across each line:

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 in England and Wales.

The Welsh Government fund our work in Wales, contributing £8.7million (2019-20 £9.1 million). The remainder is principally funded through Parliamentary Supply, shown in the Statement of Changes in Taxpayers' Equity.

District Valuer Services

Delivery of a range of statutory and non-statutory functions, principally;

- Provision of valuation advice for national taxation purposes to HMRC on areas such as inheritance tax and capital gains tax £7.7 million (2019-20; £7.2 million)
- Determinations of value for Right to Buy (RTB) in England £0.9million (2019-20; £1.4million)
- Wider provision of valuations and property advice for other public bodies to support statutory functions, delivery of government policies and estates strategies £13.4 million (2019-20 £14.4million)

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 £6.9 million (2019-20: £6.8 million) and additional work done is carried out for MHCLG, contributing £1.6 million (2019-20: £1.8 million).

	2020-21			2019-20		
	Income from fees and charges	**Full cost of providing services**	**Surplus/ (deficit)**	**Income from fees and charges[1]**	**Full cost of providing services**	**Surplus/ (deficit)**
	£'000	£'000	£'000	£'000	£'000	£'000
Business rates and council tax	9,700	164,698	(154,998)	9,707	174,809	(165,102)
District Valuer Services	22,016	19,917	2,099	22,982	22,106	876
Local Housing Allowances and fair rents	8,501	7,539	962	8,643	8,933	(290)
Total	**40,217**	**192,154**	**(151,937)**	**41,332**	**205,848**	**(164,516)**

[1] In 2019-20, the VOA chose to include Parliamentary Supply funding within the 'Income from fees and charges' heading, in order to demonstrate how the total of the agency's funding streams aligned to its full costs. For 2020-21, the presentation has been changed to show income received from fees charged to customers only, in order to reflect the accounting distinction between income and Supply funding recognised in taxpayers' equity. Prior year comparatives have been re-presented to align with this treatment. Parliamentary Supply funding received, which funds those of the VOA's costs not covered by fee income charges to customers, continues to be shown within the Statement of Changes in Taxpayers' Equity on page 70.

Reconciliation to Statement of Comprehensive Net Expenditure

	2020-21 £'000	2019-20 £'000
Surplus/(Deficit) per above	(151,938)	(164,516)
Non-cash pension costs not recovered from clients	(1,306)	(1,806)
Total net comprehensive expenditure	**(153,244)**	**(166,322)**

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 2020-21 the agency has recognised £40.2 million (2019-20: £41.3m) of revenue from contracts with customers.

The following disclosures describe the material[8] 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 and; • Statutory Valuations Team (HMRC).	• Property Services; • Statutory Valuations Team (DWP); and • Statutory Valuations Team (Right to Buy).
Total revenue recognised	£25.1m	£14.5m
Timing of Revenue Recognition (and satisfaction of performance obligations)	Over time (1)	Over time (2)

8 The remaining revenue (£0.6m) has been included within the "Business rates and council tax" segment in note 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 included within trade and other receivables (note 7).

Note 4 Expenditure for the year ended 31 March 2021

	Note	2020-21 £'000	2019-20 £'000
Staff costs			
Wages and salaries		111,674	111,132
Social security costs		11,133	9,581
Other pension costs		29,125	28,259
Early departure costs		877	3,217
Less recoveries in respect of outward secondments		(88)	(102)
		152,721	**152,087**
Purchases of goods and services			
IT service charges		7,748	7,338
Accommodation costs		12,372	12,232
Travel and subsistence		619	4,605
HMRC service charges		1,909	8,371
Other computing costs		29	6,229
Postage and couriers		675	1,355
External training		1,290	1,151
Contracted-out services		960	1,267
Management and IT consultancy		1,089	90
Subscriptions		1,478	1,421
PFI Finance charges		10	18
Sundry costs		409	2,046
		28,588	**46,123**
Provision expense			
Provision movements in-year		(180)	(112)
		(180)	**(112)**
Other operating expenditure			
Auditor's notional remuneration		95	85
Losses and special payments		70	33
Bad debt write off		181	-
		346	**118**
Depreciation, amortisation and impairment charges			
Depreciation of property, plant and equipment	5	2,441	2,548
Amortisation of intangible assets	6	8,482	6,890
Net loss on disposal of non-current assets		2,500	-
Asset transferred to HMRC		(1,437)	-
		11,986	**9,438**
Total operating expenditure		**193,461**	**207,654**

A further breakdown of staff costs, details of pension costs and exit packages, can be found on pages 55 to 59 in the Remuneration and Staff Report.

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.

The budget and accountability for VOA IT services and staff costs had transferred to HMRC in 2020-21. As a result of this transfer, a number of items included above are not directly comparable year on year. Our digital and IT team integrated with HMRC during 2019-20 however, VOA retained control and ownership of all related digital and IT non-current assets until the end of this financial year, at which time these assets were also transferred to HMRC. The total cost for the IT and digital services provided to VOA by HMRC for 2020-21 was £18.95 million.

Note 5 Property, plant and equipment

	Buildings £'000	**Accommodation refurbishments** £'000	**Assets under construction** £'000	**Information technology hardware and telecommunications equipment** £'000	**Furniture, fittings and office equipment** £'000	**Total** £'000
Cost or valuation:						
At 1 April 2020	5,219	9,288	805	11,880	6,193	**33,385**
Additions	-	-	3,892	-	-	**3,892**
Disposals	(5,219)	(5,315)	-	(6,626)	(1,857)	**(19,017)**
Reclassifications	-	(362)	(421)	1,095	(62)	**250**
Revaluations	-	-	-	-	-	**-**
At 31 March 2021	**-**	**3,611**	**4,276**	**6,349**	**4,274**	**18,510**
Depreciation:						
At 1 April 2020	5,060	8,618	-	8,732	3,165	**25,575**
Charged in the year	159	(4)	-	1,798	488	**2,441**
Disposals	(5,219)	(5,295)	-	(4,770)	(1,398)	**(16,682)**
Revaluations	-	-	-	-	-	**-**
At 31 March 2021	**-**	**3,319**	**-**	**5,760**	**2,255**	**11,334**
Net book value:						
At 31 March 2021	**-**	**292**	**4,276**	**589**	**2,019**	**7,176**
At 31 March 2020	**159**	**670**	**805**	**3,148**	**3,028**	**7,810**

Historically the agency's buildings included above were PFI financed however, this 20 year arrangement ceased on 31 March 2021 hence the disposal of this asset classification at year end.

Disposals of Accommodation refurbishments relate to premises that have been vacated during the year, however, the net impact of these disposals has been low as the majority of assets have been fully depreciated.

As highlighted in note 4, a number of digital assets previously owned by VOA that were included within Information Technology Hardware, were transferred to HMRC on 31 March 2021 as part of the digital integration programme. This has been recorded as an asset transfer totalling £1.4million in the Statement of Changes in Taxpayers Equity.

All other property, plant and equipment are owned, and no donated assets were held during the year (31 March 2020: nil).

	Buildings £'000	Accommodation refurbishments £'000	Assets under construction £'000	Information technology hardware and telecommunications equipment £'000	Furniture, fittings and office equipment £'000	Total £'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**

Note 6 Intangible assets

	Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation:			
At 1 April 2020	78,817	5,314	**84,131**
Additions	-	3,676	**3,676**
Disposals	(2,311)	-	**(2,311)**
Reclassifications	2,885	(3,135)	**(250)**
Revaluations	1,142	-	**1,142**
At 31 March 2021	**80,533**	**5,855**	**86,388**
Amortisation:			
At 1 April 2020	63,959	-	**63,959**
Charged in the year	8,482	-	**8,482**
Disposals	(2,146)	-	**(2,146)**
Revaluations	813	-	**813**
At 31 March 2021	**71,108**	**-**	**71,108**
Net book value:			
At 31 March 2021	**9,425**	**5,855**	**15,280**
At 31 March 2020	**14,858**	**5,314**	**20,172**

The developed software assets above are held at revalued amounts. If they had been held at historic cost their carrying value would have been £9.132 million (31 March 2020: £14.124 million).

	Developed Software £'000	Assets Under Construction £'000	Total £'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 2018	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**

Note 7 Trade receivables and other assets

Amounts falling due within one year:	31 March 2021 £'000	31 March 2020 £'000
Trade and other receivables	4,156	5,105
Prepayments	618	1,165
Total	**4,774**	**6,270**

Note 8 Cash and cash equivalents

At 31 March 2021, the agency held £33.8 million (31 March 2020: £29.1 million) of cash in the bank, which forms part of the exchequer pyramid.

The cash balance disclosed above includes £1.578 million (31 March 2020: £1.541 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

Amounts falling due within one year	31 March 2021 £'000	31 March 2020 £'000
Trade and other payables	374	896
Accruals and deferred income	22,618	19,164
Employee leave accrual	9,090	7,292
	32,082	**27,352**

Note 10 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 2021 have been made using information supplied by the scheme actuary, Barnett Waddingham LLP. The actuary prepared this information by rolling forward the value of the employer's liabilities calculated at the last formal valuation, performed as at 31 March 2019, and completed in December 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 £0.5 million due to re-measurement to the asset ceiling under IAS 19 has resulted in a pension asset of £5.8 million at 31 March 2021, having previously been an asset of £6.7 million at 31 March 2020.

The performance of the scheme assets during the year has been stronger showing a positive return of £25.1m. However, this has been offset by losses of £29.3m arising from changes in financial assumptions.

In 2020-21, the agency made contributions at a rate of 21.0% (2019-20: 21.0%) of pensionable salary. The total cash contribution that the agency expects to make to the LGPS scheme in the year to 31 March 2022 is £0.651 million.

Transactions relating to the Local Government Pension Scheme

	2020-21		2019-20	
	£'000	**% of pay**	**£'000**	**% of pay**
Service cost	1,249	21.2%	1,904	28.0%
Net interest on defined liability	(169)	-2.9%	(342)	-5.0%
Administrative expenses	226	3.8%	244	3.6%
	1,306	**22.1%**	**1,806**	**26.6%**
Actual return on scheme assets	**28,402**		**(687)**	

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

	2020-21 £'000	**2019-20** £'000
Return on plan assets in excess of interest	25,068	(4,574)
Other actuarial gains on assets	-	(6,404)
Actuarial (losses)/gains arising from changes in financial assumptions	(29,248)	12,136
Actuarial gains arising from changes in demographic assumptions	1,593	(396)
Experience loss on defined benefit obligation	2,192	(1,130)
Actuarial gain recognised in Statement of Changes in Taxpayers' Equity	**(395)**	**(368)**

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 2021 £'000	**31 March 2020** £'000
Fair value of scheme assets	197,169	174,059
Present value of funded liabilities	(178,366)	(154,219)
Net asset	18,803	19,840
Present value of unfunded obligations	(339)	(295)
Remeasurement of net defined benefit pension asset for changes in asset ceiling	**(12,664)**	**(12,814)**
Net asset in the Statement of Financial Position	**5,820**	**6,731**

Reconciliation of present value of the scheme liabilities

	31 March 2021 £'000	31 March 2020 £'000
Opening defined benefit obligation at 1 April	154,514	166,339
Service cost	1,241	1,240
Interest cost	3,165	3,545
Remeasurements losses/(gains) arising from changes in financial assumptions	29,275	(12,155)
Experience losses/(gains) on defined beneficial obligation	(2,192)	1,130
Remeasurements losses/(gains) arising from changes in demographic assumptions	(1,593)	396
Estimated benefits paid	(5,867)	(6,752)
Past service costs, including curtailments	8	664
Contributions by scheme participants	171	124
Estimated unfunded benefits paid	(17)	(17)
Closing defined benefit obligation at 31 March	**178,705**	**154,514**

Reconciliation of fair value of the scheme assets

	31 March 2021 £'000	31 March 2020 £'000
Opening fair value of assets at 1 April	174,059	187,424
Interest on assets	3,334	3,887
Return on assets less interest	25,068	(4,574)
Other actuarial losses	-	(6,404)
Administration expenses	(226)	(244)
Contributions by the employer including unfunded	678	675
Contributions by scheme participants	171	124
Estimated benefits paid plus unfunded net of transfers in	(5,915)	(6,829)
Estimated fair value of scheme assets at 31 March	**197,169**	**174,059**

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 it would be liable for these costs. DWP also accepts that if it cannot meet these costs, it will seek additional funding from HM Treasury to address any shortfall.

In line with HM Treasury accounting guidance, DWP cannot fund the agency for the amounts recognised as operating costs above. These costs totalling £1.31 million for 2020-21 (2019-20: £1.81 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	176,075	178,705	181,376
Projected service cost	1,378	1,409	1,440
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	178,872	178,705	178,538
Projected service cost	1,409	1,409	1,408
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	181,183	178,705	176,261
Projected service cost	1,440	1,409	1,378
Adjustment to life expectancy assumptions	+1 year	None	- 1 year
Present value of total obligation	188,070	178,705	169,817
Projected service cost	1,473	1,409	1,346

History of surplus or deficit in the scheme

	31 March 2021 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2017 £'000
Fair value of employer assets	197,169	174,059	187,424	176,679	172,476
Fair value of defined benefit obligations	(178,705)	(154,514)	(166,339)	(166,301)	(171,393)
Net surplus/(deficit) arising from defined benefit obligation before asset ceiling adjustment	**18,464**	**19,545**	**21,085**	**10,378**	**1,083**

Financial assumptions

	31 March 2021 % per year	31 March 2020 % per year
RPI increases	3.4%	2.9%
CPI increases	2.9%	2.0%
Salary increases	3.9%	3.0%
Pension increases	2.9%	2.0%
Discount rate	2.0%	2.4%

The discount rate is the annualised yield at the 15 year point on the Merrill Lynch AA rated corporate bond yield curve.

Composition of scheme assets

	31 March 2021		31 March 2020	
	£'000	%	£'000	%
Equities	109,472	56%	93,944	54%
Target return funds	45,243	23%	44,845	26%
Alternative assets	34,220	17%	29,959	17%
Cash	8,234	4%	5,311	3%
	197,169		**174,059**	

Demographic and statistical assumptions

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

	31 March 2021	31 March 2020
Retiring today:		
Males	21.8	21.7
Females	23.9	24.0
Retiring in 20 years:		
Males	22.5	23.1
Females	25.7	25.5

The post retirement mortality is based on the Club Vita mortality analysis, projected using the CMI_2020, allowing for a long-term rate of improvement of 1.25% per annum and adopting the default smoothing parameter of 7.0, an initial addition parameter of 0.5% per annum. The new 2020 CMI model also introduces a 2020 weight parameter (25%) for the mortality rate to incorporate the exceptional mortality experienced due to coronavirus without having a disproportionate impact on results. 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 11 Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31 March 2021 £'000	31 March 2020 £'000
Obligations under operating leases comprise:		
Land and buildings		
Not later than one year	5,124	3,146
Later than one year and not later than five years	12,576	4,601
Later than five years	18,141	7,112
	35,841	**14,859**

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 12 Commitments under PFI contracts

In April 2001 HMRC, the agency's sponsor department, 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. HMRC negotiated the contract and the VOA is not itself a party to the contract, however as part of the sponsor department the agency is effectively bound by the contract's terms. Therefore, liabilities and commitments are recorded relating to building that the agency is responsible for. The contract ended in March 2021.

(a) Off-balance sheet

On the basis the PFI contract ended in March 2021, there were no outstanding commitments in respect of off-balance sheet PFI properties:

	31 March 2021 £'000	31 March 2020 £'000
Total commitments, analysed by period in which they are due:		
Not later than one year	-	890
Later than one year and not later than five years	-	388
Later than five years	-	-
	-	**1,278**

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.

Although the analysis above indicates that commitments under the PFI arrangement extended beyond 31 March 2021, new lease arrangements were negotiated prior to March 2021 by Mapeley Estates Limited within the PFI contract, on the instruction of VOA, to provide the agency with leasehold properties after the end of the STEPS contract.

The agency had no right to purchase these properties at the end of the STEPS agreement. Although there was an option to negotiate an extension to the leases if required, this option was not exercised.

In the year to 31 March 2021, the agency paid £2.2 million (2019-20: £2.7 million) to the STEPS contractor in respect of off-balance sheet properties and service charges.

(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 was a total of £2.2 million (2019-20: £2.7 million) in respect of:

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

Future commitments in respect of these payments are analysed below:

	31 March 2021 £'000	31 March 2020 £'000
Total commitments, analysed by period in which they are due:		
Not later than one year	-	900
Later than one year and not later than five years	-	388
Later than five years	-	-
	-	**1,288**

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.

As noted in 12(a) above, no future PFI liability exists beyond 31 March 2021.

Note 13 Contingent liabilities at 31 March 2021

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

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 £0.27 million (31 March 2020: £0.3 million) of contingent liabilities as at the end of the financial year.

Note 14 Related party transactions for the year ended 31 March 2021

The VOA is an executive agency of HMRC. HMRC is a related party and the agency had a significant number of material transactions with it during the year. Reported income in the year includes £8.4 million (2019-20: £7.2 million) earned from HMRC and expenditure includes £15.8 million (2019-20: £13.7 million) invoiced to the agency by HMRC. Current assets include £0.03 million (31 March 2020: £0.4 million) of debt due from HMRC and £0.1 million (31 March 2020: £0.1million) 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	£7.1 million	(2019-20: £7.0 million)
MHCLG	£2.6 million	(2019-20: £3.3 million)
Welsh Government	£8.9 million	(2019-20: £9.1 million)

The agency had material transactions with pension schemes providing benefits to the agency's people, the PSPS, alpha and the Local Government Pension scheme as administered by the London Pension Fund Authority. These transactions are discussed on page 50 and 51 of the Remuneration and Staff Report and in note 10.

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 15 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 16 Standards in issue but not yet effective

New and revised standards and interpretations have been issued but are not yet effective and have not therefore been adopted in this account.

IFRS 16 Leases

IFRS 16 is a new lease accounting standard that was effective in the private sector from 1 January 2019.

The Financial Reporting Advisory Board (FRAB) and HM Treasury have agreed that the mandatory effective date for IFRS 16 in government will be 1 April 2022, with a limited option for early adoption from 1 April 2021 that VOA will not be taking advantage of. This represents a delay from the timeline previously agreed by FRAB and HM Treasury in March 2020 and is in light of the continuing unprecedented resource pressures caused by the COVID-19 pandemic.

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) and operating leases (off Statement of Financial Position) will be replaced by a 'right-of-use' model that requires lessees to recognise their right-of-use of assets and associated liabilities.

At the date of initial application, HM Treasury mandate that as a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease. Therefore, VOA will apply this Standard to all contracts previously identified as leases applying IAS 17 and IFRIC 4, and not apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

IFRS 16 provides a single lessee accounting model and requires lessees to recognise assets and liabilities for leases with a term of more than 12 months remaining at the beginning of the accounting period, unless the underlying asset is of low value.

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.

VOA will use a discount rate provided by HM Treasury when they cannot readily obtain the rate implicit in the lease contract.

In making the transition into IFRS 16, VOA will continue to review existing and future contracts to identify lease and non-lease (i.e. service) elements. Analysis undertaken has indicated there will be a material impact for VOA as existing lease commitments totalled £25m at 31 March 2021, as highlighted in note 11 above. VOA exposure falls primarily into two areas, Estates and IT. Key stakeholders from all business areas have been engaged to assist with this work.

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 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, Commonwealth & Development Office (FCDO).

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 arrears then the FCDO will remind them of the legal requirement to pay the Beneficial Portion.

Fact and Figures

In 2020-21, there were 186 diplomatic missions in London, plus 34 Consulates outside of London and 38 International Organisations. There are 12 non-UK based organisations. There are 4 consulates in Northern Ireland. Rateable values ranged from less than £520 to £12.95 million. A total of 31 local authorities are involved in the POLAR scheme, with 12 in Central London.

During 2020-21 the POLAR scheme required £75.7 million of net funding, representing cash payments made to authorities, net of Beneficial Portion (2019-20 £83.9 million). The net Beneficial Portion collected was £4.5 million (2019-20 £5.2 million). These are the FReM reported amounts included in HMRC accounts

GLOSSARY

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

Check
A review by the ratepayer or their representative of the information held by the VOA for their property. They confirm the accuracy of the facts on which the rating list entry is based, provides missing factual information and amends property details as necessary.

Challenge
The ratepayer or their representative can challenge any valuation related to the same property within four months of the check completion. IPs can also make a challenge if the VOA has not completed the check after 12 months. If the challenge is about a change in the surrounding area (known as a material change of circumstances), then the challenge can be made either within four months after the check completion or within 16 months of the check confirmation.

Challenge outcomes (resolved)
Resolved challenges may be either:

Agreed
- This is where challenges are resolved with an outcome of well-founded or agreement reached. Well-founded is an outcome where the VOA agrees with the proposed alteration to the list and the date from which the proposed alteration should take effect. Agreement reached is an outcome where the VOA and the ratepayer or their representative come to an agreement which is different to the proposed alteration of the list and/or the date from which the proposed alteration should take effect.

Disagreed
- This is where challenges resolved with a considered decision, which is where the VOA and the ratepayer or their representative cannot agree the proposal, so the VOA issues its decision that may or may not result in an alteration to the list.

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
These 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
This refers to cash and any other entity asset that will be converting to cash within one year from the agency's reporting date.

Current liabilities
This refers to 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 HM Treasury's guide to preparing government annual report and accounts.

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

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

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

Intangible assets
These relate to 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.

MCC (Material Change of Circumstances)
As referenced above under challenge; these are a particular type of challenge case which relate specifically about a change in the surrounding area which the requestor believes has had a material impact on rateable value.

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
These 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)
This is a way of creating 'public-private partnerships' (PPPs) by funding public infrastructure projects with private capital.

Provisions for liabilities
These 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
These 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
A statement which provides a snapshot of the assets and liabilities of the agency as at the end of the reporting period.

Technical Debt
This refers to IT infrastructure that has not been updated, old services that have not been retired and builds that have not been completed resulting in an IT estate that is expensive to run, inflexible and increasingly out of date.

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