Valuation Office Agency

Annual Report 2007-08

Annual Report and Accounts 2007–08

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

Ordered by the House of Commons to be printed 14 July 2008.

HC 583

London: The Stationery Office £13.90

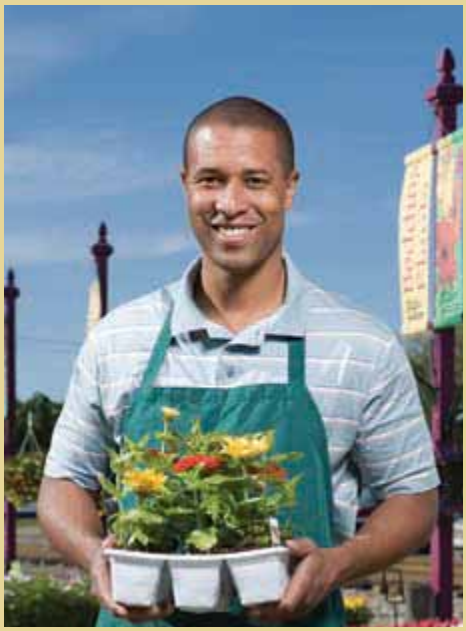
Annual Report

Annual Accounts

ISBN: 978 010295370 1

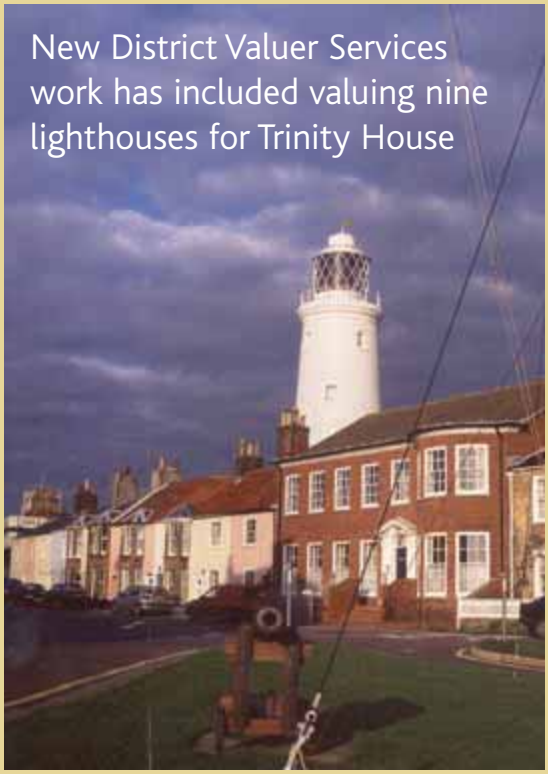
Annual Report

91% customer satisfaction achieved



Awarded for excellence
Every one of our Groups holds Charter Mark status

Productivity improved by **8%** in 2007-08



99% of staff have the core skills and competencies for their role within six months of taking up post

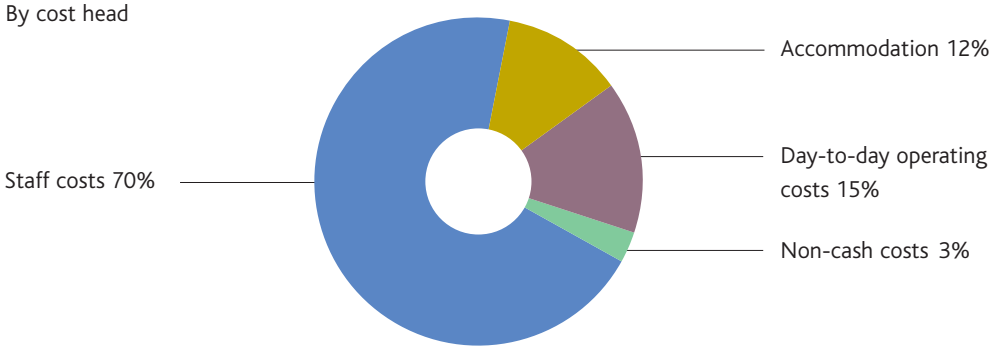
HM Revenue & Customs

INVESTOR IN PEOPLE

The key facts

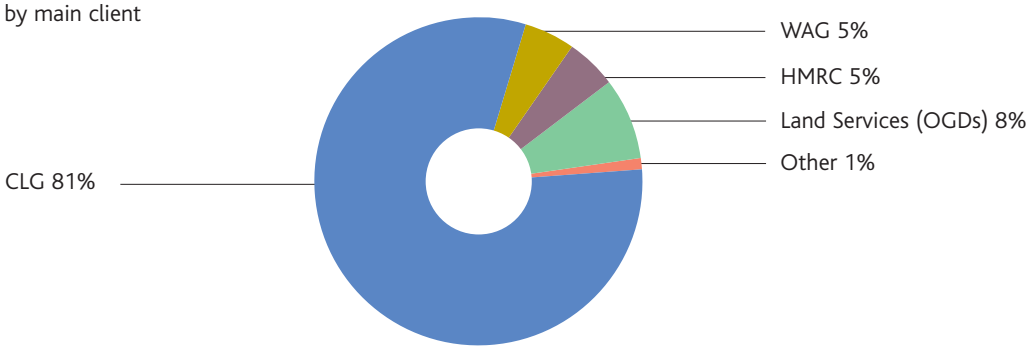
Status	The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs
Background	The Agency brings together the previously separate Valuation Office organisations in England and Wales (established in 1910) and in Scotland (established in 1911), and was launched under the Next Steps initiative on 30 September 1991. We provide valuation and estate surveying services, including advice on minerals, to government departments, the wider public sector and other areas in the public interest.
People	3,990 people (full time equivalent at 31st March 2008) The Agency has Investors in People Accreditation
Values	We are committed to: • Seeking excellence from diversity • Working in teams and partnerships • Continuous improvement and innovation • Being business like and customer-focused • Fairness and impartiality • Involving and trusting people
National network	At 31st March 2008 we had 81 offices across England and Wales, providing statutory local taxation services for business rates and council tax, plus five offices in Scotland.
Head Office	New Court, 48 Carey Street, London, WC2A 2JE
Website and associated sites	www.voa.gov.uk www.mybusinessrates.gov.uk/wales www.businesslink.gov.uk (for information about business rates in England)
Services	The work of the Agency encompasses: • compiling and maintaining lists of rateable values of the 1.7 million non-domestic properties in England, and the 100,000 in Wales, to support the collection of around £22 billion in business rates • compiling and maintaining the list of council tax bandings of some 22 million domestic properties in England and 1.3 million in Wales, to support the collection of around £25 billion in council tax • advising government ministers on property valuation matters • providing services to the Scottish Parliament and Welsh Assembly Government • providing valuation advice to HMRC in connection with capital gains tax, inheritance tax and other compliance work • delivering a range of non-statutory valuation and estate surveying services to government departments and the wider public sector

Latest Revaluation for business rates	Effective from 1 April 2005, in both England and Wales
Next Revaluation for business rates	Planned for 1 April 2010, in both England and Wales
Latest Revaluation of council tax	Effective 1 April 2005 in Wales Council tax lists introduced 1 April 1993 in England – the proposed revaluation for council tax in England was postponed in 2005
Main clients	• Communities and Local Government (CLG) • The Welsh Assembly Government (WAG) • HM Revenue & Customs (HMRC)
Expenditure	Around £201 million: in 2007-08 By cost head



Income

Income source to cover expenditure by main client



Governance	The Minister with responsibility for the Agency is the Financial Secretary to the Treasury, who formally announces the Agency's Key Targets to Parliament. Policy on local taxation issues for England is set by Ministers in Communities and Local Government, and for Wales by the Welsh Assembly Government. A Management Board of eleven members governs the Agency. The Board includes two non-executive directors and is led by a Chief Executive who is appointed by, and reports to, the Chairman of HMRC. An Audit programme, conducted by HMRC's Internal Audit Office, covers a wide range of management areas and business activities. This programme is agreed by the Agency's Audit Committee, which is chaired by a non-executive director. Representatives from the National Audit Office and HMRC's Internal Audit Office attend the Audit Committee which oversees the Management Board's work on risk management.
Account direction details	Under the Government Resources and Accounts Act 2000, we are required to prepare Accounts for each financial year in conformity with the Treasury direction detailed in its Accounting Officer letter DAO(GEN) 06/07, and in compliance with the Treasury's Financial Reporting Manual.
Audit Information and Remuneration	The Agency's Accounts have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The Comptroller and Auditor General's audit opinion, certificate and report on the Agency's accounts to the House of Commons are on page 47. The notional cost to the Agency of the external audit of the Accounts by the National Audit Office for the C&AG was £66,000 (£65,000 in 2006-07. During the year the Agency's auditors did not carry out any non-audit work and therefore their remuneration for such services was nil (£nil in 2006-07). To the Accounting Officer's knowledge, there is no relevant audit information of which the Agency's auditors are unaware. The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.
Treatment of Pension Liabilities	The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover all past and present employees. This defined benefit scheme is unfunded and non-contributory, except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the scheme, the Agency recognises the contributions payable for the year. For additional information please see the Remuneration Report on page 38, the Accounting Policy and the Notes to the Accounts on page 52.

Chief Executive's Overview

2007-08 has been an important year for the Agency. Customer satisfaction is at an all-time high, and we have continued to make big improvements in timeliness, while sustaining quality. However, there is no room for complacency. So 2007-08 was also the year that we made announcements on important changes to the organisation that will stand us in good stead for the future, particularly for meeting our 2010 targets and the changing demands of our customers.

The changes came in the context of a number of external announcements that had an effect on the Agency. The Government's response to the Lyons Review of Local Government left the fundamentals of the local taxation system unchanged, but led to significant developments on the rating side. The Comprehensive Spending Review's three year settlement required us, in line with most public services, to improve our efficiency and cost effectiveness even quicker than before.

We are committed to delivering these improvements in cost-effectiveness while continuing to improve services to all our customers. Centralising some services, digitising the Agency's paper records, reducing the office space we occupy, and using technology better will all help us to work more efficiently and facilitate a more flexible work force. Working more efficiently means fewer staff, but we will do all we can to achieve reductions by voluntary means. We also announced the closure of three offices, with more moving to nearby locations in buildings that are a better fit for our smaller more efficient operations.

Preparations are now well under way for the transfer of the functions of The Rent Service (TRS), with TRS staff already in three VOA offices. A lot of hard work was carried out to ensure that customer service was not affected and we are working to ensure it remains excellent as we complete the transfer of functions by April 2009.

In rating, we started work to deliver the valuations for the 2010 revaluation for business rates.

A thorough review of District Valuer Services led to significant changes with a view to addressing the new challenges and improving customer focus further. The former business stream will now be split between two directors, with one focusing on the general valuation and advice services to other public sector bodies, and the other on work for HMRC and other statutory work. Senior managers will head work on specific sectors – such as health and transport – rather than geographical regions, with a national pool of expertise to draw upon.

To see customer satisfaction reach its highest level in a testing year is a testament to our staff and the excellent service they provide. Their consistent professionalism has provided a good platform from where we can close in on our 2010 targets and meet our objectives to become world-class.

Andrew Hudson

Andrew Hudson
Chief Executive
22 May 2008

The Management Board

Andrew Hudson
Chief Executive

David Park
Deputy Chief Executive and Director, Local Taxation

Steve Hartnell
Director, Human Resources

Ian Milliken
Chief Information Officer

Mary Morrison-Paton
Head of Communications & Customer Insight

Steve Prendergast
Interim Director, District Valuer Services
(from June 07)
John Wilkinson
(until mid April 07)

Paul Sanderson
Director, Data Strategy

Sue Townsend
Director, Finance & Planning

Dawn Johnson
Non-Executive Director

Jane Earl
Non-Executive Director
(from May 07)
Ann Grinstead
(until end of May 2007)

Membership of sub-committees to the Board

The Audit Committee

Dawn Johnson (Chair)
Mike Pears
Alison Porter
Gary Reader
(non-executive members of the Audit Committee)

The People Committee

Andrew Hudson (Chair)
David Park
Steve Prendergast
Ian Milliken
Steve Hartnell
Ann Grinstead *(to end May 2007)*
Jane Earl *(from May 2007)*

Our Vision, Purpose and Commitment

Our Vision

To be a world class organisation providing valuation and property services for the public sector

Our Purpose

To provide a fair and robust basis for taxes which help to pay for public services, and to help drive better use of property in the public sector by:

- compiling and maintaining accurate and comprehensive valuation lists for local taxation
- providing accurate valuations for national taxes
- delivering expert advice on valuations and strategic property management
- developing and maintaining a comprehensive and up to date property database
- advising policy makers on valuation and property issues

Our Commitment

To meet all our customers' objectives and maximise customer satisfaction by:

- developing a highly skilled and committed workforce that reflects the communities we serve
- developing better processes and exploiting new technology to maximise improvements in accuracy, quality and timeliness
- being open and accessible in the way we operate
- working effectively with partners
- delivering excellent value for money, while covering our costs...
- ...and reducing our impact on the environment and supporting the communities we serve

Senior Management – Chief Executive's Office

David Tretton
Director, Rating and Head of Profession

Tim Bradford
Director, Council Tax

Mary Hardman
Field Director

David Subacchi
Field Director

Craig Lester
Director, Client Development, DVS

Steve Powell
Head of Portfolio Delivery Group, and Programme Manager for VOA World Class Programme (from May 07)

Jackie McKenzie[2]
(Business Efficiency Unit[1] *until end of June 07)*
Head of Performance and Analysis

John Smallwood
Programme Manager, Maintenance Transformation and Manager, Responsible Business

Urvashi Bhagat[4]
Interim Head of Financial Operations

Andy Booth[5]
Head of Customer Services

Steve Todd
Head of Human Resources

John Derrick[3]
Head of Financial Strategy and Business Planning

Stephen Wright
Head of Operations

Tim Eden
Head of Council Tax Business

Patrick Bond
Deputy Director, Rating

David Hughes
Head of Data Strategy

John Berry
Head of Strategy & Change Management

Steve Bliss
Project Manager, Non-domestic Revaluation 2010

Mike Brankin
Head of Business Services

Jason Ambers
Head of Automated Valuation Model Development
(from May 07)

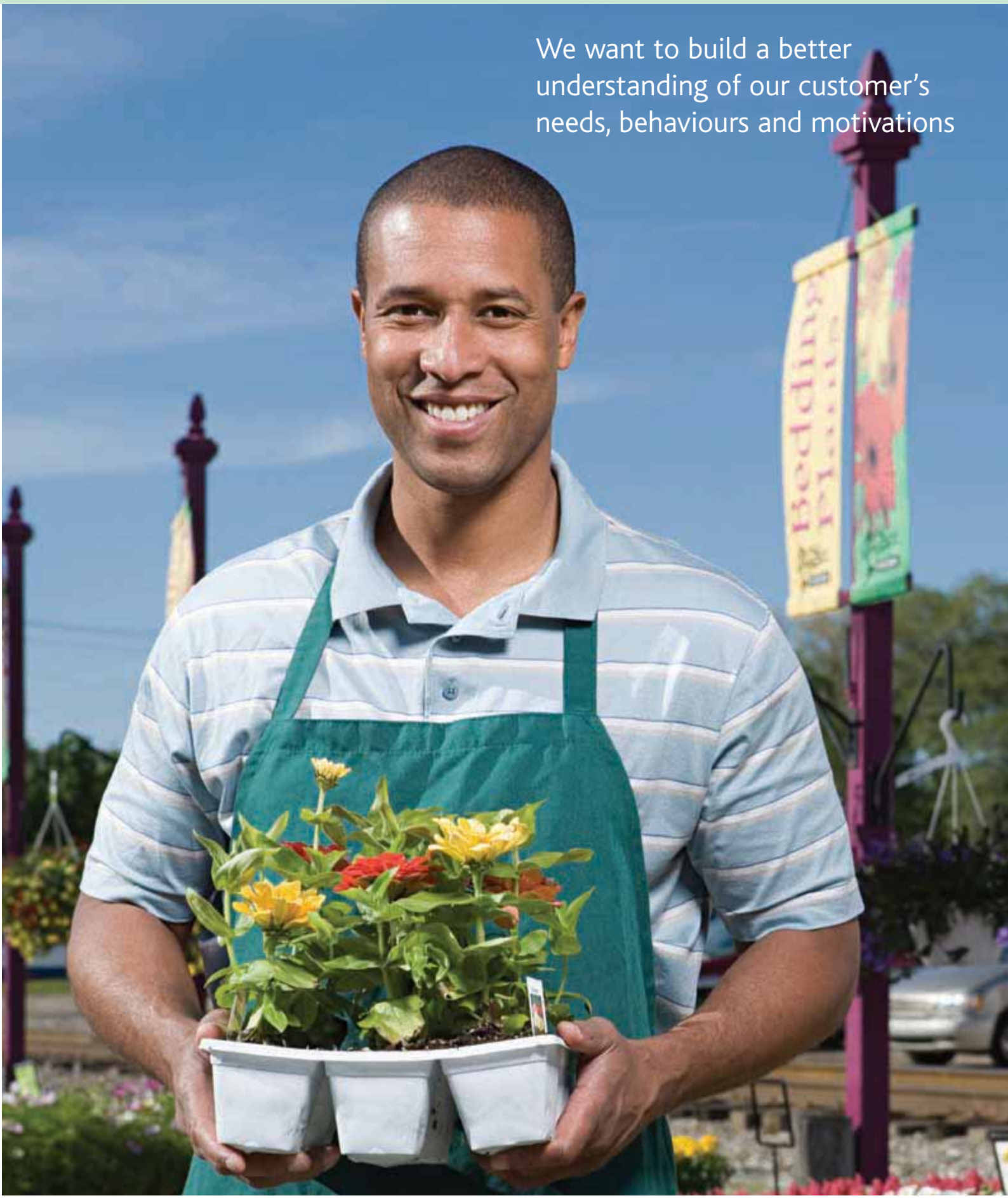
[1] *Cross Cutting Projects merged with the Business Efficiency Unit at the end of June to form Performance and Analysis*

[2] *Keith Noakes (Head of Cross Cutting projects to mid May 2007)*

[3] *Alan Sherriff (Head of Finance and Planning to end of April 2007)*

[4] *Barny Todd (to November 2007)*

[5] *Lynda Rawsthorne (to end of June 2007)*



We want to build a better understanding of our customer's needs, behaviours and motivations

Senior Management

Group Valuation Officers (GVOs)

Group Valuation Officers are responsible for the smooth and efficient running of the Valuation Office Agency at a local level, delivering valuations to enable the levying of council tax and business rates

1. Birmingham Group
Niall Walsh [1] (acting GVO)
Birmingham, Coventry

2. East Anglia Group
Lynda Rawsthorne [2]
Chelmsford, Colchester, Ipswich, Norwich

3. East Midlands Group
Mike Dunlevey [3] (acting GVO)
Nottingham, Derby, Leicester, Northampton, Lincoln

4. Leeds Group
Tony Speight
Leeds, Halifax, Harrogate, York

5. Liverpool Group
Ritchie Roberts [4]
Liverpool, Chester, Crewe

6. London – City Group
Mark Jorgensen
City of London, Tower Hamlets, London Support Unit (Gloucester)

7. London – North Group
Karen Kendrick
Enfield, Barking, Harrow

8. London – South Group
Steve Milner [5]
Wimbledon, Bromley, Lambeth

9. London – Westminster Group
Mark Day [6]
(London Support unit Huddersfield) *Westminster*

10. Manchester Group
Ian Chilton-Merryweather
Manchester, Stockport

11. Newcastle Group
Colin Snowball
Newcastle, Alnwick, Durham, Teesside

12. North Wales Group
David Grace
Chief Valuer Wales
Wrexham, Bangor

District Valuers

District Valuers were responsible for regional level units. They support HMRC with valuations for capital gains tax and inheritance tax purposes. They also work with a range of other public sector organisations, competing for the business on the open market, to deliver valuations and property advice. During 2007-08 we restructured our DVS business stream to align with it with sectors rather than geographical regions. This took effect from 1 April 2008.

Keith Skirving
Central

Andy Holdsworth
London

Phil Percival
North west

Russell Lawrence
East

Roger Haworth
North

Allan Ainslie
Scotland

Specialist Valuers

The specialist valuation teams support both the local taxation and the District Valuer Services business, dealing with the more complex properties and land issues.

Clive Smithson
Specialist Valuation Unit

Alan Perrin
Northern Specialist Rating Unit

John Bryant
Wales and Western Specialist Rating Unit

Anne Whitham
Utilities Rating Team

Dave Richards
Eastern Specialist Rating Unit

Gerry Biddle
Southern Specialist Rating Unit

[1]**Neil Garrett** (to mid December 2007), [2]**Jackie McKenzie** (to June 2007), [3]**Niall Walsh** (to mid December 2007), [4]**Nick Cooper** (to end September 2007), [7]**Don Baker** (to June 2007)

13. North West Group
Jim Gallagher
Preston, Carlisle, Lancaster, Ulverston

14 Reading Group
Andy Thompson
Reading, Aylesbury, Oxford, Guilford, Reigate

15. Sheffield Group
Chris Sykes
Sheffield, Grimsby, Hull

16. South East Group
Jo Coll
Tunbridge Wells, Chatham, Eastbourne, Folkestone, Worthing

17. South Wales Group
Clive Daniels
Cardiff, Carmarthen, Merthyr Tydfil, Newport, Swansea

18. South West Group
John Reeves
Exeter, Barnstable, Plymouth, St Austell, Taunton, Bournemouth, Dorchester

19. St Albans Group
Mark Catley
St Albans, Bedford, Cambridge, Peterborough

20. Wessex Group
Charlotte Corkish
Southampton, Basingstoke, Isle of Wight

21. Western Group
Clive Angel
Bristol, Gloucester, Swindon

22. West Midlands
Andrew Baird
Wolverhampton, Kidderminster, Shrewsbury, Stoke, Worcester

Anna Hutchings
South East

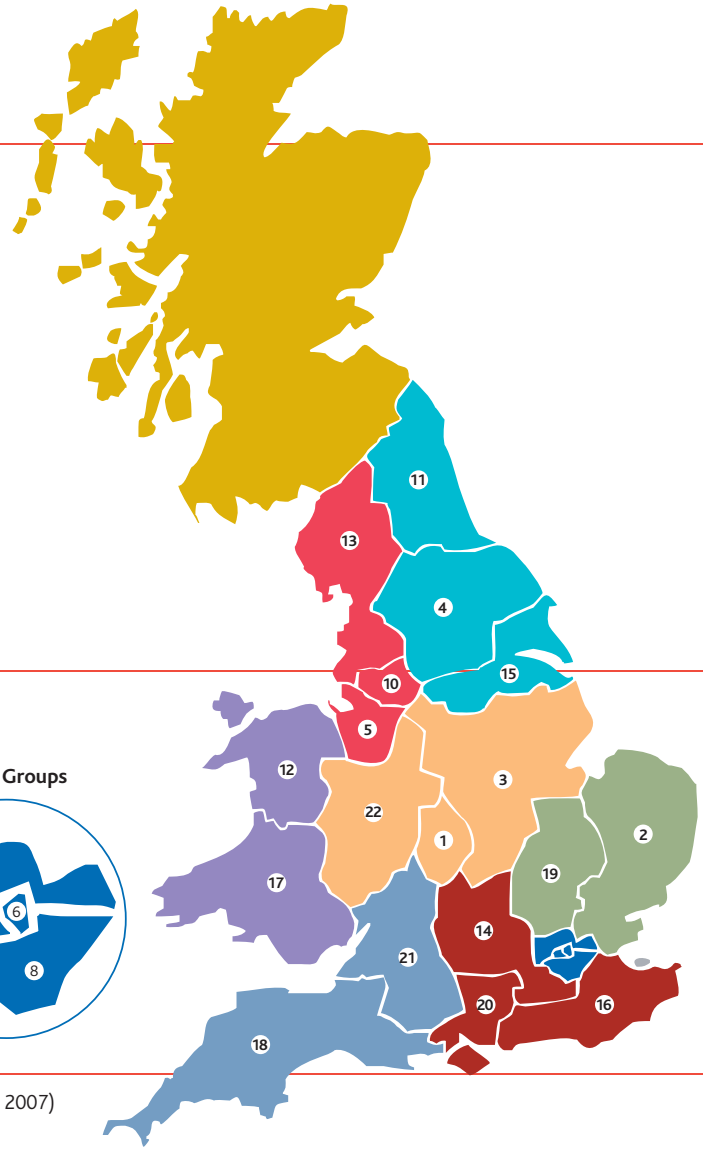
John Bennett
South West

Alan Colston
Wales

Martin Evans
Mineral Valuers

Ron Heeley
National Assets & Building Surveyors

London Groups



[5]**Diane Addison** (to mid August 2007), [6]**Andy Holdsworth** (to June 2007)

Our journey towards world class

2006-07		2007-08	
CUSTOMER			
Target	**Result**	**Target**	**Result**
To achieve overall customer satisfaction of 88%	88% customer satisfaction achieved	To achieve overall customer satisfaction of 88%	**91%** customer satisfaction achieved
OPERATIONS			
Target	**Result**	**Target**	**Result**
To enable prompt issue of correct bills by local authorities through clearance of 90% of rating reports and 95% of council tax reports within two months of receipt.	97% of rating reports cleared within two months 98% of council tax reports cleared within two months	To enable prompt issue of correct bills by local authorities through clearing rating reports within an average of 18 working days and council tax reports in England within an average of 14 days and in Wales within an average of 16 days	Rating reports cleared within an average of **11** working days Council tax reports (England) cleared within an average of **14** working days Council tax reports (Wales) cleared within an average of **12** working days
To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists.	Reductions in the 2005 rating lists contained to a maximum of 1.1%	To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists.	Reductions in the 2005 rating lists contained to a maximum of **2.3%**
To ensure that 96% of new council tax bandings are right first time	96% of new council tax bandings right first time	To ensure that 96% of new council tax bandings are right first time	**97%** of new council tax bandings right first time
To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax on average within 12 days	All HMRC initial appraisal cases for inheritance tax cleared within an average of 7.6 days	To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax on average within eight days and for capital gains tax within an average of 12 days	All HMRC initial appraisal cases for inheritance tax cleared within an average of **9.6** days and capital gains tax within an average of **9.5** days
VALUE FOR MONEY			
Target	**Result**	**Target**	**Result**
		To improve productivity by 3% in 2007-08	Productivity improved by **8%** in 2007-08
To improve value for money on inheritance tax work for HMRC by 5%[3]	Value for money on inheritance tax work improved by 21%	To improve value for money on inheritance tax work for HMRC by 5%[3]	Value for money on inheritance tax work improved by **15%**
PEOPLE			
Target	**Result**	**Target**	**Result**
All staff to have the core skills and competencies for their role within six months of taking up post	100% staff have the core skills and competencies for their role within six months of taking up post	All staff to have the core skills and competencies for their role within six months of taking up post	**99%** staff have the core skills and competencies for their role within six months of taking up post

2008-09	2010
CUSTOMER	
Target	
To achieve overall customer satisfaction of 90%	To achieve overall customer satisfaction within the top 15% of public sector comparators
OPERATIONS	
Target	2010 world class target
To enable prompt issue of correct bills by local authorities through clearance of rating reports within an average of 12 working days and council tax reports within an average of 14 working days in England and 12 working days in Wales.	To enable prompt issue of correct bills by local authorities through clearing all reports for council tax and business rates within an average of 10 working days
To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists.	To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list rateable value, over the entire life of the lists
To ensure that 96% of new council tax bandings are right first time	To ensure that 96% of new council tax bandings are right first time
To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax on average within eight days and for capital gains tax within an average of 11 days	To enable prompt issue of tax assesments by clearing all HMRC initial appeal cases for inheritance tax and for capital gains tax within an average of five days[1]
VALUE FOR MONEY	
Target	2010 world class target
To improve overall value for money on local taxation work by 3%[2] per annum	To improve overall value for money on local taxation work by an average of 3% a year over a three year period to 2010-11
To improve value for money on inheritance tax work for HMRC by 5%[3]	To improve value for money on inheritance tax work for HMRC by 5% per annum
PEOPLE	
Target	2010 world class target
All staff to have the core skills and competencies for their role within six months of taking up post	All staff to have the core skills and competencies for their role within six months of taking up post

[1] *Not finalised at the time of going to press.*

[2] *Measured by a new indicator, which will be reviewed to take account of changes in work activity.*

[3] *Value for money in this KPI is measuring the cost effectiveness of our work. It is a cost-yield ratio, measuring the additional tax raised per unit of cost.*

Results against other targets

	Target	Result 2007-08
Agency		
To help inefficient performers get back on track and conclude cases within six months	100%	**100%**
Recover full resource costs within Parliamentary Approved Estimates, including a return on capital of 3.5% from fees and charges	Yes	**Yes**
To achieve an overall staff satisfaction within the top 15% of Public Sector Comparators		**Not met**
To improve staff commitment to the VOA by 2%		**Not met**
To improve health at work so that the average of all sick leave is under seven days	7	**7.9**
and the average short-term sick leave under four days	4	**4.5**
Local Taxation		
To achieve at least 88% customer satisfaction for our local taxation work	88%	**90%**
To have recorded up to date tenure details for 87% of non-domestic properties	87%	**91%**
To achieve 90% compliance with valuation integrity standards	90%	**93%**
Wales		
To clear 95% of enquiries on the 2005 council tax list within two months	95%	**97%**[1]
To provide a considered decision on 90% of council tax proposals within two months of receipt in 95% of cases	95%	**87%**
England		
To provide a considered decision on council tax enquiries and proposals within two months of receipt in 98% of cases	98%	**82%**[1]
England & Wales		
For all rating proposals received on or after 1 April 2007 falling within specified categories[2], to provide a considered decision within two months of receipt	100%	**93%**
District Valuer Services		
To achieve 92% compliance with quality assurance standards	92%	**93%**
To achieve 90% customer satisfaction for the work done by our District Valuer teams, including HMRC and other clients	90%	**97%**
To improve value for money on Capital Gains tax work for HMRC by 5%	5%	**34%**
To deliver timeliness targets on all inheritance tax and capital gains work as set out in the service level agreement:		
Report all Capital Gains and other Not Negotiated Valuations within an average of 20 working days	20	**20**
Report all Inheritance Tax formal cases within an average of 80 working days	80	**74**
Report all Capital Gains and other Negotiated Valuations within an average of 100 working days	100	**105**

[1] *These outturns are derived from management information systems maintained by the VOA. Based on its testing, Internal Audit is unable to confirm the results of these targets.*

[2] *Specified categories are where the case is unrepresented, or hardship is identified, or where there has been physical change to a property. In all other cases, assign the proposal to to a sub programme for consideration and resolution.*


We have improved timeliness and
council tax banding accuracy

Local taxation

Our role is to assess property as the basis for generating around £47 billion in business rates and council tax across England and Wales to help finance local government. We do this through compiling and maintaining rating and council tax lists containing some 25 million entries in total, with nearly 1 million revisions annually to reflect new or altered properties or changed circumstances.

The last few years have seen major advances in the standards and efficiency with which we conduct this vital work. We have improved timeliness and council tax banding accuracy, reduced rateable value loss, seen a major reduction in the volume of formal rating appeals and markedly increased overall customer satisfaction. The level of satisfaction has now reached 90%, which is extremely encouraging having dealt directly with more taxpayers last year than in 2006-07.

Our list maintenance work

We have placed particular emphasis on keeping the lists as up to date as we can, and on ensuring fairness and consistency. Better liaison and greater collaboration with our local authority partners has helped improve the speed and quality of information that they send us about new or altered properties, increasingly utilising electronic transfer as a more effective means of transmitting information. We have also continued to streamline our internal processes.

Improved working has helped us to be ready to issue a banding … even more promptly after alteration or completion of the building.

This improved working has helped us to be ready to issue a banding or assessment even more promptly after alteration or completion of the building, ensuring that ratepayers and council taxpayers are aware of their liability as soon as practical. In some cases this means that they can be aware of the likely assessment or banding before moving in.

As part of this improved service we are also seeking to ensure that we only visit a property where it is strictly necessary to confirm or supplement information to arrive at a fair and accurate assessment – this minimises the burden on occupiers or owners. Indeed less than 1% annually of the 23 million domestic properties in England and Wales receive a visit from a member of our staff to check information.

*The level of customer satisfaction for local taxation has now reached **90%***

The results have been very tangible. We are now clearing rating reports – where we deal with some 250,000 cases every year – in an average of around 11 days. And we are clearing council tax reports –

www.third-avenue.co.uk

The number of formal challenges to assesments in the rating lists has seen a reduction in the past year

A partnership approach in Wales

In Wales, as in England, a great deal of work has gone into building and strengthening partnerships with billing authorities. Developing a partnership approach is a key aspect of improving the turnaround time on reports. Closer working with billing authority partners helps maximise the flow of information and data between the VOA and Billing Authorities – essential for keeping up-to-date lists of council tax bandings and rating assessments. Nia Hughes and Julie Jones are Billing Authority Liaison Officers in our Bangor office who have developed a more hands on-role with the billing authorities with which they work. Both Nia and Julie have found that liaising directly with Billing Authorities is beneficial to the day to day handling of their work, reducing delays and enabling them to work in advance. Working in partnership with others not only benefits their colleagues, the VOA as a whole and the billing authority, but more importantly, it benefits customers; ratepayers and council taxpayers.

"Meeting my counterparts face to face was beneficial. Minor niggles were sorted out straightaway and, with the exchange of email addresses and contact numbers, dealing with any subsequent problems has become easier."

Julie Jones

"A commencement schedule is received from Gwynedd Billing Authority on a weekly basis (stating when works have started on properties). From this I am able to start our work whilst the construction work is still happening."

Nia Hughes

involving over 500,000 cases a year – within some 12 days in Wales and 14 in England. We are achieving this without any loss of accuracy. Our accuracy has now reached 97% for council tax.

Rating

The number of formal challenges to assessments in the rating lists has seen a reduction in the past year. Some 100,000 such new cases were received with some 150,000 resolved. This is very encouraging, as we prefer to deal with matters proactively wherever we can – amending lists by agreement rather than through formal challenge. But more complex cases can necessitate formal handling including consideration and determination by an independent valuation tribunal or – exceptionally – on further appeal to the courts. For more straightforward rating cases we introduced a new service standard to provide a considered decision on proposals received since 1 April 2007 within 2 months. We achieved this in 93% of cases and will aim to improve this to at least 98% in the coming year.

Losses through appeals against compiled list entries amounted to 2.3% by the end of March, the third year of the 2005 lists, on track not to exceed the target of 4.2% over the entire life of the lists.

Council tax

In Wales, which saw a council tax revaluation come into effect from 1 April 2005, we have sought to be very proactive in dealing with both enquiries and challenges. We cleared 97% of enquires within two months in 2007-08 compared to a target of 95%. We believe this strong response has contributed to the relatively small proportion of formal appeals – indeed since the lists came into force, only 1.5% of taxpayers have appealed against their bandings, many less than on the original lists. However our aim to give a considered decision on such cases

We have…become more responsive to news affecting the Agency

*We cleared **97%** of enquires in Wales within two months in 2007-08 compared to a target of 95%*

within two months was not met – we achieved 87% compared to a target of 95%. This was partly a reflection of the effort directed to handle enquiries effectively, reducing the need for formal challenges, and partly the fact that consequently the smaller number of formal cases involved substantive issues requiring careful investigation.

We have developed a new web based tool to help customers establish whether they have a formal right of appeal.

In England, where we continue to maintain the 1993 lists, we dealt with significantly more enquiries than usual – many prompted by media interest. But by the end of the year over 90% had been cleared, the bulk without the need for amendment to the list. Thus changes made as a result of additional enquiries have amounted to no more than a fraction of 1% of the total numbers of domestic properties in England. The number of enquiries did however impact on our target to give a considered decision within two months of receipt for 98% cases – we achieved 82% overall.

We have been working with the Valuation Tribunal Service in England on the introduction of a new system from 1 April 2008 for handling formal proposals to alter council tax bandings, giving greater clarity from a taxpayer's perspective regarding the different roles of the Agency and the independent valuation tribunals. Up to this date taxpayers' proposals for changes to banding were automatically referred to a tribunal after a set period, sometimes before there had been time for us to investigate their case fully, and discuss it with them. Now there will be a clearer separation between the two stages; so only if taxpayers are not content with our decision will an appeal be made to an independent tribunal, who will then hear and determine the case.

To co-incide with the introduction of this system, we have developed a new web based tool to help customers establish whether they have a formal right of appeal. The website seeks to establish whether a taxpayer has a valid appeal, or whether, in invalid cases, we would still deal with their enquiry for them outside the appeal process.

More generally in Local Taxation we continue to review our literature to ensure it is both clear and consistent, rewriting and adding further explanation as necessary. We have also become more responsive to news affecting the Agency, putting helpful information on our website for customers about topical issues such as querying council tax bands and changes to the rules surrounding empty property rates relief, to try to help ahead of potential enquiries from concerned customers.

2010 Rating Revaluation

Work towards the revaluation for non-domestic property is well under way. The revaluation involves assessing some 1.78 million properties based on their open market rental value at 1 April 2008, with publication of the lists, in draft, on 30 September 2009 prior to taking effect from 1 April 2010. We

Utilising technology to improve accuracy and cost-effectiveness

During 2007-08 we undertook a pilot exercise for rating. Staff in the Wessex Group tested off-line data capture using a variety of mobile devices during visits to non-domestic property. Insight from staff was extremely valuable and will be put to good use as we develop the technology to meet the requirements of users so as to improve our service to customers.

VOA – RICS Working in Partnership to deliver better service for the rating industry

The Agency and the Royal Institution of Chartered Surveyors (RICS) were recognised at the 2007 Institute of Revenues, Rating and Valuation (IRRV), Performance Awards under the Excellence in IT category. The recognition was for a joint development of an IT system which has resulted in an easier, more efficient, and cost effective system for the administrative handling of appeals against rating assessments.

The system provides an electronic link between the VOA and an agent's database allowing information regarding the rating appeal to be simultaneously validated during the process. The VOA and agents have access to more reliable, up-to-date information, enabling them to progress discussion and resolution more effectively and at a reduced cost. Appeals via an 'online form' on the website are treated in the same way as information communicated via email.

The system has reduced the need for the inputting of information and for hard copy correspondence and storage, which has produced savings for the VOA and agents estimated to be in excess of £1.2 million since the system was initially launched in April 2005 (from a VOA investment of £110,000).

"The success of this project demonstrates how joined up thinking between organisations can achieve real results. Any innovation which speeds up the rating appeal process is good for the ratepayer, for business and for the market. The rating industry has stepped into the 21st century and recognition by the IRRV for this project is evidence of how far the industry has come."

Charles Partridge, RICS e-representative

are again looking to provide summary valuations – detailing how a ratepayer's assessment is derived – this time for virtually all properties. We have sought feedback from the staff who worked on the summary valuations helpdesk in the run up to the 2005 business rates revaluation, to inform enhancements in the content and format of summary valuations that will roll out prior to the 2010 rating revaluation.

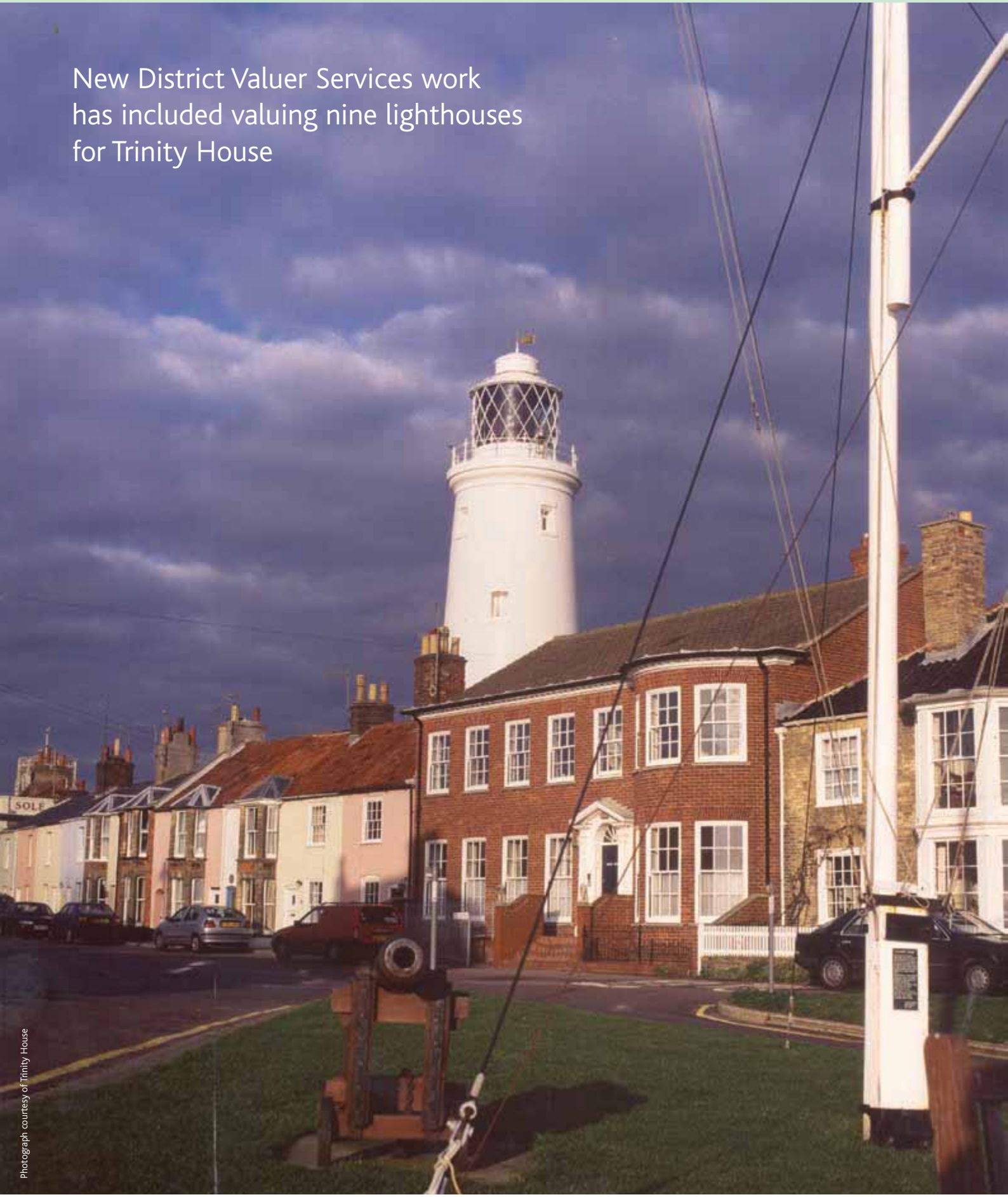
It is important that we hold up-to-date information on business property – we now hold up-to-date tenure details for 91% of property against a target of 87%. During 2007-08 our focus has been on improving our market knowledge of key sectors and ensuring we keep the inflow of rental information up-to-date with careful analysis so we are able to increase the number of valuations that are right first time.

To minimise the compliance burden we have developed a 'rating contact scheme' for multiple occupiers and major landlords to enable the secure transfer of rental information in bulk. We have also worked on a new e-rent return, to be introduced in 2008-09. This will substantially improve the existing facility, with information fed directly into the VOA database – reducing the risk of errors – and with improved functionality for users. We are also exploring with ratepayers and their agents the possibility of prior-agreeing some cases.

*We now hold up to date tenure details for **91%** of property against a target of 87%*

Payment of Local Authority Rates (POLAR)

The VOA pays the full non-domestic rates on behalf of Foreign Missions and some International Organisations accredited by the Foreign and Commonwealth Office. These payments are administered through a separate fund provided by government of £33.3m. Since these occupiers benefit from a number of services provided by local authorities, we seek reimbursement (known as the Beneficial Portion) of 6% from Missions. There is no legal obligation for Missions to pay, nor any enforcement legislation available, but the Agency succeeded in recovering 99% (£1.95 million), of current year debt against a target of 85%. This is the highest proportion we have ever recovered. Continuing negotiations and agreements resulted in the recovery of £192,000 of aged debt from previous years.



New District Valuer Services work has included valuing nine lighthouses for Trinity House

Photograph courtesy of Trinity House

District Valuer Services

District Valuer Services had a successful year meeting the majority of its targets for timeliness, cost recovery, and customer satisfaction against a background of strategic review and major structural change. The review recommended a change of organisational structure from geographical locations to sectors for the commercial side of the business, pooling national expertise to meet the needs of our customers more effectively. The changes were implemented during the last financial year with little disruption to the service and took effect from April 2008. The cost of this exercise was absorbed without increasing charges to our customers.

HM Revenue & Customs work

We continue to provide advice for HMRC on valuations for capital gains, inheritance tax, and stamp duty land tax, whilst providing support for HMRC's compliance work generally.

A Service Level Agreement with HMRC sets out a range of value, quality and timeliness indicators such as the clearance of initial appraisal cases for inheritance tax and capital gains tax. After good progress reducing turnaround times over recent years, the target for 2007-08 for initial appraisal of inheritance tax cases was narrowly missed, though this was after full discussion with our customer. Initial appraisals were turned around within an average of 9.6 days as opposed to the 8 day target, whilst for capital gains tax initial appraisal cases, we met the 12 day target for turnaround of cases. We have agreed with HMRC the target of clearing initial appraisal on inheritance tax cases within an average of 8 working days and capital gains cases within an average of 11 working days for 2008-09.

Alongside better timeliness, we have also made a step improvement in the cost-effectiveness of HMRC work over the last two years. In 2006-07 we improved the cost-effectiveness of Inheritance Tax work by 21% and we achieved a further 15%

*For capital gains tax initial appraisal cases we met the **12 day** target for turnround*

Restructuring District Valuer Services to meet business needs

During 2007-08, we carried out a review of the District Valuer Services business stream which has resulted in a new structure. From April 2008 senior managers are responsible for customer-facing sectors of work – such as Health, or Transport and Infrastructure – rather than regions, to create a more flexible and responsive business.

Services previously provided by DVS will be shared across two new directorates: Commercial Services and National and Central Services. The Director of Commercial Services will lead the work of providing valuation and property advice services to other public sector bodies. In addition to responsibility for statutory services, the Director of National and Central Services will take charge of the work on central processing and for the Mineral Valuers and Building Surveyors, who already operate across the Agency as a whole.

Resource Heads for the North and South of Great Britain have been appointed to ensure that the Directors have the staff they need to meet customers' requirements, making the best use of staff skills.

Many staff will specialise in the work of one sector, to build up their depth of expertise, but some will continue to work on both Commercial Services and HMRC work, where this makes business sense. This approach will help to increase efficiency, and enable senior staff to spend more time on customer-facing activity.

There is a continual emphasis on making efficient use of government property across the public sector

In 2007-08 DVS valued overseas embassies and high commissions for the Foreign and Commonwealth Office in locations around the world

improvement in 2007-08, representing a cumulative 40% improvement in total since 2005-06. On Capital Gains Tax work, we improved cost-effectiveness by 34% in 2007-08.

Customer satisfaction was 97% for 2007-08, and we plan to maintain this very high standard. Compliance with quality assurance standards was 93% in 2007-08 against a target of 92%, and has been set at 94% for 2008-09.

Land Services work

Land Services work includes asset valuations for resource accounting and compulsory purchase advice on the purchase and sale of property, specialist building surveying advice, and valuation of mineral bearing property, landfill sites and plant and machinery.

During 2007-08 we continued to tailor our asset valuation and property services, to reflect the needs of our customers better. There is a continued emphasis on making efficient use of government property across the public sector and we have been looking to expand our work on property advice and in the area of strategic asset management.

Land Services income for 2007-08 was just over £17.6 million against a forecast of £17.5 million, and fully covered costs.

A major focal point this year has been to increase our profile across government. We took part in several property related conferences designed specifically for the public sector, including the 2nd annual Asset Management Conference and a Relocation conference organised by the Office of Government Commerce (OGC). Partly as a result, we have been able to build on our existing relationships and attract new work, including valuing overseas embassies for the Foreign and Commonwealth Office, lighthouses for Trinity House, and flood prevention work for the Environment Agency.

A series of local networking events aimed at Primary Care trusts across the country resulted in several new instructions, and enabled us to develop stronger working partnerships with the primary care sector.

Customer satisfaction and service delivery

Putting the Customer at the Heart of Agency Business

The customers or clients who pay for the services of the VOA are, generally speaking, other public sector bodies. However, to deliver our statutory duties for council tax and rating, the Agency works with a vast range of customers, from individual council taxpayers to multi-national companies, meeting the needs of these segments as well as the diversity of customers in between. In order to provide the best possible customer experience, whilst balancing this with value for money delivery, the Agency continuously looks for new ways to work with different groups to understand their specific needs and preferences better, so as to ensure that all our services are developed with the customer firmly in mind.

Setting the standards for others to aspire to

In the last year, the quality of work and dedication to customer service was recognised by Charter Mark – every single one of our Groups along with our central team of advisors hold Charter Mark status. On the back of this success, we were invited by the Cabinet Office to participate in the development of a new higher standard for public services: the Customer Service Excellence Standard, an independent award unveiled in March 2008 to replace Charter Mark.

Awarded for excellence

Every one of our Groups holds Charter Mark status

The Agency continuously looks for new ways to work with different groups in order to provide the best customer experience

Customer Satisfaction

The dedication of our people dealing with customers, nationally and locally has resulted in overall customer satisfaction surpassing our 88% target delivering 91% for 2007-8, the highest figure since we first set this target in 2001. This is particularly good news as we had contact with more customers over the course of 2007-08, and is an endorsement of an improving service. The figure represents a weighted combination of results for DVS and Local Taxation business streams, and positions us well for joining the top 15% of public sector comparators – our 2010 world class target.

Addressing customer issues

Over the course of 2007-08 we developed a more comprehensive customer satisfaction survey. In 2005-06 our research base was made up of people who pursued an appeal with us and those whose properties we visited as part of day-to-day business. In the last reporting year, we extended the coverage of the survey to encompass contacts in local authorities. We plan to extend the survey further in the coming year.

We have also improved customer insight by carrying out client surveys for HMRC and commercial services customers on a rolling monthly basis rather than

annually. This has given us more timely feedback across the whole year, enabling us to monitor satisfaction among these clients more closely, and take any necessary action to improve services.

Communicating with customers

We have been looking to see if our customer communication channels and service delivery align well with customer preferences by charting customers' experiences in their dealings with us, whether they are communicating using telephone, e-mail, online, face-to-face or on paper. We want to build a better understanding both of our customers' needs, behaviours and motivations, and of the cost of these channels to the business, so that we can offer a service that is both customer-focused and cost-effective.

As well as ensuring that our written literature remains clear and relevant, we have extended the range of information we provided on our website, for instance by providing information on the changes to the rules concerning empty property rates relief as well as an extensive question and answer document for some of the common misunderstandings surrounding council tax bands. We have also extended the opening hours of our switchboards in local offices, to improve convenience for customers who wish to contact us by phone.

We want to build a better understanding both of our customers' needs, behaviours and motivations, and of the cost of these channels to the business

Working effectively with partners

Our partnership with the Office of Government Commerce has allowed us to access extensive knowledge of government properties. Their e-Property Information System (e-PIMS) is accessible in our local offices by our data and rating teams. This allows us to offer a wider range of property advice to existing customers through the extensive expertise available within the Agency.

We have also continued to work closely with Ordnance Survey supporting the information they make available to all tiers of government on property locations and their boundaries. This helps such functions as planning sustainable communities and offering critical information for contingency planning and disaster management.

During 2007-08 we reached an agreement with HM Land Registry (HMLR) to use information that has been publicly available on their website to assist in the identification of land transactions, to reduce the burden on those involved in the transaction in having to provide us with information.

Similarly we continued to work with HMLR on the introduction of electronic conveyancing, which will help reduce the burden on taxpayers of supplying identical information separately to different government bodies.

The take-up of electronic linkages transferring information between ourselves and local authorities continues to increase. Looking ahead, the transfer of functions from The Rent Service to the VOA will enable us to make further improvements in our links with local government.

IT Resources

Over 2007-08 around 2.3 million people accessed www.voa.gov.uk This is increasing and we continue to develop the accessibility of our information and to increase capacity.

During 2007-08 we also launched a forum enabling staff to have conversations across the network of offices, about the things we encounter in our day-to-day work. This is a good way to share information, new ideas, best practice and much more.

We also introduced an IT based, Enterprise Resource Planning (ERP) tool which has brought together for the first time many of the VOA's current HR, finance, payroll and procurement functions into one integrated package. This helps us run the Agency more effectively by providing better management information and improved systems, which help serve our customers better too. This was implemented on time and within budget against a schedule that was rapid by industry standards.

Information management

Meeting high standards of data security is vital to ensuring public trust in our operations. We take data security very seriously and in all instances we strictly observe data protection rules. During 2007-08 we appointed a Data Guardian to oversee all aspects of data security for the Agency.

We reviewed our procedures during the year along with those in our parent department, HMRC, and we have strengthened safeguards where necessary. The tables below indicate the importance that the Agency has always placed on data security.

Table 1: summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2007-08

The Agency experienced no losses of protected personal data reportable to the Information Commissioner's Office on 2007-08.

Table 2: summary of other protected personal data related incidents in 2007-08

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	2

Table 3: year-on-year total numbers of protected personal data related incidents

Since 2004 there have been no protected personal data related incidents formally reportable to the Information Commissioner's Office and no other protected personal data related incidents.

Our people, our workplace

Future ways of working
During 2007-08 we started a process which will enable us to work even more efficiently in the future, and align ourselves better with customer needs.

We reviewed our accommodation needs, and as a result plan to reduce the overall office space we occupy substantially through such projects as the digitisation of paper-based records. We closed the office in Lambeth during the year, and announced that we would be closing a further two network offices, and moving out of our London headquarters building into offices occupied by our London Central Group.

This new Group is the result of the merging of London Westminster and London City Groups on 1 April 2008, creating a flexible pool of resources to meet the high value, high risk, valuation challenges in central London.

New ways of working will mean the Agency needs fewer staff. We reduced our staffing in 2007-08 from 4,220 to 3,990. Future staff reductions will be made over the next three years and we are committed to doing all we can to achieve this by voluntary means. Compared to 3,990 staff at 31 March 2008, the Agency is expected to reduce to 3,800 by March 2009.

Performance Management
We achieved 99% of all staff having the core skills and competencies for their role within six months of taking up post. Our approach to staff learning is blended to ensure that training is timely, and has maximum impact. Each staff member has access to an Individual Learning Plan that is tailored to the role and provides a structured training programme comprising workbooks, e-learning, self-directed learning and workshops. There are opportunities for staff, irrespective of their level within the organisation, to undertake relevant professional qualifications through the College of Estate Management (CEM), the Royal Institution of Chartered Surveyors (RICS), the Institute of Revenues, Rating and Valuation (IRRV) and the Chartered Management Institute (CMI).

Responsible Business
We have been awarded silver at the 'Companies that Count Corporate Responsibility Index 2007', run by 'Business in the Community', improving on our bronze award last year. The Index highlights organisations that are committed to meeting customers' needs and supporting their staff, whilst contributing to the community and protecting the environment. The Index is a valuable way of benchmarking ourselves against other organisations, and the feedback we receive from 'Business in the Community' provides information to identify areas for further improvement.

Our entry to the 'Companies that count Corporate Responsibility Index 2007' resulted in a silver award

On the environmental side, we are working to cut carbon emissions by reducing mileage from our road vehicles by 15% by 2010-11, and have piloted video conferencing in 13 locations.

The recycling of paper waste saved over 2,300 trees, though we know we need to go further here. The introduction of e-Procurement throughout the Agency (part of ERP) has reduced the number of hardcopy Purchase Orders required.

We have also stopped purchasing bottles of water for meetings and we will replace plastic cups with glasses where these are currently not available.

During 2007-08, together with HMRC, we outlined to DEFRA our commitment to offset 1% of our total air travel spend based on 2006-07 expenditure through the Government Carbon Offsetting Fund (GCOF).

Professional qualifications

During the past year approximately one in ten members of staff were engaged in training to achieve a professional qualification. Currently about 350 staff are being sponsored by the Agency for training or education in courses of study through the CEM, the RICS, IRRV and the CMI. Our CMI-accredited Management Development Programme focuses on the manager's critical role in ensuring staff are deployed effectively, whilst also preparing managers with the latest thinking and practical management skills. A new Senior Leadership Programme was introduced this year to further develop skills in organisational change.

We have stopped purchasing bottles of water for meetings and we will replace plastic cups with glasses

The scheme calculates the carbon dioxide emissions created by official air travel. Credits are then purchased, via a central fund, which will prevent or remove an equivalent amount of carbon dioxide emissions from the atmosphere.

Human Resources

2007-08 proved a difficult environment for pay negotiations, with pay settlements needing to be consistent with the Government's CPI inflation target. We had difficult judgements to make, and although the average pay increase was 3.5%, with over half our staff getting over 3%, there were some who got much less. As a result, we had a short period of industrial action, but were able to minimise the impact on service to customers.

We also began work on the integration of the staff and functions of The Rent Service with the VOA. Preston was the first VOA office to welcome colleagues from TRS followed by Birmingham, Tunbridge Wells and Worthing, with other moves planned to take place during 2008-09 in preparation for a successful transfer in April 2009.

*The recycling of paper waste saved over **2,300** trees*

*We are working to cut carbon emissions by reducing mileage from our road vehicles by **15%** by 2010/2011*

Our policy for managing short-term sickness absence, introduced last year, has now bedded in. There is now more focus on early interventions and on speedier conclusions if levels of sickness absence do not improve. As a result, in 2007-08, we achieved a reduction from 8.2 days per person in 2006-07 to 7.9 days per person in 2007-08 in sickness absence overall and a reduction in short term sickness absence from 4.6 in 06-07 to 4.5 in 2007-08. Though this fell short of the targets of reducing absence for short and long term sickness to four and seven days respectively, it does show a continued improvement.

Diversity

During 2007, we raised awareness about the progress and achievements so far on the Diversity Excellence Model, with presentations to offices by the local diversity coordinators. We committed to

implementing the findings from the model in 2006 and the tool is now being used to successfully drive forward the diversity agenda. The Agency Gender Equality Scheme and action plan was published in 2007-08, and a new suite of diversity awareness e-Learning modules have been developed and will be rolled out in conjunction with a line manager's guide during 2008.

There are five consultative groups chaired by members of the Management Board: the Women's Group; the Gay, Lesbian, Bisexual and Transgender Group; the Disability Group; the Religion and Belief Group; and the Ethnic Diversity Group. Two positive action programmes – Breakthrough and Springboard – have been evaluated, streamlined and again promoted to staff.

The Agency is committed to Diversity and Equality issues investigating 90% of formal complaints within 3 months and offering a mediation service. During the year we received a bronze award from the Employers' Forum on Disability for our policy on recruiting and retaining disabled employees and our service to disabled customers.

Staff recruited into paybands between 1 April 2007 to 31 March 2008[1]	
Summary	
Pay Band	**Total recruited**
SCS	
Pay band 1	1
Pay band 2	1
Pay band 3	2
Pay band 4	8
Pay band 5	7
Pay band 6	15
Pay band 7	148
TOTAL	**182**

[1]*At the time of going to press accurate information on disabled and ethnic minority new entrants and advancements was unavailable*

Staff who participated in the 'Breakthrough Programme' said;

"I improved my goal-setting skills to become more focused on my dreams and thereby move out of the frustrations of the present and begin to live in the possibilities of the future"

Petrina Toby, London City Group

"It made me aware of the positive things that I can do and enabled me to tackle the negative areas which in the past I have tended to avoid"

Alison Cutress, St Albans

Director of Rating appointed Visiting Professor

The Valuation Office Agency's Head of Profession and Director, Rating, David Tretton, has been appointed Visiting Professor in the Faculty of Art, Design, and the Built Environment at the University of Ulster.

The aim of the new faculty, which was established on 1st August 2007, is to provide greater integration of art, creative design, architecture and the built environment to meet the needs of modern society.

David will make a varied contribution to the Faculty, including the delivery of a number of lectures to final year students, presenting conference and seminar papers and assisting in the development of research projects with students and members of the staff.

"The University of Ulster has a well earned reputation of preparing students for the reality and professional aspects of valuation surveying post qualification. *I am delighted to take up this position and proud to be associated with the University"*

David Tretton

Honours for VOA staff

Three staff received awards in the New Year's Honours List.

Paul Hendry, Group Customer Services Manager for the Sheffield Group, received an MBE, particularly as a result of the work he had done to improve partnership working with billing authorities.

Laurence Hatchwell, a Lead Specialist in the Rating Directorate in CEO, received an OBE, particularly in recognition of the high quality of his professional expertise.

Ann Grinstead, who was a Non-Executive Director until last June, received an OBE for her services to the VOA.

Queen's Birthday Honours

Mike Brankin, now Head of Business Services, received an OBE for his work in a previous role in developing technology for council tax.

Terry Fiddes, Data Team manager in Newcastle, was awarded an MBE recognising all the work he had done for the Agency throughout his career, but particularly his work in the field of data and market information.

Annual Agency Awards
This was the second year of the Agency's awards. The awards recognise staff for outstanding achievements in a range of categories: leadership, customer service, business excellence, innovation and ingenuity, and environmental good practice, and the Chief Executive's award for overall outstanding performance.

Each person or team must have demonstrated the following: two or more of the Agency's six core behaviours/values, excellence, superior sustained service or one-time contribution, and exemplary commitment, customer service, resourcefulness, innovation or creativity. This year, there were nearly 50 entries across the categories.

Once again, the finalists in all categories were showcased at the Senior Leaders' Conference in September 2007.

Winners of the VOA Agency Awards 2007

Staff member	Award	Contribution
Paul Hendry Sheffield Group	Chief Executive's Award for Overall Outstanding Performance	His huge contribution to the Agency across the board, and over a number of years; for being an excellent team player and extremely customer focused by working hard to improve relations with his billing authorities.
Mike Porter Western Group	Outstanding Contribution to Leadership	The commitment he showed by leading the way at the Gloucester office during the summer flooding. Despite his own home being flooded, he led by example and ensured customers could continue to deal with their local office.
St Albans Local Taxation Maintenance Team St Albans Group	Outstanding Contribution to Business Excellence	For team members' efficient approach to work when faced with a disaster – the Buncefield oil refinery explosion; for showing initiative by proactively assessing the property damage and showing ability to handle urgent matters.
South West Group Intranet Team South West Group	Distinguished Contribution to Internal Customer Service by a Team or Individual	For their imagination and liveliness used in the Group's Intranet pages; for being clearly focused in keeping staff in the group up to date in an engaging and enjoyable way.
Guy Hirst DVS Wales	Distinguished Contribution to Customer Service by an individual	For his work developing the provision of Welsh language services through his direct involvement and working with others; for his innovation in creating a Welsh language newsletter which illustrated great customer service and commitment to diversity.
Bob Bridgewood Reading Group	Distinguished Contribution to Innovation and Ingenuity	For devising a new process to improve sales verification work. The result has provided excellent value for money and time efficiency, and has also improved the quality of the data used.
Customer Service Team CEO	Distinguished Contribution to the Community	For their contribution to addressing a real community need by helping children in a local inner-city school - many of whom do not have English as a first language - read and develop.

Andrew Hudson presented the Agency Awards at the Senior Leaders' Conference in September 2007

Staff survey

In November 2007 we undertook an interim staff survey measuring two of the VOA's target indicators, Staff Satisfaction and Commitment to the VOA. The survey also included a new section, understanding change, to gauge an understanding of why the VOA has to change, and how it could change. Participation increased this time around with 87% of people contributing.

The results revealed a dip in staff satisfaction. This was not unexpected, as the survey was issued at a time when many staff were unhappy about the 2007 pay offer, which had just been published, and when there were also concerns about recent announcements of consultation on closing a number of offices, and on the outlook for jobs.

Encouragingly, however, the results showed that staff commitment to the VOA fell less than satisfaction, which is testament to the dedicated approach that VOA staff take to their work. We remain committed to achieving an overall staff satisfaction rating within the top 15% of public sector comparators, and managers are discussing the issues with staff and addressing problems together.

Supporting Good Causes

Our staff have supported good causes in a variety of ways over the last year; here are some of them:

A member of staff from East Midlands Group undertook a 149-mile cycle ride, from Cumbria to Tynemouth, over three days, to raise money for Cancer research.

Staff from the Wimbledon office raised money for Kid's Company by organising a charity lunch at their office.

Several staff in the Exeter office organised a 'Pink Day, where staff dressed in pink and organised a pink themed raffle, donations were made to Breast Cancer Research.

A member of staff in the North Wales Group took part in a three mile Santa Fun Run, where all participants were dressed as Santa, to raise money for Hope House Hospice.

Six members of staff from the Newcastle Group took part in a two-day cycle ride, touring all the offices in the group. This raised money for Grace house, a local children's hospice.

Staff in Wessex group organised a number of events at their local offices to raise money for Hampshire Air Ambulance.

Several members of staff from the Chelmsford office arranged a charity walk in their own time to raise money for the little Havens Children's Hospice.

Members of staff from the South East Group raised some money for Cancer research by participating in Relay for Life.

A member of staff from the Project Support Office cycled 1,100 miles from Land's End to John O'Groats to raise money for Methodist Homes for the Aged.

Staff in the Westminster Group collected old and unwanted spectacles for the World in Sight charity, which helps older people in developing countries by providing them with spectacles.

Members of staff in the Newcastle Group took part in an annual Swimathon, which raised money for both Marie Curie Cancer and The Swimathon Foundation.

Staff from the Chief Executive's office and London City Group raised money for Sports Relief by running a mile at nearby Lincoln's Inn Fields

Financial review

The financial results for the year ended March 2008 are set out in the attached financial statements.

The VOA is a Supply Financed Agency within HMRC, which means that the charges for each of its projected work programmes are agreed with its clients. In each case, a service level agreement sets out the arrangements under which the VOA provides its services to clients and recovers its full costs in charges.

Our financial objective, as set out in the framework document, is to recover the full economic cost of operations within each business segment. The Agency has achieved its overall key financial target of breakeven whilst continuing to invest in providing a better service to the customer.

The turnover is £210m for 2007-08, compared to £207m in 2006-07. We have realised a surplus of £8.4m – just over 4% of operating costs – across the Agency as a whole.

During the year, £172m was spent on rating and council tax work for our two major clients, Communities and Local Government, and the Welsh Assembly Government. This has enabled the collection of some £47bn in council tax and business rates by local authorities across England and Wales. Put another way, every £1 spent by the VOA on this work has contributed to the collection of around £275 in Local Government revenue. On the direct tax side, our compliance work for HMRC continues to support the collection of over £5bn of capital gains tax and inheritance tax.

The forecast expenditure for the Comprehensive Spending Review 2007 period, covering the financial years 2008-09 to 2010-11, is £208.5m/£203.8m /£199.2m

Investment Strategy

Our investment strategy will help create a more flexible approach to the way we deliver our business, and improve efficiency, while safeguarding high standards of customer service – providing value for money is a key component of our world class vision.

World Class

Most of the key investment projects are part of the world class programme, designed to deliver the vision set out earlier. They are subject to detailed business cases and approvals processes, with implementation closely monitored to ensure benefits are realised.

The forecast Capital programme includes the following potential areas of new investment:

- Accommodation
  A rolling programme of estates rationalisation is required over the next few years in order to reduce accommodation running costs. Rationalisation can only occur with primary investment.

- Records Management
  We have partially digitised our property attribute data. Further capital investment is now needed to develop an Electronic Document and Record Management System (EDRM) to enable our remaining hard copy records to be digitised. This investment will optimise savings from our estate rationalisation programme through further reducing office space.

- Mobilisation
  We inspect over 250,000 properties a year as part of our core business functions. To maximise the benefits from electronic records, we plan to invest in mobile technology to provide a faster more responsive service to council taxpayers and business ratepayers whilst improving productivity and reducing costs. The investment will enable our fieldwork staff to have real-time, off-site access to the VOA's IT systems allowing us to expand home-based working and the introduction of hot-desking.

- Centralisation
  We are piloting ways of centralising processing, potentially from over eighty locations to just four national centres by 2010-11. Centralisation will facilitate a reduction in the number of support staff and deliver a more consistent service to customers at lower costs. Processing work will move to the centralised locations incrementally.

Financial Position

The Balance Sheet, on page 50 shows the assets, liabilities and taxpayers' equity of the Agency at year end. The Agency's overall financial position remains strong. Total assets of over £64m are balanced by total liabilities of £41m giving taxpayers' equity of just under £23m. Assets are dominated by fixed assets of £38m; the bulk of this is in-house computer software, with a net book value of £30m – a significant increase on the 31 March 2007 position. This reflects continuing investment in a number of applications to improve business delivery.

Other changes at the balance sheet date include an increase in cash held at bank of £0.3m along with an increase in debtors. Work in progress - on Land Services work – increased slightly by some £0.4m. Creditors have increased, from £17m to £23m. This is primarily due to delays in paying monies to the Consolidated Fund, but also reflects an increase in invoices that were due but not received until after the end of the financial year.

Financial Results

The Operating Cost Statement on page 49 shows the income and resources consumed by the Agency in undertaking its activities during the financial year. During the year the Agency saw an increase in income against the previous financial year. The overall net surplus transferred to the general fund increased to £8.4m from £5.3m the previous year.

An analysis of other operating costs can be found at Note 5 on page 56. The increase in costs shown here, of 3%, has been offset by a reduction in staffing costs of 3% from the previous year reflecting the Agency's commitment to working more efficiently.

Cash Flows

The Cash Flow Statement on page 51 analyses the net cash flow from operating activities, identifies how much the Agency has spent on capital, records what receipts were collected on behalf of the Consolidated Fund, and shows the net overall movement in the Agency's cash and bank balances during the year. The Agency generated net cash of £0.3m compared to the previous year's cash consumption of £2m, as a result of improved income.

Payment of Suppliers

All invoices received by the Agency that are not in dispute are to be paid within 30 days of receipt, or in accordance with agreed supplier terms, if shorter. In 2007-08, the Agency paid 77.76% (2006-07: 92.96%) of invoices within 30 days. No interest charges were paid in relation to late payments to suppliers.

The significant fall in the performance this year was due to the migration issues associated with the implementation of a new Enterprise Resource Planning system. We have already taken necessary action to ensure that the performance is back on track for 2008-09.

Explanation of Adoption of Going Concern Basis of Accounting

In the Statement of Accounting Officer's responsibilities on page 42, the Chief Executive, in his capacity as Accounting Officer, states that, in accordance with the Financial Reporting Manual (FReM), the accounting statements are prepared on a going concern basis. In making this statement the Chief Executive and the members of the Management Board have made an assessment of the financial position, associated risks and external influences of the Agency and have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Agency will continue in operational existence for the foreseeable future.

We retain the full support of Ministers for our work and have a strong balance sheet and sound liquidity. Over 91% of our income comes from our three main client departments and is met by their supply

funding to be granted annually by Parliament. We have service level agreements with our core clients and there is no reason to believe that approvals for funding will not be forthcoming in the future.

Remuneration Report

Remuneration of Directors
Directors who are members of the Senior Civil Service are subject to the terms and conditions applicable across the parent Department, HM Revenue & Customs. Details of their remuneration is provided on page 39 and their pay remuneration is determined by HMRC in the light of the recommendations of the Senior Salaries Review Body. There is no separate remuneration committee specific to the VOA, as this function is fulfilled by the parent Department.

The Chief Executive sets specific objectives for executive directors, and their performance is reviewed regularly by him, and formally reported on at the end of each year. The Chief Executive also has regular reviews with the non-executive directors. His own performance against objectives is reviewed by the Chairman of HMRC.

Performance-related pay and bonuses are paid in line with the scheme applying to the Senior Civil Service as a whole.

Contracts, Notice Periods and Termination Periods
The majority of Agency staff, including the executive directors are employed as permanent staff and are subject to both statutory and civil service conditions of service. The non-executive directors are on renewable three year fixed term contracts, with the assumption being that they will not be renewed more than once. The Agency does employ, on a short-term contract basis, a small number of staff who are on call-off contracts.

Awards Made to Past Managers
No awards have been made to past managers in 2007-08 (2006-07 £Nil).

Details of Non-Cash Elements of Remuneration Package
There were no non-cash awards made to board members in 2007-08 or 2006-07.

Salary and Pension Entitlements
The following section provides details of the remuneration and pension interests of the most senior officials of the Agency.

Salary
'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind
The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. No benefits in kind were made available to board members in 2007-08 (2006-07 £Nil).

Details of Compensation Payable to Former Senior Managers
No compensation payments were made to former senior managers during 2007-08 (2006-07 £Nil).

Details of Amounts Payable to Third Party Entities Including In Respect of Director Services
£354,380 was paid during the year (2006-07 £Nil). This information is subject to audit.

Civil Service Pensions
Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). 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 and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' pension is payable

Name and title		Salary including performance pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/08 and related lump sum	Cash Equivalent Transfer Value (CETV) (nearest £k)		
					As at 31/03/07	As at 31/03/08	Real increase in year
		£'000	£'000	£'000	£'000	£'000	£'000
Andrew Hudson *Chief Executive*	2007-08 2006-07	115 - 120 120 - 125	2.5 – 5 *	50 – 52.5 *	666	820	47
David Park *Deputy Chief Executive*	2007-08 2006-07	95 – 97.5 90 – 95	0 – 2.5 *	50 – 52.5 *	884	1,030	29
Ian Milliken *Board Member*	2007-08 2006-07	115 – 120 75 - 80 (95 – 100 full year equivalent)	0 – 2.5 *	10 – 12.5 *	172	222	25
Sue Townsend *Board Member*	2007-08 2006-07	70 – 75 45 – 50 (60 – 65 full year equivalent)	0 –2.5 plus 5 – 7.5 lump sum	20 – 22.5 plus 62.5 – 65 lump sum	257	336	34
Craig Lester *Board Member (from 1 April 2007 to 31st May 2007)*	2007-08 2006-07	10 – 15 (80 – 85 full year equivalent) N/A	0 – 2.5 plus 0 – 2.5 lump sum	20 – 22.5 plus 62.5 – 65 lump sum	275	333	7
Steve Hartnell *Board Member*	2007-08 2006-07	80 – 85 80 – 85	0 – 2.5 plus 0 – 2.5 lump sum	30 – 32.5 plus 92.5 – 95 lump sum	592	684	9
Paul Sanderson *Board Member*	2007-08 2006-07	80 – 85 80 – 85	-2.5 – 0*** plus 0 – 2.5 lump sum	37.5 – 40 plus 112.5 – 115 lump sum	738	837	-
Mary Morrison-Paton *Board Member*	2007-08 2006-07	60 – 65 60 – 65	0 – 2.5 *	5 – 7.5 *	67	95	15
Ann Grinstead *Non-Executive Member*	2007-08 2006-07	0 – 5 10 – 15	**	**	-	-	-
Jane Earl *Non-Executive Member (from 1 May 2007)*	2007-08 2006-07	5 – 10 N/A	**	**	-	-	-
Dawn Johnson *Non-Executive Member*	2007-08 2006-07	10 – 15 5 – 10 (10 – 15 full year equivalent)	**	**	-	-	-

* *Member of the Premium Scheme – Lump sum not applicable*
** *Fee paid consultant – not in Civil Service Pension Scheme*
*** *Real decrease in Pension*

The information in the table above is subject to audit.

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 in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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 and 65 for members of nuvos.

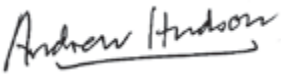
Further details about the Civil Service pension arrangements can be found on the website: www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

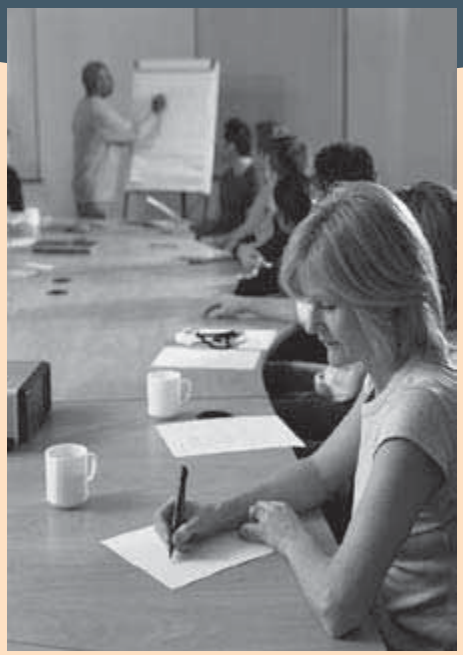
Real Increase in CETV

This reflects the increase in CETV effectively 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.



Andrew Hudson
Chief Executive
22 May 2008

Annual Accounts



Annual Accounts for the Year Ended 31 March 2008

Contents

About these Accounts

The Valuation Office is a supply-financed Agency within HM Revenue & Customs. These accounts will be consolidated as part of the HM Revenue & Customs resource accounts, which are audited separately by the Comptroller and Auditor General and presented to Parliament annually.

Statement of the Agency's and Chief Executive's Responsibilities with respect to the Accounts

Under the Government Resources and Accounting Act 2000, HM Treasury has directed the Valuation Office Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction DAO(GEN) 06/07. The accounts are prepared on an accruals basis and must reflect a true and fair view of the state of affairs of the Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury and in particular to:

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

The Treasury has appointed the Chief Executive of the Valuation Office Agency as Accounting Officer for the Agency. 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 Treasury.

Statement on Internal Control

As Accounting Officer for the Valuation Office Agency, I have responsibility for maintaining a sound system of internal control which supports the achievement of the VOA's policies, aims and objectives, as set by the VOA's Ministers, whilst safeguarding the public funds and the VOA assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

I carry out this responsibility in conjunction with the Department's Principal Accounting Officer, the Chairman of Her Majesty's Revenue and Customs (HMRC). The relationship between the VOA and HMRC is set out in the VOA's Framework Document, and in a separate Memorandum of Understanding between the Chairman of HMRC and myself.

The Chairman of HMRC is my direct line manager, and acts as the HMRC Executive Committee (EXCom) member responsible for the VOA when necessary. He carries out quarterly performance reviews of the VOA with me, the Finance Director, and other directors as necessary. The VOA directors also have close working relationships with other Excom members, particularly the Chief Finance Officer and the Chief Information Officer.

In discharging my overall responsibilities, I am supported by the VOA's Management Board, which I chair. The Management Board comprises the Deputy Chief Executive, six Executive Members and two Non-Executive Directors. The Board meets at least ten times per year and workshops are held at least twice a year to focus on particular strategic issues affecting the VOA. The Management Board sets the strategic direction of the VOA, approves the annual budget allocations, monitors performance including agreeing key performance indicators with the clients, and has oversight of sub-committees to the Management Board.

The VOA currently operates with two sub-committees supporting the Management Board: the Audit Committee and the People Committee. In addition, the World Class Programme Board, which includes executive Board members, has responsibility for the overall management and control for the delivery of the portfolio of projects that make up the World Class Programme.

My Private Office carries out the function of Secretariat to the Management Board and its sub-committees, in line with Management Board procedures. It also holds a Register of Members' Interests and maintains a record of continuing professional development undertaken by the Management Board members.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level, rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the VOA's vision, aims and objectives: to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the VOA for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to Handle Risk

I acknowledge my overall responsibility for the effective management of risk throughout the VOA. I can confirm that the risk management arrangements have been operating throughout the year, but we continue to strengthen our approach to risk management.

During the year, Internal Audit has also undertaken a review of the risk management process and presented various reports to the Audit Committee covering these areas. There were no significant issues reported by the Internal Audit.

In addition, this year, the Management Board invited Internal Audit to their risk workshops, so that their forthcoming programme of work could be informed by a greater understanding of the risks facing the VOA.

This year, we also invited independent experts to review our risk methodology with a view to benchmarking against good practice. As a result of this consultation, our strategic risk register has been re-designed.

The Management Board reviews the strategic risk register regularly. In addition, the Management Board meets annually to identify and prioritise the most significant risks facing the VOA, necessary for driving the allocation of resources to deliver objectives.

There is a clear understanding and ownership of risk at the Board Level. The Directors, in turn, have encouraged a culture of active management of the risks at all levels within their areas of responsibilities. We have made significant progress but our work in raising awareness at all levels throughout will continue.

The Audit Committee, which meets four times per year, has an oversight of the strategic risk register. The Agency has appointed an independent, qualified "Risk Specialist" to the Committee. The Risk Specialist meets the Finance Director on a regular basis. The role of the Risk Specialist is to offer sound advice on matters of risk management to the Audit Committee.

The Risk and Control Framework

Risk Management Strategy
The VOA has in place a well-established strategy for risk management. The VOA's risk management strategy complies with the Treasury (Orange Book) and the guidance for project appraisal (Green Book).

Our approach to risk management is "top down". The risks are identified, evaluated and controlled by a named director and the risk assessment is discussed and agreed, collectively, by the Management Board. A dedicated risk manager within Finance manages the co-ordination of the strategic risk register with the directorates.

The Risk Framework
The key features of our risk management framework are:

- to continue to develop understanding of our risk principles underpinning our revised risk management strategy throughout the VOA;
- to assign ownership of significant risks and assignment of responsibility for managing them to individual Management Board members, known as "risk guardians";
- to review and update our risk management guidance which includes internal project management methodology;
- to encourage the project sponsors and managers to identify risks and include risk management in their project plans. Regular progress reports on key projects are provided to the Management Board;
- to offer training and advice on risk management, including in the VOA's Management Development Programme;
- to improve the inter-relationship between the risk register, resource allocation process, and performance against our key indicators and targets.

The Control Framework_
The VOA is directed and controlled in line with the corporate governance arrangements as set out in HM Treasury's guidance: Corporate governance in central governments: code of good practice.

Last year, Internal Audit undertook a comprehensive review of the VOA's corporate governance arrangements, and we committed to a subsequent review this year to ensure that the recommendations were being acted upon. This year's review has commented positively on our strong commitment to sound governance. We continue with our work to adopt good governance practices in all of the VOA's activities.

The VOA has a comprehensive framework of procedures covering all aspects of the conduct of business. Finance procedures are set out in the finance manual and are regularly updated.

Enterprise Resource Planning_
During the year, we have successfully implemented an Enterprise Resource Planning system as part of the HMRC programme. Whilst there are still minor issues to resolve, we are satisfied that these are being tackled.

World Class Agenda
We set out our vision for a World Class organisation some time ago in our Forward Plan 2005-08. The essence of the World Class vision is our commitment to customers, both those with whom we have day-to-day contact through our work for council tax and business rates, and the government departments and other clients who fund our work.
The World Class Programme has a number of supporting sub programmes and projects that are cross-cutting with other areas. The responsibility for the governance, planning and management of the Programme resides with the World Class Programme Board. The Programme Board

is chaired by me and is supported by the Programme & Project Support Office and members of the Management Board. The Programme Board is responsible for ensuring that the delivery is on track, and that key issues and risks are being managed effectively.

Data Security

I can confirm that, in line with HMRC policy and direction, we have reviewed our data security arrangements to safeguard the data we hold, and authorise essential data transfers in an appropriate manner. As part of HMRC's continuing efforts to embed data security in its day to day processes, a pocket rulebook has been issued to all staff to ensure that HMRC data security instructions are clearly understood.

The Data Security Pocket Rulebook contains the departmental rules on data security, physical security, and laptop and Blackberry security. It provides practical instructions about data handling in the context of our business, and summarises the standards expected from the operations.

The VOA complies with HMRC's guidance on data security. I have appointed a Data Security Guardian, who is a member of the Management Board, and a Deputy Data Guardian, to deal with policy issues and co-ordination with HMRC.

In particular, we will be holding a series of workshops with all VOA staff over the next 3 months to re-enforce the understanding of data security and to discuss the application of HMRC guidance to individual and team solutions.

Other Controls

The key elements of other controls within the VOA are underpinned by:

- a three year Forward Plan for the VOA, which is reviewed annually;
- a comprehensive financial planning and annual budgeting process with approval of an annual budget by the Management Board;
- monthly budget monitoring reporting by the Finance Director to the Management Board;
- monthly reports to the Management Board by each director on a range of performance indicators against which we measure our performance. The results are validated by Internal Audit and are published in our Annual Report;
- the work of the Financial Audit Unit team, who are the VOA's own specialised inspection unit. They work to provide assurances that all financial activities and responsibilities within the VOA network are carried out with propriety and in accordance with current instructions, by carrying out cyclical reviews of all the VOA's operational units, testing for compliance with procedures, and identifying good financial management practices. Checks are also conducted to ensure that, where weaknesses have been identified previously, these have been remedied;
- a balanced scorecard is in place across all operational units. We have also developed a new value for money indicator for 2008-09. These monitoring systems provide us with information on actual staff deployment on each of our main areas of work, by operational unit, and data for measuring productivity. These mechanisms provide us with measures of performance across the full range of operational activity, and help to drive performance improvement and support internal benchmarking activity;
- the maintenance across the country of both the National Non-Domestic Rates and Council Tax Lists, which is undertaken through mapped and documented uniform processes with regular monitoring and reporting of workflows and outcomes. The oversight of the Local Taxation work is supported by a Business Support Team, which includes a dedicated quality assurance and process compliance capability.

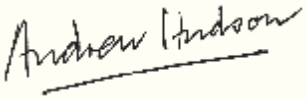
Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Management Board members within the VOA, who have responsibility for the development and maintenance of the internal control framework, and by comments made by our external auditors in their management letters and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee, and I plan to address any weaknesses and ensure continuous improvement of the system is in place.

My review has been informed by:

- an Internal Audit Service, provided by HMRC under a Service Level Agreement, which operates to the Government Internal Audit Standards;
- an annual assurance statement from the Head of Internal Audit which gives his professional opinion on the adequacy and effectiveness of the VOA's risk management, control and governances processes;
- feedback from the Management Board Directors and senior managers within the VOA who have responsibility for the operational development, maintenance of internal controls and risk management framework;
- scrutiny from the World Class Programme Board which approves all major projects;
- a written report from the Chair of the Audit Committee, who is an independent non-executive Board member, to the Management Board after each Audit Committee meeting;
- contribution from the People Committee, which is chaired by me and meets three times a year. The People Committee contributes to the strategy for the recruitment and development of talent at all levels in the Agency. This is to ensure that the Agency recruits, retains, and motivates the people needed to deliver its vision.

There are no significant internal control issues to report.



Andrew Hudson
Chief Executive
22 May 2008

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Valuation Office Agency for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Key Facts, the Chief Executive's Overview and the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2008, and of the net operating cost, total recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Key Facts, the Chief Executive's Overview, and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

29 May 2008

Operating Cost Statement for the Year Ended 31 March 2008

		31 March 2008		31 March 2007	
	Notes	£'000	£'000	£'000	£'000
Income	*2*		209,324		206,821
Increase in value of work in progress	*2,8*		398		402
			209,722		**207,223**
Staff costs	*4a*	(135,481)		(139,341)	
Early departures	*4b*	(5,189)		(3,943)	
Other operating costs	*5*	(54,258)		(52,487)	
Depreciation	*6*	(5,737)		(5,521)	
			(200,665)		**(201,292)**
Operating surplus			**9,057**		**5,931**
Notional interest on capital			(668)		(637)
Surplus for year transferred to the General Fund			**8,389**		**5,294**

All income and expenditure is derived entirely from continuing ooperations

Notes 1 to 21 form part of these Accounts

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2008

		31 March 2008	31 March 2007
	Notes	£'000	£'000
Surplus for the the year		**8,389**	**5,294**
Unrealised surplus on revaluation of fixed assets	*13*	1,491	530
Total recognised gains and losses relating to the financial year		**9,880**	**5,824**

Notes 1 to 21 form part of these Accounts

Balance Sheet as at 31 March 2008

	Notes	31 March 2008 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2007 £'000
Fixed Assets					
Tangible Assets	*6*		38,003		33,342
Debtors: Amounts falling due after more than one year	*9*		1,793		2,129
Current Assets					
Work in progress	8	3,686		3,288	
Debtors: Amounts falling due within one year	*9*	12,074		9,942	
Cash at bank and in hand	*10*	7,791		7,501	
		23,551		20,731	
Creditors: Amounts falling due within one year	*11*	(22,820)		(16,983)	
Net Current Assets			**731**		**3,748**
Total Assets less Current Liabilities			40,527		39,219
Provisions for liabilities and charges	*12*		(17,755)		(18,667)
Net Assets			**22,772**		**20,552**
Taxpayers' Equity					
General Fund	*19*		18,781		18,052
Revaluation Reserve	*13*		3,991		2,500
			22,772		**20,552**

Notes 1 to 21 form part of these Accounts

Andrew Hudson
Chief Executive
22 May 2008

Cash Flow Statement for the Year Ended 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
Net Cash inflow from operating activities	*14a*	19,258	8,364
Capital expenditure and financial investment	*14b*	(9,837)	(10,608)
Collected by the Valuation Office Agency on behalf of the Consolidated Fund	*1.14,14c*	400	218
Payments to the Consolidated Fund		(9,531)	-
Increase/(decrease) in cash generated	*14d*	**290**	**(2,026)**

Notes 1 to 21 form part of these Accounts

Notes to the Accounts

1. Statement of Accounting Policies
These financial statements have been prepared in accordance with the 2007-08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practise for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention
These accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Fixed Assets
Tangible fixed assets are valued on the Balance Sheet at current cost by applying the appropriate index in year to each class of asset in accordance with HM Treasury rates. A £25,000 capitalisation threshold applies to refurbishments; all other tangible fixed assets have a capitalisation threshold of £500. On initial recognition, assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

The Accounting Officer is not aware of any material changes in value and has therefore decided that there has not been a need for external valuations, nor impairment reviews, during the year.

The fixed asset position has been adjusted to recognise those assets which were under construction at the start of the financial year. Costs are accumulated until the asset is completed and brought into service when the asset is transferred to the relevant asset group and depreciation commences. Note 6 reports details of assets by class.

1.3 Depreciation and Amortisation
Depreciation is charged at a rate chosen to recover the replacement cost less estimated residual value of all tangible fixed assets over their estimated useful life. Land is not depreciated. The asset lives currently estimated for each other class of asset are as follows:

Accommodation refurbishments	Between 4 and 7 years
Computers	Between 3 and 7 years
Developed software	10 years
Furniture	Between 3 and 7 years

1.4 Stocks and Work in Progress
Stocks and work in progress are valued as follows:

i. Stock is valued at the lower of cost and net realisable value. As stock has no significant realisable value outside the Agency, a nil value is given in these accounts.

ii. Work in progress is valued at the lower of cost and net realisable value after providing for contingencies and anticipated future losses. Cost is calculated using the Agency's hourly charge rate; this hourly charge rate represents the full cost of the service calculated in accordance with HM Treasury's fees and charging guide.

1.5 Operating Income
Operating income comprises fees and charges for services provided to other government departments, agencies, non-departmental public bodies, and external customers and is recorded net of Value Added Tax.

1.6 Capital Charge
A charge, reflecting the cost of capital utilised by the Agency, is included in the Operating Cost Statement and credited to the General Fund. The charge is calculated using the HM Treasury standard rate for financial year 2007-08 of 3.5% (2006-07: 3.5%) in real terms on all assets less liabilities except for the following, where the charge is nil:

- Liabilities for the amounts to be surrendered to the Consolidated Fund, and
- Amounts due from the Consolidated Fund.

1.7 Pensions
All past and present permanent staff members are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), to which the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The defined benefit scheme is unfunded and all non-contributory except in respect of dependents' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over

the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary; the rate for the year varied from 17.1% to 25.5% of reckonable pay (2006: from 16.2% to 24.6%). During the year superannuation contributions were made in respect of all permanent staff. The liability for payment of future benefits is a charge on the PCSPS.

1.8 Early Departure Costs

The Agency is required to pay the pensions of employees who retire early until they reach normal pensionable age. The total pensions liability arising from reorganisation and from early retirement in previous years, up to the normal retirement age of each employee is charged as a provision which is discounted at the standard rate of 2.2%, in accordance with the Government Financial Reporting Manual. Funds are released from that provision annually to fund pension and related benefits payments to the retired employees until normal retirement age.

The Civil Service White Paper, "Continuity and Change" (Cm 2627), published in July 1994, announced new arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20 per cent of the cost will normally be borne by Agencies and Departments and the remaining 80 per cent, which would otherwise fall upon Departments' or Agencies' running costs, will be met centrally from the Civil Superannuation Vote.

1.9 Policy on Leasing Commitments

Rentals paid under operating leases are charged to the Operating Cost Statement over the period of the lease, so as to reflect the consumption of the economic benefit. The future obligations for the lease rentals for the period ended 31 March 2008 has been disclosed in Note 16 and has been broken down into various categories of leased assets and the periods of their termination.

1.10 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised), How to Account for PFI Transactions as required by the FReM. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Agency has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Agency, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.11 Provisions

In accordance with FRS12, the Agency makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability (i.e. a present obligation arising from a past event) exists, where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Agency discounts the provision to its present value using a discount rate of 2.2%, the Government's standard rate. Each year the charges relating to movements in provisions in the Operating Cost Statement include the adjustments to amortise one year's discount and restate liabilities to current price levels. The change in price levels is calculated using HM Treasury's annual GDP deflator or, where it is available, the relevant actual change in prices rate.

1.12 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.13 Provision for Doubtful Debt

A general provision for doubtful debt has been made for all trade debt over 12 months old at the Balance Sheet date.

1.14 Civil Penalty Debtors

Income arising from the levying of civil penalties for failure to submit forms of return to assist in the assessment of rateable values are treated as Consolidated Fund Extra Receipts (CFER). This income is not shown on our Operating Cost Statement because it is deemed to be outside the scope of our business activities (and is ultimately payable to HM Treasury). Consequently, it is held as a liability on the Balance Sheet and amounts paid are reflected on the Cash Flow Statement. All movements are accounted for on a receipts basis.

1.15 Value Added Tax

Apart from Land Services income most of the activities of the Agency are outside the scope of VAT. In general output tax does not apply and input tax on purchases is not recoverable.

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Income and expenditure is otherwise shown net of VAT.

For Fees and Charges purposes an analysis of income for services provided to external and public sector customers is as follows:

2. Segmental Fees and Charges

31 March 2008	Income	Increase in work in progress	Full cost including notional costs	Surplus/(deficit)	Surplus as a % of turnover
	£'000	£'000	£'000	£'000	£'000
Chargeable activities:					
Rating and Council Tax	180,097	-	(171,733)	8,364	4.64%
Land Services	17,216	398	(16,301)	1,313	7.63%
Revenue work	11,520	-	(12,808)	(1,288)	-11.18%
Other operating income *(Note 3)*	491	-	(491)	-	-
Total	**209,324**	**398**	**(201,333)**	**8,389**	

In the note above, 'full-cost' includes a one-off cost for early departures of £4.609m for Rating and Council Tax, £0.325m for Land Services, and £0.255m for Revenue Work.

31 March 2007	Income	Increase in work in progress	Full cost including notional costs	Surplus/(deficit)	Surplus as a % of turnover
	£'000	£'000	£'000	£'000	£'000
Chargeable activities:					
Rating and Council Tax	176,564	–	(170,685)	5,879	3.33%
Land Services	18,303	402	(19,320)	(615)	-3.36%
Revenue work	11,500	–	(11,470)	30	0.26%
Other operating income *(Note 3)*	454	–	(454)	–	0%
Total	**206,821**	**402**	**(201,929)**	**5,294**	

3. Other Operating Income

Other operating income comprised the following:

	31 March 2008	31 March 2007
	£'000	£'000
Sale of Rating/Council Tax information	165	225
Miscellaneous receipts	326	229
	491	**454**

4a. Staff Numbers and Costs

	31 March 2008			31 March 2007
	Total number	Permanently-employed staff	Others	Total number
The average number of full-time equivalent staff (including senior management) employed during the year was as follows:				
Rating and Council Tax	3,543	3,515	28	3,832
Land Services and Revenue Work	549	546	3	593
Payment of Local Authority Rates	4	4	–	3
	4,096	**4,065**	**31**	**4,428**

Land Services and Revenue Work is performed by one department and therefore the staff numbers attributable to the streams of income cannot be separately identified

	31 March 2008			31 March 2007
	Total	Permanently-employed staff	Others	Total
The aggregate payroll costs of these persons were as follows:	£'000	£'000	£'000	£'000
Wages and salaries	107,370	105,745	1,625	109,794
Social security costs	7,890	7,852	38	8,243
Other pension costs (Note1.7)	20,516	20,403	113	21,304
	135,776	**134,000**	**1,776**	**139,341**
Less recoveries in respect of outward secondments	(295)	(295)	–	–
Total net costs	**135,481**	**133,705**	**1,776**	**139,341**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £20,435,011 were payable to the PCSPS (2006-07: £21,219,054) at one of four rates in the range 17.1% to 25.5% per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same (the rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007-08 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. Employers' contributions of £74,958 (2006-07 £78,618) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £5,566, 0.8% (2006-07 £5,866, 0.8%) of pensionable pay, were payable to the PCSPS 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 of 31 March 2008 were nil (2006-07: £nil). Contributions prepaid at that date were nil (2007: £nil.)

Three persons (2006-07: seven) retired early on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £4,514 (2006-07: £9,584).

For additional information about the PCSPS please refer to the Remuneration Report on page 38.

4b. Early Departure Costs

	Notes	31 March 2008 £'000	31 March 2007 £'000
Additional provisions made	*12a*	5,344	3,831
Amortisation of one year's discount		169	199
Unused amounts reversed		(324)	(87)
Total 'in-year' costs		**5,189**	**3,943**

5. Other Operating Costs

		31 March 2008 £'000	31 March 2007 £'000
Accommodation – PFI related		15,333	14,540
Accommodation – non PFI related		4,765	4,785
Accommodation – Business Rates		4,253	4,163
HM Revenue & Customs service charge		4,109	4,000
Capgemini service charges		8,750	7,216
Management consultancy		246	144
Postage/couriers		751	872
Subscriptions		838	776
Telephone charges		1,660	1,346
Data capture		376	1,557
Sundry costs		3,769	3,259
Travel and subsistence	i	5,377	4,868
Printing, stationery and distribution		900	926
Computing (including IT consultancy)		1,153	1,575
Legal services (excluding movement in provisions)		166	(427)
Legal services (movement in provisions)		(457)	1,686
External training		973	633
Operating leases: hire of plant and machinery		338	530
Notional auditors remuneration – for audit	ii	66	65
Net loss/(profit) on revaluation of fixed assets		104	(26)
Asset Write-Offs		779	-
Net loss/(profit) on disposal of fixed assets		9	(1)
		54,258	**52,487**

i Of this approximately £24,512 (2006-07: £27,116) was incurred by the Chief Executive and other Board members.

ii During the year the auditors did not carry out any non-audit work and therefore their remuneration for such services was £nil (2006-07: £nil).

6. Fixed Assets

	Accommodation Refurbishments	Computers	Leased equipment	Furniture	Developed software	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:							
At 1 April 2007	13,452	7,565	685	11,687	43,339	6,066	82,794
Additions	706	1,765	9	83	1,016	6,258	9,837
Disposals	(15)	(38)	-	(99)	-	-	(152)
Write-offs	-	-	-	-	(30)	(768)	(798)
Reclassifications	-	694	(694)	-	8,067	(8,067)	-
Revaluations	574	(418)	-	429	2,074	-	2,659
At 31 March 2008	**14,717**	**9,568**	**-**	**12,100**	**54,466**	**3,489**	**94,340**
Depreciation:							
At 1 April 2007	12,653	6,961	587	10,082	19,169	-	49,452
Charged in year	376	494	32	739	4,096	-	5,737
Disposals	(15)	(38)	-	(90)	-	-	(143)
Write-offs	-	-	-	-	19	-	19
Reclassifications	-	619	(619)	-	-	-	-
Revaluations	510	(313)	-	366	709	-	1,272
At 31 March 2008	**13,524**	**7,723**	**-**	**11,097**	**23,993**	**-**	**56,337**
Net Book Value:							
At 31 March 2008	**1,193**	**1,845**	**-**	**1,003**	**30,473**	**3,489**	**38,003**
At 1 April 2007	**799**	**604**	**98**	**1,605**	**24,170**	**6,066**	**33,342**

7. Movements in working capital other than cash:

	Notes	31 March 2008	31 March 2007
		£'000	£'000
Increase in work in progress	8	(398)	(402)
(Increase)/Decrease in debtors	9	(1,796)	159
Less movements in debtors relating to items not passing through the OCS		(191)	(212)
Increase in creditors	11	5,837	7,305
Less movements in creditors relating to items not passing through the OCS		743	(5,513)
		4,195	**1,337**

8. Work in progress

	31 March 2008	31 March 2007
	£'000	£'000
Opening	3,288	2,886
In-year movement	398	402
Closing	**3,686**	**3,288**

9a. Debtors

	31 March 2008	31 March 2007
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	8,957	7,732
Other debtors	1,462	665
Prepayments and accrued income	1,380	1,545
VAT Debtor	275	-
	12,074	**9,942**
Amounts falling due after more than one year		
Prepayments and accrued income	**1,793**	**2,129**

9b. Intra-Government Balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year
	£'000	£000
Balances with other Central Government Bodies	4,613	-
Balances with local authorities	1,921	-
Balances with NHS Trusts	2,110	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	3,430	1,793
As at 31 March 2008	**12,074**	**1,793**
Balances with other Central Government Bodies	5,332	-
Balances with local authorities	1,547	27
Balances with NHS Trusts	1,538	-
Balances with public corporations and trading funds	32	-
Balances with bodies external to government	1,493	2,102
As at 31 March 2007	**9,942**	**2,129**

10. Cash at bank and in hand

	31 March 2008	31 March 2007
	£'000	£'000
Balance at 1 April	7,501	9,527
Net cash (outflow)/inflow	290	(2,026)
Balance at 31 March	**7,791**	**7,501**
The cash balance as at the year end comprises:		
Balances at Commercial Banks and in Hand	67	-
Balances at the Office of HM Paymaster General	7,724	7,501
	7,791	**7,501**

11a. Creditors: Amounts falling due within one year

	31 March 2008	31 March 2007
	£'000	£'000
VAT Creditor	-	129
Trade Creditors	6,237	713
Accruals and deferred income	7,794	6,609
Operating receipts payable to the Consolidated Fund	8,389	9,179
Operating receipts payable to the Consolidated Fund which are outside the scope of the Agency's activities	400	353
	22,820	**16,983**

11b. Intra-Government Balances

	Creditors: Amounts falling due within one year
	£'000
Balances with other Central Government Bodies	15,877
Balances with local authorities	27
Balances with NHS Trusts	76
Balances with public corporations and trading funds	-
Balances with bodies external to government	6,840
As at 31 March 2008	**22,820**
Balances with other Central Government Bodies	9,875
Balances with local authorities	3
Balances with NHS Trusts	13
Balances with public corporations and trading funds	7
Balances with bodies external to government	7,085
As at 31 March 2007	**16,983**

12a. Provisions for Liabilities and Charges

	Early retirement and pension commitments	Provision- for legal claims	Other provisions	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2007	13,065	5,554	49	18,668
Additional provisions made	5,344	2,320	–	7,664
Unused amounts reversed	(324)	(2,777)	(29)	(3,130)
Amounts incurred and charged against provision	(5,457)	(139)	(20)	(5,616)
Amortisation of one year's discount	169	-	-	169
Balance at 31 March 2008	**12,797**	**4,958**	**-**	**17,755**

Provisions for early retirement and pension commitments

During this financial year, applications were invited from staff (irrespective of location and pay band) with significant health, compassionate or compelling reasons who wished to be considered for early departure.

In addition to the qualifying factors, the Management Board considered the following before any application for early departure (Flexible Early Retirement or Flexible Early Severance) was accepted. These were;

- The operational efficiency of the Agency (including cost implications).
- The continual need to retain the right mix of skills and experience across the whole of the network.
- Any local recruitment/retention difficulties.
- Plans to close or relocate offices.

The exercise was successfully concluded with approval for 100 staff to depart under the early departure scheme. The Agency has made a provision of £5,189,255 for the Scheme in the current year.

The detailed accounting policy for Early Departure Costs is set out in Note 1.8, the costs are expected to fall due as shown below in Note 12(b), and the total in-year costs are detailed in Note 4(b).

Provision for legal claims

There is uncertainty regarding the timing of the transfer of economic benefits in relation to the legal claims. Some cases involve points of principle and there may be appeals (and counter appeals), which will delay the final outcome. Due to the number of legal cases outstanding it is not practicable to disclose individual details of the above provisions.

12b. Early Retirement and pension Commitments

	31 March 2008
	£'000
Early retirement and pension commitments fall due:	
Within one year	5,503
Between one and two years	2,583
Between two and five years	3,816
After five years	895
	12,797

12c. Contingent Liabilities

The Agency has contingent liabilities of £943,260 at 31 March 2008 relating to 42 appeals. The legal opinion obtained by the Agency is that these appeals can be successfully resisted. (2006-07: 31 cases, £1,394,000).

13. Reserves

	31 March 2008	31 March 2007
	£'000	£'000
Balance at 1 April	2,500	1,970
Arising on revaluation of fixed assets during the year (net)	1,491	530
Balance at 31 March	**3,991**	**2,500**

The revaluation reserve reflects the cumulative balance of indexation and fixed asset revaluation adjustments. There were no donated assets at 31 December 2008 (31 March 2007: £nil).

14a. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	31 March 2008	31 March 2007
	£'000	£'000
Surplus for the year transferred to the General Fund	8,389	5,294
Depreciation (see Note 6)	5,737	5,521
Amortisation of prepayments	224	204
Loss on revaluation of fixed assets (see note 5)	104	(26)
Loss on disposal of fixed assets	9	-
Auditors notional remuneration and expenses (see note 5)	66	65
Asset write-off	779	-
Adjust for movements in working capital other than cash (see note 7)	4,195	1,337
Increase in provisions (other than Early Departure)	(486)	934
Utilisation of provisions	(5,616)	(9,572)
Increase in provisions (Early Departure)	5,020	3,771
Interest payable - unwinding of one year's discount	169	199
Notional interest on capital	668	637
Net cash inflow from operating activities	**19,258**	**8,364**

14b. Analysis of Capital Expenditure and Financial Investment

	31 March 2008	31 March 2007
	£'000	£'000
Purchase of fixed assets (see note 6)	(9,837)	(10,610)
Proceeds on disposal of fixed assets	-	2
Net cash inflow from investing activities	**(9,837)**	**(10,608)**

14c. Analysis of receipts due to the Consolidated Fund which are outside the scope of the Agency's activities

31 March 2008	31 March 2007
£'000	£'000
400	218

14d. Analysis of Financing

	31 March 2008	31 March 2007
	£'000	£'000
Increase/(Decrease) in cash (see Note 10)	290	(2,026)

15. Capital Commitments

As at 31 March the following future capital expenditure had been authorised and contracted:

	31 March 2008	31 March 2007
	£'000	£'000
Contracted	68	1,177

16. Commitments Under Operating Leases

At 31 March the Agency was commited to making the following payments during the next year in respect of operating leases expiring (excluding PFI contracts):

	31 March 2008		31 March 2007	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	1,635	166	151	106
Between two and five years	1,853	152	2,800	262
Expiry thereafter	981	8,941	1,409	10,053
	4,469	9,259	4,360	10,421

17.Commitments under PFI Contracts

The Agency has entered in to an off-balance sheet (operating lease) PFI contract with Strategic Transfer Estate to Private Sector (STEPS) for the provision of office accommodation and facilities management. The contract commenced in April 2001 and ends in March 2021. The estimated capital value of the contract is £2.421m.

Upon transfer, the VOA received a payment from the PFI provider of £1.5m for the transferred assets. This resulted in a PFI prepayment of £921k which is being amortised to the Operating Cost Statement over the life of the PFI scheme. As at 31 March 2008, the prepayment was £710,725 (2006-07 £746,259).

The total amount charged in the Operating Cost Statement in respect of PFI transactions was £15,332,661 (2006-07: £14,540,000) and as at 31st March the Agency was committed to making the following payments during the next year in respect of the PFI scheme expiring:

	2007-2008	2006-2007
	£'000	£'000
Expiry within one year	-	-
Expiry within two to five years	-	-
Expiry within six to ten years	-	-
Expiry within 11 to 15 years	16,671	16,434

18. Financial Instruments

FRS13 "Derivatives and Other Financial Instruments" requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the way in which it is financed, the VOA is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the VOA in undertaking its activities.

The VOA's financial assets comprise short-term debtors and cash at bank and in hand. The Agency's financial liabilities include short-term creditors, early retirement and pension commitments.

The VOA has taken advantage of the exemption in FRS13 not to give disclosures in respect of short-term debtors and creditors.

Liquidity Risk

Over 90% of the Agency's income this year (2006-07: 90%) is from chargeable work to other Government Departments (Communities and Local Government) and the Welsh Assembly Government. The Agency is not, therefore, exposed to significant liquidity risks. Cash balances are on deposit with HM Paymaster General and to a lesser extent with commercial banks, and there is therefore no significant exposure to liquidity risks.

Interest Rate Risk

Early retirement and pension commitments are discounted at the rate of 2.2% per annum and the maturity profile is shown in Note 12(b). Cash balances on deposit with HM Paymaster General do not attract interest. Balances held with commercial banks are held in short term fixed rate deposits and there is therefore no exposure to significant liquidity and interest rates risks.

Foreign Currency Risk

The Agency's exposure to foreign currency risk is not significant. Foreign currency expenditure is negligible and foreign currency income, at less than 0.5% of the total income, is not significant.

Fair Values

The book values of the Agency's financial assets and liabilities at 31 March 2007 are not significantly different from their fair values. Accordingly they have not been shown separately.

19. General Fund

	31 March 2008		31 March 2007	
	£'000	£'000	£'000	£'000
Balance at 1 April		**18,052**		**17,343**
Surplus for the year	8,389		5,294	
Amounts repayable to the Consolidated Fund	(8,389)		(5,294)	
		0		0
Non cash charges:				
Cost of capital	668		637	
Auditor's remuneration	66		65	
Other General Fund movements	(5)		7	
		729		709
Balance at 31 March		**18,781**		**18,052**

20. Related Party Transactions

The Valuation Office Agency is an Executive Agency of HM Revenue and Customs (HMRC). HMRC is regarded as a related party with which the Agency had a significant number of material transactions during the year.

In addition the Agency has had a significant number of material transactions with other Government Departments. Most of these transactions have been with Communities and Local Government. Also there were transactions with the Welsh Assembly Government. To 31 March 2008 income was earned from Communities of approximately £169,450,000 (2006-07: £166,250,000); Welsh Assembly Government of £10,648,000 (2006-07: £10,314,000).

During the year, none of the Board Members or other related parties have undertaken any material transactions with the Agency.

21. Events after the Balance Sheet Date

On 1 April 2009, the Rent Service will transfer from the Department for Work and Pensions to the Valuation Office Agency. The Rent Service provides a range of advice in connection with the private rented housing sector in England.

The Accounting Officer authorised the Financial Statements to be issued on 29 May 2008.

Printed in the UK for The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID5797662 07/08

Printed using vegetable based inks on 80% post-consumer fibre and 20% virgin fibre from sustainable managed forests

Published by TSO (The Stationery Office)
and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax and E-mail
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Order through the Parliamentary Hotline
Lo-Call 0845 7 023474
Fax orders 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

TSO shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square
London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295370-1