# Valuation Office Agency

## Annual Report and Account 2008-09

Valuation Office Agency

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# Contents

## Annual Report



## Annual Account

# 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 fund 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
- reducing our impact on the environment and supporting the communities we serve

*From April 2009, the remit of the Valuation Office Agency (VOA) was expanded to encompass the work formerly delivered by The Rent Service (TRS) and our 'Vision, Purpose and Commitment' has evolved accordingly for 2009-10.*

# Chief Executive's Overview

**In 2008-09 we made further strong progress towards our 2010 objectives – achieving all but one of our key performance indicators – whilst also pursuing a programme of change and investment for the longer term.**

For the second year running we saw marked improvements in timeliness for our core work whilst still maintaining high levels of accuracy, and a further increase in overall customer satisfaction to 93% – the highest we have ever achieved. This is very much a tribute to the commitment and focus of our front line staff, who rose well to the challenges facing them. Responding effectively to customer demands was a high priority for us, whether dealing generally with enquiries, or appeals from businesses and individuals; from owners of empty property coming into rate liability for the first time; or from occupiers in ports affected by a recent review of rating assessments.

Whilst much of our effort was directed to meeting these immediate needs, we were also progressing key elements of our longer-term change programme, and pursuing preparations for two major events scheduled to come to fruition in 2009-10.

Starting with the change programme, it was the first year of a revised organisational structure that saw the former District Valuer Services (DVS) business divide into two distinct business streams – one focusing on our non-statutory work, including some new activity in the area of strategic asset management, and the other focusing on statutory valuation work, primarily for HM Revenue & Customs (HMRC) and the Department for Work & Pensions (DWP). This increases further our ability to tailor our services to individual client needs, whilst continuing to draw from a pool of national resource to provide the specific skills and expertise they require. The early results are encouraging.

At the same time we undertook some rationalisation of our accommodation – closing two offices, relocating three others and reducing our floor space in a further eight. It included the transfer of our London headquarters from New Court to existing accommodation at Wingate House. All this was achieved without disruption in service to our customers, thanks to the efforts of managers and staff as well as careful project planning. Over the last year we have reduced our office accommodation by around 8,500 square metres of floor space, approximately 10% of our total estate.

We also continued with a programme to capture our hard copy records into a more secure electronic format – this again helps reduce the need for floor space, and therefore spend on accommodation, in future years – and most importantly, again without adversely affecting our front line service to customers. Another strand of our change programme was the start – in January 2009 – of the centralisation of some of our standard processes. At present, this covers the phased implementation of the registration of electronic forms that are used to make a challenge to a rating list entry, and the printing and posting of rating and council tax list amendment schedules. As well as reducing administrative costs, the centralisation of this work promotes national consistency in service standards.

Preparing the ground for two key events in 2009-10, we embarked on the main valuation phase for the 2010 non-domestic rating revaluation and also entered the final stages of the programme for the planned merger with The Rent Service (TRS), hitherto an executive agency within the DWP.

By 31 March 2009 we were well advanced with the revaluation effort – draft lists containing the new assessments will be published in the autumn of 2009, and take effect from 1 April 2010. Some 1.6 million – out of an eventual total of 1.8 million – valuations had been prepared at the end of March, and will continue to be cross-checked and refined. As well as completing the valuation phase, we now start to prepare the entries, including supporting information and guidance, for publication on our website, and make arrangements to handle enquiries from individual ratepayers.

The Rent Service merger programme was successfully brought to fruition with the two organisations coming together on 1 April 2009 with no material disruption to the service provided to customers.

We recognise the current economic climate may create uncertainty and impact across the range of our work although any such impacts are hard to forecast. We are carefully monitoring the position to identify any early indicators of changes so we are able to respond flexibly.

As the year closed, we said farewell to Andrew Hudson, Chief Executive since June 2004, who left the Agency on advancement to a senior post in the Treasury. A new appointment will be made shortly. The Framework Review of the Agency, conducted by our parent department, HM Revenue & Customs, has recently reported. No changes are proposed to the Agency's role and remit, or position in Government, the matters to be considered are essentially concerned with operational issues.

David Park
Acting Chief Executive
16 June 2009

2008-2009

# The Key Facts

## Status

The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC)

## Background

The VOA 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

3,843 people (average full time equivalent 2008-09)
The VOA 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

*The VOA introduced a refreshed set of values from April 2009. These integrate the values of The Rent Service and build upon the Civil Service value set.*

## National network

At 31 March 2009 the VOA had 83 offices across England, Wales and Scotland

## Head Office

New Court, Carey Street, London WC2A 2JE
(to 6 March 2009)
Wingate House, Shaftesbury Avenue, London W1D 5BU
(from 9 March 2009)

## Website and associated sites

www.voa.gov.uk

www.mybusinessrates.gov.uk/wales

www.businesslink.gov.uk
(for information on 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 lists of bandings of some 23 million domestic properties in England and 1.3 million in Wales, to support the collection of around £26 billion* in council tax
- supporting policy departments in advising Ministers on property valuation matters
- providing valuation advice and services to the Scottish Government 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 statutory and non-statutory valuation and estate surveying services to central and local government and the wider public sector

*From April 2009, the remit of the Valuation Office Agency (VOA) was expanded to encompass the Local Housing Allowance, Housing Benefit and Fair Rents work formerly delivered by The Rent Service.*

** These figures are Treasury estimates for 2008-09 as final outturn figures not available at time of publication.*

## Latest revaluation for council tax

Effective from 1 April 2005 in Wales
Council tax lists introduced 1 April 1993 in England. There has not been a revaluation in England.

## 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

## Main clients

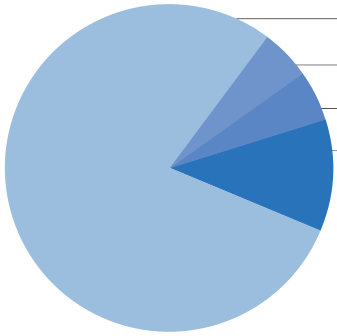
All Groups, along with the head office customer service team, have Charter Mark or Customer Service Excellence accreditation. Customer Service Excellence is the successor to Charter Mark. The VOA's clients include:

- Communities & Local Government (CLG)
- The Welsh Assembly Government (WAG)
- HM Revenue & Customs (HMRC)
- Department for Work & Pensions (DWP)

The VOA also provides advice and assistance to over 4,000 other public sector bodies

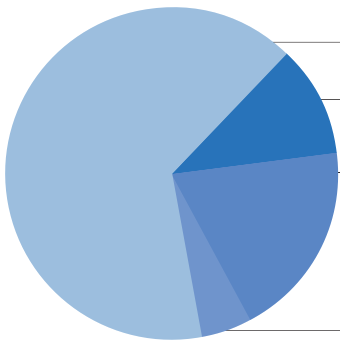
## Income

Income source to cover expenditure – by main client
Around £210 million in 2008-09




## Expenditure

Around £208 million in 2008-09



# Management Board

**Andrew Hudson**
*Chief Executive (to 29 March 2009)*

**David Park**
*Deputy Chief Executive and Director Local Taxation (to 29 March 2009) Acting Chief Executive (from 30 March 2009) and Accounting Officer (from 23 March 2009)*

**Jon Wrennall**
*Chief Information Officer (from 12 May 2008)*

**Niall Walsh**
*Director National & Central Services (from 12 May 2008)*

**Liz Hirst**
*Director Commercial Services (from 7 May 2008)*

**Colin Bailey**
*Director Finance & Planning (from 6 October 2008)*

**Paul Sanderson**
*Director Data Strategy*

**Steve Hartnell**
*Director Human Resources*

**Mary Morrison-Paton**
*Head of Corporate Communications & Customer Insight*

**Dawn Johnson**
*Non-Executive Director*

**Jane Earl**
*Non-Executive Director*

**Ian Milliken**
*Chief Information Officer (to 30 April 2008)*

**Sue Townsend**
*Director Finance & Planning (to 31 May 2008)*

**John Derrick**
*Acting Director Finance & Planning (from 1 June to 3 October 2008)*

## Membership of sub-committees to the Board

### The Audit & Risk Committee[1]

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

### The People Committee

| | |
|---|---|
| Andrew Hudson | *Chair (until 29 March)* |
| David Park | *Chair (from 30 March)* |
| Jon Wrennall | |
| Steve Hartnell | |
| Jane Earl | |

[1] *In line with HMRC practice, the Audit Committee became the Audit & Risk Committee from 25 September*

# Key Performance Indicators

| | | 2006-07 | 2007-08 | **2008-09** | |
|---|---|---|---|---|---|
| **Customer** | To achieve overall customer satisfaction of 90% | 88% | 91% | **93%** | **Met** |
| **Operations** | To enable prompt issue of correct bills by local authorities through clearance of rating reports within an average of 12 working days | * | 11 days | **10 days[2]** | **Met** |
| | ...and council tax reports within an average of 14 working days in England | * | 14 days | **11 days[2]** | **Met** |
| | ...and 12 working days in Wales | * | 12 days | **11 days[2]** | **Met** |
| | To contain reductions in the 2005 rating lists to a maximum of 4.2% of the total compiled list value, over the entire life of the lists | 1.1% | 2.3% | **2.7%** | **Met** |
| | To ensure 96% of new council tax bandings are right first time | 96% | 97% | **97%** | **Met** |
| | To enable prompt issue of tax assessments by clearing all HMRC initial appraisal cases for inheritance tax within an average of 8 working days | 7.6 days | 9.6 days | **6.5 days** | **Met** |
| | ...and for capital gains tax within an average of 11 working days | - | 9.5 days | **9.3 days** | **Met** |
| **Value for money** | To improve overall value for money on local taxation work by 3%[3] | - | - | **11%** | **Met** |
| | To improve value for money on inheritance tax work for HMRC by 5%[4] | 21% | 15% | **-35%** | **Not met** |
| **People** | All staff to have the core skills and competencies for their role within six months of taking up post | 100% | 99% | **100%** | **Met** |

** Target for 2006-07 set on a different basis*

*[2] These results exclude a small number of cases dealt with under our 'Working in Advance' procedures*

*[3] This is a new indicator, a broader measure, representing the value resulting from the timeliness and quality of our service as well as volumes delivered.*

*[4] 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

| | | 2008-09 | |
|---|---|---|---|
| **Local Taxation** | To achieve at least 90% customer satisfaction for our local taxation work | **92%** | **Met** |
| | To achieve 93% compliance with valuation integrity standards | **94%** | **Met** |
| | To provide a considered decision on council tax proposals within two months of receipt of cases[5] | **93%** | **Not met** |
| | To provide a considered decision within two months of receipt of rating proposals where[6] –<br>– the case is unrepresented, or<br>– hardship is identified, or<br>– there has been a physical change to an occupied property and…<br>– …in all other cases, assign the proposal to a sub programme for consideration and resolution | **95%** | **Not met** |
| **National & Central Services** | To achieve at least 90% customer satisfaction on work for HMRC and other statutory clients | **93%** | **Met** |
| | To deliver timeliness targets on all inheritance tax and capital gains tax work as set out in Service Level Agreements | | |
| | – report all capital gains and other not negotiated valuations within an average of 20 working days | **21 days** | **Not met** |
| | – report all inheritance tax formal cases within an average of 80 working days | **78 days** | **Met** |
| | – report all capital gains and other negotiated valuations within an average of 100 working days | **110 days** | **Not met** |
| | To achieve 94% compliance with quality assurance standards | **95%**[7] | **Met** |
| | To improve value for money on capital gains tax work for HMRC by 5% | **-21%** | **Not met** |
| **Commercial Services** | To achieve at least 90% customer satisfaction | **95%** | **Met** |
| | To achieve 94% compliance with quality assurance standards | **93%**[7] | **Not met** |
| | To recover full resource costs, within Parliamentary Approved Estimates, including a return on capital of 3.5% from fees and charges | **Achieved** | **Met** |
| **People** | To achieve an overall staff satisfaction rating within the top 15% of public sector comparators | **Not met**[8] | **Not met** |
| | To achieve a staff commitment rating of 72% | **70%** | **Not met** |
| | To improve health at work so that the average of all sick absence is under 7 days, and… | **7.7 days** | **Not met** |
| | …the short term sick absence is under 4 days | **4.5 days** | **Not met** |
| | To help inefficient performers get back on track and conclude cases within 6 months | **100%** | **Met** |

[5] *Success judged against a 98% achievement*

[6] *Success judged against a 98% achievement and applies to all cases received on or after 1 April 2008*

[7] *This result reflects data for the period 1 November 2007 to 31 March 2009*

[8] *This result is reported as 'not met' as it became impossible to benchmark the result with others due to the imminent implementation of the Civil Service People Survey*

# Local Taxation

The role of the Local Taxation business stream is to assess property as the basis for generating around £48 billion in business rates and council tax across England and Wales, to help finance local government. The VOA does this by compiling and maintaining rating and council tax lists which have some 25 million property entries in total, with nearly 750,000 revisions made annually, to reflect new or altered properties or changed circumstances.

The past year has seen further advances in the way we conduct this vital area of work, with improved timeliness in keeping the lists up to date. We have continued to place emphasis on closer and better coordinated working with local billing authorities, including transferring information electronically wherever possible to support the most effective and efficient working processes.

We screen incoming notifications of new or altered properties, or where there is a change of use, in order to assign the right level of resource and skill to the work, ensuring that we only visit a property where it is strictly necessary to do so to confirm, or supplement, information. This has helped us to issue bandings and assessments more quickly to customers. Work that used to be scheduled for completion in two months in 2006-07, is now, only three years on, being completed in ten days for rating cases and 11 days for council tax cases. This, along with other service improvements, has been reflected in a further increase in customer satisfaction across our local taxation work – in 2008-09 we achieved 93%, which is extremely encouraging. However, we do recognise that the coming year will pose challenges for businesses and householders against the background of the recession, and we will have to work very hard to maintain the current high level of satisfaction.

**Rating**

The number of formal challenges to assessments in the rating lists increased over the last year due, in part, to the increase in the empty property rate to 100% from April 2008, coupled with its re-imposition on industrial/warehousing property. The general economic climate has also been a contributing factor as businesses examine their overheads more closely and become more tenacious in their challenges.

**"In 2008-09 we achieved 93% customer satisfaction across our local taxation work"**

Some 133,000 new appeal cases were received and approximately 100,000 cases were resolved, with no change to the assessment in over 60% of cases, supporting the VOA's commitment to 'right first time' valuations. The slight fall in clearance levels by comparison with previous years reflects effort invested this year in preparing the new 2010 rating lists. Nevertheless, we continue to give priority to the most pressing cases, including those citing financial hardship.

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 more formal handling, including consideration and determination by an independent valuation tribunal or, exceptionally, on further appeal to the Lands Tribunal and higher courts.

For more straightforward rating cases we have a service standard to provide a considered decision on proposals received since 1 April 2008 within two months. We achieved this in 95% of cases and will aim to improve this further in the coming year.

Losses through appeals against compiled list entries amounted to 2.7% by the end of March, the fourth year of the 2005 lists, so we are on track to be within our target of 4.2% over the entire five-year life of the lists.

**The Review of Ports**

In 2006, following the resolution of a rating appeal in Southampton, it became clear that some properties which should have been separately assessed, were in fact included in the port operator's rating assessment. And so – from the middle of that year – we began a review of the rating assessments of the 55 major ports and container terminals in England and Wales. The purpose was to ensure that all individual businesses, within and outside ports, are rated fairly and consistently. The review took some considerable time because of the need for careful investigation, and so the conclusions were progressively reached only from the latter part of 2007-08, and then extending well into this reporting year. In very broad terms, the outcome has involved a redistribution of rateable value, and so of rates liability, away from the designated statutory port operators and towards the occupiers, who in many cases had not previously been assessed for rates. The effects of the review are complex, but some occupiers have seen a significant increase in their rate liabilities, effective from 1 April 2005. This has particularly affected businesses within the ports on the Humber and at Liverpool, though in some other ports the changes have been relatively modest. The review has led to some controversy and also been the subject of scrutiny at a Treasury Select Committee in October 2008.

The review of ports highlighted the issue of significant and unexpected backdated liabilities and in response to the current economic climate, the Government announced new legislation in the autumn that will enable any businesses, including some in ports, though not just those in ports, to spread payment of significant and unexpected backdated liabilities over eight years. In addition the VOA put in place special fast track arrangements for ratepayers who want to question or challenge their assessment following this review, in order to give priority attention to these cases. We undertook to respond to enquiries within five days (10 days where an inspection is required) and to give an initial response to points raised in an appeal within 10 working days, with a final decision within two months, in all but the most complex cases. Compliance with the service standard is at 99.5% for enquiries and 95% for formal challenges. The VOA will refer appeals to the independent Valuation Tribunal for early listing where agreement cannot be reached.

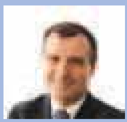
**Revaluation 2010**

Over 90% of the 1.8 million valuations for the 2010 revaluation of non-domestic property were completed during 2008-09. These valuations are based on open market rental values at 1 April 2008. Rating lists will be published in draft, on 30 September 2009. This will provide the opportunity for ratepayers to talk to us and resolve any concerns they may have over proposed assessments, prior to the list coming into effect on 1 April 2010.

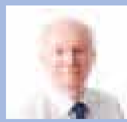
To help ratepayers understand their rateable value when the draft rating lists are published, we will be providing summary valuations both in hard copy and on-line for virtually all properties. These summary valuations will outline how we have arrived at the individual assessment. To make the system clearer and support better understanding, we will be improving the content and format of our website, following a programme of research and testing with ratepayers in 2008-09.

We continue to extend coverage and currency of the tenure details we hold on business properties, which contributes to the accuracy of the valuations we produce. Over 70 multiple occupiers and major landlords have joined our 'rating contact scheme' to enable the secure transfer of rental information in bulk. They regularly update the information with any changes, which reduces the compliance burden for them and ensures that the base information used for assessment by us is as up-to-date and accurate as possible. We also successfully introduced an electronic rent return, which substantially improved the existing facility, making it easier to use, and reducing the risk of error by feeding the information directly into the VOA database.

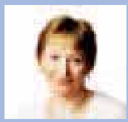
## Central Management Team

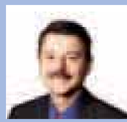

**David Tretton**
*Director Rating*
*Central Valuation Officer*
*& Head of Profession*


**Patrick Bond**
*Deputy Director Rating*


**Tim Bradford**
*Director Council Tax*


**Tim Eden**
*Head of Council Tax Business*


**Mary Hardman**
*Operational Field Director*


**David Subacchi**
*Operational Field Director*

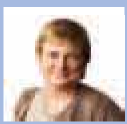

**Stephen Wright**
*Head of Local Taxation*
*Administration*

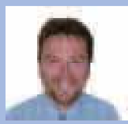

**Steve Bliss**
*Project Manager*
*Non-Domestic Revaluation*
*2010*


**Jason Ambers**
*Head of Automated Valuation*
*Model Development*

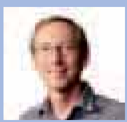
## Group Valuation Officers

The Group Valuation Officers (GVOs) 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.

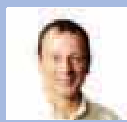

**Anne Whitham, GVO**
*Birmingham Group*
*(from 12 May 2008)*

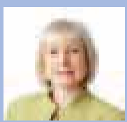

**David Jackson, GVO**
*East Anglia Group*
*(from 12 May 2008)*

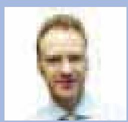

**Mike Dunlevey, GVO**
*East Midlands Group*


**Tony Speight, GVO**
*Leeds Group*

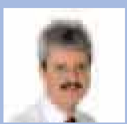

**Terry Goodall, GVO**
*Liverpool Group*
*(from 30 June 2008)*


**Mark Jorgensen, GVO**
*London Central Group*

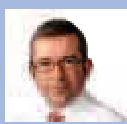

**Karen Kendrick, GVO**
*London North Group*

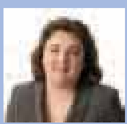

**Steve Milner, GVO**
*London South Group*

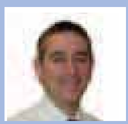

**Ian Chilton-Merryweather, GVO**
*Manchester Group*


**Colin Snowball, GVO**
*Newcastle Group*

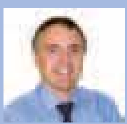

**David Grace, GVO**
*North Wales Group &*
*Chief Valuer Wales*

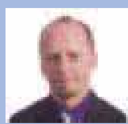

**Jim Gallagher, GVO**
*North West Group*


**Lynda Rawsthorne, GVO**
*Reading Group*
*(from 12 May 2008)*

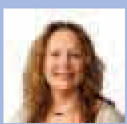

**Chris Sykes, GVO**
*Sheffield Group*

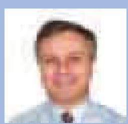

**Jo Coll, GVO**
*South East Group*

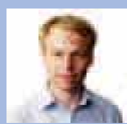

**Clive Daniels, GVO**
*South Wales Group*


**John Reeves, GVO**
*South West Group*


**Mark Catley, GVO**
*St Albans Group*


**Charlotte Corkish, GVO**
*Wessex Group*

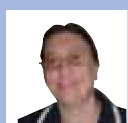

**Andrew Baird, GVO**
*West Midlands Group*

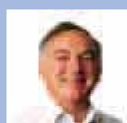

**Clive Angell, GVO**
*Western Group*

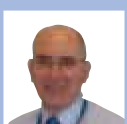
## Specialist Valuers

The specialist valuers are responsible for providing a nationally coordinated and consistent approach to the valuation of very large, rare, unusual or high value properties.

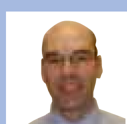

**Gerry Biddle**
*Head of Specialist Rating Unit*
*(Southern)*


**Helen Zammit-Wilson**
*Head of Specialist Rating Unit*
*(Wales & Western)*
*(from 24 October 2008)*


**Alan Perrin**
*Head of Specialist Rating Unit*
*(Northern)*


**Ivor Wilde**
*Head of Specialist Rating Unit*
*(Eastern)*


**Clive Smithson**
*Head of Specialist*
*Valuation Unit*


**Guy Richardson**
*Head of Utilities Rating Team*
*(from 12 May 2008)*

**John Bryant** *Head of Specialist Rating Unit (Wales & Western) (to 1 November 2008)*

A number of valuation schemes or individual valuations have been 'prior agreed' with ratepayers and their agents, providing some certainty from an early stage, and reducing the need for formal challenges. This is a trend that we would like to encourage and build on in future revaluations.

**Council Tax**

In each of the past two years we have received more enquiries from council taxpayers than in previous years, prompted partly by increased media coverage. Nevertheless, the changes to the lists as a result of enquiries or formal challenges have amounted to no more than a fraction of 1% of the total number of domestic properties in the lists in England and Wales. Whilst we do everything we can to deal with taxpayer enquiries quickly, the higher numbers of enquiries sustained over a prolonged period did impact upon our target to provide a considered decision on council tax proposals within two months of receipt – we achieved 93% in England and 97% in Wales against a target of 98%.

We have continued to meet our target to ensure that 96% of new council tax bandings are right first time – we again achieved 97% – with a further improvement in the average time taken to clear council tax reports – 11 days in England against a target of 14 days, and 11 days in Wales against a target of 12 days.

In England a new system for handling formal proposals to alter council tax bandings came into effect on 1 April 2008. Up to this date taxpayers' proposals for changes to council tax list entries were, by law, automatically referred to a valuation tribunal after a set period, and often before there had been sufficient time for us to investigate their case and discuss it with them. Since 1 April 2008 the automatic referral has been removed and we now issue a formal decision for all cases. After this, taxpayers then have the option to refer the matter, as an appeal, direct to a valuation tribunal if they are dissatisfied with our decision. This system ensures that control is in the hands of the taxpayer and underlines the independent standing of the Valuation Tribunals.

We introduced a new indicator in 2008-09, to measure value for money in local taxation work, with the aim to provide a better measure for the previous 'productivity' target. The new indicator represents a broader measure of value for money, incorporating timeliness and quality of work as well as the volumes cleared. The target was to improve overall value for money by 3% during 2008-09, and we achieved 11%. We will continue to use this model in 2009-10.

# National & Central Services and DVS – Commercial Services

Following a review of the Agency's District Valuer Services (DVS) business stream, a new structure was introduced from April 2008. The services delivered by DVS were shared across two new directorates – National & Central Services (N&CS) and Commercial Services.

National & Central Services is responsible for delivering valuation advice for national taxes, principally for inheritance tax and capital gains tax to HMRC; for the operation of 'Right to Buy' (RTB) provisions and for the assessment and entitlement to benefits for DWP. N&CS is also responsible for the central processing work undertaken in the Network Support Offices and has responsibility for the Mineral Valuers and Building Surveyors, who support the work of the VOA as a whole.

Operating under the DVS brand, Commercial Services delivers valuation services and property advice to other public sector bodies, often in open competition with private sector firms. The directorate is organised into clear customer-facing segments including Health, Environment, Transport & Infrastructure, Central and Local Government. Sector Heads are responsible for all the services delivered to clients in dedicated market segments, and for developing new services to meet customer needs.

To ensure the right skills are available, in the right place, at the right time the staff across these two directorates are managed by a Resourcing Team to best respond to our customers requirements.

## National & Central Services Senior Team

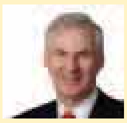
**David Russell-Smith**
*Head of Statutory Valuations*

**Martin Evans**
*Head of Minerals*

**Ron Heeley**
*Head of Building Surveyors*

## DVS – Commercial Services Senior Team

**Anna Hutchings**
*Head of Client Development*



**Allan Ainslie**
*Head of Environmental Services & Chief Valuer Scotland*

**Alan Colston**
*Head of Regional and Local Government Services (Wales) & Head of Energy and Sustainability*

**Andy Holdsworth**
*Head of Central Government Services*

**Russell Lawrence**
*Head of Health Services*

**Phil Percival**
*Head of Local Government & Regional Body Services (England)*

**Keith Skirving**
*Head of Transport & Infrastructure Services*

## Resourcing for National & Central Services and Commercial Services Senior Team

**John Bennett**
*Head of Business Planning & Resources (South)*

**Diane Wilding**
*Head of Business Planning & Resources (North)*

**Roger Haworth**
*Head of Business Support*

# National & Central Services

Putting its customers first – whether they are taxpayers, RTB tenants or benefit claimants – National & Central Services (N&CS) is focused on providing a highly professional and cost effective service. The directorate is recognised in its client surveys for its impartiality, fairness and its dedication to speed of response, turning round inheritance tax and capital gains tax cases well within the stated KPI targets.

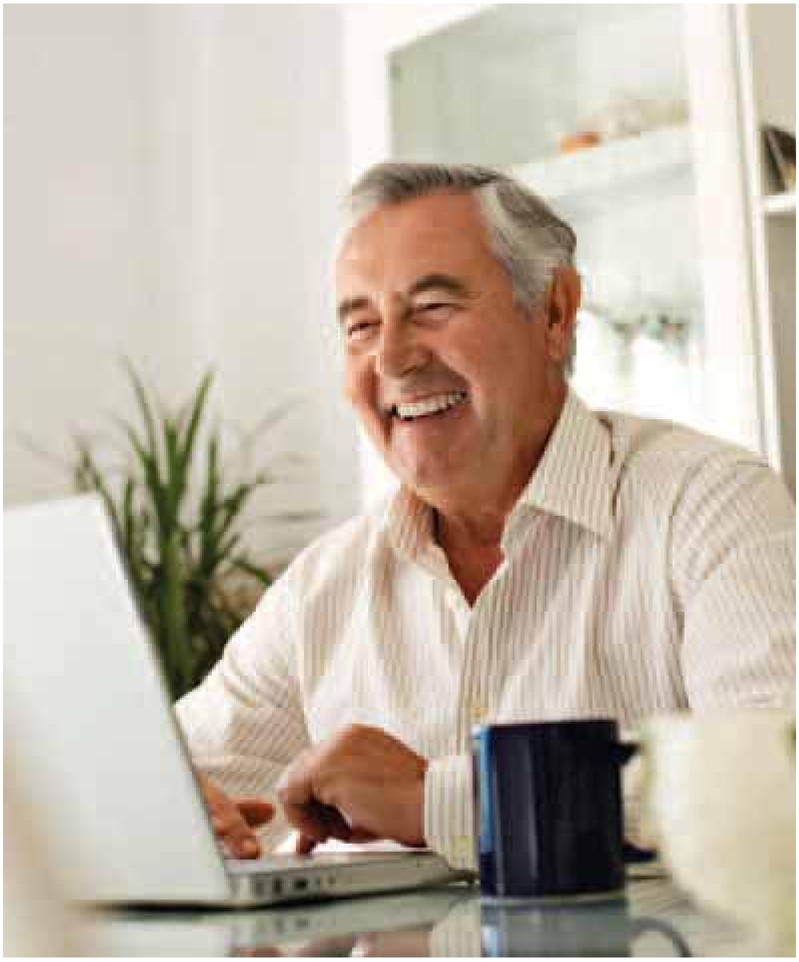
**"In 2008-09 National & Central Services exceeded its customer satisfaction target by 3%"**

Although the performance on the two value for money targets for inheritance tax and capital gains tax did not meet the target for 2008-09, this was a result of a number of external factors, principally the changes contained in Schedule 4 of the Finance Act 2008 – introducing the inheritance tax transferable nil rate band – as well as the substantial fall in property values brought on by the 'credit crunch' and global economic downturn. This resulted in fewer estates exceeding the inheritance tax threshold, and where estates did exceed the taxable threshold, less tax being payable generally because of their reduced capital value. The reduction in capital values similarly affected valuations for capital gains tax. The combined effect of these changes caused a significant and sudden adverse impact on both of these cost-yield ratios, which measure the additional tax raised per unit of cost. This was despite a concerted effort to work more efficiently to decrease our cost base further, which enabled staff numbers to be reduced significantly throughout the year.

A significant and sustained improvement in timeliness was achieved this year in the clearance of all HMRC initial appraisal cases for inheritance tax. Our outturn of 6.5 days for the year, against the eight day KPI target, has a direct impact upon HMRC's ability to enable the prompt issue of tax assessments. The strong performance against the capital gains tax initial appraisal target of 11 days, where an average clearance time of 9.3 days was achieved, will make a similarly important contribution.

The restructuring of the former District Valuer Services business into two separate directorates inevitably impacted upon performance in certain areas. It is however pleasing that this internal reorganisation did not adversely impact upon either the customer satisfaction or the quality assurance targets for HMRC, DWP and 'Right to Buy' work, with both targets exceeded. These internal changes were necessary to enable us to operate from a much reduced cost base while continuing to deliver sustainable performance improvement into the future.

The deterioration in timeliness performance on not negotiated and negotiated capital gains tax cases, where neither target was met, was a direct consequence of the short-term impact of the reorganisation. While the timeliness targets to report formal inheritance tax cases within an average of 80 days was met, there was some deterioration in performance which reflected the organisational changes already referred to, and the fact that the volume of more complex valuation cases is increasing.



Across N&CS there is a commitment to enhance the skills and capability of staff to fully support new and existing work areas within the directorate, and in other business streams. The expertise of the National Assets & Building Surveying team is a good example of this and was essential in underpinning the valuation services provided by DVS over the last year. In 2008-09 this was particularly important for asset valuation and energy certificate work.

A new area of work, established in 2008-09, is providing valuations and determinations for the Community Infrastructure Levy where N&CS now has a statutory responsibility for determining certain categories of appeals, as set out within the Planning Act 2008.

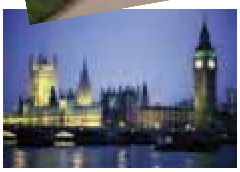
Four Network Support Offices (NSOs) – Plymouth, Halifax, Rhyl and Durham – are now established to support our existing centralised work and future plans for increasing the centralisation of processing and support services where the benefits are proven. We have seen in 2008-09 that the centralisation of some of our standard processing and transaction work is already delivering better consistency and continuity in our services to customers across England and Wales whilst achieving considerable savings. The Rhyl and Durham NSOs started work in February and were officially opened on 1 April 2009. Rhyl, a new location for the VOA, was established in conjunction with HMRC's workforce change team and in support of HMRC's accommodation rationalisation programme.

The centralisation work done throughout the year has increased standardisation, improved quality and timeliness as well as building upon and improving customer focus, all of immense value to the VOA. This work has delivered an informed baseline from which to explore the feasibility of centralising other areas of work in the coming years.

# DVS – Commercial Services

The restructuring of this part of the organisation has increased efficiency, and freed up senior staff to spend more time on customer-facing activity. In 2008-09, our non-statutory valuation and property advisory services provided to public sector bodies covered strategic asset consultancy; market and asset valuations; viability studies; energy performance assessments; and advice on acquisitions, disposals and lease reviews.

**"In 2008-09...DVS has achieved customer satisfaction levels of 95% – an increase of some 2% on the previous year"**



In 2008-09, with over 4,000 customers, DVS achieved customer satisfaction levels of 95% – an increase of some 2% on the previous year. We only narrowly missed our quality assurance target by 1%, though this does reflect performance from 1 November 2007 to 31 March 2009, taking in some six months prior to the start of the 2008-09 financial year. Income reached nearly £18 million, with major new work including the NHS asset valuation which involved the valuation of the majority of the estate as part of a five-year asset valuation cycle.

Business sectors include:

- Central Government
- Local and Devolved Government
- Health
- Transport and Infrastructure
- Environment and
- Emerging Markets


Key to the success of DVS has been adapting products to meet the needs of specific customer segments, and making better use of professional staff time. We now work more closely with customers to ensure a clear understanding of their property asset issues. Following reorganisation, some forty managers returned to client facing work during the last year. These high calibre staff have delivered real value to their customers who in turn have, through committing to increased business, shown they trust the independence and integrity of our surveyors, and rate their high standards of work and focus on value for money.

In 2008-09, some early steps were taken to explore the potential for additional services. A team is now


qualified to issue Display Energy Certificates and Energy Performance Certificates. This has proved very successful with local authorities as well as central government clients.

Strategic Asset Management services have also been developed over the last year. These help public bodies to shape their property holding to meet modern patterns of service delivery. Already, one project for an ambulance trust has identified how to save significantly on running costs by changing the estate so that medics can respond to emergency calls faster.

Through a strategy of carefully managed growth, that has delivered some £3 million in additional income and consolidated a new customer-facing structure for the future, in 2008-09 DVS has applied its expertise to drive better use of property and land throughout government.

# Customer Satisfaction and Service Delivery

The efforts of all staff across the VOA to better understand and respond to the needs of a diverse customer and client base have been reflected in overall customer satisfaction reaching 93% – our highest achievement to date. It is additionally encouraging because it reflects an even broader survey base, since for 2008-09 we expanded our customer survey sampling to cover those ratepayers and council taxpayers whose properties we have visited for list maintenance purposes.

In 2007-08 we were pleased to report that all 22 of our regionally based Group offices and our head office customer service team had achieved Charter Mark status – awarded by the Cabinet Office for excellence in customer service. A new and even more demanding standard has since been launched to replace the Charter Mark – the Customer Service Excellence Standard. Already, five of our Groups have won this award – London Central (one of the first to do so in the public sector), London South, Newcastle, South West and St Albans.

**Reducing avoidable contact**

In common with other parts of the public sector, particularly local government, we increased our focus on reducing avoidable contact in 2008-09. Throughout the year, we sought to develop greater clarity, consistency and continuity in our communications with ratepayers and taxpayers, seeking to reduce and where possible remove doubt or lack of understanding about what we do and how we work. We are committed to improving the coverage of our information, being accessible to all and working in plain language. We make ourselves available to deal with enquiries but we focus hard on delivering communications that mean fewer people have a need to contact us. Between 2006-07 and 2008-09 we reduced telephone enquiries by some 3.5%, and this period included a major phase of customer interaction to gather information for the non-domestic rating revaluation.

**Andy Booth**
Head of Customer Services

**Richard Browne**
Head of Business Solutions

### Dealing with customer complaints

Whilst the number of complaints we receive represents only a small proportion of the total annual number of customer interactions we have, each is considered seriously. We take great care to understand the root causes of complaints, to ensure that we learn any lessons that can drive service improvements.

Complaints reported in 2008–09 totalled 2,360, some 248 higher than the previous year, part of which we believe may be attributable to pressures on people and businesses from the current economic conditions. But whilst individual numbers were up, financial redress was down, amounting to £105,782 in 2008-09, compared with £182,550 the year before, a reduction of £76,768.

The independent Adjudicator's Office reported a total of 30 cases in 2008–09, of which only four were partially upheld and none substantially upheld. This compares with the previous year when, out of 11 cases reported, five were partially upheld and one substantially upheld. We take very close note of Adjudicator outcomes as one of the checks on the effectiveness of our internal complaints handling.

### Moving to electronic channels

The VOA is committed to moving all of its web-based communications to BusinessLink for businesses and to Directgov for individuals by the end of 2010. This does not mean that other channels of communication such as letters and leaflets are being replaced – we are simply working to balance them with customer needs and preferences, whilst delivering better value for money to the taxpayer.

In 2008-09, the VOA introduced an electronic form of return for business rates. This is our first major application designed, from the ground up, based upon customer insight and knowledge of industry best practice. Customers were consulted to ensure we fully understood their experience in completing and submitting the form and their stated preferences were incorporated into the design. The seamless joining of front and back office functions also delivers a more accurate and productive solution – the requirement to re-key information is removed, reducing the margin for error and saving time. Underpinning our move towards better use of electronic channels are new internal processes for quick and accurate retrieval and use of our data resources – one of the key efficiency areas the Agency has focused on this year. Over the last year we have made significant steps towards transferring key hard copy records to electronic format. This has taken a significant investment in both time and effort – one that has been embraced by our staff in a commendable way. Over the last year, some 96% of domestic property survey records have been scanned, enabling a speedier and more flexible customer service and supporting better use of office space as bulky paper records are disposed of safely and securely.

### Working in partnership

Over the last year we have developed new working arrangements with HM Land Registry (HMLR) to utilise information obtained from Land Registry Direct. We have continued to liaise with HMLR over their development of e-conveyancing and we have also worked closely with Ordnance Survey (OS) to enhance the quality of our database and our use of digital mapping. Working in partnership with HMLR and OS continues to be an important part of our plans for the future.

### Safeguarding data

The VOA attaches great importance to ensuring that the data we use in connection with our various

"The VOA is committed to moving all of its web-based communications to BusinessLink and to Directgov by the end of 2010"

business functions is held securely. Over the last year we have taken steps to improve the way in which we hold key data and reduce the risks associated with the necessary use of that data. All staff have attended workshops on data security and been provided with appropriate guidance and e-learning facilities to reinforce the importance of handling data securely. We will continue to implement further changes in line with the recommendations contained in the Poynter Review of Information Security at HMRC (published in June 2008).

We have carried out a thorough review of all aspects of security, including information security, and developed an enhanced Security Management System (SMS). The updated SMS was prepared in accordance with guidelines provided by HMRC and was submitted to HMRC for approval in early 2009. HMRC approved the VOA's SMS and we are now in the process of implementing the new system. We have also reviewed our systems in the light of the Government's Security Policy Framework and are in the process of preparing a programme of work to meet the latest requirements.

**Steve Powell**
Head of Portfolio Delivery Group

**David Hughes**
Head of Data Strategy

| **Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008-09** |
|---|
| The VOA experienced no losses of personal protected data reportable to the Information Commissioner's Office in 2008-09. |

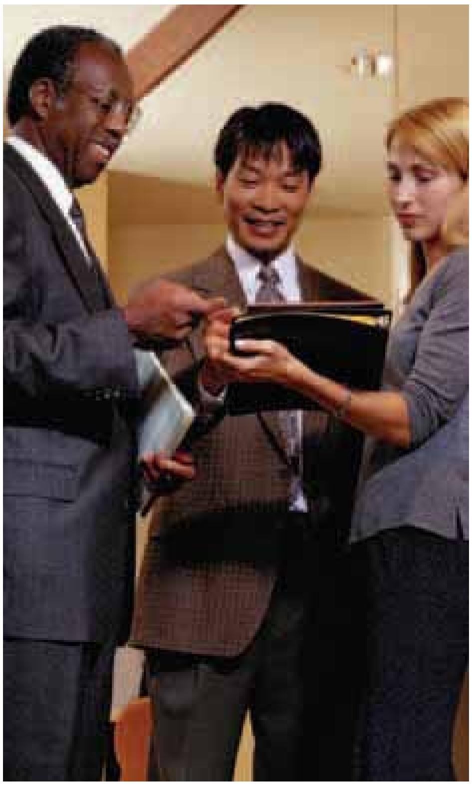
**Summary of other protected personal data related incidents in 2008-09**

Incidents deemed not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the VOA are set out in the table below.
Small, localised incidents are not recorded centrally and are not cited in these figures.

| 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 | 1[9] |
| III | Insecure disposal of inadequately protected electronic equipment, devices or paper documents | 0 |
| IV | Unauthorised disclosure | 0 |
| V | Other | 0 |

[9] *This relates to a working file which was subsequently recovered. It did not contain any personal data.*

# Our People, Our Workplace



**Developing and assuring the skills to deliver change**
Initiating and successfully delivering change internally – and constantly anticipating and responding to change externally – requires a high degree of skill and versatility in our workforce. Looking ahead the agenda will always be challenging as we respond to the continuing drive for more efficient and effective public services. So it is vital that we continue to develop a highly flexible workforce, attuned to the evolving needs of our customers, and with the skills and knowledge to deliver excellent service to an increasingly diverse range of customers.

Responsible for valuation services that cover an enormous diversity of property, the VOA is committed to building the professional and technical skills of its staff, promoting a positive learning culture and ensuring that all staff have opportunities to engage in relevant development throughout their careers.

In 2008-09 the VOA met its KPI to ensure that all staff have the core skills and competencies for their role within six months of taking up post. Approximately one in ten VOA people undertook training to achieve a professional qualification and currently, some 380 people are being sponsored on courses of study through the College of Estate Management; the Royal Institution of Chartered Surveyors; the Institute of Revenues, Rating and Valuation and the Chartered Management Institute. The VOA also undertook a diversity training programme through three tailored e-learning modules. Over 99% of staff completed the relevant module for their role.

Learning and development is a continually evolving process and we encourage staff to engage with a variety of formats including on-the-job learning; workshops; self-directed learning; individual and team reflection; shadowing; mentoring; coaching and involvement in work-related tasks and projects. Some 23,000 days were spent on training in 2008-09, on average six training days per full time equivalent employee.

The VOA holds the 'Positive About Disabled People' two-ticks symbol awarded by Jobcentre Plus to employers agreeing to meet five commitments regarding the recruitment, employment, retention and career development of disabled people. As a symbol user, the VOA runs a 'Guaranteed Interview Scheme' which gives any disabled person whose application meets the minimum criteria for the post a guaranteed interview. The symbol is used on all recruitment materials.

**A flexible approach for a more efficient business**
To keep pace with the changing needs of customers and to deliver the best value for money service, the VOA strives to remain flexible and responsive. A significant programme to rationalise our accommodation footprint began in 2008-09, following consultation the previous year. This programme forms the cornerstone of our capability to deliver significant value for money improvements in the future.

The changes made in the first year of this programme included the closure of our Head Office in London and its relocation to another London office that was already part of the VOA's estate; the closure of two local Valuation Offices – Stockport and Chester – and a reduction of footprint in other locations.

Across the VOA, over one fifth of staff have been affected by either a location move or reduction in floor space, and in some cases both. This has contributed to reducing the space the VOA occupies by more than 10%.

Reducing the space is only part of the story – we are also looking at the concept of flexible workspace, to make better use of our investment in accommodation and office space. Pilots were completed in three locations in the latter part of 2008. The results from these pilots will inform the revision of the VOA Accommodation Standards which is currently underway.

During 2008-09, in response to staff wishes for more flexible working patterns, the VOA transferred more of its staff to work from home. Paramount in this strategy was the capability to work in a secure environment, with sensitive data fully protected, and the implementation of a secure IT infrastructure was a critical first step. New policies have been developed and training is in place for both staff and line managers to ensure this impetus can continue, in a carefully managed programme, over the next year.

Those members of the VOA team who spend most of their working lives out of the office, surveying property, could work much more effectively given the technology to work remotely. Real efficiencies are to be achieved from being able to access and amend information remotely and then from being able to automatically update information without the need to re-key. A three-month trial involving selected staff in Preston, Worcester and Worthing locations began in February and handheld devices are being trialled to support remote updating and creation of plans. Initial staff feedback has been positive and staff are now identifying efficient working routines and issues to be addressed prior to any roll out.

**Steve Todd**
Head of Human Resources

**Mike Brankin**
Head of Business Services

**Positive attitude – positive approach**
While it is always challenging to deliver during periods of change, the VOA achieved 58% positive or very positive results on staff satisfaction and 70% on staff commitment, the latter narrowly missing the target of 72%. The staff satisfaction target was set as a comparable, to benchmark our performance against others in the public sector. However, during the year, as details of the Civil Service People Survey emerged, it became apparent that it would no longer be possible to effectively benchmark as other organisations opted to defer their surveys or conduct them differently.

Looking ahead, the VOA will work with HMRC, its parent department to deliver the proposed Civil Service People Survey in Autumn 2009. This survey focuses on staff engagement and will deliver the baseline for our 2010-11 targets. However, we have opted to retain a separate measure for satisfaction that we will gauge from a dedicated in-year team-based survey.

The Agency welcomes staff joining a Trade Union and playing an active part within it, to make sure their views are represented, although it will remain a personal decision whether to join or not. The VOA works in partnership with the Trade Unions to ensure that the views of staff are represented at all levels in the Agency.

In late 2008, the VOA conducted some work to examine our current culture and establish the gap between current and desired cultures. We included both existing VOA people and those who were going to be moving across to the VOA from The Rent Service (TRS). We were greatly encouraged by the similarities between the two employee segments both on current and desired cultures. The output of this work supported the development of a refreshed

**John Berry**
Head of Strategy & Change Management

**John Smallwood**
Manager Responsible Business

set of values for the VOA that were launched on 1 April 2009, coinciding with the merger of former Rent Officer functions into the VOA. These new values are now being used throughout the VOA in setting performance objectives.

Although we did not quite meet the challenging targets set, we have nevertheless continued to reduce our overall sickness figure, which fell from 7.85 days per person to 7.71 days per person. Short term sick leave marginally increased from 4.46 days per person to 4.5 days per person[10].

**An enlarged remit**

Throughout 2008-09, the VOA in England has worked closely with The Rent Service (TRS) as partners in a dedicated change programme called 'Transform', designed to ensure both organisations worked towards a seamless transfer of TRS functions to the VOA on 1 April 2009.

Two key aims of the Transform programme were to ensure excellent standards of service to customers and stakeholders were maintained throughout the transition process, and to engage staff fully in the change process. These objectives were achieved and the transfer of some 400 TRS staff to the VOA was completed in accordance with the programme timetable.

Like the VOA, TRS has a reputation for high quality services and effective delivery. Its staff who transferred to the VOA bring with them skills and expertise that will – in particular – complement the VOA's local taxation work and help create a stronger organisation for the future.

| **Statistical information supplied to the Civil Service Commissioners for recruitment compliance monitoring** | |
|---|---|
| Budgeted departmental Full Time Equivalent (FTE) posts | 3,927 |
| Actual FTEs employed within the VOA as at 31 March 2009 | 3,809 |
| Number of those individuals classified as non-SCS | 3,797 |
| Number of those individuals classified as SCS | 12 |
| Actual FTEs employed within the HR Department as at 31 March 2009 | 57 |
| Number of recruitment campaigns undertaken between 1 April 2008 and 31 March 2009 | 168 |
| Number of different external recruitment companies used between 1 April 2008 and 31 March 2009 | 6 |
| Number of posts recruited to between 1 April 2008 and 31 March 2009 | 114 |
| Number of recruitment competitions Commissioners have been required to clear between 1 April 2008 and 31 March 2009 | 0 |
| Number of individuals recruited classified as permitted exceptions categorised between: | |
| - Fixed term appointments (including short-term/casual appointments) | 109 |
| - Secondments | 0 |
| - Re-appointment of former Civil Servants | 2 |
| - Transfers into the Civil Service | 9 |
| - Surplus acceptable candidates | 3 |

[10]*The basis for recording sick absence in the VOA was amended in March 2009 to bring it into line with Cabinet Office guidelines.*

**Responsible business**

Responsible business reflects our commitment to, and outcomes from, actively managing our social and environmental impact.

For 2008, the VOA has been awarded a gold ranking in the annual Corporate Responsibility Index. This national survey, run by Business in the Community, reviews an organisation's commitment to, and performance on, a range of issues that indicate how responsible it is. These include:

- commitment to customer and staff needs
- following ethical procurement practices
- engaging with local communities and
- minimising our impact on the environment

Our ranking in the Index has improved year on year, from bronze in 2006, to silver in 2007 and to the current gold standard. A few examples of how we have met the criteria include:

- Leaflets and letters supporting a new council tax appeals process were tested with customers in focus groups, and introduced to staff through an effective enquiry handling training programme
- Around 2% of staff are on 'term-time' contracts, enabling them to work around their domestic commitments, and around 1.2% of staff currently work from home
- In the 2007-08 year, 564 staff contributed £58,889 to charity via Payroll Giving

Our Responsible Business Report is published each November detailing our commitments and performance and highlighting examples of our work. A copy of the report can be found on the VOA website.

## Recognising VOA People

**Honours**

Gill Patricolo, based at Cardiff Valuation Office, received an MBE in the New Year's 2009 Honours List for Outstanding Public Service. Gill is a role model for first-line managers in the VOA, both for her work with external customers and for the way she has developed her teams.

**Agency Awards**

The 2008 Agency Awards were presented at the Senior Leaders' Conference in October 2008. These awards are given annually in recognition of performance excellence. With around 40 submissions across the different categories the calibre of entries was very high.

| | |
|---|---|
| **Distinguished contribution to customer service by an individual** | Richard Williams (Commercial Services, Wales) |
| **Distinguished contribution to customer service by a team** | Neil Cowan (Revaluation 2010) and Andrew McNeil (Communications & Customer Insight) |
| **Distinguished contribution to internal customer service by a team or individual** | shared by Neil Cowan and Gary Welsh (Revaluation 2010) and Joe Fogg (Revaluation 2010) |
| **Distinguished contribution to innovation and ingenuity** | Lancaster Referencing Team (North West Group) |
| **Distinguished contribution to environmental good practice and/or the community/charity** | Kay Salmon, Nathan Palmer, Dawn Wheeler-Osman and Julia Mason (Wessex Group) |
| **Distinguished individual achievement in demonstrating professional and/or technical excellence in any role or specialism** | Phil Evans (Rating) |
| **Outstanding contribution to business excellence** | The Energy and Sustainability Team (Commercial Services) |
| **Outstanding contribution to leadership** | John Southern (National Assets & Building Surveyors, North) |
| **The Chief Executive's Award** | Clare Johnson and Dave Lewis (HR Learning Team) |
| **The Garner Award** | Manju Barker (Leeds Valuation Office) |
| **The Sussex Award** | David Raley (Rating) |

# Financial Review

**Overview**
The financial results for the year-ended 31 March 2009 are set out in the attached financial statements.

Our financial objective is to recover the full economic cost of our operations through our charges to clients. In 2008-09 we achieved this overall key financial target whilst continuing to provide better value for money for our clients and customers.

Our turnover for 2008-09 was £210.2 million compared to £209.7 million in 2007-08. We realised an operating surplus of £2.1 million – around 1% of our income – across the Agency as a whole.

During the year we spent £178 million on rating and council tax work for our two major clients Communities & Local Government and the Welsh Assembly Government. This delivers the tax base for billing and collection of some £49 billion in council tax and business rates by local authorities across England and Wales. So every £1 spent administratively by the Agency contributes to the generation of £275 in local taxation revenue.

We have also seen carefully managed growth in our non-statutory work for other public authorities such as Highways Agency and Health Trusts.

**Financial position**
The Balance Sheet on page 39 shows the assets, liabilities and taxpayers' equity of the Agency at 31 March 2009. Our overall position is strong and robust.

Our major assets are chiefly in-house developed IT software (£28 million) and we continue to invest in such development to support service delivery including the revaluation of business properties for 2010.

As described in note 6 we have also undertaken an exercise to revalue our fixed assets.

Work in Progress on our non-statutory work has increased by £0.7 million to £4.3 million reflecting, in part, a growth in that sector throughout the year. This figure takes account of forseeable losses on fixed price contracts but not of any potential irrecoverability on Work in Progress over six months old as the latter amount is more difficult to substantiate and likely to be immaterial.

The Agency's year-end cash position has decreased from £7.8 million to £2.5 million. This generally reflects good cash management since the Agency is unable to be 'cash negative' and has a policy of returning cash to clients if we cannot optimally use the funds provided by them. In 2008-09 we returned £3 million to Communities & Local Government, which is reflected within our value for money performance indicator.

The decrease is also, partially, reflective of the new target set by government for prompt payment of supplier invoices from 30 days to 10 days. By March 2009 we were paying over 96% of invoices within 10 days of effective receipt (and over 99% within the original target of 30 days). The combination of these two factors has also entailed adopting a new approach to cash management across the Agency for 2009-10 to ensure effective control of our cash flows.

**Financial results**
The Operating Cost Statement at page 38 shows the income received and resources we used during the financial year. The overall net surplus decreased to £2.1 million from £8.4 million.

A detailed analysis of our operating costs can be found on page 47. Our largest items are staff or staff related costs (65%), and accommodation (11%) and IT running costs (5%).

**Cash flows**
The Cash Flow Statement on page 40 shows the net cash flow from our operating activities as well as how much we have spent on capital investment, the receipts collected on behalf of the Consolidated Fund and the net overall movement in our cash and bank balances across the year. The Agency used net cash of £5.3 million in the year compared to generating £0.3 million in 2007-08.

**Looking forward**
The forecast expenditure for the remainder of the Comprehensive Spending Review period is £226 million for 2009-10, and £219 million for 2010-11.

This increase over 2008-09 is attributable to the merger with The Rent Service on 1 April 2009. The Rent Service was formerly an agency of the Department for Work and Pensions. From April 2009 its functions were transferred to the VOA and DWP became a new client with similar service level arrangements as for our other clients. We expect the income (subject to final agreement) from work inherited from The Rent Service to be £22 million in 2009-10 and £20 million in 2010-11.

As part of the transfer arrangements including the appropriate due diligence, we have agreed with DWP those assets and liabilities that will transfer to us, and those that will revert to DWP as the former parent department.

These are the last financial statements of the VOA that will be prepared under UK accounting and financial reporting standards. As part of the switchover of all central government departments and agencies we will adopt international financial reporting standards from 1 April 2009.

Our preparations for this conversion have proceeded well in 2008-09 and we have met the critical dates set out by HM Treasury in the cutover plan. We are well placed to complete the remaining work due in 2009-10.

**Adoption of 'Going Concern' basis of accounting**
The Statement of the Accounting Officer's responsibilities on page 31 records that in accordance with the Financial Reporting Manual the financial statements are prepared on a going concern basis. In making this statement the Acting Chief Executive and the Management Board have made an assessment of the financial position, associated risks and external influences of the Agency and have formed a judgement 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 (as shown by the transfer of the functions of The Rent Service) for our work and have a robust balance sheet. Nearly 93% of our income comes from our main client departments and this is provided from their supply funding voted annually by Parliament. We have service level agreements with our clients and there is no reason to believe that approvals will not be forthcoming for future years.

**Jackie McKenzie**
Head of Performance & Analysis

**Jon Grayson**
Head of Financial Operations
(from 21 July 2008)

**Sean Lloyd**
Head of Financial Strategy & Business Planning

**John Derrick**
Head of Governance Development

# Remuneration Report

This report includes the table on page 30 and is subject to audit.

**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 30 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 the parent department fulfils this function.

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 Chief Executive 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 employs a small number of staff on short-term contracts.

**Awards made to past managers**

No awards have been made to past managers in 2008-09 (2007-08 £Nil).

**Details of non-cash elements of remuneration package**

There were no non-cash awards made to board members in 2008-09 or 2007-08.

**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 2008-09 (2007-08 £Nil).

**Details of compensation payable to former senior managers**

No compensation payments were made to former senior managers during 2008-09 (2007-08 £Nil).

**Details of amounts payable to third party entities in respect of director services**

£53,650 was paid during the year (2007-08 £354,380). 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 who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with 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 on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during the 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 the pensionable earnings in that scheme year and, immediately after the scheme year-end, 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 at 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 buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Real increase in CETV**
This reflects the increase in CETV that is 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.

David Park
Acting Chief Executive
16 June 2009

## Remuneration and Pensions Information

| | | Salary including performance pay | Real increase in pension and related lump sum at age 60 | Total accrued pension at age 60 at 31/03/09 and related lump sum | Cash Equivalent Transfer Value (CETV) (nearest £k) | | |
|---|---|---|---|---|---|---|---|
| | | | | | As at 31/03/08 | As at 31/03/09 | Real increase in year |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Andrew Hudson<br>*Chief Executive (to 29 March 2009)* | 2008-09 | 135 - 140 | 0 - 2.5 | 52.5 - 55 [1] | 761 | 835 | 15 |
| | 2007-08 | 115 - 120 | | | | | |
| David Park<br>*Deputy Chief Executive (to 29 March 2009)*<br>*Acting Chief Executive (from 30 March 2009)* | 2008-09 | 100 - 105 | 0 - 2.5 [1] | 52.5 - 55 [1] | 950 | 1031 | 13 |
| | 2007-08 | 95 - 97.5 | | | | | |
| Ian Milliken<br>*Board Member (to 30 April 2008)* | 2008-09 | 10 - 15<br>125 - 130 full year equivalent | 0 - 2.5 [1] | 10 - 12.5 [1] | 209 | 212 | 2 |
| | 2007-08 | 115 -120 | | | | | |
| Sue Townsend<br>*Board Member (to 31 May 2008)* | 2008-09 | 10 - 15<br>65 - 70 full year equivalent | 0 - 2.5<br>plus 0 - 2.5 lump sum | 20 - 22.5<br>plus 62.5 - 65 lump sum | 302 | 304 | - |
| | 2007-08 | 70 - 75 | | | | | |
| Steve Hartnell<br>*Board Member* | 2008-09 | 80 - 85 | 0 - 2.5<br>plus 0 - 2.5 lump sum | 30 - 32.5<br>plus 95 - 97.5 lump sum | 636 | 686 | - |
| | 2007-08 | 80 - 85 | | | | | |
| Paul Sanderson<br>*Board Member* | 2008-09 | 85 - 90 | -2.5 – 0 [4]<br>less -2.5 - 0 lump sum | 37.5 - 40<br>plus 115 - 117.5 lump sum | 780 | 828 | - |
| | 2007-08 | 80 - 85 | | | | | |
| Mary Morrison-Paton<br>*Board Member* | 2008-09 | 65 - 70 | 0 - 2.5 [1] | 5 - 7.5 [1] | 89 | 109 | 12 |
| | 2007-08 | 60 - 65 | | | - | | |
| Elizabeth Hirst<br>*Board Member (from 7 May 2008)* | 2008-09 | 90 - 95<br>95 - 100 full year equivalent | 0 - 2.5 [2] | 0 - 2.5 [2] | - | 24 | 21 |
| | 2007-08 | - | | | | | |
| Niall Walsh<br>*Board Member (from 12 May 2008)* | 2008-09 | 55 - 60<br>60 - 65 full year equivalent | 0 - 2.5<br>plus 5 - 7.5 lump sum | 10 - 15<br>plus 42.5 - 45 lump sum | 150 | 182 | 21 |
| | 2007-08 | - | | | | | |
| Jon Wrennall<br>*Board Member (from 12 May 2008)* | 2008-09 | 110 - 115<br>130 - 135[5] full year equivalent | 0 - 2.5 | 10 - 12.5 [1] | 84 | 111 | 6 |
| | 2007-08 | - | | | | | |
| John Derrick<br>*Board Member (from 1 June 2008 to 3 October 2008)* | 2008-09 | 25 - 30<br>75-80 full year equivalent | 0 - 2.5<br>plus 2.5 - 5 lump sum | 32.5 - 35<br>plus 97.5 - 100 lump sum | 696 | 740 | 31 |
| | 2007-08 | - | | | | | |
| Colin Bailey<br>*Board Member (from 6 October 2008)* | 2008-09 | 30 - 35<br>70-75 full year equivalent | 0 - 2.5<br>plus 0 - 2.5 lump sum | 20 - 22.5<br>plus 65 - 67.5 lump sum | 315 | 321 | 8 |
| | 2007-08 | - | | | | | |
| Jane Earl<br>*Non-Executive Member* | 2008-09 | 10 - 15 | - [3] | - [3] | - | - | - |
| | 2007-08 | 5 - 10 | | | | | |
| Dawn Johnson<br>*Non-Executive Member* | 2008-09 | 10 - 15 | - [3] | - [3] | - | - | - |
| | 2007-08 | 10 - 15 | | | | | |

[1] *Member of the Premium Scheme – Lump sum not applicable*
[2] *Member of the Nuvos Scheme – Lump sum not applicable*
[3] *Fee paid consultant – not in Civil Service Pension Scheme*
[4] *Real decrease in Pension*
[5] *HMRC made a contribution of £30,000 towards the salary costs*

The information in the table above is subject to audit

# Annual Account

## for the Year Ended 31 March 2009

**Contents**



## About this Account

The Valuation Office is an Executive Agency of HM Revenue & Customs. This account 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 Account

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 account in the form and on the basis set out in the Accounts Direction DAO(GEN) 07/08. The account is 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 account 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 Permanent Secretary of HMRC 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 on *Managing Public Money* published by the Treasury.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of that information.

## 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 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 Chief Executive 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 Chief Executive of HMRC and myself.

The Chief Executive of HMRC is my direct line manager and acts as the HMRC Executive Committee (ExCom) member responsible for the VOA. She carries out regular 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 (post currently vacant), seven 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 Agency. The Management Board sets the strategic direction of the Agency, approves the annual budget allocations, monitors performance including agreeing key performance indicators with 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 and Risk Committee and the People Committee. In addition, a 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 Agency's world-class transformation 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 throughout the year ended 31 March 2009 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 undertook a number of major reviews including fraud risk, world-class programme governance and on VOA's readiness for the merger with The Rent Service. There were no significant issues reported by Internal Audit.

The approach to risk management involves both a top down strategic view of risks facing the VOA and upward reporting and escalation of risks through operational business streams. The Management Board reviews the strategic risk register regularly, and in addition meets annually to identify and prioritise management of 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 Management Board level. The Directors, in turn, have encouraged a culture of active management of risk at all levels within their areas of responsibility. We have made significant progress but our work in raising awareness at all levels throughout the organisation will continue.

The Audit and Risk Committee, which meets at least four times per year, has an oversight of the strategic risk register. The Agency has an independent, qualified 'risk specialist' on the Committee who 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 and Risk Committee.

**The Risk and Control Framework**

**Risk Management Strategy**

The VOA has in place a well-established strategy for risk management, which complies with Treasury guidance (Orange Book) and the guidance for project appraisal (Green Book). Risks are identified, evaluated and controlled by a named director and the risk assessment is discussed and agreed, collectively, by the

Management Board. Risk registers are in place at directorate and operational level and are regularly reviewed in liaison with directors to ensure escalation and to drive mitigating action.

A dedicated risk manager within the Finance Directorate manages the co-ordination of the strategic risk register with all directorates.

**The Risk Framework**

The key features of our risk management framework are:

- to continue to develop understanding of our risk principles underpinning our 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 ensure project sponsors and managers 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 Government: Code of Good Practice. 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 updated regularly.

In line with Government plans, the VOA's financial statements for 2008-09 will be the last set prepared under UK accounting conventions. From 1 April 2009, the VOA adopted international financial reporting standards (IFRS) and the financial statements for 2009-10 onwards will be presented accordingly.

Our schedule for conversion to IFRS has met HM Treasury milestones including a report by the National Audit Office and we are on track to meet the remaining milestones later in 2009. The Rent Service are also restating their financial statements for 2008-09 and these will be incorporated into the VOA's opening assets and liabilities for 2009-10.

As part of our drive to build on existing sound governance arrangements, strengthen risk management and improve controls and governance processes, a review of governance arrangements across the VOA commenced during the year. This will continue into, and conclude in, 2009-10 with a view to making any changes that are necessary to ensure continuing high levels of assurance.

**Information Risk and Security**

Following the recommendations made by the Poynter Report in 2008, the more recent Cabinet Office Security Policy Framework (SPF) and other central guidance, the VOA has strengthened its arrangements for managing information risk and security, and is fully aligned with HMRC's Data Security Programme. The VOA has a Senior Information Risk Owner (SIRO) at Board level with executive directors nominated as Information Asset Owners for their individual directorates. The VOA experienced no losses of protected data reportable to the Information Commissioner's Office in 2008-09. Further details are given on page 21 of the Report.

All staff have attended workshops during the year to reinforce their understanding of data security and have been provided with specific guidance. A mandatory e-learning package for staff is also in place.

During the year, we developed a Security Management System (SMS) for the VOA together with a supporting assurance framework, which is now in place throughout the organisation. HMRC approved our SMS and confirmed it was in line with their guidance.

In March 2009 we commissioned external consultants (Deloitte) to undertake a high level assessment of the maturity and effectiveness of VOA information security in line with good practice standards (HMG Information Assurance Maturity Model & Assessment Framework, aligned with ISO 27001). Their assessment shows an overall maturity rating of the VOA across the six process areas below minimum target standards. We welcomed the report and the Management Board have agreed to set up a formal Agency Security Programme to oversee the corrective actions to address the recommendations with a priority risk based approach. This will include commissioning our IT partners to undertake an extensive risk management review of all our information systems. It will also include a range of other information risk areas from policy review to physical security. In the meantime I am satisfied that risk exposure is being actively managed to acceptable levels.

In line with HMRC guidance, the VOA has a risk assessment process in place for all new IT applications and this is being extended to cover all existing applications as well. During the year NAO undertook an evaluation of the operational effectiveness and security of the IT environment. Work is now underway to address the issues raised in their report and to implement the recommendations for improvement. In the meantime, I am satisfied that risk exposure is being managed to acceptable levels.

**The Rent Service (TRS)**

Throughout the year, a joint programme board with membership drawn from the Department for Work and Pensions (DWP), Communities and Local Government (CLG), The Rent Service and

VOA directed and oversaw the " Transform" programme for the transfer of rent officer functions to the VOA. The functions were transferred with effect from 1 April 2009.

A comprehensive service level agreement has been put in place with DWP which mitigates the risks to the VOA that may arise through changes in Housing Allowance workloads and related levels of funding. An agreement is also in place with DWP to mitigate risks on pensions liabilities that now fall to the VOA in respect of former TRS staff.

An assessment of integration risks revealed that TRS IT systems were not fully compliant with HMRC's high security standards. Whilst during the year work was undertaken to ensure compliance in readiness for merger of functions from 1 April 2009, this work has not yet been completed. We aim to have this completed and to achieve full HMRC security accreditation by July 2009. In the meantime, the former TRS IT systems continue to operate satisfactorily in terms of delivery of service to customers and I am satisfied that appropriate action is being taken to contain risks to acceptable levels.

**Rating Assessments in Major Ports**

A review of rating assessments in major ports during the year drew criticism of the Agency's handling and the position regarding the increased and backdated rates liabilities affecting some businesses, and featured in a Treasury Select Committee hearing in autumn 2008.

Whilst it is acknowledged that completion of the review process took longer than desirable and that the VOA' s communication with the relevant parties could have been more broadly based, the Government response to the TSC recommendations clearly states that it does not recognise that the VOA was to blame for the situation faced by port businesses in what is a complicated rating issue.

However, the Agency recognises that a number of businesses felt they were not kept adequately informed nor advised sufficiently early of the likely impact of the review. It has therefore introduced measures to improve communications in the event of any future such reviews and risk identification and escalation procedures covering significant alterations to rating lists have been reviewed and amended, with enhanced definition and clarification of review and approval steps. We are also committed to delivering on our new "fast track" arrangements for handling enquiries and proposals from port occupiers and it remains very important that we do so.

**Programme and Project Management**

Our world class transformation programme has a number of supporting sub programmes and projects. The responsibility for the governance, planning and management of the programme resides with a programme board. The Programme Board is chaired by me and is supported by the Programme & Project Support Office, members of the Management Board and other senior managers. The programme board is responsible for ensuring that the delivery is on track in terms of budgets and timescale, and that key issues and risks are being managed effectively.

During the year as part of good governance practice, the programme was subject to a review to OGC Gateway 0 standards and to a series of reviews by Internal Audit. These reviews identified a number of areas for improvement that are being addressed with assistance from a newly-engaged programme manager with significant expertise in managing programmes of this nature in both the private and public sector. I am satisfied that this process of further review, to be completed by September 2009, will ensure that the overall programme governance is sound.

**Commercial Services: Work in Progress**

Like other service organisations or businesses, we have work in progress for some clients which is not yet billed. Whilst we are seeking to manage the work in progress to minimum levels, we have been scrutinising this area closely to identify the different types of risk the Agency may be exposed to – such as possible current or future losses on fixed price work and to our cash flow position. Whilst the inherent risks are low, since the majority of our clients are public sector organisations, we have nevertheless made a write off in the accounts of just over 1% of the total value of the work in progress to reflect the amount we judge irrecoverable. This is in line with our policy of pursuing payment in all cases where the last contact has been within three years. We have also provided against future losses in our work in progress on our fixed price contracts recognising that in the majority of our work we do recover our full costs but that in some instances we do not. We will also continue with further detailed risk assessment work in this area in 2009-10, but I am satisfied that risk exposure is being managed to acceptable levels.

**Economic Conditions and Public Sector Spending Risk**

The Agency is alert to additional factors that may impact on delivery of its functions as a result of the wider economic position, including the potential for an increase in workloads, for example as ratepayers and tax payers seek to consider and possibly challenge their liability for which we provide the relevant assessments or bandings. We are maintaining close monitoring of workloads and have flexible staffing and IT systems to allow for resources to be re-deployed in response to changing pressures and priorities. And in our non-statutory work we are setting our business and income plans at what we believe to be realistic levels.

Over the current spending period we will continue to adapt to reductions in our income by taking out costs through reducing our estate, driving down corporate overheads and by managing staffing and pay costs tightly, whilst so far as possible maintaining or enhancing service standards.

**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 and 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 performance results drawn from these monthly reports show that we achieved all but one of our key performance targets (the one missed resulted from a change in policy on Inheritance Tax). The performance against other targets showed several were exceeded however several were missed. The Board use this monthly operational overview to target management actions and where appropriate resources to address those areas of work where the targets are not met.
- 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. This provides us with performance information across the full range of operational activity in each of our main areas of work, by operational unit. The mechanisms also provide data for measuring value for money and productivity, 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 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 & Risk 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 governance 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 transformation programme board which approves all major projects
- a written report from the Chair of the Audit & Risk Committee, who is an independent non-executive Board member, to the Management Board after each 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
- an assurance from my predecessor who was Accounting Officer from 1 April 2008 to 22 March 2009. As Deputy Chief Executive I was involved in all the risk, financial and operational reviews through 2008-09 and upon taking up post I had several briefings with the Finance Director.

There are no significant internal control issues to report.

David Park
Acting Chief Executive
16 June 2009

## 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 2009 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 included in the Annual Report, other than the unaudited part of the Remuneration 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 that 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 and the statement on Payment of Local Authority Rates. 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 2009, 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 included within the Annual Report, other than the unaudited part of the Remuneration 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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

30 June 2009

## Operating Cost Statement for the Year Ended 31 March 2009

| | Notes | 31 March 2009 £'000 | 31 March 2009 £'000 | 31 March 2008 £'000 | 31 March 2008 £'000 |
|---|---|---|---|---|---|
| **Administration Costs** | | | | | |
| Income | *2* | | 209,568 | | 209,324 |
| Increase in value of work in progress | *2,8* | | 667 | | 398 |
| | | | **210,235** | | **209,722** |
| Staff costs | *4a* | (135,083) | | (135,481) | |
| Early departures | *4b* | (3,564) | | (5,189) | |
| Other operating costs | *5* | (60,252) | | (54,926) | |
| Depreciation | *6a* | (6,252) | | (5,737) | |
| **Programme Costs** | | | | | |
| Impairment loss | *6b* | (2,950) | | - | |
| | | | (208,101) | | (201,333) |
| **Surplus for year transferred to the General Fund** | | | **2,134** | | **8,389** |

All income and expenditure is derived entirely from continuing operations

Notes 1 to 21 form part of this Account

## Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2009

| | Notes | 31 March 2009 £'000 | 31 March 2008 £'000 |
|---|---|---|---|
| Surplus for the the year | | **2,134** | **8,389** |
| Unrealised surplus on revaluation of fixed assets | *15* | 2,163 | 1,491 |
| **Total recognised gains and losses relating to the financial year** | | **4,297** | **9,880** |

Notes 1 to 21 form part of this Account

## Balance Sheet as at 31 March 2009

| | Notes | 31 March 2009 £'000 | 31 March 2009 £'000 | 31 March 2008 £'000 | 31 March 2008 £'000 |
|---|---|---|---|---|---|
| **Fixed Assets** | | | | | |
| **Tangible Assets** | *6a* | | 38,753 | | 38,003 |
| Debtors: Amounts falling due after more than one year | *9a* | | 1,555 | | 1,793 |
| **Current Assets** | | | | | |
| Work in progress | 8 | 4,353 | | 3,686 | |
| Debtors: Amounts falling due within one year | *9a* | 10,513 | | 12,074 | |
| Cash at bank and in hand | *10* | 2,465 | | 7,791 | |
| | | 17,331 | | 23,551 | |
| Creditors: Amounts falling due within one year | *11a* | (16,516) | | (22,820) | |
| **Net Current Assets** | | | **815** | | **731** |
| **Total Assets less Current Liabilities** | | | 41,123 | | 40,527 |
| Provisions for liabilities and charges | *13a* | | (15,150) | | (17,755) |
| **Net Assets** | | | **25,973** | | **22,772** |
| **Taxpayers' Equity** | | | | | |
| General Fund | *14* | | 21,200 | | 18,781 |
| Revaluation Reserve | *15* | | 4,773 | | 3,991 |
| | | | **25,973** | | **22,772** |

Notes 1 to 21 form part of this Account

David Park
Acting Chief Executive
16 June 2009

## Cash Flow Statement for the Year Ended 31 March 2009

| | Notes | 31 March 2009<br>£'000 | 31 March 2008<br>£'000 |
|---|---|---|---|
| Net Cash inflow from operating activities | *16a* | 11,809 | 19,258 |
| Capital expenditure and financial investment | *16b* | (8,626) | (9,837) |
| Collected by the Valuation Office Agency on behalf of the Consolidated Fund | *1.14,16c* | 280 | 400 |
| Payments to the Consolidated Fund | *11a* | (8,789) | (9,531) |
| Increase/(decrease) in cash generated | *16d* | **(5,326)** | **290** |

Notes 1 to 21 form part of this Account

## Notes to the Account

**1. Statement of Accounting Policies**
These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice 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 account.

The Valuation Office Agency has adopted FRS 25, 26 and 29 in accounting for its financial instruments. In accordance with the FReM the Agency has not been required to restate the comparative information with regards to financial instruments.

**1.1 Accounting Convention**
This account has 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 Tangible Fixed Assets**
On initial recognition all fixed assets are recognised at cost, including all costs directly attributable to making the asset available for use. Cost is the amount of cash or cash equivalent paid or the fair value of any other consideration given to acquire the asset at the time of acquisition or during its development.

Subsequently fixed assets are carried on the Balance Sheet at their revalued amounts after the deduction of accumulated depreciation and any impairment losses. A revaluation index from Office for National Statistics is applied to each class of asset. Increases in valuation are taken to a separate Revaluation Reserve. Similarly decreases in valuation are taken to the Operating Cost Statement in that year unless it can be offset against a previous increase in valuation held in the Revaluation Reserve. Other losses, that are a result of a reduction in economic value or service potential, are taken directly to the Operating Cost Statement. When revalued assets are disposed of, any remaining value attributable to the asset that is held in the Reserve is transferred to the General fund.

Costs of refurbishment or renovation of office accommodation are carried on the balance sheet where the work results in additional and/or extended service potential to the Agency. Costs of the development and implementation of business software applications are carried on the balance sheet where it is expected to result in economic benefits extending past the reporting period.

Assets under construction are separately reported in note 6. Costs are accumulated until the asset is completed and brought into service when the asset is transferred to the relevant asset class and depreciation commences.

Tangible fixed assets are reviewed at Balance Sheet date to ensure that they are recorded in the financial statements at no more than the recoverable amount and that any resulting impairment loss is measured and recognised on a consistent basis.

Recognition thresholds are detailed in the accompanying table. Where items are purchased in bulk, individual thresholds do not apply, particularly where that item is part of a number of items that will be used collectively to provide future economic benefits.

**1.3 Depreciation and Amortisation**
Tangible fixed assets are depreciated at rates calculated to write them down on a straight-line basis over their estimated useful lives. Major renovations are depreciated over the remaining useful life of the related asset. The useful lives of property, plant and equipment are detailed in the accompanying table:

| Asset class | Recognition Threshold | Anticipated Useful life |
|---|---|---|
| Accommodation Refurbishments | £15,000 | 4 years or period of lease whichever is shorter |
| Office Equipment | £1,500 | 3 - 7 years |
| IT Hardware | £1,500 | Up to 5 years |
| Furniture & Fittings | £1,500 | Up to 10 years |
| Developed Software – new/projects | £15,000 | Up to 10 years |
| Developed Software – enhancements | nil | As per the enhanced asset |
| Software Licences | £1,500 | Licence period or up to 10 years |
| Telecommunications | £1,500 | 5 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 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 the requirements of *Managing Public Money*. The Agency is aware that some of the more aged Work in Progress may ultimately prove difficult to invoice and collect. Provisions are made for any irrecoverable amounts where material.

**1.5 Financial Assets**

The Valuation Office Agency recognises a financial asset on its Balance Sheet when it becomes a party to the contractual provisions of the financial instrument. The Agency derecognises i.e. removes a financial asset from its Balance Sheet, when, and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition. The decision whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards control tests.

The Agency's financial assets are classified as loans and receivables and on initial recognition are measured at fair value. The fair value of an asset is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction and should normally be equal to the consideration given i.e. the transaction price. Subsequent to initial recognition the Agency's loans and receivables are measured at amortised cost.

Loans and receivables consists of trade and other debtors, prepayments, accrued income and work in progress, falling due within one year and after more than one year. Loans and receivables falling due after more than one year from the Balance Sheet date are discounted to take account of the time value of money.

**1.6 Impairment of Financial Assets**

The Agency assesses at each Balance Sheet date whether there is objective evidence that its financial assets are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date and that loss event or events has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The criteria that the Agency uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the obligor

(ii) A breach of contract, such as a default

(iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio of financial assets since the initial recognition of those assets.

The Agency measures the amount of impairment loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the Agency's Operating Cost Statement in the period of impairment.

**1.7 Financial Liabilities**

The Valuation Office Agency recognises a financial liability on its Balance Sheet when it becomes a party to the contractual provisions of the financial instrument. The Agency derecognises i.e. removes a financial liability from its Balance Sheet, when, and only when, it is extinguished, i.e. when the obligation in the contract is discharged, cancelled or expired. The Valuation Office Agency discharges its obligation by paying amounts of cash, other financial assets or by delivering goods or services to the counterparty. An obligation expires due to the passage of time. An obligation is cancelled when through the process of law, or via negotiation with a creditor, the Agency is released of its primary obligation to pay the creditor.

The Agency's financial liabilities are its trade payables falling due within one year of the Balance Sheet date. On initial recognition, trade payables are recognised at fair value (see note 1.5). Trade payables are not discounted for the time value of money because of their short-term nature i.e. the effect of discounting is immaterial.

Statutory charges and payments (for example payments to the Consolidated Fund) are not recognised as financial instruments, as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments, in accordance with FRS 25, Appendix – Application Guidance AG12.

**1.8 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 largely unfunded and 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 (2007: from 17.1% to 25.5%). 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.

**1.9 Early Departure Costs**
When employees retire under an Agency sponsored Early Departure Scheme, they are entitled to a pension until they reach pensionable age. The total liability resulting from the scheme is recognised as a provision. This is discounted at the real standard rate of 2.2%, in accordance with the FReM. Funds are released from that provision annually to fund pension and related benefits payments to the retired employees until normal retirement age.

**1.10 Leases**
The Agency's leases are all operating leases (i.e. the risk and rewards of ownership remain with the lessor). Rentals paid under operating lease agreements are charged to the Operating Cost Statement over the period of the lease term, so as to reflect the consumption of economic benefit. The future commitments for the lease rentals for the period ended 31 March 2009 have been disclosed in Note 18.

**1.11 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.

**1.12 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, for a probable transfer of economic benefits and for which 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.

**1.13 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*.

**1.14 Civil Penalty Creditor**
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 included in 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 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.

**1.16 Administration and Programme Expenditure**
The Operating Cost Statement is analysed between administration and programme expenditure. The classification of expenditure as administration or as programme follows the definition set out in the FReM by HM Treasury.

**1.17 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 2008-09 of 3.5% (2007-08: 3.5%) in real terms on all assets less liabilities except for the following, where the charge is nil:

(i) Liabilities for the amounts to be surrendered to the Consolidated Fund, and

(ii) Amounts due from the Consolidated Fund.

**1.18 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. Some input VAT on a restricted number of services is recovered under Section 41(3) of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41(3) is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. 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.

**2. Segmental Fees and Charges**

An analysis of income for services provided to external and public sector customers is set out below:

| 31 March 2009 | Income | Increase in work in progress | Full cost including notional costs | Surplus/(deficit) | Surplus as a % of turnover |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | % |
| **Chargeable activities:** | | | | | |
| Rating and Council Tax (i) (ii) | 177,128 | - | (177,583) | (455) | (0.26%) |
| Commercial Services (ii) | 17,869 | 667 | (15,989) | 2,547 | 14.25% |
| National and Central Services (ii) | 13,005 | - | (12,963) | 42 | 0.32% |
| The Rent Service (iii) | 1,566 | | (1,566) | - | 0.00% |
| **Total** | **209,568** | **667** | **(208,101)** | **2,134** | - |

(i) Included in Rating and Council Tax income is £0.632m miscellaneous income. Further details are shown in Note 3.

(ii) 'Full-cost' includes a one-off cost for early departures of £3.245m for Rating and Council Tax, £0.225m for Commercial Services, and £0.094m for National and Central Services

(iii) The Rent Service (TRS) transferred to the Agency on 1 April 2009. Costs incurred during 2008-09 are reimbursable by TRS / DWP and are separately disclosed within the Notes to the Account.

| 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 | % |
| **Chargeable activities:** | | | | | |
| Rating and Council Tax *(Note 3)* | 180,588 | | (172,224) | 8,364 | 4.63% |
| Commercial Services | 14,976 | 398 | (14,061) | 1,313 | 8.77% |
| National and Central Services | 13,760 | | (15,048) | (1,288) | (9.36%) |
| **Total** | **209,324** | **398** | **(201,333)** | **8,389** | |

(i) Included in Rating and Council Tax income is £0.491m miscellaneous income. Further details are shown in Note 3.

(ii) 'Full-cost' includes a one-off cost for early departures of £4.609m for Rating and Council Tax, £0.325m for Commercial Services, and £0.255m for National and Central Services

### 3. Other Operating Income

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| Sale of Rating/Council Tax information | 285 | 165 |
| Miscellaneous receipts | 347 | 326 |
| | **632** | **491** |

### 4a. Staff Numbers and Costs

| | 31 March 2009 | | | 31 March 2008 |
|---|---|---|---|---|
| The average number of full-time equivalent staff (including senior management) employed during the year was as follows: | Total Number | Permanently-employed staff | Others | Total Number |
| Rating and Council Tax | 3,356 | 3,332 | 24 | 3,543 |
| Commercial, National and Central Services | 485 | 480 | 5 | 549 |
| Payment of Local Authority Rates | 2 | 2 | 0 | 4 |
| | **3,843** | **3,814** | **29** | **4,096** |

Commercial, National and Central Services work is performed by one department and therefore the staff numbers attributable to the streams of income cannot be separately identified

| | 31 March 2009 | | | 31 March 2008 |
|---|---|---|---|---|
| The aggregate payroll costs of these persons were as follows: | Total | Permanently-employed staff | Others | Total |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 107,218 | 104,094 | 3,124 | 107,370 |
| Social security costs | 7,672 | 7,636 | 36 | 7,890 |
| Other pension costs (Note1.8) | 20,349 | 20,270 | 79 | 20,516 |
| | **135,239** | **132,000** | **3,239** | **135,776** |
| Less recoveries in respect of outward secondments | (156) | (156) | – | (295) |
| **Total net costs** | **135,083** | **131,844** | **3,239** | **135,481** |

The Principal Civil Service Pension Scheme (PCSPS) is a largely 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 as at 31 March 2007. Details can be found at www.civilservice-pensions.gov.uk

For 2008-09, employers' contributions of £20,264,458 were payable to the PCSPS (2007-08: £20,435,011) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 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 £76,616 (2007-08: £74,958) 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 £5,922 0.8% (2007-08: £5,566, 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 2009 were £nil (2007-08: £nil). Contributions prepaid at that date were £nil (2007-08: £nil)

Four persons (2007-08: three) retired early on ill-health grounds; their total additional accrued pension liabilities in the year amounted to £6,060 (2007-08: £4,514).

For additional information about the PCSPS please refer to the Remuneration Report on page 28.

**4b. Early Departure Costs**

| | Notes | 31 March 2009 | 31 March 2008 |
|---|---|---|---|
| | | £'000 | £'000 |
| Additional provisions made | 13a | 3,404 | 5,344 |
| Amortisation of one year's discount | 13a | 160 | 169 |
| Unused amounts reversed | | - | (324) |
| **Total 'in-year' costs** | | **3,564** | **5,189** |

## 5. Other Operating Costs

| | Notes | 31 March 2009 | 31 March 2008 |
|---|---|---|---|
| | | £'000 | £'000 |
| Accommodation – PFI related | 19 | 17,769 | 15,333 |
| Accommodation – non PFI related | | 4,069 | 4,765 |
| Accommodation – business rates | | 4,092 | 4,253 |
| HM Revenue & Customs service charge | | 3,832 | 4,109 |
| Capgemini service charges | | 9,017 | 8,750 |
| TRS Transfer of function | | 1,566 | - |
| Management consultancy | | 285 | 246 |
| Postage/couriers | | 861 | 751 |
| Subscriptions | | 720 | 838 |
| Telephone charges | | 1,907 | 1,660 |
| Data capture | | 768 | 376 |
| Sundry costs | | 4,741 | 3,769 |
| Travel and subsistence | (i) | 5,394 | 5,377 |
| Printing, stationery and distribution | | 878 | 900 |
| Computing (including IT consultancy) | | 1,161 | 1,153 |
| Legal services (excluding movement in provisions) | | (105) | 166 |
| Legal services (movement in provisions) | | 29 | (457) |
| External training | | 1,164 | 973 |
| Operating leases: hire of plant and machinery | | 281 | 338 |
| Auditor's notional remuneration – 2008-09 account | (ii) | 77 | 66 |
| Auditor's notional remuneration – opening IFRS balance sheet | (ii) | 21 | - |
| Notional cost of capital | | 907 | 668 |
| Net loss on revaluation of fixed assets | | 34 | 104 |
| Asset write-offs | | 669 | 779 |
| Net loss on disposal of fixed assets | | 168 | 9 |
| Write back of provisions for doubtful debts | | (53) | - |
| | | **60,252** | **54,926** |

*(i) Of this approximately £59,908 (2007-08: £24,512) 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 (2007-08: £nil).*

### 6a. Fixed Assets

| | Accommodation Refurbishments | Computers | Furniture | Developed software | Assets under construction | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost or Valuation:** | | | | | | |
| At 1 April 2008 | 14,717 | 9,568 | 12,100 | 54,466 | 3,489 | 94,340 |
| Additions | 202 | 250 | 905 | 506 | 6,763 | 8,626 |
| Disposals | (12,779) | (5,595) | (6,941) | (6,750) | - | (32,065) |
| Write-offs | - | - | - | (890) | - | (890) |
| Impairments | - | - | - | (4,616) | - | (4,616) |
| Reclassifications | - | - | - | 3,915 | (3,915) | - |
| Revaluations | (448) | 128 | (143) | 2,710 | - | 2,247 |
| **At 31 March 2009** | **1,692** | **4,351** | **5,921** | **49,341** | **6,337** | **67,642** |
| **Depreciation:** | | | | | | |
| At 1 April 2008 | 13,524 | 7,723 | 11,097 | 23,993 | - | 56,337 |
| Charged in year | 479 | 458 | 447 | 4,868 | - | 6,252 |
| Disposals | (12,664) | (5,582) | (6,901) | (6,750) | - | (31,897) |
| Write-offs | - | - | - | (221) | - | (221) |
| Impairments | - | - | - | (1,666) | - | (1,666) |
| Revaluations | (494) | 135 | (307) | 750 | - | 84 |
| **At 31 March 2009** | **845** | **2,734** | **4,336** | **20,974** | **-** | **28,889** |
| **Net Book Value:** | | | | | | |
| **At 31 March 2009** | **847** | **1,617** | **1,585** | **28,367** | **6,337** | **38,753** |
| **At 1 April 2008** | **1,193** | **1,845** | **1,003** | **30,473** | **3,489** | **38,003** |

### 6b. Impairments

The carrying value of all fixed assets is reviewed at the Balance Sheet date to ensure it does not exceed remaining service potential. In 2008-09 this resulted in the impairment of an in-house software development. A net impairment loss of £2,949,808 was taken to the Operating Cost Statement, which included the amount of £398,292 to be realised between the Revaluation Reserve and the General Fund to reflect the reduction in the revalued carrying amount of the asset.

A write-off of £890,392 was required to remove development costs associated with the Agency intranet which had been incorrectly capitalised. Accumulated depreciation of these development costs written off was £221,177, resulting in the amount of £669,215 being taken to the Operating Cost Statement. £65,969 was taken to the Revaluation Reserve reflecting the change to the carrying cost of the revalued asset.

### 7. Movements in working capital other than cash

| | Notes | 31 March 2009 | 31 March 2008 |
|---|---|---|---|
| | | £'000 | £'000 |
| Decrease/(Increase) in work in progress | 8 | (667) | (398) |
| Decrease/(Increase) in debtors | 9 | 1,799 | (1,796) |
| Less movements in debtors relating to items not passing through the OCS | | (232) | (191) |
| Increase/(Decrease) in creditors | 11 | (6,304) | 5,837 |
| Less movements in creditors relating to items not passing through the OCS | | 6,375 | 743 |
| | | **971** | **4,195** |

### 8. Work in progress

| | Notes | 31 March 2009 | | 31 March 2008 | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| Opening | | | 3,686 | | 3,288 |
| Write-off | (i) | (52) | | - | |
| Movement in WIP | | 994 | | 398 | |
| Impairment: provision for forseeable losses | (ii) | (275) | | - | |
| Net increase in WIP | | | 667 | | 398 |
| **Closing** | | | **4,353** | | **3,686** |

(i) As at 31 March 2009 the Agency's management has an operating policy of not invoicing for work-in-progress that is over thirty-six months old since the Agency last did work for the client on the specific case and the monetary value of the work-in-progress is less than £100 or the case worker is of the view that the client will not pay if invoiced. In line with this policy the Agency has taken an impairment charge of £52,125 for the year ending 31 March 2009.

(ii) At 31 March 2009 the Agency carried out a review of the current fixed price contracts on which work was 75% or more complete. The purpose of this review was to ascertain if any of these contracts were likely to realise less than the cost of the work required to complete them. As a result of this review, the Agency has recognised a provision for future losses on these contracts of £275k.

(iii) At 31 March 2009 the Agency also carried out a review of Work in Progress that relates to contracts on which work has not been carried out for more than six months. Although the Agency considers that many of these contracts will yield payment when invoiced, we recognise that there is an inherent risk around the recovery of such amounts due to the passage of time. The review suggested that the maximum amount that may not be recoverable to be around £200k. This amount has however not been provided for since it is immaterial and cannot be subtantiated in such a way as to conform to the requirements of FRS26.

### 9a. Debtors

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts falling due within one year:** | | |
| Trade debtors | 9,164 | 8,957 |
| Other debtors | 513 | 1,462 |
| Prepayments and accrued income | 836 | 1,380 |
| VAT Debtor | - | 275 |
| | **10,513** | **12,074** |
| **Amounts falling due after more than one year** | | |
| Prepayments and accrued income | **1,555** | **1,793** |

### 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 | 3,427 | - |
| Balances with local authorities | 1,823 | - |
| Balances with NHS Trusts | 2,931 | - |
| Balances with public corporations and trading funds | - | - |
| Balances with bodies external to government | 2,332 | 1,555 |
| **As at 31 March 2009** | **10,513** | **1,555** |
| | | |
| 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** |

## 10. Cash at bank and in hand

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| **Opening balance** | 7,791 | 7,501 |
| Net cash inflow/(outflow) | (5,326) | 290 |
| **Closing balance** | **2,465** | **7,791** |
| The cash balance as at the year end comprises: | | |
| Balances at Commercial Banks and in Hand | 60 | 67 |
| Balances at the Office of HM Paymaster General | 2,405 | 7,724 |
| | **2,465** | **7,791** |

## 11a. Creditors: Amounts falling due within one year

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| VAT Creditor | 411 | - |
| Trade Creditors | 4,652 | 6,237 |
| Accruals and deferred income | 9,039 | 7,794 |
| Operating receipts payable to the Consolidated Fund | 2,134 | 8,389 |
| Operating receipts payable to the Consolidated Fund which are outside the scope of the Agency's activities | 280 | 400 |
| | **16,516** | **22,820** |

## 11b. Intra-Government Balances

| | Creditors: Amounts falling due within one year |
|---|---|
| | £'000 |
| Balances with other Central Government Bodies | 10,810 |
| Balances with local authorities | 39 |
| Balances with NHS Trusts | 80 |
| Balances with public corporations and trading funds | - |
| Balances with bodies external to government | 5,587 |
| **As at 31 March 2009** | **16,516** |
| 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** |

## 12. Financial Instrument Risk Management

**Risk Management Framework**

Financial Instrument Risk Management is categorised as follows:

– Credit
– Liquidity
– Market

**Credit Risk**

Credit risk is the risk of loss of value of financial assets due to counterparties failing to meet all or part of their obligations. The substantial majority of the Agency's trade receivables is due from other Government Departments and Agencies, therefore the risk of counterparty default and invariably the Valuation Office Agency's exposure to credit risk is minimal. With regards to risk concentration, 13%, (£1,128,450) of the Agency's trade receivables are due from one specific counterparty, however due to the fact that this counterparty is a Central Government Agency, the credit risk associated with this concentration is very limited. As part of the Agency's strategy to manage its trade receivables, it has put in place policies and practices to ensure that it accurately invoices its clients and that this is done in a timely manner.

The majority of the Agency's cash balances are held with the Office of the Paymaster General and are available on demand hence the probability of default is insignificant.

The credit quality of the Agency financial assets ie. its trade receivables and cash deposits that are neither past due or impaired are of high quality. This is as a result of the fact that they are due from other UK Government Departments, Agencies and the Office of the Paymaster General. The Agency is of the view that all its trade receivables at the financial reporting date are collectible and no impairment has been recorded.

The following table provides information regarding the ageing of trade receivables that are past the due date at the financial reporting date but that are not impaired.

| **As at 31 March 2009**<br>Receivables that are past the due date but not impaired | <3 months<br>£000 | 3-6 months<br>£000 | 6-12 months<br>£000 | >12 months<br>£000 | **Total**<br>**£000** |
|---|---|---|---|---|---|
| Trade Receivables | 977 | 455 | 174 | 128 | **1,734** |

The Agency's accounting policy is to recover all of its work-in-progress costs. The ageing of the Agency's work-in-progress as at 31 March 2009 is presented in the table below. Forty five per cent of the Agency's work-in-progress relates to contracts that commenced over twelve months ago. A significant proportion (£1,498,374) of this is due to transport sector related cases which have a lengthy negotiation process between the Valuation Office Agency (on behalf of the Highways Agency) and the third party.

| | < 3 months<br>£000 | 3-6 months<br>£000 | 6-12 months<br>£000 | 12-18 months<br>£000 | > 18 months<br>£000 | **Total**<br>**£000** |
|---|---|---|---|---|---|---|
| Work in Progress | 203 | 1,286 | 910 | 476 | 1,478 | **4,353** |

The tables below are an analysis of the Agency's work-in-progress based on its monetary value and its ageing since the last time work was done for the client on the specific case. Cases for which there has been no activity for over twelve months account for about 4% of the Agency's work in progress balance. A significant proportion (£83,738) of this is transport related which due to the nature of the negotiation and compensation process can take several years to resolve.

| | < £100<br>£000 | £100 or >£100<br>£000 | **Total**<br>**£000** |
|---|---|---|---|
| Work in Progress | 107 | 4,246 | **4,353** |

| | < 3 months<br>£000 | 3-6 months<br>£000 | 6-12 months<br>£000 | 12-18 months<br>£000 | > 18 months<br>£000 | **Total**<br>**£000** |
|---|---|---|---|---|---|---|
| Work in Progress | 3,123 | 822 | 245 | 67 | 96 | **4,353** |

**Liquidity risk**

Liquidity risk is the risk that the Valuation Office Agency will not be able to meet its financial obligations as they fall due. Over 84% of the Agency income and receipts for the year is from chargeable work to the Communities and Local Government (CLG) and the Welsh Assembly Government (WAG). CLG and WAG are required to make specific payments on a bi-monthly basis and by a specified date. The Agency is exposed to liquidity risk in the event that the agreed payments from CLG and WAG are not received or are received substantially later than agreed.

The objective of the Agency's liquidity risk management policy is for the Agency to maintain sufficient financial resources to be able to meet its obligations as they fall due. Key aspects of the risk management policy include having an agreement with the Agency's key client for payments to be made to the Valuation Office Agency on a monthly basis. The Agency ensures that invoicing is done in a timely manner and that the process is under constant review by a senior member of the finance department. In addition the Valuation Office Agency has an adequately staffed credit control function, part of whose responsibility it is for ensuring that CLG, WAG and other debtors adhere to the agreed credit terms.

The Agency has in place a cash management process that is managed by a senior member of the finance function and actively manages its creditors payment days. In addition its cash balances are on deposit with the Paymaster General and are available on demand.

The expected payment profile of undiscounted financial liabilities as at 31 March 2009 is as follows:

| | <1 year £000 | >1 year £000 | **Total £000** |
|---|---|---|---|
| Trade Payables | 4,652 | - | 4,652 |
| Accruals and deferred income | 9,039 | - | 9,039 |
| **Total** | 13,691 | **-** | **13,691** |

**Market Risk**

Market risk is the risk of adverse financial impact due to changes in fair values of future cash flows of financial instruments from fluctuations in interest rates, foreign currency exchange rates, equity prices and property prices. The Agency has an insignificant exposure to market risk as the majority of its cash balances are held at the Office of the Paymaster General and interest is not paid on these deposits. The Agency has no loan debt either as a payable or receivable and holds no investments in fixed income or variable rate securities, therefore is not exposed to movements in interest rates. The Agency is not exposed to any change in the market price of property and equity instruments. The substantial majority of the Agency's transactions are denominated in pounds sterling (VOA's functional and presentation currency) with a negligible amount of expenses paid in a foreign currency.

### Classification of Financial Assets and Liabilities

In accordance with FRS 26, the Agency's financial assets have been classified as loans and receivables (refer to note 1.5) and is presented below:

| | **Total £000** |
|---|---|
| Work in progress | 4,353 |
| Debtors: Amounts falling due after more than one year | 1,555 |
| Debtors: Amounts falling due within one year | 10,513 |
| **Loans and Receivables** | **16,421** |

In accordance with FRS 26, the Agency's financial liabilities are measured at amortised cost (refer to note 1.7) and is presented below:

| | **Total £000** |
|---|---|
| Trade payables | 4,652 |
| Accruals and deferred income | 9,039 |
| **Financial liabilities at amortised cost** | **13,691** |

### 13a. Provisions for Liabilities and Charges

| | Early retirement and pension commitments | Provision for legal claims | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance at 1 April 2008 | 12,797 | 4,958 | 17,755 |
| Additional provisions made | 3,404 | 2,653 | 6,058 |
| Unused amounts reversed | - | (2,624) | (2,623) |
| Amounts incurred and charged against provision | (5,488) | (710) | (6,200) |
| Amortisation of one year's discount | 160 | - | 160 |
| **Balance at 31 March 2009** | **10,873** | **4,277** | **15,150** |

**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 99 staff to depart under the early departure scheme. The Agency has made a provision of £3,563,745 for the scheme in the current year.

The detailed accounting policy for Early Departure Costs is set out in Note 1.9, the costs are expected to fall due as shown below in Note 13(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.

#### 13b. Early Retirement and Pension Commitments

| | 31 March 2009 |
|---|---|
| | £'000 |
| **Early retirement and pension commitments fall due:** | |
| Within one year | 4,493 |
| Between one and two years | 2,426 |
| Between two and five years | 3,229 |
| After five years | 725 |
| | **10,873** |

#### 13c. Contingent Liabilities

The Agency's contingent liabilities at 31 March 2009 relate mainly to legal actions arising from VOA activities and potential compensation to staff under the Principal Civil Service Pension Scheme. The view of the Agency is that these appeals can be successfully resisted. The total contingent liability is £1,851,704 relating to 27 cases (2007-08: 42 cases, £943,260).

#### 14. General Fund

| | 31 March 2009 | | 31 March 2008 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Opening balance** | | **18,781** | | **18,052** |
| Surplus for the year | 2,134 | | 8,389 | |
| Amounts repayable to the Consolidated Fund | (2,134) | | (8,389) | |
| | | - | | - |
| **Non cash charges:** | | | | |
| Cost of capital | 907 | | 668 | |
| Auditor's remuneration | 98 | | 66 | |
| Other General Fund movements | 1,414 | | (5) | |
| | | 2,419 | | (729) |
| **Closing balance** | | **21,200** | | **18,781** |

## 15. Revaluation Reserves

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| **Opening balance** | 3,991 | 2,500 |
| Arising on revaluation of fixed assets during the year (net) | 2,163 | 1,491 |
| Asset impairments and asset write-offs | (464) | - |
| Realised and tranferred to General Fund | (917) | - |
| **Closing balance** | **4,773** | **3,991** |

The revaluation reserve reflects the cumulative balance of indexation and fixed asset revaluation adjustments. There were no donated assets at 31 March 2009 (31 March 2008: £nil).

## 16a. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| Surplus for the year transferred to the General Fund | 2,134 | 8,389 |
| Depreciation (see note 6) | 6,252 | 5,737 |
| Amortisation of prepayments | 233 | 224 |
| Loss on revaluation of fixed assets (see note 5) | 34 | 104 |
| Loss on disposal of fixed assets (see note 5) | 168 | 9 |
| Auditor's notional remuneration and expenses (see note 5) | 98 | 66 |
| Asset write-offs (see note 6) | 669 | 779 |
| Impairment of fixed assets – Programme costs (see note 6) | 2,950 | - |
| Adjust for movements in working capital other than cash (see note 7) | 971 | 4,195 |
| Increase in provisions (other than Early Departure) | 29 | (486) |
| Utilisation of provisions (see note 13a) | (6,200) | (5,616) |
| Increase in provisions (Early Departure) (see note 13a) | 3,404 | 5,020 |
| Interest payable – unwinding of one year's discount (see note 13a) | 160 | 169 |
| Notional interest on capital (see note 5) | 907 | 668 |
| **Net cash inflow from operating activities** | **11,809** | **19,258** |

### 16b. Analysis of Capital Expenditure and Financial Investment

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| Purchase of fixed assets (see note 6) | (8,626) | (9,837) |
| Proceeds on disposal of fixed assets | - | - |
| **Net cash inflow from investing activities** | **(8,626)** | **(9,837)** |

### 16c. Analysis of receipts due to the Consolidated Fund which are outside the scope of the Agency's activities

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| | 280 | 400 |

### 16d. Analysis of Financing

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| Increase/(Decrease) in cash (see Note 10) | (5,326) | 290 |

### 17. Capital Commitments

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| | £'000 | £'000 |
| Contracted | 1,867 | 68 |

### 18. 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 2009 | | 31 March 2008 | |
|---|---|---|---|---|
| | Land and Buildings | Other | Land and Buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year | 1,751 | 133 | 1,635 | 166 |
| Between two and five years | 3,177 | 56 | 1,853 | 152 |
| Expiry thereafter | 840 | 8,274 | 981 | 8,941 |
| | **5,768** | **8,463** | **4,469** | **9,259** |

## 19.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 2009, the prepayment was £673,057 (2007-08: £710,725).

The total amount charged in the Operating Cost Statement in respect of PFI transactions was £17,769,466 (2007-08: £15,332,661) 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:

| | 2008-2009 | 2007-2008 |
|---|---|---|
| | £'000 | £'000 |
| Expiry within one year | - | - |
| Expiry within two to five years | - | - |
| Expiry within six to ten years | - | - |
| Expiry within 11 to 15 years | 15,602 | 16,671 |

## 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 and the Welsh Assembly Government. To 31 March 2009 income was earned from Communities of approximately £166,000,000 (2007-08: £169,450,000); Welsh Assembly Government of £10,423,895 (2007-08: £10,648,000).

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 Date Sheet

On 1 April 2009, The Rent Service successfully merged with the Valuation Office Agency.

This account was authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General certified the Agency's account.

## Payment of Local Authority Rates (POLAR)

### Introduction
The CEO of the VOA is also the Accounting Officer for POLAR. The POLAR account is included within the HMRC consolidated accounts and is audited there. It does not form part of the VOA account and is not audited as part of the Agency audit. Therefore the following information has not been subject to audit.

### Background
POLAR is a scheme by which local billing authorities in the UK are compensated by central government for the non-domestic rates due on properties occupied by a mission with diplomatic status.

As per the Vienna Convention on Diplomatic Relations (1961) and the Diplomatic Privileges Act (1964) - all states and other bodies sending diplomatic representatives to another state are exempt from all national, regional or municipal dues and taxes in respect of the premises of the mission.

Under the scheme diplomatic missions are encouraged to contribute an amount known as the 'Beneficial Portion'. This is to take account of extraneous services such as the fire service and street lighting. The Beneficial Portion is currrently set at 6% of the overall rates bill.

### VOA Responsibilities
The VOA administers the POLAR scheme. Esentially our role is to liaise with local billing authorities and the missions. We pay the rates due to the billing authorities and then seek to recover the Beneficial Portion from the mission.

Most diplomatic occupiers are keen to pay the Beneficial Portion and payment rates are very high. In cases of arrears the Foreign and Commonwealth office writes to the relevant Missions encouraging them to pay.

However, since there is no legal obligation for the Missions to pay the Beneficial Portion the VOA disburses 100% of the rates liability to the billing authorities The Beneficial Portion collected is then kept by Central Government.

### Facts and Figures
In 2008-09 there were 222 diplomatic missions in the UK covering 510 properties. Of these all were in England except for eighteen in Scotland, three in Wales and two in Northern Ireland. Rateable values ranged from less than £500 to over £8 million and a total of 42 billing authorities are involved in the POLAR scheme mainly in Greater London.

During 2008/09 the POLAR scheme required £31.18m of Treasury funding (2007-08: £31.59m). The net Beneficial Portion collected was £2.16m, (2007-08: £1.89m). This constitutes 94% of the total due, which is lower than in previous years due to some late bills received from the billing authorities.

The inherent risk of the POLAR scheme is low. The main area of uncertainty relates to changes in the rateable value of properties due to refurbishments etc. These can sometimes take several years to come to light and can lead to sudden demands for backdated rates or indeed refunds.

POLAR used to be administered from the VOA's London headquarters but during 2008-09 it was relocated to Leeds. The move went well and the scheme continues to run smoothly.

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