

# **REPORT OF THE 2005 REVIEW OF THE VALUATION OFFICE AGENCY**

# REPORT OF THE 2005 REVIEW OF THE VALUATION OFFICE AGENCY

## CONTENTS

CHAPTER		PAGE
	Foreword	3
1.	Introduction- Scope and conduct of the Review	4
2.	The 2000 Review	6
3.	The VOA Today	10
4.	The VOA's Performance	18
5.	The VOA's Staff and Management	25
6.	The VOA's Aims and Objectives	30
7.	The VOA's Plans and Strategies	32
8.	The VOA's Agency Status, Governance, Accountability and Financial Freedoms	39
9.	Summary of Findings and Recommendations	49
APPENDIX		
1.	Terms of reference for the Framework Review of the Valuation Office Agency	54
2.	People and Organisations that Contributed to the Review	56
3.	Action taken on the Recommendations from the Framework Review 2000	58
4.	Performance Against Targets	72
5.	Analysis of Staff Survey Results	79
6.	VOA Vision Statement	82
7.	Draft of Revised Framework Document	83

## **FOREWORD**

The 2005 Framework Review has involved gathering information and views from a wide range of groups and individuals with an interest in the performance and future direction of the Valuation Office Agency. I take this opportunity to thank all those who submitted responses or who met with the Review Team and, in doing so, contributed to the production of this Report.

The Review has been a collective effort by a number of people. The Steering Group has overseen the process and provided astute insights and guidance at every stage. I am grateful to them for devoting time to, and becoming actively involved in, the Review process.

But, inevitably, the bulk of the effort has been required of the Review Team, who have produced a thorough and valuable piece of work. I want to express my sincere thanks to Ian Hardie, Louise Chadbon and Keith Noakes for all they have achieved over the past nine months and for delivering this Report to a demanding time-table.

**GABRIEL MAKHLOUF**  
**DIRECTOR, CAPITAL & SAVINGS**  
**CHAIR, VALUATION OFFICE FRAMEWORK REVIEW STEERING**  
**GROUP**

---

## Chapter One

### Introduction- Scope and conduct of the Review

---

1.1 This report contains the findings and recommendations emanating from a review of the Valuation Office Agency ('VOA') undertaken between July 2004 and March 2005. The review considered the performance of the Agency from 1 April 2000 to 31 December 2004.

#### The Reasons for the 2005 Review

1.2 The VOA is an executive agency of the Inland Revenue ('IR'): from April 2005 Her Majesty's Revenue and Customs ('HMRC'). Its aims and objectives, operational freedoms and responsibilities, organisation and accountabilities are detailed in a Framework Document. The current edition of this Framework Document was published in May 2001, following the last quinquennial review of the Agency<sup>1</sup>. It contained a statement that the Framework would be reviewed in 2005, unless Ministers directed otherwise.

1.3 In April 2004 a revised version of Cabinet Office guidance on the *Creation, Review and Dissolution of Executive Agencies* recommended that framework documents should be reviewed at least every three years, or as business plans are rolled forward.<sup>2</sup> In future, such reviews are to take place as part of the parent Department's ongoing change programme - rather than being driven by a central programme of quinquennial reviews.

1.4 The Paymaster General, the Right Honourable Dawn Primarolo MP, decided in July 2004 that it would be appropriate at that point to undertake a review of the Agency and its Framework and announced its commencement. This fitted well with the appointment of a new Chief Executive of the VOA in June 2004 and with the announcement by the Chancellor of the Exchequer in March 2004 that HMRC would be formed to bring together Inland Revenue and Customs and Excise departments. The review was to be carried out to a time-scale to enable the revised Framework Document to be published at, or shortly after, the time HMRC comes into being.

#### Scope of the Review

1.5 The Terms of Reference of the Review are at Appendix 1. In summary those conducting the review were tasked to:

- research and evaluate specified aspects of the VOA's recent performance (including the extent to which it had acted on the recommendations made as a result of the 2000 Review)
- evaluate the extent to which any failures to meet its objectives and priorities are attributable to organisational structure or limitations on the Agency's financial or management freedoms
- evaluate the extent to which its aims, objectives plans and strategies remain appropriate
- evaluate the adequacy of arrangements for accountability and flows of management information
- make recommendations relating to all these matters and resulting changes to the Agency's Framework Document as necessary.

---

<sup>1</sup> Full details at [www.voa.gov.uk](http://www.voa.gov.uk)

<sup>2</sup> The document may be found at [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk)

1.6 The review was not tasked to consider 'prior options' (such as abolishing or privatising the Agency) explicitly, but the open nature of the consultation process gave scope for stakeholders to make any suggestions along these lines they might have wished. In the event, none did so.

### **Conduct of the Review**

1.7 The Review Team was overseen by a Steering Group chaired by Gabs Makhoulf, Director of Capital and Savings, IR. Other members of the steering group were:

Lindsay Bell	Director, Local Government Finance, Office of the Deputy Prime Minister
David Fletcher	Head of Local Taxation Policy, the Welsh Assembly Government
Andrew Hudson	Chief Executive, VOA
Mike Knight	Property Services Director, Barclays
Jonathan Leigh Pemberton	Business Director of Capital Taxes, IR
Peter Short	Head of the Revenue Services Delivery team, HM Treasury
David Stathers	Non-Executive Director, VOA

1.8 A small team of people from the Inland Revenue with support from the VOA carried out the review. The members of the Review Team were:

Louise Chadbon	VOA Framework Review Officer, IR
Ian Hardie	Deputy Director Business Tax <sup>3</sup> , IR
Keith Noakes	Head of Strategy, VOA

1.9 The Review was publicised in both IR and VOA Press Releases of 20 July 2004. Details of the Review were also placed on the IR and VOA websites and visitors to the websites were invited to send their comments to the Review Team by e-mail.

1.10 The Review Team also invited a range of people and organisations with an interest in the work of the VOA to contribute to the Review. Questionnaires were sent to members of the valuation profession, Valuation Tribunals in England and Wales, and Billing Authorities in England and Wales.

1.11 In addition letters were sent to members of the National Ratepayers' Valuation Forum (NRVF) and of the small business group of the NRVF as well as to representatives of other Government Departments and devolved administrations having regular dealings with the VOA. Most of the responses received were in writing but, in a number of cases, meetings were felt to be the best way of obtaining input from major stakeholders.

1.12 Meetings were also held with senior management of IR (both in their capacity as parent department and as customer), senior management of, and some others within, the VOA and with trade union representatives. A questionnaire was sent to 150 members of staff selected to reflect the gender and grade mix of staff in the VOA. Follow up staff workshops were held with another 60 members of staff, selected on the same basis but also by reference to the 8 locations where workshops took place.

1.13 A list of those who contributed to the review, other than the 210 VOA staff mentioned above, can be found at Appendix 2.

---

<sup>3</sup> Review Team leader and until January 2005 Deputy Director of Capital Taxes

---

## Chapter Two

### The 2000 Review

---

#### The Approach of the 2000 Review

- 2.1 The 2000 Review commenced on 2 November 1999 and covered the period 1 April 1995 to 31 March 2000. The review had two stages. The first considered 'prior options' and the second evaluated the performance of the VOA in delivering its services and the framework within which it operated.
- 2.2 The 'prior options' considered were whether the VOA should be abolished, privatised, contracted out, market tested, rationalised or merged, or retained as a Next Steps agency. The review concluded that the VOA should remain a Next Steps agency, but that it should take further opportunities for contracting out work and for working in closer partnership with other organisations, where these offered advantages.
- 2.3 The 2000 Review Team made a large number of detailed recommendations but their main thrust related to the environment and culture in which the VOA operated and were concerned with turning the VOA into a "Right First Time" organisation. The reviewers recognised that the rating appeals culture resulted in excess costs for the Government and for ratepayers. They concluded that it would be in everyone's interests to modernise the rating valuation system by moving away from an appeals culture to one in which VOA valuations were right first time and generally accepted by others as being so.

#### ***Right First Time***

- 2.4 The 2000 Review concluded that, in a perfect world, the VOA would:
- get its valuations right first time;
  - explain its valuations fully, so that ratepayers and council taxpayers generally accept them; and
  - deal promptly with enquiries and appeals.
- 2.5 There would then be fewer appeals against the VOA's valuations and, where there were appeals, the VOA would be in a position to act upon them quickly and, where appropriate, defend them robustly.
- 2.6 However the Review recognised that it was not a perfect world and that:
- the VOA had imperfect information and so was not always in a position to get its valuations right first time;
  - the VOA did not generally seek ratepayers' or council taxpayers' prior agreement to the level of its valuations, or the underlying facts on which they are based;
  - valuations could be complex and difficult to explain, particularly to unrepresented ratepayers; and
  - valuation is a matter of opinion based on the interpretation of fact, so differences of opinion can arise, even between professional valuers using acceptable, well-understood, valuation methodologies.
- 2.7 Nonetheless the 2000 Review Team considered that the VOA could lead in the modernisation of the rating and valuation system by successfully adopting a right first time vision and approach.

2.8 The main aspects of a right first time approach were identified as involving:

- the VOA routinely seeking necessary information from all ratepayers in advance to make accurate valuations and keeping this information up-to-date;
- ratepayers routinely providing the information that the VOA needs, and the VOA taking effective enforcement action against unco-operative ratepayers;
- local authorities keeping the VOA abreast of information they have about property;
- the VOA's valuations being arrived at by a consistent, systematic, replicable methodology that
  - produces valuations that are acceptable and fully-recorded, and
  - is accessible to ratepayers;
- the VOA explaining its valuations to ratepayers and seeking their agreement to valuations before entering them in the rating lists;
- the VOA dealing promptly with ratepayers' enquiries and information indicating a material change of circumstance; and
- ratepayers appealing only where they cannot reach agreement with the VOA, and such appeals being dealt with quickly.

2.9 It was recognised that the VOA would have to make changes in order to be in a position to deliver valuations that were right first time and this would require:

- an organisation that is customer-focused, with an organisational structure and clear roles and responsibilities that reflect this;
- a culture in which stakeholders' objectives and customers' service needs are understood by all and where all activities are directed to the efficient delivery of those objectives and needs;
- processes that focus on delivering the efficient, high-quality, valuation services that its stakeholders and customers require;
- systems and technology that maximise quality and efficiency by focusing on compliance with norms and carrying out and recording the processes through integrated, reliable, high-speed transactions;
- information that is relevant, consistent and up-to-date; and
- people who are professional, confident about their own and their colleagues' work and have good, transferable, skills.

2.10 The Review called for a significant transformation programme to implement the necessary changes to the VOA's operations and organisation and achieve the vision of right first time. It was regarded as important for the key elements of that programme to be in place in time for the 2005 rating revaluation, to avoid another five year cycle of appeals before the benefits of right first time might start to flow.

2.11 In 2000 it was suggested that the success of right first time would be measured by whether there was a resulting fall in the number of appeals made against the 2005 lists.

2.12 However those responsible for the current review do not agree that a fall in the number of appeals is necessarily the only (or best) indicator that right first time is working. It may take more than one revaluation to change an appeals-based culture that is to an extent beyond the VOA's control. It is possible that commercial pressures on external surveyors may encourage a continuing resort to appeal even where the prospects of achieving an adjustment for their clients may be more limited than hitherto. Other factors, such as an inability to understand the billing notice, may also prompt an appeal even where the valuation is correct.

- 2.13 A more appropriate and fundamental test of the success of the move to being right first time is whether VOA valuations are changed to any significant extent as a result of appeals made. A right first time culture should eventually generate fewer appeals but, at present, successful defence of valuations may be the better measure.
- 2.14 The current Review has been undertaken before the 2005 revaluation lists have been finalised, let alone been subject to appeal (successful or otherwise). So it is too soon to assess how successful the VOA has been in transforming itself into a right first time organisation. As a result, this report is able, and aims, to provide no more than an interim assessment of how the VOA has progressed since the 2000 review.

### **The recommendations of the 2000 Review**

- 2.15 A full list of the 2000 Review's 24 recommendations (many of them multi-faceted) together with a brief commentary on what has been done in response to each of them is to be found at Appendix 3.
- 2.16 Most recommendations have been followed fully and, where this is not the case, it was sometimes a consequence of them proving impractical or their objective being more readily achieved by other means.
- 2.17 Paragraph 1.2.19 of the 2000 Report recommended that the VOA's Programme Board be extended and strengthened. In fact it was found that the VOA was too small an organisation to need the number of layers of management oversight that this implied so the Management Board took on the intended role of the Programme Board itself with a whole series of project boards reporting to it. Consequently the 2001 Framework Document did not refer to the Programme Board as paragraph 1.2.24 of the report recommended.
- 2.18 Although the VOA has developed an HR Strategy to produce a right first time Agency it did not 'define' the HR profile of such an Agency explicitly in the way that recommendation 1.2.23 seemed to envisage. We do not regard this as a significant omission.
- 2.19 Recommendation 1.2.11 suggested the possibility of introducing weighted performance indicators to encourage giving of priority to complex cases. Although some weighting was introduced to the results scorecard, this has tended to give prominence to key business targets in the year rather than encourage more emphasis on tackling the most complex work. (The same recommendation covered "reducing the variance standard in the rating valuation accuracy performance indicator from 10% to a more challenging standard". VOA officials do not understand this recommendation which they believe may be the result of confusing different standards applicable to different parts of the business.)
- 2.20 The VOA's response to recommendation 1.2.14 has been commendable but the focus of the continuous improvement work has been more on effective handling of the first point of contact with customers, than on handling customers' needs, wherever possible, in a single transaction at the lowest possible level. Given the complexity of much of the VOA's work this slight change of emphasis is understandable. Moreover, in many cases, the impact of getting the first point of contact right will be to enable the customer's needs to be met first-time.
- 2.21 However, in a few cases, the failure to act on recommendations may seem to be the result of a hesitancy to embrace wholeheartedly the more commercially oriented thinking of the 2000 Review Team.



- 2.22 Paragraph 1.2.2 recommended that the VOA should keep the possibility of contracting out some of its core valuation work under review. Problems with data ownership issues were encountered and this recommendation has not been pursued further.
- 2.23 Paragraph 1.2.3 recommended that the VOA should consider the extent to which contracting out could offer a cost-efficient way of maintaining consistent up-to-date information bases and unlock the value of the VOA's information bases. Although there has been some consideration of contracting out parts of the data maintenance work there has been no move in that direction because a suitable external partner was not identified.
- 2.24 Paragraph 1.2.18 recommended that the VOA give consideration to extending its remit to compete for land valuation services work in wider markets after the VOA had developed its marketing strategy and Land Services business stream. The VOA's Management Board has not reached a consensus view on the wisdom of such an extended remit and, as a result, nothing has been done in this respect as part of the process whereby the existing authorities for Land Services activities are being enshrined in statute.
- 2.25 This image of a possibly reluctant VOA may be misleading. The 2000 Report only suggested that there was scope for contracting out some work, rather than finding that it was advantageous to do so. Hence the emphasis on keeping that option in mind, rather than recommending it. When viewed from this perspective it is clear that the VOA has explored the scope for contracting out but without finding it to be the appropriate solution in any instance to date. It has therefore complied with the letter of the recommendation at least.

---

## Chapter Three

### The VOA Today

---

#### The VOA's current structure and organisation

- 3.1 At 31 December 2004, the VOA employed 5001 people, of whom 4785 were permanent staff and 216 were fixed term or temporary appointees. Staff numbers have increased from 3,900 in 2002-03 and 4,500 in 2003-04. Approximately 4,000 staff work in Local Taxation ('LT'), 600 in District Valuer Services ('DVS'), and 400 in corporate service functions. Around 1,500 staff, including the vast majority of senior managers, are chartered surveyors - the VOA being the largest employer of chartered surveyors in the country. Staff numbers will peak at 5,700 in Summer 2005 - a temporary rise to allow the VOA to complete the council tax revaluations in England (see paragraph 3.32 below). As a result, the number of surveyors will increase, since Band 3, the grade at which the majority of surveyors operate, is a key recruitment grade.
- 3.2 The VOA's people are deployed in a network of offices in England, Wales and Scotland<sup>4</sup>. Operations are carried out in 80 offices in 22 groups in England and Wales providing local taxation valuation services for business rates and council tax purposes; and nine DVS units (aligned with the English Regions, Scotland and Wales), providing valuations for IR taxes, 'right to buy', and bespoke non-statutory services across the public sector. Senior management and certain other central functions are carried out in the Chief Executive's Office. Some central services are provided by IR (see paragraph 8.26 for details).
- 3.3 A significant change for the VOA, which occurred with effect from 1 July 2001, was the establishment of the District Valuer Services (DVS) business stream. Splitting the work done for IR and other government departments, local authorities and public bodies from the work on NDR and CT - now known as Local Taxation ('LT') - has provided a clearer focus on the needs of these customers and better use of specialist expertise.
- 3.4 Specialist Teams within DVS work specifically for a certain customer or within a particular category of work. In 2003/04 the VOA ran a pilot to see how they could improve their performance on client contact and relationship management. They found it to be successful and are rolling it out across the DVS network. The VOA has located key account managers in each region to concentrate on providing a higher level of service as well as having the technical expertise to understand the work the VOA can do for their clients.
- 3.5 The VOA is also building specialist teams dedicated to working in particular sectors and they plan to establish one in each DV unit. The VOA has carried out an internal skills audit and, as a result, hope to be able to draw on staff resources in a more dynamic way.
- 3.6 There are signs that the sharpened focus on individual customer needs following the re-organisation is beginning to pay dividends. But, as our discussion of performance in meeting targets in Chapter 4 shows, there is still considerable need for improvement here.

---

<sup>4</sup> See details in the Forward Plan available at [www.voa.gov.uk](http://www.voa.gov.uk)

## The Role of the VOA

3.7 Today the primary functions of the VOA are to:

- undertake rating valuation work in England and Wales on behalf of the Office of the Deputy Prime Minister (ODPM) and the Welsh Assembly Government (WAG);
- undertake council tax valuation work in England and Wales on behalf of ODPM and WAG;
- provide valuation services to IR (from April 2005 Her Majesty's Revenue and Customs (HMRC)) in England, Wales and Scotland in connection with direct taxes;
- provide valuation and estate surveying services in England, Wales and Scotland to central government, the devolved administrations and public bodies; and
- support policy 'owning' departments in advising Ministers on policy matters relating to property valuation.

The Agency's funding for this work in 2005/06 is expected to be £247m.

3.8 The first two of the functions listed above are fulfilled by the Local Taxation ('LT') business stream. The third and fourth are provided by the District Valuer Services ('DVS') business stream. The fifth is supported by both business streams.

### ***Undertaking rating valuation work***

3.9 Non-domestic rates (NDR) revaluations in England and Wales are on a 5 yearly cycle, raising £15.1 billion in England (from 1.65 million properties) and £590 million in Wales (from 101,000 properties).

3.10 Rating lists contain the rateable values of properties that are used by local authorities to calculate non-domestic rates (NDR). NDR is calculated by:

- multiplying the rateable value for a property by the relevant non-domestic multiplier; and
- reducing the resultant rates bill by any reliefs to which the ratepayer may be entitled.

3.11 As a result of the 2005 Revaluation, ODPM and WAG have set the multipliers<sup>5</sup> at a level designed to raise broadly the same overall yield as before the revaluation, allowing for estimated erosion of the value of the lists over their lifetime as a result of appeals. There is provision for adjustment of the multiplier in later years, if that estimate of appeal loss proves to be incorrect and also to reflect any incorrect estimate of the cost of the small business scheme.

3.12 Local authorities are responsible for calculating and collecting NDR and paying the monies they collect into a national pool. Before the start of each financial year, the ODPM and WAG estimate the amount that will be available from the pool for local authorities, known as the distributable amount. This distributable amount is then allocated among local authorities according to the number of people resident in their area. Once the distributable amount for a financial year is fixed, it does not vary, even if the amount actually paid into the pool is more or less than projected. However, it may be adjusted in subsequent years.

---

<sup>5</sup> There are two in England – the small business multiplier (for those who qualify for small business relief) and the general multiplier, which includes a supplement to pay for the small business relief

- 3.13 Under the Local Government Finance Act 1988, the Commissioners of Inland Revenue have had statutory responsibility for appointing valuation officers who are responsible for compiling the rating lists and maintaining the lists so that they remain accurate. The Commissioners devolve their responsibility to the VOA. With the enactment of the Commissioners for Revenue and Customs Bill this responsibility transfers to the Commissioners for HMRC.
- 3.14 The valuation date for the revaluation exercise is set two years prior to the date that the new rating lists come into effect. For Revaluation 2005 the valuation date is therefore 1 April 2003. During the two-year preparatory time frame the VOA:
- assembled relevant information about rent and construction costs;
  - analysed this information and produced schemes for the consistent valuation of the different types of similar properties in each locality; and then individually valued all 1.75 million non-domestic properties in England and Wales;
  - provided information to the ODPM and WAG to assist them in making decisions about setting the level of the multiplier and about whether there was a need for transitional arrangements;
  - launched 'mybusinessrates.gov.uk' in September 2004 in conjunction with ODPM;
  - produced draft rating lists on 30 September 2004;
  - issued summary revaluations to most ratepayers and published summary valuations on the internet in October 2004; and
  - published the final lists on 1 April 2005.
- 3.15 Over the life of the list the VOA will:
- handle appeals by ratepayers against rateable values shown in the lists; and
  - amend the lists to take account of
    - the outcome of appeals by ratepayers,
    - material changes of circumstance affecting the rateable value of properties,
    - the addition of new properties.
- 3.16 Appeals that are not withdrawn, or settled by agreement between the ratepayer and the VOA, are heard by valuation tribunals. These are independent of the VOA and, in England, now come under the administrative oversight of the recently formed Valuation Tribunal Service, a Non-Departmental Public Body (NDPB) sponsored and funded by the ODPM, which provides staff, accommodation and advice to the 56 individual tribunals. Members of valuation tribunals and tribunal presidents are appointed by local authorities, although the ODPM and WAG have reserve powers to appoint members.
- 3.17 The VOA may amend the rating lists at any time to take account of a material change of circumstances or the addition of a new property. Local authorities have statutory responsibility for notifying the VOA of material changes of circumstance and new properties in their area. The VOA may also discover material changes and new properties from its own internal, and other external, information sources.
- 3.18 The revaluations in 2005 in both England and Wales have led the Agency to introduce a number of initiatives.
- 3.19 The main initiatives have been the use of the Internet to communicate with ratepayers and the publication of Summary Valuations. Summary valuations are intended to increase openness and transparency and deliver clear, understandable, valuations to ratepayers. In the past, individual ratepayers simply received details of their new rateable value for their business property. Instead, this project has provided

them with an outline valuation and information about the basis on which it was made prior to the publication of the final rating lists. In total the VOA provided summary valuations to more than 1.3 million ratepayers. Additionally, most of these summary valuations have been included on the Internet so that ratepayers can compare their own 2005 rateable value with others they consider comparable. Further Internet information on the background to the valuations has also been provided.

- 3.20 All this information was made available during October 2004. A helpdesk system for dealing with the enquiries arising from its provision was instituted in each of the VOA's Groups with the aim of dealing with, and resolving, as many enquiries affecting the new rateable values as possible prior to the new lists taking effect. There has been a positive response to summary valuations from the public and from the valuation profession. However the success of the initiative will be clear only when appeals start to be made and the level of subsequent revaluations can be assessed.
- 3.21 By providing ratepayers with this early opportunity to see their provisional rateable value, the VOA's aim was to deal with queries raised and correct any factual errors drawn to its attention by ratepayers, before the list becomes final. The intention was to avoid ratepayers having to go to the trouble of making an appeal simply to find out more about how their rateable value was assessed. By mid-February 2005 some 105,000 people had contacted the VOA with an enquiry.
- 3.22 The VOA also worked with the ODPM to produce "**mybusinessrates.gov.uk**" which aims to improve the clarity and transparency of the system. The website is dedicated to the needs of small business ratepayers in England and gives an indication as to the order of liability that ratepayers might face. This site also became accessible in the autumn of 2004.
- 3.23 The VOA introduced a National Ratepayer Valuation Forum (NRVF) in November 2000 and has also been trialing Local Ratepayer Valuation Fora (LRVF). The NRVF brings together over 40 representative bodies such as the Federation of Small Businesses and the CBI etc. Customers in the private sector are pleased with the NRVF, where they feel they are encouraged to put forward their views on policy matters. They are keen to see this continue. Three LRVFs in North Wales, South West and Newcastle have been running throughout the 2005 revaluation process. These are made up of participants in local representative bodies such as Chambers of Commerce etc. The panels have provided input on the design, testing and presentation of communications and other issues around the revaluations.
- 3.24 From September 2001 Market Information Units (MIUs) were introduced in the VOA's Groups and Specialist Units to improve the quality of oversight and capture of market (including rental) information and other data. As a result, by 31 March 2002 the Agency knew the rental status of 73% of those properties valued on a rental basis.
- 3.25 To improve methods of collecting data, with input from users, new forms were designed incorporating explanatory notes on the form. These forms include a new electronic rent return form and a new shortened rent return form for use in rent review cases. Customer feedback confirmed that the new forms generally are more user-friendly than the previous versions, being clearer and easier to complete.
- 3.26 Another initiative has been the new Valuation Office Ratepayer Contact (VORC) pilot scheme. This facilitates the provision of rental information from a selected group of multi-site occupiers and has been welcomed by the ratepayers concerned who appreciate the significant savings in time and money achieved by having a single point of contact through which to channel exchange of data and information and a facility to resolve specific problems/issues. However, some customers have experienced

inconsistencies in the relationship with their VORC, which has generated some frustration and dissatisfaction.

- 3.27 The VOA's internal Rating Support Application (RSA) review established the IT support for all the Agency's "bulk class" properties (broadly covering shops, offices and industrials) survey and valuation data. Moving to a "Browser" application was considered essential in terms of effectiveness, speed and user acceptance. This project, the first stage of which was successfully completed in March 2004, also considered the measures necessary to ensure that the database was as complete and accurate as possible, so that summary valuations produced were of good quality and did not provoke adverse reaction and publicity.
- 3.28 Standard Analysis and Valuation Scales were adopted in preparing the new valuations which has improved the consistency and replicability of rating valuation work across the network.
- 3.29 Civil Penalty legislation was introduced by Section 72 of the Local Government Act 2003, coming into effect on 18 September 2004. Detailed procedures have been put in place to ensure that the Agency makes full use of the provisions to increase the flow of information available. Over 1000 cases have so far been pursued using these new powers, with a high proportion resulting in the provision of the required rental information.
- 3.30 Since 2000 the VOA has also had to maintain the 2000 NDR lists. There were more appeals against the 2000 list than expected. The Agency has reacted by adopting a system of programming as a sensible and practical way of dealing with these appeals. Since the autumn of 2000 appeals have been put into programmes with clear start and end dates and arranged into sub-programmes according to property type and location etc. The intention is to amass all the relevant evidence for dealing with a group of similar appeals in a systematic and comprehensive way and bring the appeals before the valuation tribunals in a structured manner. This has played a part in enabling the VOA to meet its targets to contain reductions in value as a result of appeals against the 2000 list.
- 3.31 In 2001 the VOA had to deal with an unexpected challenge with the outbreak of Foot and Mouth Disease (FMD). This resulted in a surge in appeals that needed to be dealt with quickly and sensitively. By 2002/03 the VOA had received 82,000 appeals citing the effects of FMD. The VOA cleared the most urgent appeals by 31 March 2002 and cleared 60,000 appeals during the rest of that year. These appeals had a considerable knock-on effect on the more predictable and normal appeals, dealing with which had to be deferred.

### ***Undertaking council tax valuation work***

- 3.32 Two current crucial VOA projects involve the Council Tax revaluations of more than 23 million properties: 1.3 million in Wales in 2005 and the remainder in England in 2007. Council tax raises £20 billion (£17.5bn net of CT benefit) in England and £1 billion (£750m net of CT benefit) in Wales. These are the first revaluations of council tax bandings since their introduction in 1993.
- 3.33 Under the Local Government Finance Act 1992, the Commissioners of Inland Revenue have statutory responsibility for appointing listing officers who are responsible for compiling and maintaining the council tax lists. The Commissioners devolve their responsibility to the VOA. With the enactment of the Commissioners for Revenue and Customs Bill this responsibility transfers to the Commissioners for HMRC.

- 3.34 The council tax lists contain the bandings of properties that are used by local authorities to calculate council tax. Local authorities are responsible for setting, calculating and collecting council tax. Unlike NDR, local authorities do not pay the council tax they collect into a national pool - rather, they retain it to meet their own budgetary needs, though the Government has retained powers to cap local authorities whose budgets it considers excessive.
- 3.35 The VOA's function is to maintain the council tax valuation lists so that they remain accurate and up-to-date. As part of this function, the VOA:
- handles appeals by council taxpayers against bandings shown in the lists; and
  - amends the lists to take account of
    - the outcome of appeals by council taxpayers,
    - changes to properties,
    - the addition of new properties.
- 3.36 As with NDR, appeals that are not withdrawn, or settled by agreement between the council taxpayer and the VOA, are heard by valuation tribunals.
- 3.37 The volumes of appeals against the 1993 council tax lists are much lower than those for NDR, reflecting the restricted circumstances in which appeals can be made. These are currently running at around 30,000 annually across England and Wales, though clearly there is likely to be an increase following the new lists becoming effective in Wales from 1 April 2005 and in England from 1 April 2007.
- 3.38 The VOA may amend the council tax valuation lists at any time to reflect a reduction in the banding of a property, or to take account of the addition of a new property. However, it may amend the lists to reflect an increase in the banding as a result of a change to a property only following a subsequent sale of that property. As with NDR, local authorities have statutory responsibility for notifying the VOA of any changes to properties and of new properties in their area. The VOA may also discover changes and new properties from its own internal, and other external, intelligence sources.
- 3.39 The revaluation in Wales has been carried out manually and the targets for completing the bandings exercise within the statutory timescale were met in the period. But the later timescale for the equivalent revaluation in England in 2007 has allowed the VOA to adopt an **Automated Valuation Model** (AVM). This is an electronic method of analysis and synthesis to produce valuations for the majority of the English housing market. It enables the VOA to free up qualified surveyors and use fewer staff than if the Agency completed the valuation by more traditional methods. It also provides the capability for undertaking future revaluations more efficiently. In the long term it has the potential also to provide a powerful tool to assist in local taxation and housing policy more generally. This project involves the largest ever single use of Computer-Aided Mass Appraisal (CAMA) for domestic property anywhere in the world.
- 3.40 The **Digitisation** of the VOA's domestic property records for the 2007 council tax revaluation and the proposals to publish property attribute data in the new valuation lists – which has been the subject of recent public consultation – represents a major step forward in rationalising data and making it available for use by others inside and outside Government. To date the VOA has kept ahead of its intermediate targets for digitising data for the English revaluation with over 95% of some 22 million records already captured as of the end of January 2005, and the task for existing properties on course for completion by 31 March 2005. Thereafter, the database will be kept up to date with the insertion or amendment of entries for new or altered properties.

3.41 The VOA has also created **Data Centres** in Halifax and Plymouth to assist with the CT revaluation, initially with data capture, and then with data enhancement and other preparatory activities.

### ***Other LT Work***

3.42 As noted in paragraphs 3.15 and 3.35 maintenance of the rating and council tax lists also involves making changes to include new properties or reflect physical alterations to offices or changes in occupation. Around 650,000 such "reports" have been dealt with annually.

### ***Provide valuation services to IR/HMRC in connection with direct taxes***

3.43 Around five per cent of the VOA's business relates to valuing interests in land and certain other property for the purposes of taxes administered by IR/HMRC. This makes HMRC one of DV Services' most significant customers.

3.44 The Commissioners of IR/HMRC have statutory responsibility for:

- authorising persons to enter and inspect land for the purposes of establishing the annual value of the land for income tax or corporation tax (Section 110 Taxes Management Act 1970);
- appointing and authorising officers of the Board to inspect property for the purposes of ascertaining its value for capital gains tax (Section 111 Taxes Management Act 1970); and
- authorising persons to inspect property for the purposes of ascertaining its value for inheritance tax (Section 220(2) Inheritance Tax Act 1984).

3.45 In addition to these statutory functions, the VOA provides IR/HMRC with information about property transactions from its information bases for the purposes of direct tax compliance work.

3.46 The VOA has undertaken a number of initiatives to improve the work that it does for IR.

3.47 DVS has had a small team (the Initial Appraisal Unit, or IAU) working within an office in **Nottingham** with IR Inheritance Tax operational people who are situated there. Co-location has speeded up the turn around of work and has helped smooth the introduction of new risk-assessing procedures in the office. The VOA team risk-assesses cases sent down to them and either accepts the valuations or passes them on to local offices to work the case. The time taken for initial appraisal is, on average, 13 days whereas non-IAU cases take 22 days. Everyone involved regards the experiment as a success. However, both IR and VOA managers accept that the system is still too paper based and would prefer an electronic system. This would allow virtual offices to be established with work capable of being done anywhere.

3.48 The VOA has set up another unit specifically to deal with requests from IR/HMRC's Large Business Service (LBS) which has also been considered to be a great success. The **LPVU** (Land Portfolio Valuation Unit) risk-assesses every valuation, considers the risks, decides whether to pass the case on to a local office for valuation and also monitors the cases after they go to the local offices. The LBS issued a questionnaire about this arrangement to its Inspectors and the conclusions overwhelmingly supported the continuation of the experiment. There was a general acceptance that tax risks were being considered better and those involved have suggested that a similar scheme might be rolled out across the wider local office network of tax offices.



***Provide valuation and estate surveying services to central government, the devolved administrations and public bodies***

- 3.49 DVS' 'Land Services' work – i.e., work for other government departments, local authorities and public bodies – is on the increase. The main clients are the NHS, the MOD, the ODPM (right-to-buy work), and the Highways Agency together with work for the Scottish Executive. A growing proportion of it is subject to competitive tenders and fees are earned on a project by project basis: the income has grown in recent years from £13.5m in 2001-02 to a forecast £20.3 m in 2004-05.
- 3.50 Around 9 per cent of the VOA's business relates to the provision of land valuation services to other central government and public bodies.
- 3.51 These may be 'reserved' responsibilities - for example, the IR Board has statutory responsibility under the Housing Acts for appointing district valuers who are responsible for valuing residential properties for the purposes of right-to-buy schemes. The Board devolves this responsibility to the VOA.
- 3.52 Alternatively, they may be functions which the VOA has been empowered to carry out under the terms of a Treasury Minute of 1920 or other authority from HM Treasury, in which case the VOA may compete for the work with other service providers.
- 3.53 The Act establishing HMRC enshrined the terms of the Treasury Minute in statute and transferred the various responsibilities outlined above to the Commissioners for the new department.

***Assisting others in advising Ministers on policy matters relating to property valuation.***

- 3.54 Most policy matters relating to work undertaken by the Agency are the responsibility of ODPM or WAG. The VOA offers input to the officials and Ministers of those departments as required. The Chief Executive provides Treasury Ministers with information needed to answer Parliamentary Questions or deal with other Parliamentary business, including debates, concerning matters for which the Agency is responsible. Treasury Ministers decide how best to respond to Parliamentary Questions about the Agency. Where an MP asks a question about any matter delegated to the Agency under the Framework Document, Treasury Ministers normally ask the Chief Executive to reply directly to the MP. Such letters from the Chief Executive are published in Hansard.
- 3.55 Normally the Chief Executive or his senior managers in Scotland and in Wales will reply directly to the questions of members of the Scottish Parliament or Welsh Assembly in relation to matters delegated to the Agency under the Framework Document.
- 3.56 MPs, MSPs, AMs and members of the public who have a complaint about the Agency are encouraged to write in the first place to the relevant Group Valuation Officer, District Valuer, or other operational manager and, if necessary, then to the Chief Executive. If they remain dissatisfied, they can refer their complaint to the independent Adjudicator.
- 3.57 MPs can also refer complaints about the Agency to the Parliamentary Commissioner for Administration (the Parliamentary Ombudsman). The Chairman of the Board of Inland Revenue, as the Principal Officer of the Department, is responsible for dealing with inquiries by the Parliamentary Ombudsman, but in the majority of cases he or she delegates this responsibility to the Chief Executive.

---

## Chapter Four

### The VOA's Performance

---

#### The VOA's Track Record in meeting Targets

- 4.1 The Agency's priorities are set out in its annual Forward Plan after agreement with the Commissioners of IR/HMRC and Treasury Ministers. In part the priorities are reflected in explicit discussion in the plan of major projects confronting the Agency. But, for the most part, they emerge in the list of Key Targets identified in the plan and announced to Parliament and, particularly, in the signals sent by the frequent changes made to the list in successive years.
- 4.2 The Agency also has 'other' targets against which it monitors its performance both for internal management information purposes and, in agreement with its clients, for measuring whether the appropriate level of service has been provided to that client. The results are published in the Agency's Annual Report.
- 4.3 The targets and the Agency's record in meeting them over the past 4 years are summarised in Appendix 4. Performance against targets identified as Key Targets in any year are highlighted in capitalised bold italics.

#### ***Local Taxes - NDR***

- 4.4 From the summary it is readily apparent that the VOA has had a good record in meeting its Key Targets in respect of its NDR work over the period under review. At various times the relevant Key Targets covered
- clearing a set percentage of 1995 or 2000 rating list appeals
  - containing reductions in the 2000 rating list in the year and over the entire life of the list to a certain percentage
  - making draft rating appeal programmes and published versions available by certain dates and adhering to programmed start dates, and
  - implementing recommendations from local ratepayer panel pilots.
- 4.5 All the Key Targets were hit except, in 2003/04, a target to publish final appeals programmes by a certain date was missed by a single day and, in 2002/03, the percentage of programmes to be started on time was also narrowly missed.
- 4.6 On the other hand, the VOA was less successful in meeting its 'other' targets. In 2000/01 none of the four targets in place was met. The target for settlement of appeals for Wales was met in 2001/02 and 2002/03, but not in 2003/04. The target to clear all reports within a period of time was met for the last three years, but the target to clear reports within three months was never met.

#### ***Local Taxes – Council Tax***

- 4.7 VOA performance against Council Tax Key Targets was more mixed. In 2000/01 and 2001/02 the key targets were to clear a certain number of appeals by a set date for England and Wales. The target for Wales was met in 2000/01 but not 2001/02 and the target for England was not met in either year.
- 4.8 In 2003/04 the VOA had 2 Key Targets regarding its forthcoming revaluation of Council Tax. It aimed to complete 50% of bandings in Wales and digitise data for three million

properties in England. The VOA successfully met both targets by a clear margin and in the year digitised over three times as much data as had been targeted for.

4.9 Again performance in meeting its 'other' Council Tax targets was not good. In every year targets to ensure all appeals are ready for hearing within 6 months, to provide a considered view within two months and to clear all reports in respect of new properties within two months were not met. The only two targets achieved in each year for which they applied were to get bandings right first time and to clear appeals equal to the number received.

#### ***DV Services – IR Work***

4.10 The VOA identified work for IR as giving rise to a Key Target in only one year - 2001/02 – and that target (to clear at least as many cases as were received in the 12 month period) was missed. The general lack of Key Targets for this work may have been a factor leading to the Agency having an even poorer record for meeting its targets in relation to work for IR than for other customers. Certainly, it did not achieve any of its targets for capital gains work in these years. The VOA has explained this as being due to receipt of more work and more complex work than anticipated and a backlog of old cases. The Agency has managed to significantly reduce this backlog which it hopes will help in the future. For IHT cases its record is slightly better but results have still been patchy. 2003/04 was the only year in which the VOA met all targets for IHT. Again the reason given for this was the complexity of the cases. The VOA committed itself to undertaking a survey with IR in 2004/05 to identify ways of improving the service.

#### ***DV Services – Land Services***

4.11 On the other hand, Land Services had Key Targets in all years under review and the Agency was very successful in meeting these. They related to targeting income from land services work and ensuring that the unit covered its share of VOA costs. These targets were met for all years during which they were in place (apart from 2000/01 when target income was not met).

#### ***Other Key Targets***

4.12 In these years other Key Targets have included:

- an overall customer satisfaction target
- securing charter mark for a percentage of its offices
- achieving specified standards in valuation accuracy and timeliness in a percentage of cases
- improving annual satisfaction ratings given by VOA staff.

4.13 In 2002/03 and 2003/04 although customer satisfaction levels increased they did so by an amount that narrowly fell short of the ambitiously-set targets.

#### ***Other Customer Service Targets***

4.14 The VOA's main weakness with customer service relates to timeliness in handling correspondence. Each year the VOA has failed to meet its target to acknowledge all correspondence within 5 working days and every year except 2003/04 the target to reply to correspondence within 15 working days. The VOA did perform well in other areas of customer service in each year meeting its targets to answer telephone calls within 15 seconds, see all callers to offices within 5 minutes and to be punctual to meetings. It also met its targets for achieving charter mark, valuation accuracy and

timeliness in 2002/03 and 2003/04 (these targets were formerly Key Targets but not in the later years).

### **Customer/Stakeholder Perceptions of Performance**

4.15 Although the VOA's track record when viewed against its targets is, at best, patchy, those who commented on the Agency's performance during the course of the review painted a slightly more optimistic, though still mixed, picture.

#### **Customer Service**

4.16 Generally the VOA's clients amongst *Other Government Departments* (OGDs) give it high praise for its customer service. Most projects are delivered on time and, even where timeliness has been a problem, customer satisfaction remains generally high. Its staff are recognised as being courteous, professional, accurate and competent. Most of DVS' clients value the independent and (comparatively) less-commercially-oriented service they receive from DVS and appreciate the impartial view the VOA can provide. Some respondents expressed the view that, being a public body, DVS was not always as quick to appreciate commercial factors as a private firm would be and was sometimes limited in approach by the valuation methods applied generally across all VOA work. However, most regarded DVS as their preferred supplier of property services, being seen as especially good at work involving high accountability, confidentiality and impartiality.

4.17 Similarly, the Billing Authorities praise the VOA's customer service and, perhaps more surprising, also timeliness of providing information. However, some feel the system could be improved if the VOA made more use of IT and had closer working relationships with them. (Other smaller Billing Authorities may not share this view.)

4.18 The perception of the *surveying profession* and the *wider public* is that customer service is generally good and improving. They feel the availability of information over the Internet is a major plus and that VOA staff are approachable. Its staff are also praised for their independence, integrity and professionalism. The AVM and NRVF are seen as particularly good projects that will help deliver enhanced customer service. However timeliness is still identified as a problem. Although correspondence is acknowledged promptly, many believe it takes too long for the substantive issues to be dealt with.

4.19 Concern was also expressed that delay in processing appeals and amendments and alterations to ratings list following settlement of appeals has an impact on trading costs which VOA staff may not always appreciate.

4.20 Customer complaints material held by the VOA shows delay and valuation disagreements to be the main problems. However in the last 6 months concerns over delay have fallen and valuation has become the main source of complaint.

4.21 Also 8000 CT and NDR Customers who lodged an appeal were surveyed. This showed that the VOA performed better in dealings over the telephone than in written correspondence. Overall around 85% of people were satisfied with the service they received but, where a complaint was made, less than 50% of people were happy with their treatment and this percentage has been falling over the years.

4.22 Generally day to day customer service to IR is seen as good and, in particular, the VOA is praised for producing high quality work. Once more, however, timeliness is the main criticism raised because of its 'knock-on' impact on IR timeliness in relation to its

customers. IR units acknowledge they put a lot of pressure on the VOA and have considerably increased requests for valuations while reducing the amount available to fund the service. But the relatively poor perception of those who are looking for input on capital gains enquiries in particular reflects the VOA's consistent failure to hit targets for delivery of that work (see paragraph 4.10 above).

- 4.23 A number of Valuation Tribunals also feel the VOA needs to make more of an effort to clear appeals more quickly.

### **Cost Efficiency/ Productivity**

- 4.24 The general perception among the VOA's customers is that it seems to be an efficient organisation. However most clients felt unable to point to much direct management information to support that conclusion. Nonetheless, they recognise that the VOA has driven down costs for its customers in recent years by making use of technology and in some cases having the qualified surveyors oversee and quality assure more work done by lower graded staff.

- 4.25 One indirect sign of efficiency on the DV Services side of the business which has been identified by customers is the success in winning (in some cases winning back) contracts which had been held by private sector 'competitors'. On this front too the VOA is meeting rising demand despite falling income.

- 4.26 However, in one instance an OGD felt that the VOA's productivity (and timeliness) had fallen once its contract had been safely renewed. The VOA has acknowledged the problem and is taking steps to tackle it.

### **Quality of Delivery**

- 4.27 The Agency is seen as a highly-respected, professional, organisation which generally produces good quality valuations. This view is shared by most of the main customers. The publication of information on the Internet and linking of databases is seen as significantly enhancing the quality of delivery.

- 4.28 On the other hand some within IR with responsibility for pursuing litigation issues feel that original valuations are changed too regularly as work to develop the evidence base for a hearing is done. They take this as indicating that the original valuation is not always as soundly based as it might be.

- 4.29 The main reservation to come from those who contributed to the review related to some inconsistency in quality of service across offices. The service, and sometimes the approach, varied from group to group and even from person to person.

- 4.30 A few respondents commented that local knowledge appeared to have been lost since the move to a Group structure and felt the use of technicians instead of surveyors impacted on quality of delivery. However others felt Surveyors should be interpreting data rather than spending time undertaking basic site-based data gathering.

### **Policy Process Input**

- 4.31 The relationship with the *policy departments* is seen in the main as positive. The WAG feel they have very good links with the VOA in Wales and are highly appreciative of the people they work with. The ODPM believe their relationship with the VOA is improving.

- 4.32 Both these main governmental customers of the VOA welcome its input on policy matters, particularly on operational aspects. They also recognise that the Agency's input to the development of Regulations can be astute and highly valuable. However, there was some feeling that, although the policy departments do not always articulate clearly what they want nor take 'ownership' of an issue quickly, the VOA can sometimes trespass inappropriately into parts of the policy arena which should be left to them. Instances were also cited of the Agency not appreciating which issues were potentially highly sensitive for Ministers and flagging these up sufficiently clearly at an early stage.
- 4.33 The policy departments have commented that the VOA is not always mindful of its audience and can talk in too technical a way and too great a depth. However this is an area where it is thought to be improving and has earned plaudits for its handling of the media.

### ***Information Technology***

- 4.34 The VOA is still a largely paper based organisation and it will take time before the switch to the optimum use of IT is complete. One inhibiting factor is the reluctance of some of the smaller Billing Authorities to commit to the investment of time and resources that use of Valuebill would entail.
- 4.35 Having said this, most people acknowledge that the VOA is using IT increasingly efficiently. Private sector professionals regard the ability to conduct business and receive information electronically as incredibly important. They would like to be able to do more of this and therefore regard an even greater use of IT as a priority for the VOA. Some feel the VOA's system is not yet sophisticated enough to enable efficient communication with their own systems.
- 4.36 Perhaps surprisingly, VOA staff input to the review indicates a low level of satisfaction with progress in using new technology. A sizeable minority feel it is used inefficiently, the main criticisms being that people lack basic IT skills and confidence to use it efficiently.

### **Reflections on recent performance**

- 4.37 The record outlined above is a mixed one. Overall, the VOA should probably be described as an improving organisation, but one with considerable scope for further improvement.
- 4.38 When reviewing the Agency's performance against its targets it quickly became clear that it would be difficult to compare across the years as targets often changed completely or began or ceased to be Key Targets. It was also apparent that some targets were unattainable and needed to be reconsidered so that they ceased to act as disincentives rather than being something to aspire to achieve. Moreover, Key Targets have been unevenly distributed across the whole of the VOA's business.
- 4.39 Although the Agency has tended to be reasonably good at hitting those Key Targets, it has been significantly less successful at meeting all the other targets it publishes. It is also noticeable that when a target is no longer regarded as 'Key' it is less likely to be met and there have been very few targets that have been regarded as 'Key' throughout the period considered in the review. In general the Agency has tried to focus on too many targets and has been inconsistent in which of them it regards as 'Key'. This has sent inconsistent, perhaps unintended, messages to staff, which

appear to have driven behaviours and influenced priorities or focus within different parts of the business.

- 4.40 We therefore **recommend** that the existing plethora of historic targets should be reviewed within 6 months with a view to reducing the number and giving additional emphasis to those remaining. (This is likely to involve
- identifying a core group of important targets to be regarded as key business/value drivers for at least a three-year period and consistently focusing on their successful delivery
  - ensuring Key Targets are more representative of the whole of the VOA's business and, perhaps, trying to build a meaningful measure of 'whole customer experience'
  - identifying in conjunction with major customers, realistic measures of success in meeting their individual expectations, replacing unrealistic or unnecessary measures where necessary
  - separately identifying information which, although not targeted or published, VOA management requires to monitor the performance of the organisation and put systems in place to ensure the information is available to them.)
- 4.41 In terms of wider performance, the VOA has made significant strides in the past few years and has achieved much to be proud of. Various initiatives it has taken have been highly beneficial and are showing signs of realising the benefits planned, but there is scope for continued improvement.
- 4.42 Consequently, we do not see a need for wholesale structural or managerial freedom changes. There are, however, a few issues which, if successfully addressed, would have a significant impact on VOA performance.
- 4.43 The Agency faces the general challenges confronting all organisations in the public sector in recent years, including greater pressure from customers for quicker and more responsive services and for flexibility in the means of providing service (including increased use of IT).
- 4.44 However, timeliness and lack of flexibility have been causes for concern in both business streams but in particular in DVS. Customers were often very happy with the quality of the service they got, but delays repeatedly undermined the good work the VOA had been doing.
- 4.45 In response to the challenge to be more flexible in its use of resources the VOA has evolved so that more work is being undertaken remotely and has developed decentralised offices to support other offices when they are faced with peaks in their work. It has also engaged retired staff to help manage these periods of peak demand. It has been active in attempting to improve efficiency by introducing a rolling programme of reviewing, benchmarking and identifying and spreading best practice and standardising processes. Nonetheless customer expectations are not yet being met.
- 4.46 So, we **recommend** that the whole of the VOA, but DV Services in particular, should make continued efforts to improve the timeliness with which services are delivered to VOA customers by increasing efficiencies and streamlining work-flows and processes wherever possible.
- 4.47 Given the heightened expectations of customers and the ambitions of the VOA to aspire to 'world class' status as a provider of property valuation services it is important, as well as being good practice, for constant reference to be made to what other service providers are doing: both to learn from them and to check relative performance levels.

Therefore, we **recommend** that the VOA should seek to benchmark its performance against other service providers, both domestically and internationally.

4.48 The VOA's move to demystify its systems and achieve increased transparency has improved communications with the general public and private sector customers and has been highly praised. To develop this, we **recommend** that the VOA should build on the initiatives it has taken to improve consultation with customers and stakeholders, such as the National Ratepayers' Valuation Forum (NRVF) and the local fora.

4.49 As part of its response to rising customer expectations the Agency needs to be sure that all its staff are attuned to the need to respond in new ways to customers. Some of the responses to the Review have suggested that some VOA staff are seen to stand on their professionalism and to lack the willingness to engage with more commercially-oriented customers in the way that its senior managers are already perceived to do. To address this, we **recommend** that the new initiatives and management styles observed at senior management levels should be communicated to middle management in such a way as to foster the development of an increasingly customer-focused culture throughout the VOA network.

4.50 Although the VOA has made strides in improving its use of information technology many of its customers and partners still feel the VOA could improve in that area. In particular the profession and some Billing Authorities have doubts about whether the Agency's IT systems are sufficiently attuned to their needs.

4.51 Accordingly, we **recommend** that the VOA should explore ways in which its IT systems might communicate more effectively with those of its main clients, customers and their agents.

4.52 One surprising discovery made in the course of the Review is that most VOA staff currently do not have access to IR's intranet even though many of the internal processes the VOA uses are supported and explained there. While we appreciate that there have been security concerns about more widely available access for VOA people, we find difficulty in believing that such obstacles cannot be surmounted. Accordingly, we **recommend** that barriers to VOA staff having direct access to the HMRC Intranet should be overcome as soon as possible.

4.53 We have found it difficult to identify any specific ways in which the policy input process might be improved by unilateral VOA action. One criticism levied at the VOA has been that it has not been pro-active enough in encouraging policy owning departments to simplify the rating system for which they are responsible. Quite apart from the fact that such critics will be unaware how pro-active the VOA has been behind the scenes, the Agency is not in a position to achieve on its own what the critics seem to want.

4.54 However, in line with the *Modernising Government* guidelines about using operational experience to inform policy development, it would undoubtedly be beneficial for the VOA and ODPM/WAG to ensure that they consider the whole end-to-end process as it impacts on customers when they review the workings of current policies.<sup>6</sup> Moreover, there would be obvious advantages from involving customer groups in that process also.

4.55 As a result, we **recommend** that, as current policy is being evaluated or new policies devised, the whole end-to-end process should be considered and that, wherever possible, the VOA should encourage the relevant lead policy department to involve customers directly in the course of that evaluation.

---

<sup>6</sup> Full details at [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk)



---

## Chapter Five

# The VOA's Staff and Management

---

### Staff Motivation and Development

5.1 Generally, the main customers of the VOA have high praise for the VOA staff. They describe them as friendly, open and professional with increased team working identified as a key reason for improved staff motivation. The Agency's staff survey results are summarised in Appendix 5.

#### **Staff Attitudes**

5.2 Overall VOA staff feel satisfied with their jobs with 68% of staff agreeing or strongly agreeing that this was so in the 2004 VOA Staff Survey. A similar percentage also feels adequately trained for their jobs. Most staff members consulted during the course of the Review agreed strongly that the VOA seeks continuous improvement and they take pride in working for the Agency. A high percentage also agreed that the VOA is committed to training and development. However, staff did score the VOA poorly in other areas: in particular in relation to opportunities for personal development and building specialist knowledge, recognition for the work staff do and encouraging initiative.

5.3 Generally people who have worked in the VOA for fewer than ten years seem less satisfied than those who have served longer. The former think less highly of the VOA performance in providing varied and interesting work, providing opportunities for personal development or for developing specialist knowledge. Overall they are less satisfied and don't feel the VOA encourages initiative. More people working in the VOA for over ten years feel they have varied and interesting work, opportunities to use their skills and get recognition for the work they do. On the other hand, they are less satisfied that the VOA treats people fairly.

5.4 As the above summary indicates, one matter perceived to be demotivating is a lack of encouragement for innovation. Staff felt the "process bound" nature of their jobs inhibited this. At every staff workshop it was suggested that processes should be reviewed to leave room for some flexibility and innovation. Many felt that, if they ever attempted to make any suggestions, no feedback was given. They felt managers needed to listen more and that innovation shouldn't just be the province of the Chief Executive's Office.

5.5 It is hardly surprising that relatively new recruits to the VOA in particular perceive the organisation as over-prescriptive and failing to encourage innovation. A key finding of the 2000 Report was that greater uniformity of approach and a levelling up of working standards were required. The recommendation was that these improvements should be driven from the Chief Executive's Office and followed by all Groups. The VOA has obviously been highly successful in moving the dominant VOA culture in this direction (to the satisfaction of most commentators) in recent years. And, interestingly, customers who made any observation on the issue would prefer even more uniformity and consistency from VOA staff in different offices and within offices. We are therefore not convinced that the VOA has got its approach wrong in this respect.

5.6 On the other hand, it would be unfortunate if the creativity and enthusiasm of the VOA's staff were to be restricted by a straight-jacket of central direction which gave insufficient encouragement to innovate and identify better ways of working. Of course,

suggestions to improve the business are already sought by senior managers. But, the message does not seem to be getting through to everyone. We believe the answer lies in a continued insistence on standardised procedures, but coupled with a more visible signal that these procedures are constantly under review, that suggestions for improvement are always welcome and that good ideas will be rolled out where they are seen as improving business performance and efficiency.

- 5.7 In this context it is particularly unfortunate that some staff feel that their suggestions are ignored by managers, or at least that they receive no feedback on them. We **recommend** that increased efforts should be made to
- emphasise that business improvement ideas are always welcome and will be adopted where they achieve business efficiencies, and
  - ensure feedback on staff suggestions reaches relevant parts of the organisation –even when the suggestion is thought to be impractical.

### ***Recent changes with staff motivation implications***

- 5.8 Since the last review the VOA has worked up its human resources strategy covering the period to 2010. This strategy is updated at regular intervals. Several of the elements of this strategy have assisted in addressing staff motivation issues.
- 5.9 One such was a review of pay, performance and grading. This led to the introduction of a new pay system, a performance monitoring system and new performance pay arrangements based on individual bonus awards as well as a new grading structure with a reduced number of pay bands and more flexibility within pay bands. These were designed to target and reward good performance more effectively than the former system.
- 5.10 An annual Equal Pay audit has also been introduced in an attempt to ensure that the pay system is perceived to be fair and provides more visible evidence of equality of opportunity for progression.
- 5.11 More flexible terms and conditions of service have been made available to assist recruitment and retention and to increase staff satisfaction with working conditions.
- 5.12 Vacancy filling arrangements have been changed and assessment centres for selection of senior staff introduced to make the process leading to advancement more transparent.

### ***Staff Development***

- 5.13 Recently, the VOA has faced the challenge of an expanding workload. This, in turn, has led the Agency to expand its workforce for the first time in a decade. In consequence it has undertaken a regular programme of recruitment and introduced training for graduates and non-graduates to enable them to achieve professional qualifications. The VOA sees the hiring of graduates as a very important investment.
- 5.14 The Agency's other response to this growing workload has been to look to develop its existing staff better to enable them to contribute more.
- 5.15 The VOA has tended not to fare particularly well in relation to staff diversity, but this is characteristic of the surveying profession as a whole. Nonetheless, it has made efforts to improve the opportunities for talented people to get on in the organisation. It has set out a Race Equality Scheme to try to eliminate any possibility of unlawful discrimination and promote equality of opportunity and good relations between persons

of different races. It has promoted greater use of flexible working arrangements which assist staff to achieve a 'work/life balance'.

- 5.16 Generally, there have been increased opportunities for internal advancement, which in turn has generated a need for training to make sure staff have the appropriate skills they require.
- 5.17 In 2003/04 a combination of recruitment and advancement meant that approximately one third of the VOA's staff were in 'new' posts, creating a considerable management challenge.
- 5.18 Among the steps taken with the aim of improving staff development have been the introduction of e-learning packages and a management development programme (see paragraph 5.31 below). Staff rotation policies have also been introduced to widen staff understanding of the business.
- 5.19 Facilitated staff workshops revealed that most training was felt to be good, especially the availability of e-learning, but it could be oversubscribed and was felt not to be as good for higher bands. The workshops also brought out that, while people felt adequately trained for their own job, they would like to learn other skills or access training to fit them for a higher band. There was also a general feeling that the training in the use of IT could be better.
- 5.20 The VOA's Trade Unions argue that there is plenty of scope, and a need, for development of all staff and especially for those who have been in the same pay band for some time (as opposed to those being trained on appointment at a higher grade). This is supported by the observations of the Valuation Tribunals. They perceive that the standard of appeals work varies from office to office. They would welcome further training being given to staff in practical advocacy and evidential skills and how to represent the VOA before the tribunals, where they have noted considerable variation in the quality of evidence and performance. Some performed very well but others seemed to do the bare minimum.
- 5.21 VOA senior management is also very keen on any shadowing or staff interchange opportunities for their people that might arise within the policy departments or HMRC.
- 5.22 While it is understandable that new recruits and those newly advanced have the highest priority for training, the development needs of other staff (to do their existing job better and fit some of them for other jobs in future) cannot be neglected without damaging the Agency in the long term. While the Agency continues to expand it may be necessary to limit the opportunities for staff to pursue some of their development needs on cost grounds. But, in the longer term, there must be a case for increasing the opportunities for staff to take the initiative in identifying and pursuing personal development needs with VOA encouragement and support.
- 5.23 In the meantime, it is important for the VOA's people to have the appropriate training for the work that they do and for them to feel confident in using that training to provide a better service to their customers. This will further the VOA's ability to be the right-first-time organisation they are challenged to become.
- 5.24 Therefore we **recommend** that further training in the conduct of appeals and advocacy skills should be given to staff representing the VOA at Valuation Tribunals where necessary.
- 5.25 We **recommend** that the IT skills of all staff should be further enhanced to enable them to do their jobs more effectively and confidently.

- 5.26 We **recommend** that VOA, HMRC, ODPM and WAG should explore at regular intervals the scope for secondments and other ways to widen the experience of their own staff as well as that of each other.

### **Quality and Effectiveness of Leadership/Management**

- 5.27 Although the VOA's main clients and customers have recognised an improvement in senior management over the last few years, some believe that the VOA's middle management is more resistant to change: with certain issues taking too much management time to sort out. They suspect that more effective communication is needed between senior leaders and those working in dispersed offices so that new initiatives and attitudes are effectively rolled out. They identify a lack of leadership qualities among middle-level managers as a reason for change not being driven out more effectively.
- 5.28 The Review Team's staff survey and workshops revealed that many managers were seen as taking little interest in training and development, failing to motivate staff to do a good job, nor letting them know whether they were doing well and not showing appreciation for their achievements. A commonly encountered view was that people had been made managers in the past if they were good surveyors, which led to people occupying management roles who were not suited to them. There was a widespread feeling that poor managers needed to be taken out of management roles and staff should be able to give more feedback on their manager's performance.
- 5.29 Staff felt that managers sometimes had difficulty in dealing with poor performance because they lacked adequate sanctions and that performance had to be visibly appalling before action was taken. Some acknowledged however that, as the process of tackling poor performance was not an open one, they might not always be aware of action being taken. It was suggested that identifying poor performance was difficult as the appraisal system relied so heavily on self-assessment. So some suggested greater use should be made of evidence gathering by managers.
- 5.30 Communication between staff and management was also identified as an issue. Staff did not feel there was sufficient consultation on new processes or initiatives and changes were often forced upon them. But they felt there had been an improvement in the last 2 or 3 years.

### ***Recent developments***

- 5.31 To improve the quality and effectiveness of leadership in the Agency, the VOA is introducing a Management Development Programme in April 2005. This is a modular scheme, with scope for accreditation through the Chartered Institute of Management. Priority will go to new managers but, in time, all managers will have the opportunity to take at least some of the modules, depending on an assessment of their development needs. Initially, 150 managers will be put into the programme but the VOA would like to see 1000 people involved over the next 5 years.
- 5.32 In the meantime, for 2005/06, all managers will discuss their leadership and management strengths and weaknesses with their own manager, to shape next year's development. Leadership and management development will be part of performance discussions throughout the organisation, and managers will be held to account not just for delivering on their own development plans, but for what they have done to develop their own staff. All of this will be designed to deliver the performance shift envisaged in Chief Executive Andrew Hudson's "world class" vision for the Agency (see paragraphs

6.8 to 6.10). If approached conscientiously, it also has the potential to tackle the poor performance issue effectively.

5.33 Although staff perception is not always the best guide to quality of leadership and management, we have considered how best to address the concerns of the VOA's staff and stakeholders and feel that the initiatives outlined above are likely to improve the situation considerably and should be encouraged.

5.34 Although we recognise there can be problems with inviting teams to provide input on their manager's performance we believe that careful use of a process of 360 degree reporting will assist managers to identify where they might benefit from further development. Where managers have been appointed in the past primarily due to their technical skills, if they are failing as managers and leaders and further development cannot improve their management skills, the VOA should consider taking them out of management positions. Used with care, and over a period of time, 360 degree reporting might help identify those who are totally unsuited to such a role, but this should not be its primary use in the VOA at present.

5.35 In summary we **recommend** that management should be improved in ways in line with the HMRC Management Framework by

- incorporating an element of 360 degree reporting at all managerial levels in the organisation to assist managers to identify areas where they have a development need
- rolling out the planned Management Development Programme with vigour and persistence
- applying existing arrangements for tackling poor performance more rigorously and uniformly and
- as a last resort, removing technicians with poor leadership and management skills from management positions.

---

## Chapter Six

### The VOA's Aims and Objectives

---

#### Aims and objectives

- 6.1 The current Framework Document sets out the aims of the Agency as being to:
- take a leading role in modernising the property taxation system; and
  - establish market leadership in property valuations where the public interest is involved
- by providing timely, accurate, impartial, best value solutions to the needs of its customers and clients, right from the start.
- 6.2 Around two years ago, the VOA re-expressed these aims as being
- to drive the modernisation of the property taxation system; and
  - to be the partner of choice for the public sector in the delivery of valuation and property advice
- by providing impartial, best value solutions from the start.
- 6.3 In the course of the review, the VOA's main clients, customers, staff and management were all asked if they felt the VOA had achieved its aims in the past four years.
- 6.4 The majority of those who commented felt that the VOA had been successful in taking a major role in modernising the property taxation system: though a number questioned whether an aim to drive the modernisation of the tax system was appropriate, let alone being met. The thinking was that the driving role should come from the policy 'owners' of the property taxation system, rather than from an operational agency, which should focus instead on advising on what is deliverable and putting its resources into maintaining the lists and delivering customer satisfaction more generally.
- 6.5 However, by contrast, a few commented to the effect that the VOA should be more pro-active in encouraging the policy-owning departments to achieve major simplification of what was represented as an over-complicated Non-Domestic Rating system.
- 6.6 Most respondents who expressed a view also felt that the VOA was the partner of choice in the public sector for valuation and property advice. However some pointed out that, although praised for its professionalism and accuracy, the VOA is unable to tender for certain contracts involving services it cannot offer. The VOA is inhibited from taking on contracts involving valuation and property advice if they also involve appeal work or collecting rents and selling properties. This is seen by some as lessening the VOA's commercial attractiveness. However, in the period under review, the VOA has not only achieved high satisfaction ratings from most of those with whom it has dealings but has also retained existing contracts, regained contracts previously lost to the private sector and won new ones.
- 6.7 The Review Team agrees that the VOA has a legitimate role to play in encouraging others to look for simplification and modernisation of the system where these are achievable. However, we also accept the criticism of the formulation that suggests the VOA should be aiming to "drive" the modernisation of the tax system. On the other hand we preferred the restated aim to be the partner of choice for the public sector to the original version with its focus on establishing market leadership.

## A new Vision

6.8 At a Senior Management Conference in September 2004, Andrew Hudson, the new Chief Executive of the VOA, set out a vision of the Agency becoming a world class organisation. Appendix 6 provides a one-page summary of that Vision, which was worked up by the VOA Management Board in consultation with senior managers, and has been approved by the joint Management Committee of HMRC. It appears at the front of the VOA Forward Plan for 2005-10. The Vision Statement proclaims the Agency's purpose as being:

*To provide a fair and robust basis for taxes which help to pay for public services and 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 property valuation and strategic property management*
- *developing and maintaining a comprehensive and up-to-date property database*
- *advising policy-makers on valuation and property issues.*

6.9 We believe this form of words provides a much more appropriate and meaningful statement of the VOA's aim and high level objectives than either of the previous formulations. It also focuses on precisely those areas which the critics referred to in paragraph 6.4 above argued that the VOA would be better advised to focus on.

6.10 Accordingly, we **recommend** that the Agency's aim/purpose as expressed in the 2005 Framework Document should be in substance as stated in its Vision Statement.

---

## Chapter Seven

### The VOA's Plans and Strategies

---

#### Strategy and Plans since the 2000 Review

- 7.1 The VOA's overwhelming business priorities in the period since the last review have been planning for, and delivering,
- the Non-Domestic Rates revaluations in England and Wales in 2005 and
  - the Welsh Council Tax revaluation, also in 2005,
- as well as preparing for, and beginning work in relation to, the English Council Tax revaluation in 2007.
- 7.2 The key strategy for delivery of the revaluations (as well as for other aspects of VOA work) has been the "Right First Time" approach, which was championed by the 2000 review. The working assumption has been that, if ratepayers have a clearer understanding of how valuations are arrived at and the VOA uses good quality evidence, their confidence in the valuations will increase and there will be fewer appeals – especially those designed simply to establish the basis of valuation.
- 7.3 Central to this strategy has been the use of IT to allow customers access to information about how their rating assessments have been arrived at, and an indication of their likely rate bills, in the hope that clarity of information would provide a good starting point for any necessary discussions and go some way to tackling the appeals culture.
- 7.4 In support of this 'Right First Time' strategy the VOA has developed various plans and initiatives over the years since 2000.

#### *Continuous Improvement Initiatives*

- 7.5 The Agency launched a **Continuous Improvement strategy** in June 2001. This initiated a review of processes, introduced scorecards, activity monitoring and EFQM methods. By the end of 2002 the VOA had developed and introduced standard rating and council tax processes for all Groups. As part of this, process maps were produced which, coupled with the use of activity recording and a results scorecard, allowed internal benchmarking of VOA Group offices, aiding the realisation of efficiencies.
- 7.6 In April 2003 a **Business Improvement Team** was set up both to monitor progress and continue the search for further improvement and standardisation. This continued into 2004/2005 (with plans now in place for 2005/2006) with specific studies to identify and spread best practice, in order to improve productivity while maintaining the quality and timeliness standards required by the VOA's clients. This rolling programme of improvement places particular emphasis on effective handling of the first contact with customers.
- 7.7 The **Charter Mark** scheme has also been utilised by the VOA in the years since the last review to drive out further improvements. Since new criteria were introduced in 2004, nine Groups have attained the award. The remainder will be applying by March 2006. In future, groups will be re-assessed on an annual basis focussing on two specific criteria each year. This is intended to spread the cost and staff resource, as well as reinforcing the theme of continuous improvement. The Chief Executive's Office



supports the Groups by compiling the corporate evidence which is reviewed and assessed annually.

### **Data Initiatives**

7.8 One of the main areas for VOA initiatives has been the field of data and information.

7.9 The **Geographical Information System (GIS)** project is pursuing the scope for making much wider use of geographical information to improve working processes and the quality and presentation of output. Appropriate data is available from Ordnance Survey in particular and work is continuing on the adoption of OS MasterMap as the permanent platform for a VOA Geographic Information System which will improve the quality and accessibility of property information across Government both to support policy making and to meet customers' needs.

7.10 **Valuebill** is another major project on the data front in which the VOA is working in partnership with other organisations. This project aims to develop best practice for electronic transfer of information between local authorities and the VOA using the Unique Property Record Number derived from the National Land and Property Gazetteer to assist data matching and to facilitate automatic population of the VOA database. It also provides an opportunity for authorities to develop electronic linkages internally. Work has started also on developing electronic Billing Authority Reports to improve the speed and efficiency of notifications from Billing Authorities that require alteration of the rating and council lists maintained by the VOA.

7.11 This is clearly a very worthwhile initiative but progress towards the ultimate goal of a universally adopted electronic system is proving to be slow. Many smaller Billing Authorities either do not regard devoting resource to developing this as a high priority or have yet to be persuaded of its merits.

7.12 We believe more work is required to 'sell' these benefits and therefore we **recommend** that the VOA should act in co-operation with ODPM to continue to promote and encourage the adoption of Valuebill by all of the Billing Authorities at an early date.

### **DV Services - Land Services**

7.13 The District Valuer Services (DVS) business stream was established on 1 July 2001 as an outcome of the previous Review. Splitting the work done for IR and other government departments, local authorities and public bodies from the work on NDR and CT (now known as Local Taxation) was intended to promote a clearer focus on the needs of different customers and better use of specialist expertise.

7.14 District Valuer Services (DVS) provides a comprehensive range of specialised property services which includes asset valuations for resource accounting and compulsory purchase; advice on the purchase and sale of property; and valuing mineral bearing property, landfill sites and plant and machinery. DVS' 'Land Services' work – i.e., work for other government departments, local authorities and public bodies – is on the increase. This was in line with the growth strategy articulated in the 2000 Review and suggests that the VOA has been highly successful in achieving what it has set out to do in this field.

### **Future Plans and Strategies**

7.15 Recently the VOA has restated its strategic vision for the next 10 years consistent with the right first time approach. In order to deliver better customer service it aims to

offer a timely, transparent and accessible valuation service. The VOA is looking for an increase in efficiency and lower compliance costs, an increase in e-services and a simpler system less reliant on appeals. The VOA also looks forward to having an up-to-date property database, possibly available as a public resource.

- 7.16 As we argued in paragraph 2.12, the test of the successful transformation of the VOA into a ‘right first time’ organisation should not be measured in terms of numbers of appeals, at least in the short term, but rather in terms of the extent to which the valuations in the original lists are upheld where there has been an appeal. However, if the appeals-based culture is to be overcome, simply being right more often may not be sufficient to achieve that transformation on its own. Rightly or wrongly, there has been a tendency to regard an appeal as a means of achieving a reduction in a valuation whether merited or not by encouraging compromises (either by the Agency or a tribunal). To overcome this attitude and so make sure the idea of “right first time” is realised and the appeals-based culture is effectively challenged, whenever the VOA is confident in the accuracy of its valuation, it must continue putting resources into vigorously defending the ratings list after the work of publishing the lists stops.
- 7.17 Accordingly, we **recommend** that the Agency should focus on delivering the Council Tax revaluation accurately, on time and within budget, and put resources into defending the 2005 rating lists robustly in appropriate cases so that the appeal culture is tackled effectively.
- 7.18 Looking ahead more immediately, the VOA has to consider the potential future impact on its business of
- closer working with HMRC on closing the tax gap and implications for the VOA’s database
  - the recommendation of the Lyons review<sup>7</sup> re moving work from London and the South East and
  - the need to increase efficiencies and/or reduce staff in the light of the Gershon review<sup>8</sup>.

### ***Working with HMRC***

- 7.19 A key challenge facing HMRC over the next few years will be taking effective action to reduce the ‘tax gap’ - the amount by which tax is being under-declared and under-paid. The VOA has a significant role to play in providing input to support the compliance activity of HMRC in relation to potential underpayments of Inheritance Tax and Capital Gains Tax as well as Corporation Tax in respect of chargeable gains of companies where valuations of UK landed property are required. The VOA is developing its links with Revenue capital gains specialists with a view to identifying more efficient ways of working co-operatively and productively with HMRC’s network of local offices, but it is too early to gauge how successful such initiatives will be.
- 7.20 However, one of the recent clear success stories in co-operative working between IR and VOA has been the experiment of ‘embedding’ VOA officials in an Initial Appraisal Unit in the IR Capital Taxes (IHT) office in Nottingham (see paragraph 3.47). We believe it is likely that VOA management will want to extend this way of working to cover all English and Welsh cases at least and that would be welcomed by HMRC. We believe that this would be a valuable step in increasing the efficiency with which such cases are speedily risk assessed and those to which it is worth devoting resources both by VOA and Capital Taxes staff are effectively identified.

---

<sup>7</sup> Full details at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>8</sup> Details at the same site

- 7.21 Therefore we **recommend** that the approach of the Initial Appraisal Unit should be extended to cover at least all English and Welsh cases requiring a VOA referral at the earliest possible opportunity.
- 7.22 In addition to this ongoing compliance support function the existence of a large body of VOA-held data is of potential interest to compliance officials within HMRC as they try to find ways to identify undeclared sources of income. We are aware that many people in HMRC have ambitions to mine the VOA database to assist with projects designed to reduce parts of the tax gap.
- 7.23 However we learned during the course of the Review that there is doubt, at least in some people's minds, about the extent to which it would be permissible for HMRC to make use of data held by the VOA which was acquired for (say) Local Taxation purposes. Our efforts to establish whether there are any restrictions of this type and, if so, how they might apply were not successful. In the circumstances we regard it as important to establish the true position and, if necessary, consider the scope for legislation to permit such data to be used in an appropriate and regulated way. Therefore, we **recommend** that steps be taken to establish
- the extent to which any restrictions on the ability of HMRC officials to access or use VOA data limits the effectiveness of attempts to reduce the tax gap and, in the event of there being such restrictions,
  - whether Ministers would wish to legislate to remove or amend them.

### ***Lyons/Gershon***

- 7.24 The Lyons Review of the scope for moving work from London and the South East to other parts of the country has not had a significant formal impact on the Agency to date. On the other hand, the efficiency savings being pursued following the Gershon Review have involved VOA fully.
- 7.25 The Unions make the point that these reviews should neither disrupt nor undermine the VOA's ability to deliver its objectives, in particular the 'mission critical' projects facing Local Taxes. Others too, particularly business customers, have expressed the view that any movement of posts should not be undertaken at any cost, but only if it is the right thing to do.
- 7.26 Although the Plymouth and Halifax data capture units already support the work of London-based staff, the majority of valuation staff working in the South East are working in local offices situated near their customers and the properties they are valuing. This is considered important because local knowledge increases the efficiency of the valuation process. (The Review Team saw a figure suggesting a 10% efficiency gain from being locally based but the basis for this calculation was not pursued.)
- 7.27 Already around 60% of 'Head Office' functions are performed by non-London based staff. Nonetheless, the suggestion has been made that there is scope for the Chief Executive's Office to move even more posts from London than it has already.
- 7.28 We recognise that any plan to move work out of London needs to be considered within the context of HMRC's overall targets, plans and strategies and needs to bear the needs of the Agency's stakeholders in mind. However, we believe the Agency ought to conduct a rigorous investigation to establish the scope for efficiency gains and other benefits from transferring further work, particularly work undertaken by the Chief Executive's Office.
- 7.29 Accordingly, we **recommend** that the VOA explores the scope for moving further work from London and the South East to other parts of the country during the next

three years, taking the views and interests of its clients fully into account in the process.

7.30 In the context of the Gershon Review and the smaller and more efficient administration it implies, the VOA needs to consider whether the encouragement to expand Land Services work given by the 2000 Review remains an appropriate strategy for the VOA in future.

7.31 Until now the bulk of the work done by DVS has relied on various Treasury authorisations, among them a Treasury Minute of 1920. However, the Act establishing HMRC contains a provision (section 10, CRCA 2005) to put this authorisation on a statutory footing. This section reads:

*“(1) An officer of Revenue and Customs may provide a valuation of property –*  
*(a) for a purpose relating to the functions of her Majesty’s Revenue and Customs, or*  
*(b) at the request of any person who appears to the officer to be a public authority, or*  
*(c) at the request of any other person if the officer is satisfied that the valuation is necessary or expedient in connection with -*  
*(i) the exercise of a function of a public nature, or*  
*(ii) the management of money or assets received from a person exercising functions of a public nature.*”

*(2) The Commissioners may charge a fee for the provision of a valuation under subsection (1)(b) or (c).*

*(3) In this section a reference to providing valuations of property includes a reference to advising about matters appearing to an officer of Revenue and Customs to be connected to the valuation of property.”*

7.32 This provision circumscribes the services that DVS can offer. However there is an ongoing debate about whether it would be preferable to seek a further expansion of this remit in due course. This is a continuation of consideration of the issue at the time of the last Review. It led to the following recommendation in the 2000 Report

*1.2.18*

*That consideration be given to extending the VOA’s remit to compete for land valuation services work in wider markets after the VOA has developed its marketing strategy and the new Land Services business stream*

7.33 On the other hand it can be argued that the current remit (as expressed above) gives ample scope for continuing to grow the business for years to come. An aggressive move into any significantly wider range of commercial work could cause huge problems and might well be resented by the private sector. Others would welcome a widening of the remit. They feel they are limited by no longer being able to do work for organisations which have moved out of the public sector (for example).

7.34 This is not an issue to be resolved on a simple public sector good/bad basis – even though many of the VOA’s customers think of it in those terms. So, for example, the Review Team found no suggestion that members of the surveying profession regard the VOA as encroaching on their territory or taking ‘their’ work. In fact, DVS is perceived by some to be at a disadvantage because of the limitations on the services they can provide. It is seen as offering a weaker range of commercial services and the inflexibility in the way that it charges is also a drawback when it comes to trying to win new contracts. (As it has to cover costs, it is prevented from offering loss leaders and operating in some other ways that a commercial firm might.) DVS is also excluded from doing appeal work and taking on contracts that involve collecting rents or selling properties, even where the rest of the contract involves services the VOA might

provide. Partly for these reasons, DVS is not always chosen by public bodies, etc. to provide the services they require.

7.35 The advantages of having the VOA undertake work of this type were spelled out as long ago as 1983, when the then Chancellor of the Exchequer set up a review to examine how the needs of Government departments, local authorities, the general public and other bodies for valuations and related advice could best be met.

7.36 His committee found there were 5 areas where Government has special needs or where general considerations take on extra significance

- Confidentiality- although a common requirement for all valuers, it assumes a greater significance because much of its work involves members of the public being required to disclose information.
- Independence & Impartiality- customers of the VO and professional bodies attached considerable importance to the advice being seen to be fair and impartial
- Consistency- in the approach to valuations and in interpretation of legislation is essential between one person and another and between one part of the country and another in order to retain the confidence of the public. This is more easily obtained by a single national body as information and guidance can be collected centrally and disseminated to ensure a consistent and uniform approach.
- Public Accountability- Ministers are accountable to Parliament and to the public for the valuations carried out on their behalf and they need valuation advisors who can meet the requirements of public scrutiny
- Cost-effectiveness- it is important that users of the service are aware of the costs incurred in meeting their demands.

7.37 Subsequently, others have pointed to

- expertise obtained from asset valuation work benefiting the Rating business stream
  - competition with the private sector preventing it monopolising large Government contracts and providing a useful benchmark for valuation work
  - keeping VOA staff in touch with the market, thus facilitating valuations for tax purposes
  - allowing for greater flexibility across the Agency
  - assisting with the recruitment & retention of staff and
  - client preference for the VOA to carry out the work
- as additional reasons for encouraging VOA involvement in such areas.

7.38 On the other hand it is far from clear that seeking to grow this business aggressively is either necessary or, in itself, desirable. Ensuring the VOA achieves most of the benefits that paragraph 7.37 lists does not necessitate constant expansion of such work. And, crucially, the need to ensure that nothing prevents the VOA delivering on its primary functions must be an important factor limiting the scope for any such strategy.

7.39 Nonetheless, it is arguable that, at present, Land Services is over-reliant on 'right to buy' work and that some limited wider diversification would ease any short-term personnel difficulties which might arise if this were to experience a sudden drop.

7.40 None of this is easy to resolve but our conclusion is that what is required is an assessment of whether, and to what extent, taking on a particular piece of work is in the public interest, delivers value for money and does not interfere with delivery of primary functions. Clearly, the potential clients of Land Services who wish the Agency

to do work for it will have made their own assessment that it is to the advantage of the public they represent and they are the primary judges of the public interest. In addition to this, however, we believe that VOA senior managers also need to consider whether new work meets the public interest test and/or has the potential to endanger delivery of key business objectives and projects.

7.41 Accordingly, we **recommend** that the VOA should continue to look for opportunities to expand Land Services business within the scope provided by the remit in section 10 of the CRCA where there are advantages to the public in doing so and where there is no adverse impact on work for existing customers.

---

## Chapter Eight

### The VOA's Agency Status, Governance, Accountability and Financial Freedoms

---

- 8.1 The Valuation Office does not have its own, separate, legal status but has been part of the Inland Revenue since it was established in 1910. It was formed at that time for administration of the Land Valuation Duties in the Finance Act 1910. Its functions expanded with the increase in Government land transactions during and after the First World War until, in 1920, a Treasury Minute recognised the Valuation Office as the central source of valuation advice for government departments, and for local authorities where Government monies were involved. Since then its work has evolved to reflect changes in the tax system, the compensation and planning codes and the importance of land transactions to central and local government.
- 8.2 In 1991 it was established as a Next Steps agency, operating under a Framework Document. The current version of this document sets out its aims, objectives and priorities; the responsibilities and authorities within which it operates; and the relationships between Ministers, IR's Chairman and the VOA's Chief Executive.
- 8.3 The Chancellor of the Exchequer is accountable to Parliament for the Agency as part of his responsibility for IR. On behalf of the Chancellor, the Paymaster General sets the Agency's overall objectives and approves its business plans, including its financial and other performance targets. Where the Agency carries out statutory functions for the ODPM and WAG, it is the Ministers in charge of the Department or devolved administration who are accountable for the policy and legislative framework within which the Agency carries on those functions.
- 8.4 The Commissioners of Inland Revenue have been charged by statute with the care and management of the taxes that they administer and with responsibility for appointing valuation officers for rating purposes, listing officers for council tax purposes and district valuers for Housing Act and other purposes. From April 2005 these responsibilities transfer to the Commissioners for HMRC.
- 8.5 HMRC's Executive Chairman, as principal Accounting Officer for the Department, is responsible for ensuring that there is a high standard of financial management in HMRC as a whole, including the Agency. Until now, he has been assisted by an Advisory Board and, in consultation with the IR's Board and the Agency's Chief Executive, has been responsible for strategic oversight of the VOA. He advises Treasury Ministers on
- overall objectives and financial and other targets for the Agency and its performance against them,
  - the performance of the Chief Executive,
  - any changes needed to the Agency's operating framework and policy and
  - other issues where IR/HMRC has an interest.

- 8.6 The Chief Executive of the VOA is responsible to the IR/HMRC Commissioners for the exercise of the statutory and other responsibilities that they have devolved to the Agency. He is accountable to the Chairman, and through the Chairman to Treasury Ministers, for the management of the Agency and for the delivery of the Agency's objectives and targets.
- 8.7 As additional Accounting Officer for the Agency's request for Resources, he is responsible for ensuring propriety and regularity of the public finances for which he is answerable and for the efficient and effective use of all resources. He is also responsible for ensuring that the requirements of Government accounting, including those in the resource accounting manual, are met, that the Agency observes any general guidance issued by the Treasury or the Cabinet Office, and for putting into effect any recommendations of the Public Accounts Committee or other Parliamentary authorities that are accepted by the Government. The Chief Executive has direct access to Treasury Ministers on any issues affecting his or her operational responsibilities, following consultation with the Chairman where the issue affects the latter's responsibilities as principal Accounting Officer or has wider implications for the Department.
- 8.8 The Chairman and the Chief Executive are jointly responsible for ensuring that there are effective arrangements for liaison and co-operation at Board and working level between the Agency and the Department on all matters that affect their responsibilities and interests. The Chairman designates a senior Departmental manager - the 'Fraser Figure' or 'sponsor' - to act as a central point of contact between the Department and the Agency, with responsibility for providing advice and assistance to the Chairman on issues relating to the Agency. He also monitors the financial and other interests of the Department in relation to the Agency, provides advice and assistance to the Chief Executive as necessary; and represents the Agency's interests within the Department. (The Director of Revenue Policy Capital & Savings – or equivalent - has acted as the Fraser Figure since the VOA was established as an Agency.)

### ***Agency Status***

- 8.9 The previous review of the VOA in 2000 led to the current Framework Document being published in May 2001. That review concluded the VOA's functions could not be abolished, privatisation was not appropriate and that it should remain as a Next Steps Agency.
- 8.10 As mentioned in the introduction to this Report, such 'prior issues' were not an explicit element of the remit for this review, but this is thought unlikely to have prevented anyone from raising such issues with the Review Team if they had dissented from the conclusions in the 2000 Report. We take the absence of any such representations as indicating that people do not see this as a significant issue at present. Certainly, we find the arguments set out in that report as compelling as ever and are comfortable that the VOA retaining agency status is appropriate.
- 8.11 During the current review, however, we did consider whether there might be a case for splitting the VOA into two (or more) distinct Agencies.
- 8.12 At a day-to-day level the separation between DV Services and Local Taxation has been regarded as increasing business efficiency and customer focus (see paragraph 4.24). We therefore invited views as to whether this distinct functional split might be formalised by creation of two separate agencies instead of just two business streams. In the course of consideration of this point two further suggestions were made about splitting the current functions among different Agencies. A refinement of the basic proposition, though not one favoured by the person who mentioned it, was the



possibility of creating two agencies dealing with Local Taxation – one for England and another for Wales. Another organisation felt that custodianship of the information gathering and database part of the VOA should be kept completely separate from parts concerned with the assessment of tax (local or national).

- 8.13 The results of our investigation and our conclusions apply equally to each of these various options.
- 8.14 The VOA database is a single comprehensive source of information used by every part of the VOA. Any organisational split which had the potential to impede ready access to the data would be unwise and inefficient. Even if data sharing were not restricted in the short term, the potentially different interests of distinct Agencies give rise to the possibility of different organisational drivers and priorities endangering efficient data sharing in the medium to longer term.
- 8.15 The full potential for cross-stream sharing of the new and better data which VOA is beginning to amass has yet to be realised. Organisational splits would introduce 'frictions' to the process which might inhibit the development of a more integrated and efficient 'data store' capable of leading to new ways of working within an integrated VOA service.
- 8.16 Splitting the VOA into different agencies would introduce other inefficiencies. Although moving people between streams is not an every day occurrence, it is used as a way of dealing flexibly with problems of staff shortage. In some places different business streams share the same offices and common support staff. More generally splitting the Agency up would create a need for duplication of corporate support functions both within each of the new smaller Agencies and within each mini-Agency's sponsor Department which would be a major inefficiency.
- 8.17 There might also be an issue about staff development as career paths would be restricted if staff did not have opportunities to work in other business streams and each agency would be much smaller.
- 8.18 While accepting that ways could be found to work round some of these issues, our conclusion is that any potential advantage of having several more narrowly focussed Agencies would be more than outweighed by the inefficiencies which would be created as a result.
- 8.19 We therefore **recommend** that the VOA remains as a single integrated Next Steps Agency.

### ***Parent Department***

- 8.20 In the course of this review the question was raised whether HMRC is the 'right' parent for the VOA or whether ODPM (easily the Agency's largest customer department) should take on the role of 'parent' Department. Underlying this question was a view that the policy departments, other than IR, did not always feel they had the ability to influence the VOA's use of resources and determination of priorities to the extent they believed necessary.
- 8.21 The Act providing for the establishment of HMRC was drawn up on the assumption that the VOA will remain part of the newly created Department and that its Commissioners will have powers to appoint Valuation Officers, Listing Officers and District Valuers. It also provides a statutory basis for exercise of certain functions of the VOA which have until now relied on Crown Prerogative as expressed in various Treasury Minutes, including the one of 1920. However, this would not prevent

Departmental sponsorship and appointing powers transferring at a later date, if Ministers were to regard this as appropriate.

8.22 For a variety of reasons most stakeholders feel that HMRC remains the most appropriate parent at present. Undoubtedly this reflects a reluctance to make what was seen by many as an unnecessary change, but among the reasons given were:

- maintaining current ratepayer and council tax payer perception of VOA 'independence' from those most directly concerned with the amounts raised through the local taxation system;
- concerns on the part of other major customers that their interests might not be given sufficient weight if ODPM were parent as well as largest customer;
- possible significant increase of VOA work with/for HMRC if planning gains supplement were to be introduced;
- the shared operational focus and dispersed network structure of VOA and HMRC giving rise to similar issues/problems and scope for shared solutions;
- existing shared services with HMRC, including payroll, personnel, legal, IT and accommodation services, and the relative ease with which the VOA is able to adopt HMRC support systems and programme developments.

8.23 While understanding this, the Review Team wished to explore whether the VOA was losing something of value by not having its main policy department in the role of parent. Accordingly, the relationship between another geographically dispersed operational Agency and its, primarily London-centred, parent policy Department was investigated.

8.24 While those concerned felt that the relationship in question worked in a fully satisfactory and professional way it was characterised by those involved as being "completely at arm's length". The agency was fully independent and due to its dispersed structure and operational nature the smaller parent was not in a position to supply much in the way of corporate or other support services. The parent did not involve itself to any significant extent in directing the Agency's priorities, other than through the terms of a contract for the provision of services, or where any new policy was particularly sensitive.

8.25 This brief investigation did not suggest that the VOA was missing something of significant value as a result of having HMRC as a parent. Indeed, quite the opposite.

8.26 Although the VOA also has a largely self-contained business organisation, a number of central services have been provided by IR - for example:

- purchasing and procurement;
- IT contract management, via IR's contract with Aspire;
- accommodation;
- general personnel, payroll and superannuation administration;
- statistics and operational research;
- legal advice and conduct of litigation; and
- postal services.

There are also a number of other areas where the VOA is able to learn from and adopts/adapts policies and approaches from IR. These include functions such as travel and subsistence, welfare services and HR legal services.

8.27 The fact that HMRC is also a widely-dispersed operational organisation with a large number of staff makes the provision of such support a relatively light burden, although there are areas where more support and co-operation would be helpful (e.g., in relation to use of IR Call Centres).

- 8.28 But, having said all of this, it is undoubtedly true that the fact that IR (as parent department) has accountability for the work of the VOA but does not have policy responsibility for the results of much of that work is a potential source of tension with the VOA's other major client Departments. As a result, what IR might perceive as legitimate management of reputational and operational risks to that Department might be seen by the policy owners as 'second guessing' their policy.
- 8.29 ODPM (for example) has a legitimate concern to ensure that VOA resources are being deployed in ways which meet its priorities and recognise the 'mission critical' commitment to delivery of the 2007 Council Tax revaluation. It also needs to be satisfied that HMRC is not encroaching into ODPM policy areas. Nonetheless, the latter Department recognises that taking on the role of parent is neither the only, nor necessarily the most appropriate, way of assuring those ends. In essence a system which ensures that ODPM and other major policy customers have confidence that their crucial interests are being given appropriate and full weight by VOA senior management at every level will meet the need.
- 8.30 We believe that the recommendation outlined in the next section of this Report (at paragraph 8.46 below), with which ODPM, WAG and VOA senior management are entirely comfortable, will achieve this. Given that understanding, and the preference of most customers for HMRC to remain as the parent department, we **recommend** that the VOA should continue as an Agency of HMRC as provided for in the Act establishing that Department.

### **Advisory Board**

- 8.31 The question about 'parentage' of the VOA was considered at the time of the last review. The 2000 report considered various options for sponsoring the VOA but also concluded, on balance, that there was more to be said for retaining the link to IR than for any of the other options considered. However, it was recognised that weaknesses in arrangements for involving other key stakeholders needed to be addressed.
- 8.32 At that time the Paymaster General was satisfied that maintaining the *status quo* was the appropriate solution. However, her conclusion was linked to the establishment of an Advisory Board to improve key customer links with VOA management and assist the IR Chairman in exercising ultimate accountability for the Agency.
- 8.33 Accordingly, since 2001, the IR Chairman has convened an Advisory Board, whose membership includes the VOA Chief Executive, the Revenue's Finance Director, the 'Fraser' Figure, representatives from the ODPM and WAG and the VOA's two non-executive directors. The Board's purpose is to support the agency's strategic thinking and decision-making by bringing together its key stakeholders and client departments. It also has a formal role to support the Chairman by recommending the VOA's strategic direction, reviewing the agency's plans and performance and recommending targets.
- 8.34 All those currently involved with the Advisory Board have reservations about whether it successfully fills either of those functions in the way it operates at present.
- 8.35 Most people recognised that it has suffered from having this split purpose. Its focus has been diluted by trying to be both a forum for major customers to express opinions on strategy/plans and to express any concerns and also for the IR Accounting Officer to be assured that the Agency is functioning effectively and appropriately. One person involved with the Board from its inception felt it had helped initially but its usefulness had ebbed away. He accepted that it had never added much value, but was seen as a structure which might be required if difficulties arose.

- 8.36 The policy departments' representatives commented that it might be useful to discuss policies or strategies in a general way. However, it was not the right forum in which to raise concerns over the governance of the VOA or to keep a sufficiently detailed eye on its day-to-day operations. If genuine issues of concern arose it was easier and better to discuss these immediately and directly with VOA management, rather than wait until a formal meeting was called at which all sorts of other parties without a direct interest were present.
- 8.37 VOA executive and non-executive representative members of the Advisory Board agreed that it had not been an effective remedy for the weaknesses perceived in the period before its creation.
- 8.38 Members of IR also felt the Advisory Board (in itself) did not provide the Accounting Officer with enough information and assurance. They argued there was a need to be fully aware of what the VOA was doing because of its potential to impact significantly on the Revenue's reputation. They felt it would be better to know of any potential issues sooner rather than later. In practice, supplementary ways of assuring this had been found, but one of these – the presence of the VOA Chief Executive on the main Board of IR – had not continued following the retirement of the previous holder of that office.
- 8.39 Of course, the creation of HMRC brings with it the opportunity to reconsider the existing arrangements and also a need to set out clearly the relationship between the Agency and the new Department and its senior officials. The VOA is a very small element in the newly merged, and much larger, department. Recognising that it will always be perceived by some to be of marginal account when set against the main issues to be faced by the Department, it becomes crucial to ensure that its interests are not forgotten and the leadership of HMRC remains fully aware of its existence.
- 8.40 Given the general dissatisfaction with the Advisory Board we have explored ways in which its various functions might be catered for more satisfactorily by other means.
- 8.41 Recently a process for enhancing the flow of management information from the VOA to HMRC, as part of the new monthly review of management accounts, has been put in place and seems to be working well. In addition the Chief Executive of the VOA has regular bilateral meetings with the Executive Chairman of HMRC. We believe that, provided these arrangements persist and continue to provide an effective means of communication of VOA business priorities and risks, they will go a considerable way to providing the necessary assurance to the principal Accounting Officer and a regular opportunity to explore any concerns further.
- 8.42 However, to keep VOA on the 'radar' of the senior management of HMRC, we believe it would be advisable for its Operating Committee to receive regular update reports from VOA. Also we suggest that one specific Commissioner for HMRC should be charged with an oversight role in relation to the VOA at Board level and with ensuring its interests are not neglected. If that individual has scope to take on a more 'hands-on' role in relation to the Agency it would be possible for him/her to become the sponsor or 'Fraser' Figure. If not, it would be necessary for the existing arrangements to continue with any modifications necessary to establish an efficient working relationship involving the VOA, the Board member and the Fraser Figure. We believe there would be advantages to having the 'Fraser' Figure at Board level provided the individual is able to give the role sufficient attention.
- 8.43 We have also considered how best to ensure that the interest and concerns of key customers are fully taken into account and adequately addressed by the VOA. To achieve this the Review Team favours new arrangements for regular 'bilateral' meetings between VOA management and its major customers. The purpose of such

meetings would be to consider management information supplied by VOA as agreed with the customer and to discuss the Agency's performance as well as relevant policy, strategy, planning and prioritisation issues. We envisage the VOA holding such meetings on a regular basis with HMRC; with the ODPM and WAG (or with both of these policy customers together) and with a collective grouping of other significant Departmental customers.

8.44 To supplement this series of 'bilateral' meetings we believe that a discussion should take place (either at 6 monthly or annual intervals) between the Fraser Figure and representatives of the WAG and ODPM. The purpose of this meeting would be to provide HMRC with reassurance that neither of the others has concerns or believes issues exist of which the parent Department would wish to be aware.

8.45 We believe that, taken together, these arrangements would provide a significant improvement on the Advisory Board system for securing customer input and providing HMRC senior management with the knowledge it needs while also assuring VOA that its interests will be safeguarded in the enlarged Department.

8.46 In summary, we **recommend** that the VOA Advisory Board should be abolished with other arrangements to achieve its intended functions in a more effective fashion being substituted. These would consist of a combination of:

- regular meetings between HMRC's Executive Chairman and the VOA's Chief Executive;
- regular 'bilateral' meetings between VOA management and each of ODPM, WAG (or perhaps both together), HMRC and a group made up of other key customers, to include discussions of strategy, plans, priorities and performance informed by relevant management information produced by the VOA;
- improved management information flows from the VOA to HMRC, principally to the 'Fraser Figure' but including regular reports to HMRC's Operating Committee (or similar);
- the role of the 'Fraser Figure' to be at HMRC Board level; and
- an annual discussion (or one every six months) between the Fraser Figure and ODPM/WAG to ensure that these major customers have no significant concerns of which HMRC's Board or Minister ought to be aware.

### ***VOA Management Board***

8.47 The Chief Executive of the VOA is assisted by a Management Board, which meets regularly to:

- support the VOA by agreeing the outcomes to be achieved by the Agency and the resources available to it
- advise IR by recommending the strategic direction for the VOA, reviewing its policies, strategies and plans, recommending its targets and performance measures and monitoring its progress.

8.48 The Management Board comprises five executive directors (Local Taxation, DVS, Finance, HR, Modernisation) and two non-executives as well as the Chief Executive. The VOA's Head of Communications also attends Board meetings.

8.49 One suggestion made during the course of the Review was that the Management Board might benefit from the participation during its meetings of a member of HMRC's Solicitor's Office. However the members of the current Board believe that this is unnecessary. They take the view that such legal issues as require consideration have normally been identified and adequately explored prior to Board meetings so that attendance on the day by a solicitor would be inefficient. We are content to accept that conclusion.

- 8.50 The Management Board is regarded by those in a position to make a valid comparison as functioning more effectively than was the case at the time of the 2000 Review. Its non-executive directors believe the information provided to the Board is much improved and that it functions in a more focused way than at the time of the last report.
- 8.51 The VOA's main clients and customers have recognised an improvement in senior management over the last few years. They feel senior managers are now more customer focused, on the ball regarding finance and costs and much more aware of the wider world in which the VOA operates.
- 8.52 WAG were fully satisfied with the level of input and sense of direction given by the Management Board and believed it to be more 'in touch' than ever.
- 8.53 Board members have offered shadowing opportunities to members of staff and have been making use of the VOA Intranet to introduce themselves and their roles to staff. Nonetheless, some of the staff we spoke to were not aware who sat on the Management Board. Those who were aware felt the Board provided a clear sense of direction, but a substantial minority of those we consulted did not feel its members acted as role models. In exploring this further it became apparent that a number of those who held that view regarded it simply as a function of the apparently different roles performed by senior managers, rather than being a coded criticism of the behaviours of Board members.
- 8.54 Also Management Board members have taken steps to be more visible at ground level: making periodic visits to the local offices to which each of them is linked. However, some VOA staff felt that they were hearing rehearsed speeches on such occasions and that insufficient feedback was provided on suggestions made, whether or not something could be done about the points raised. Moreover, a majority felt they were not in touch with the views or opinions of staff. Nonetheless, many accepted that the current Board is trying to improve this.
- 8.55 In part the generally improved view of the Management Board is accounted for by the structural changes introduced as a result of the 2000 Report's recommendations but also, to an extent, because the personalities have changed.
- 8.56 Given the prevailing view that the Management Board has noticeably improved in performance and focus and given recent (and imminent) changes in its membership, we see no need to propose any changes to its structure or operation.
- 8.57 Even where staff have been critical, namely in relation to communications and feedback, the new senior management team is making considerable efforts to rectify problems in innovative ways – such as use of video clips on the Intranet and a "Talking Points" initiative. Feedback is an issue for managers more widely and was discussed further in paragraph 5.7. Accordingly, at this point, we believe it is appropriate simply to **recommend** that the Management Board should continue to explore and exploit opportunities to increase its visibility to Agency staff.

### ***Finance Committee and Financial Freedoms***

- 8.58 A Finance Committee exists at present as a sub-committee of the Advisory Board. The role of this Committee is to consider the general funding needs of the VOA, its charges to its client departments, investment programmes and to assist in handling any in-year financial problems which emerge. Meetings were originally scheduled on a quarterly basis but have been found not to be necessary at such regular intervals, so have been switched to an "as needed" basis.

- 8.59 In fact the Finance Committee has not been convened for at least two years. It has been found that all the funding issues it was designed to deal with are better addressed by bilateral discussions either with the clients who fund the VOA or with HMRC's Finance Directorate as appropriate.
- 8.60 We have been convinced that, provided robust arrangements are in place for any financial problems to be escalated to the highest levels within the various Departments and administrations concerned, there is no continuing need for the Finance Committee.
- 8.61 Accordingly, we **recommend** that the Finance Committee should be abolished, provided the bilateral meetings between the VOA and its major customers (see paragraph 8.46 above) deal fully and satisfactorily with financial and funding issues and provided the VOA's Chief Executive and Director of Finance, Technology and Planning have ready access to HMRC's Finance Director and/or the 'Fraser Figure' in the event of any potential funding problem coming to light.
- 8.62 Generally, the current limitations on the VOA's financial freedoms are not seen as inhibiting its performance. On the other hand, representations were made during the course of the Review that one aspect of the current financial arrangements should be revisited.
- 8.63 The main freedom that the VOA contends would be of benefit is end-year flexibility. This would enable it to carry over, or anticipate, relatively small amounts from one year to another, instead of having to live within the straight-jacket of a (practically unrealistic) expectation that the Agency's income would exactly match its expenditure over a strict 12 month period. Given the move from cash to resource based Control Totals and the tendency for a lot of the VOA's income to fluctuate with client requirements and to arise disproportionately towards the end of the year, but for expenditure to be incurred more evenly throughout it, this is an extremely difficult and time-consuming thing to monitor.
- 8.64 Moreover, the most recent Cabinet Office guidance for the operation of Agencies suggest that having end-year flexibility ought to be the norm for those which are not set up as 'Trading Funds' (which the VOA is not).<sup>9</sup>
- 8.65 On the other hand, HMRC is itself on a very tight leash as a result of HM Treasury spending rules. Historically, this has made the parent department nervous about any relaxation of the VOA's freedoms with the potential to throw IR's financial position off course.
- 8.66 In the course of the Review, we have established that there is some acceptance within IR, ODPM and WAG that it would benefit the Agency if it were able to have scope for some financial planning over a period longer than a single year. But, equally, the way in which their own funding arises makes it impossible to give any degree of funding certainty for more than a year or two ahead. Moreover, the fact that funding of Departments has only recently been settled through the 2004 Spending Review, means now is not the time for any change to be made.
- 8.67 Exploration of these issues with various relevant parties within HMRC has enabled us to identify a possible way forward. Provided HMRC is able to put sufficiently robust contingency arrangements in place at the time of the next Spending Review (SR), we **recommend** that

---

<sup>9</sup> See *Guidance on Framework Documents* at [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk)

- the VOA should be given a two/three year indicative budget for HMRC's calls on VOA's services covering the SR period
- the VOA continue to approach its other major clients and establish the appropriate levels of funding for the SR period and
- the VOA should be allowed limited end-year flexibility within, but not beyond, each SR period.



---

## Chapter 9

### Summary of Findings and Recommendations

---

9.1 The Terms of Reference for this Review provided that we should

- research and evaluate specified aspects of the VOA's recent performance (including the extent to which it had acted on the recommendations made as a result of the 2000 Review)
- evaluate the extent to which any failures to meet its objectives and priorities are attributable to organisational structure or limitations on the Agency's financial or management freedoms
- evaluate the extent to which its aims, objectives, plans and strategies remain appropriate
- evaluate the adequacy of arrangements for accountability and flows of management information
- make recommendations relating to all these matters and resulting changes to the Agency's Framework Document as necessary.

#### ***Performance***

9.2 The key conclusions to emerge from the Review were that:

- the Agency has acted to carry through most of the recommendations in the 2000 report in full (although it is too early to assess the extent of its success in meeting some recommendations) and has valid reasons for not completing the others
- it has improved in most key areas since the previous review but there is room for further improvement in hitting targets (including a few key targets) and, in particular, those relating to timeliness
- the professionalism of the service is appreciated by many, though some are concerned at excessive rigidity
- quality is generally perceived as high, though with some concern about uneven standards across different offices
- input to the policy process is generally appreciated though there may be a need for enhancing abilities to identify politically sensitive issues
- IT use is expanding significantly and is crucial to some business-critical projects
- staff feel motivated but there is a need for development of specific skills
- some customers and staff feel that management and leadership capacity need to improve at middle manager level, but the senior leadership team is viewed as increasingly effective at driving forward continuous improvement and change.

#### ***Reasons for performance lapses***

9.3 We have concluded that the VOA's failure to meet some of its objectives and priority targets owed relatively little to structural problems or managerial or financial freedoms – though we did identify an aspect of the latter which is out of line with current best practice and in relation to which we suggest a change be made at the earliest suitable point (subject to safeguards).

9.4 This recommendation is:

provided HMRC is able to put sufficiently robust contingency arrangements in place at the time of the next Spending Review (SR), that

- the VOA should be given a two/three year indicative budget for HMRC's calls on VOA's services covering the SR period
- the VOA continue to approach its other major clients and establish the appropriate levels of funding for the SR period and
- the VOA should be allowed limited end-year flexibility within, but not beyond, each SR period. (8.67)

9.5 Generally, we believe that the Agency is moving in the right direction, but that it will take more time to reach the ambitious heights of performance to which it aspires. As a result most of our recommendations framed in the light of the findings above are more concerned with encouraging what is already underway than with suggesting a significant change of course.

9.6 These recommendations are:

(i) that the VOA should seek to benchmark its performance against other service providers, both domestically and internationally; (4.47)

(ii) that the whole of the VOA, but DV Services in particular, should make continued efforts to improve the timeliness with which services are delivered to VOA customers by increasing efficiencies and streamlining work-flows and processes wherever possible; (4.46)

(iii) that the VOA should build on the initiatives it has taken to improve consultation with customers and stakeholders, such as the National Ratepayers' Valuation Forum (NRVF) and the local fora; (4.48)

(iv) that the VOA should explore ways in which its IT systems might communicate more effectively with those of its main clients, customers and their agents; (4.51)

(v) that barriers to VOA staff having direct access to the HMRC Intranet should be overcome as soon as possible; (4.52)

(vi) that the new initiatives and management styles observed at senior management levels should be communicated to middle management in such a way as to foster the development of an increasingly customer-focused culture throughout the VOA network; (4.49)

(vii) that, as current policy is being evaluated or new policies devised, the whole end-to-end process should be considered and that, wherever possible, the VOA should encourage the relevant lead policy department to involve customers directly in the course of that evaluation; (4.55)

(viii) that the approach of the Initial Appraisal Unit should be extended to cover at least all English and Welsh cases requiring a VOA referral at the earliest possible opportunity; (7.21)

(ix) that steps be taken to establish

- the extent to which any restrictions on the ability of HMRC officials to access or use VOA data limits the effectiveness of attempts to reduce the tax gap and, in the event of there being such restrictions,
- whether Ministers would wish to legislate to remove or amend them; (7.23)

(x) that further training in the conduct of appeals and advocacy skills should be given to staff representing the VOA at Valuation Tribunals where necessary; (5.24.)

(xi) that the IT skills of all staff should be further enhanced to enable them to do their jobs more effectively and confidently; (5.25)

(xii) that the Management Board should continue to explore and exploit opportunities to increase its visibility to Agency staff; (8.57)

(xiii) that increased efforts should be made to

- emphasise that business improvement ideas are always welcome and will be adopted where they achieve business efficiencies, and
- ensure feedback on staff suggestions reaches relevant parts of the organisation –even when the suggestion is thought to be impractical; (5.7)

(xiv) that management should be improved in ways in line with the HMRC Management Framework by

- incorporating an element of 360 degree reporting at all managerial levels in the organisation to assist managers to identify areas where they have a development need
- rolling out the planned Management Development Programme with vigour and persistence
- applying existing arrangements for tackling poor performance more rigorously and uniformly and
- as a last resort, removing technicians with poor leadership and management skills from management positions; (5.35)

(xv) that VOA, HMRC, ODPM and WAG should explore at regular intervals the scope for secondments and other ways to widen the experience of their own staff as well as that of each other; (5.26)

(xvi) that the existing plethora of historic targets should be reviewed within 6 months with a view to reducing the number and giving additional emphasis to those remaining. (This is likely to involve

- identifying a core group of important targets to be regarded as key business/value drivers for at least a three-year period and consistently focusing on their successful delivery
- ensuring Key Targets are more representative of the whole of the VOA's business and, perhaps, trying to build a meaningful measure of 'whole customer experience'
- identifying in conjunction with major customers, realistic measures of success in meeting their individual expectations, replacing unrealistic or unnecessary measures where necessary
- separately identifying information which, although not targeted or published, VOA management requires to monitor the performance of

the organisation and put systems in place to ensure the information is available to them.) (4.40)

### ***Appropriateness of Aims, Objectives Plans and Strategies***

9.7 We have some doubts about the appropriateness of the Agency's aims and objectives as set out in the current Framework Document but are happy to commend the new Vision Statement which the VOA has developed over the past few months as providing the right aim and objectives for taking the organisation forward in an appropriate and purposeful way.

9.8 Accordingly, our recommendation is:

that the Agency's aim/purpose as expressed in the 2005 Framework Document should be in substance as stated in its Vision Statement. (6.10)

9.9 As indicated above, we regard the plans and strategies of the VOA's senior leaders as moving the organisation in the right direction for the most part, though we offer a few suggestions.

9.10 These recommendations are:

(i) that the VOA explores the scope for moving further work from London and the South East to other parts of the country during the next three years, taking the views and interests of its clients fully into account in the process; (7.29)

(ii) that the Agency should focus on delivering the Council Tax revaluation accurately, on time and within budget, and put resources into defending the 2005 rating lists robustly in appropriate cases so that the appeal culture is tackled effectively; (7.17)

(iii) that the VOA should act in co-operation with ODPM to continue to promote and encourage the adoption of Valuebill by all of the Billing Authorities at an early date; (7.12)

(iv) that the VOA should continue to look for opportunities to expand Land Services business within the scope provided by the remit in section 10 of the CRCA where there are advantages to the public in doing so and where there is no adverse impact on work for existing customers; (7.41)

### ***Accountability and Management Information Flows***

9.11 This was the aspect of our review where we identified the greatest need for change. Some of the existing arrangements for accountability and communication between major stakeholders (most put in place as a result of the last Review) have not been working adequately in practice.

9.12 The relevant recommendations are:

(i) that the VOA remains as a single integrated Next Steps Agency; (8.19)

(ii) that the VOA should continue as an Agency of HMRC as provided for in the Act establishing that Department; (8.30)

(iii) that the VOA Advisory Board should be abolished with other arrangements to achieve its intended functions in a more effective fashion being substituted. These would consist of a combination of:

- regular meetings between HMRC's Executive Chairman and the VOA's Chief Executive;
- regular 'bilateral' meetings between VOA management and each of ODPM, WAG (or perhaps both together), HMRC and a group made up of other key customers, to include discussions of strategy, plans, priorities and performance informed by relevant management information produced by the VOA;
- improved management information flows from the VOA to HMRC, principally to the 'Fraser Figure' but including regular reports to HMRC's Operating Committee (or similar);
- the role of the 'Fraser Figure' to be at HMRC Board level; and
- an annual discussion (or one every six months) between the Fraser Figure and ODPM/WAG to ensure that these major customers have no significant concerns of which HMRC's Board or Minister ought to be aware; (8.46)

(iv) that the Finance Committee should be abolished, provided the bilateral meetings between the VOA and its major customers deal fully and satisfactorily with financial and funding issues and provided the VOA's Chief Executive and Director of Finance, Technology and Planning have ready access to HMRC's Finance Director and/or the 'Fraser Figure' in the event of any potential funding problem coming to light. (8.61)

### ***Framework Document***

9.13 A number of our recommendations, particularly those in the sections dealing with accountability and financial freedoms, coupled with the formation of HMRC and name changes of other parties mentioned in the Framework Document mean that changes to the existing document are necessary. We have drafted a new version to take account of all these changes. This is at Appendix 7.

9.14 We **recommend** that a new Framework Document should be approved and published in the form we suggest.

---

## Appendix 1

### Terms of Reference for Framework Review of the Valuation Office Agency

---

#### **Research:**

To identify all relevant stakeholders and invite written observations or responses on the performance of the agency in relation to:

- customer service
- cost efficiency and productivity
- quality of delivery
- input to the policy process
- use of information technology
- staff development and motivation
- quality and effectiveness of management

To review and analyse such published material about the agency as may be readily available and which has a bearing on the aspects of its performance identified above

To establish the extent to which the recommendations made in the course of the 2000 Review have been acted on and obtain explanations for any actions not having been completed

To establish the extent to which the text of the existing Framework Document needs updating or amendment to reflect events or changes in names or departmental structures

Using all of the above data together with such other information as is required

#### **Evaluation:**

To assess the Agency's track record in achieving

- its aims, objectives and priorities (as set out in the 2001 Framework Document and its annual Forward Plan for the years 2001/2-2003/4); and
- key targets in the years 2001/2-2003/4;

To evaluate the extent to which any failures to meet those aims, objectives, priorities or targets are attributable to

- the current organisational structure within which the functions are carried out,  
or
- limitations on the Agency's financial and managerial freedoms;

To evaluate whether the Agency's aims, objectives and priorities remain appropriate given the outcomes sought by clients and other stakeholders, or might be refined or improved;

To evaluate whether the Agency's strategies and investment plans for the future improvement of services are sufficiently robust and in line with the policy departments' business direction and obligations to Ministers

To evaluate the adequacy of the arrangements for flows of management information to the parent department and Ministers

To evaluate the adequacy of the arrangements for accountability

**Report:**

To report the conclusions of all this research and evaluation, making any necessary recommendations for changes to the Agency's

- aims, objectives or priorities;
- strategies or plans;
- flexibility and freedoms;
- accountability;
- management information arrangements;
- organisational structure;
- existing Framework Document to make necessary amendments to the text and to reflect the above recommendations

**Timetable:**

All of the above to be completed in accordance with the following timetable:

July – Formally launch the Review

January/March 2005 – Final report and draft revised Framework Document available for consideration by the VOA Advisory Board and then by Ministers

April/May 2005 – Internet publication of revised Framework Document following consent of Ministers.

---

## Appendix 2

### People and Organisations that Contributed to the Review

---

The open consultation stage of the review was launched on 20 July 2004 and formally closed on 7 January 2005. The consultation was publicised in an IR Press Release and notices on IR and VOA websites. Respondents were able to send their responses by letter, fax or e-mail.

The Review Team also proactively sought the views of interested parties as described in the main body of the report.

The team would like to thank the following for taking the time to provide input into the review:

#### **The Profession**

David Melhuish	Royal Institution of Chartered Surveyors
Tim Griffin	Donaldsons
Adrian P Rose	ATIS Real Weatheralls
Baden Hughes	The Coupers Partnership

#### **Valuation Tribunals**

Bernard McCarthy	South Wales Valuation Tribunal
David P Phillips	Somerset Valuation Tribunal
Brian Hannon	Cornwall Valuation Tribunal
Pauline Sans	Manchester Valuation Tribunal
Lesley Rutherford	Cumbria Valuation Tribunal
Ian Coates	Kent Valuation Tribunal

#### **Billing Authorities**

Julie Smethurst	Oldham Council
Mandy Cooper	Runnymede Borough Council
R Horton	Tewkesbury Borough Council
Adrian Marsh	Uttlesford District Council
L Wilkinson	District of Easington
Robert Randall	Oxford City Council
Del Huckridge	Wrexham County Borough Council
David Yates	Crawley Borough Council

#### **Other Government Departments**

Phil Roast	Highways Agency
Steve Warren	NHS
Nigel Woods	Northern Ireland Valuation Lands Agency
Ann Abraham	Parliamentary Ombudsman
David Steane	Scots Executive- Right to Buy
Clare Hadley	Ordnance Survey
Lindsay Bell, Nick Suggit, Stephen Benton and Andrew Allberry	Office of the Deputy Prime Minister
David Fletcher and Ruth Gow	Welsh Assembly Government
Linda Hill and Isabel Todd	Department for Work and Pensions
Mike Denman	Department For Transport



**Trade Unions**

Denis Calnan	Public and Commercial Services Union
Gwenda Binks	Public and Commercial Services Union
John Plant	Association of Valuation Office Valuers

**NRVF**

Roger Littlewood	Inter Bank Group
Keith Miles	Property Management Reform Group

**General Responses**

N Morgan	
Mr H R A Whithorn	
P A Dunford	
Roger Littlewood	Halifax Bank of Scotland
Tony Vickers	Modern Maps/ Association for Geographic Information

**VOA**

Andrew Hudson	Chief Executive
David Park	Deputy Chief Executive and Director, Local Taxation
John Keelty	Director Finance, Technology and Planning
John Wilkinson	Director DV Services
Steve Hartnell	Director Human Resources
Paul Sanderson	Director Modernisation
Peter Clement	Director Client Development, DV Services
Brian McCormick	Director IT
Diane Leggo	Director Council Tax
Dave Tretton	Director Rating
Mary Morrison-Paton	Head of Communications
David Stathers	Non-Executive Director
Ann Grinstead	Non-Executive Director
Pat Duckworth	Head of Customer Services
Tim Eden	Head of Quality Improvement
Stephen Wright	Head of Local Taxation Administration
Mary Hardman	Chief Valuer, Wales
Martyn Williams	District Valuer, Wales
Allan Ainslie,	Chief Valuer, Scotland
Phillip Gay	Assistant Chief Valuer, Scotland
Wendy Comins	Manager VOA Unit Nottingham

**Inland Revenue**

David Varney	Executive Chairman HMRC
Paul Gray	Deputy Chairman HMRC
Jonathan Leigh Pemberton	C&S, Director of Capital Taxes
Jim Ferguson, Carol Luney	C&S, Stamps and SDLT
Colin Gibson	C&S, Capital Taxes
John Compson	SDS (Compliance)
Sally Littlejohns,	Large Business Office
Nigel Philipson	Large Business Office
Marjorie Williams	SDS
Mike Eland	Director General, Law Enforcement & Strategic Compliance
Peter Bowen	Capital Taxes Technical Group
Tom Mulvany	Solicitor's Office
Sheila Gibbons	Chapel Wharf
Paul Callaway	RP CS Trusts Truro

## Appendix 3 Action taken on Recommendations from Framework Review 2000

### Framework and Corporate Governance

Recommendation	Action
<p>1.2.7 That the VOA remain as part of the IR, and that action be taken to improve the current arrangements for sponsoring the VOA</p>	<p>Ministers agreed that the VOA should continue as part of IR. Sponsorship was enhanced by the actions recorded under 1.2.8 below.</p>
<p>1.2.8 That the IR establish a Steering Board for the VOA, involving all its key stakeholders, to support the VOA and advise the IR</p>	<p>A Steering Board – known as an Advisory Board – was set up. (See paragraphs 8.33 for details of its membership.) Its purpose is to</p> <ol style="list-style-type: none"> <li>1. support the VOA by: <ul style="list-style-type: none"> <li>• Encouraging those providing the policy frameworks and funding for the bulk of its activities (the “major clients”) to articulate their aims and objectives clearly</li> <li>• Building closer relationships between the VOA and its major clients</li> <li>• Helping the VOA to develop its strategic thinking and decision-making in the light of policy and wider business developments</li> </ul> </li> <li>2. assist the VOA’s major clients by: <ul style="list-style-type: none"> <li>• Satisfying them that the objectives set for the VOA are being met</li> <li>• Ensuring that they receive good value for money from the services provided by the VOA</li> </ul> </li> <li>3. advise the Chairman of the Board of Inland Revenue by <ul style="list-style-type: none"> <li>• Recommending the strategic direction for the VOA</li> <li>• Reviewing the VOA’s policies, strategies and plans</li> <li>• Monitoring the VOA’s progress and performance against its objectives and targets</li> </ul> </li> </ol> <p>Recommending targets and performance measures for the VOA.</p>

<p>1.2.9 That the Board of Inland Revenue develop better quality, and more frequent, liaison between the VOA, the Inland Revenue, [ODPM] and [WAG] on funding issues by setting up a finance committee reporting to the Steering Board</p>	<p>A Finance Committee, reporting to the Advisory Board, has been established with the following representation:</p> <ul style="list-style-type: none"> <li>• IR Central Finance</li> <li>• ODPM</li> <li>• NAW</li> <li>• VOA Finance.</li> </ul> <p>The role of this Committee is to consider the general funding needs of the VOA, its charges to its client departments, investment programmes and to assist in handling any in-year financial problems which emerge. Meetings were originally scheduled on a quarterly basis but have been judged not to be necessary so have switched to an “as needed” basis</p>
<p>1.2.17</p> <p>Alongside the creation of the new Steering Board, that the VOA reform the roles and responsibilities of its Management Board to:</p> <ul style="list-style-type: none"> <li>• Improve the focus of the senior managers’ responsibilities, particularly to give a clear focus to <ul style="list-style-type: none"> <li>- the separate local government taxation and land valuation services business streams,</li> <li>- <i>the management of the transformation programme to achieve the vision of right first time</i></li> </ul> </li> <li>• Rationalise the roles of the senior managers</li> </ul>	<p>Management Board responsibilities have been redefined to reflect the recommendations, the current composition being:</p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Deputy Chief Executive and Director, Local Taxation</li> <li>• Director, Finance, Technology and Planning</li> <li>• Director, District Valuer Services</li> <li>• Director, Modernisation</li> <li>• Director, Human Resources</li> <li>• Two non-executive Directors</li> </ul> <p>In addition the VOA’s Head of Corporate Communications attends all Management Board meetings.</p>

<p>1.2.19 That the role of the Programme Board be extended and strengthened</p>	<p>Management Board members form the overall VOA Programme Board and progress on all programmes and projects is considered as an integral part of each Management Board meeting. A Project Support Office (PSO) has been formed to introduce a standard project methodology, advise individual project sponsors and managers on their roles and provide monthly monitoring reports to the Programme Board. Individual Management Board members and other senior members of the management team also chair programme or project boards delivering specific “products” e.g. the Council Tax Revaluation Board.</p>
---	--

<p>1.2.24 That the VOA’s Framework Document be updated to:</p> <ul style="list-style-type: none"> <li>• Contain a new foreword by the Paymaster General</li> <li>• Reflect its stakeholders’ current aims and objectives</li> <li>• Reflect the approach to delivering public service contained in the <i>Modernising Government</i> White Paper</li> <li>• Clarify the respective roles of the [IR, ODPM and WAG] in the governance of the VOA</li> <li>• Take account of the improved governance and funding arrangements for the VOA, including the creation of the new Steering Group and the finance committee</li> <li>• Take account of the reformed roles and responsibilities of the Management Board and the Programme Board and</li> <li>• Take account of other miscellaneous changes in the VOA and its external environment since the Framework Document was last updated in December 1995</li> </ul>	<p>A new Framework Document taking account of all these points (except the role of the Programme Board) was agreed with the various stakeholders, approved by the Paymaster General and published in May 2001.</p>
---	--

## Direction and Strategy

Recommendation	Action
<p>1.2.2 That the VOA keep under active review the option of the occasional contracting out of some its core valuation services as a cost-efficient means of giving the VOA flexibility to manage peaks and troughs of work</p>	<p>The VOA considered the possibility of contracting out part of the data enhancement process, but difficulties were encountered re future ownership and the option was not proceeded with. Current staffing plans indicate that the Agency will be able to cope with the staffing peaks and troughs caused by the CT Revaluation but private sector assistance remains an option if, for example, ministerial decisions on banding systems are delayed resulting in a significantly reduced timescale to produce the new valuation lists.</p> <p>In DV Services recently retired members of staff are being engaged on short-term contracts to help deal with peaks of work with some success.</p>
<p>1.2.3 Subject to possible rationalisation of the property information bases held by central government and other public bodies, including the VOA, that the VOA consider the extent to which contracting out could offer a cost efficient means of maintaining consistent up-to-date information bases and help unlock the value of the VOA's information bases</p>	<p>Since 2000 the VOA has set up a small team dedicated to development of its database. Part of the VOA's strategy is to ensure that relevant property attribute and/or transaction data held by other public sector bodies is obtained from that source rather than being collected from individuals or businesses. Opportunities to source data from within government have been explored and mature projects are ongoing with Stamps Taxes Office and the Land Registry. The availability of data from private sources to support the Council Tax Revaluation in 2007 is also being explored. In addition the VOA will always seek to ensure that other public sector bodies that might find its data helpful for their policy or operational requirements are aware of its existence.</p>

	<p>In the longer term it may be possible to extend the amount of data that the Agency can make available, subject to commercial confidentiality considerations, and/or contract out maintenance of the database. However at this stage no obvious candidate for taking this on has emerged.</p>
<p>1.2.4 That the VOA keeps the options for contracting out more of its administration functions under continuous review</p>	<p>A variety of non-Government suppliers are used to provide administrative and support services. These range from the major contracts with CapGemini (IT) and Mapeley (accommodation) through to smaller contracts, such as the issue of the rating summary valuations by Adare Halcyon. It is also possible that outsourcing beyond HMRC will be used to provide a call centre facility for the handling of the bulk initial enquiries in relation to the 2007 council tax revaluation in England, subject to an option appraisal now under way.</p>
<p>1.2.18 That consideration be given to extending the VOA's remit to compete for land valuation services work in wider markets after the VOA has developed its marketing strategy and the new Land Services business stream</p>	<p>For its work for other government departments, local authorities and public bodies the VOA has a target of a 50% increase in income to £20m over the five-year period to 31 March 2005. It is on course to exceed that and expects continuing growth to reach £27m by 31 March 2008.</p> <p>The opportunity presented by the Commissioners for Revenue and Customs Bill will be taken to give statutory recognition to those aspects of the VOA's Land Services work which at present rest on the authority of the so-called Treasury Minute of 1920 and other administrative authorities.</p> <p>There has been some inconclusive internal discussion of further extension of the remit.</p>

<p>1.2.21 That the senior managers in the VOA articulate a shared vision for the organisation and clear, shared strategies for achieving that vision</p>	<p>A strategic plan covering 2000-2005 was published early in 2001. It has since been updated to cover the period 2003-2008 and is revisited by the Management Board periodically with specific responsibilities included for updating its contents. Details of the plan are available to all staff. A comprehensive review of the VOA vision and supporting strategies was undertaken following the arrival of a new Chief Executive in June 2004. (See paragraphs 6.8 for further details.)</p>
<p>1.2.23 That the VOA develop a human resources strategy to:</p> <ul style="list-style-type: none"> <li>• Define the human resources profile of a right first time VOA</li> <li>• Provide detailed plans to address its current human resources problems and deliver the right first time human resources profile</li> <li>• Continue to support all aspects of the VOA's human resource needs in the interim</li> </ul>	<p>The VOA developed an overall strategy identifying as areas for action:</p> <ul style="list-style-type: none"> <li>• Leadership with a clear sense of purpose</li> <li>• Better business planning in Human Resources aspects</li> <li>• Sharper performance management</li> <li>• a more open VOA which brings on talent</li> <li>• a dramatic improvement in diversity.</li> </ul> <p>This led to:</p> <ul style="list-style-type: none"> <li>• an ethnicity survey, following Cabinet office guidelines, for all staff</li> <li>• publication of the components of a Race Equality Scheme</li> <li>• an annual HR Training and Development Strategy</li> <li>• a 2001 review of pay, performance and grading introducing a new <ul style="list-style-type: none"> <li>• performance monitoring scheme</li> <li>• grading structure with a reduced number of pay bands and more flexibility within pay bands.</li> </ul> </li> <li>• more flexible terms and conditions of service to assist recruitment and retention</li> <li>• a management development programme</li> <li>• introduction of e-learning</li> <li>• improved vacancy filling arrangements and assessment centres for selection of senior staff.</li> </ul>

## Management Information and Performance Targets

Recommendation	Action
<p>1.2.22</p> <p>That the VOA improve its systems for recording financial management information to:</p> <ul style="list-style-type: none"> <li>• Enable the VOA’s senior managers and stakeholders to understand its financial performance and financing requirements more fully</li> <li>• Enable the VOA to demonstrate clearly to its stakeholders that it is able to fully and properly calculate the cost of work</li> <li>• Enable the VOA’s senior managers to monitor financial and operational performance across the VOA and achieve its financial targets</li> <li>• Enable the VOA’s senior managers to benchmark the performance of the Groups and local offices</li> <li>• Support the empowerment of accountability of GVOs, and</li> <li>• Inform better decision-making in the VOA and the identification of best practice</li> </ul>	<p>Improved Financial Management Reports using Analyst Financials provides capability for budget managers to “drill down” themselves to track their own expenditure. Monthly Financial Reports are produced for the Management Board. Monthly monitoring reports obtained for each cost centre. Introduction of financial comparisons on unit cost, value for money measures. Update of Finance Manual. Training provided to new Group Management staff. Financial management systems approved by IR Internal Audit Office and by National Audit Office as part of their audit of the Annual Accounts. Financial targets included in results scorecard.</p>
<p>1.2.11</p> <p>As part of the programme of transformation to achieve the vision of right first time, that the VOA review its targets and performance indicators to see how they might be re-focused to support the move to right first time valuations, including:</p> <ul style="list-style-type: none"> <li>• The possibility of introducing weightings to its volume output targets to reflect the input of effort required and encourage people in local VOA offices to give due priority to complex cases</li> <li>• Reviewing the operation of the weightings in the new timeliness indicator by 30 September 2001</li> <li>• Reducing the variance standard in the rating valuation accuracy performance indicator from 10% to a more challenging standard</li> </ul>	<p>Key Performance Indicators now tend to emphasise outcomes. Targets are reviewed each year and agreed with key stakeholders. Results scorecard introduced weighted to reflect priorities.</p> <p>Timeliness Indicator reviewed by IR Internal Audit in October 2003.</p> <p>The RICS is addressing the issue of valuation standards across the profession in the light of the Carlsberg Review, looking at the accuracy of property investment valuations and the VOA will seek to contribute to the development of any new guidance. It will also be seeking to introduce a tighter standards for measuring rateable value loss from the new 2005 lists, with reductions on local lists to be kept below 4% overall.</p>



## Working with Others

Recommendation	Action
<p>1.2.1 That the VOA stay in close touch with Quotable Value in New Zealand and other foreign government valuation services, to see if lessons can be learnt from the approaches adopted in other countries</p>	<p>The VOA has continued to monitor developments within Quotable Value New Zealand. In view of the need to learn from the experience of others using AVMs, it has also established a series of major contacts with local taxation administrations in North America (as well as contacts in Australia, New Zealand, Denmark, Spain and other European countries) and with one of the key professional institutions (the International Association of Appraising Officers - IAAO) as it develops its plans for delivery of the 2007 council tax revaluation in England. Senior representatives of IAAO have provided quality assurance input into the development process of the automated valuation model.</p>
<p>1.2.5 That the VOA work with the Rent Service to assess the opportunities for</p> <ul style="list-style-type: none"> <li>• Mutual learning (for example, building on work carried out by the Rent Service on the weighting of cases for the purposes of estimating workload); and</li> </ul> <p>Rationalising the collection of information for the purpose of making rental valuations</p>	<p>Contact was made with the Rent Service shortly after the last Review to look at their proposed system for work weighting. In the event they decided that the system was unworkable and it was not pursued. More recently, as part of the investigations on data collection and enhancement for the Council Tax Revaluation programme, further discussions with the Rent Service on data sharing have led to a pilot to assess the scope for data exchange.</p>
<p>1.2.10 That the IR, ODPM, WAG and the VOA:</p> <ul style="list-style-type: none"> <li>• Undertake further work to ascertain the scale of the cost savings and service improvements which might be achieved by moving away from the appeals culture in the rating valuation system</li> <li>• Consider investing in the VOA's transformation programme to secure these benefits</li> </ul>	<p>A full Business Case for a transformation programme moving away from the appeals culture was produced by the VOA and accepted by its clients. Clients have provided additional funding and the rating revaluation coming into effect on 1 April 2005 has been carried out on this basis.</p>

1.2.6

That the [ODPM, WAG], local authorities and the VOA explore the possibility of providing ratepayers and council taxpayers with joint notification of their valuations and their liability, or an indication of their liability, ideally by the time of the next rating revaluation

Summary valuations have been issued to ratepayers in October 2004 as part of the rating revaluation programme and notification to taxpayers of revised council tax bandings issued in September 2004 as part of the council tax revaluation in Wales. Additionally a "mybusinessrates" website has been introduced which provides an indicative view of what ratepayers in England might pay as a result of their 2005 rateable values subject to transition arrangements etc. It is anticipated that a similar process will be adopted at the appropriate stage of the council tax revaluation in England.

**Processes, Technology and Data**

Recommendation	Action
<p>1.2.14 That the VOA reviews its valuation processes and instructions to ensure that:</p> <ul style="list-style-type: none"> <li>• They are standardised, replicable and used by all of the people in the VOA to produce consistent, fully recorded valuations that can be relied on without the need for wasteful re-work</li> <li>• Best practice is identified and suitable norms and activities, based on that best practice, are incorporated in the processes</li> <li>• They are simplified, so that valuations can routinely be explained to customers in a way that is accessible to them; and</li> <li>• They are streamlined to increase efficiency and improve customer service so that, wherever possible, customers' needs are handled in a single transaction at the lowest possible level</li> </ul>	<p>The Agency launched a continuous improvement (CI) strategy in June 2001 that initiated a review of processes, introduced scorecards, activity monitoring and EFQM initiatives. By the end of 2002 the VOA had developed and introduced standard rating and council tax processes for all Groups. Process maps were produced which, coupled with the use of activity recording and a results scorecard, allow internal benchmarking of Groups, aiding the realisation of efficiencies. In April 2003 a Business Improvement Team was set up both to monitor progress and continue the search for further improvement and standardisation. This has continued into 2004/2005 with specific studies to identify and spread best practice, in order to improve productivity while maintaining the quality and timeliness standards required by the VOA's clients. This rolling programme of improvement is intended to place a particular emphasis on effective handling at the first point of contact with customers.</p> <p>Standard Analysis and Valuation Scales have been adopted in preparing the new valuations for the 2005 revaluation of non-domestic properties which has considerably improved the consistency and replicability of rating valuation work across the network. Similarly, enforcing the use of common (Valuation Support Application) standards has improved consistency in the presentation of these valuations.</p>

### 1.2.16

That:

- The VOA give the maintenance of consistent, accurate, up-to-date information bases a higher priority;
- In line with the recommendation of the DETR's review of rating revaluation, the Government introduce a civil penalty for the non-submission by ratepayers of forms of return (FORs) as soon as there is a suitable legislative opportunity;
- Alongside this, the VOA develop
  - Rigorous, effective procedures for enforcing the submission of FORs,
  - Improved procedures for keeping this rental information up-to-date;
- The VOA discuss with local authorities how the flow of information to the VOA about the physical characteristics of properties can be improved;
- The VOA, [ODPM and WAG] consider whether there are advantages to be gained from increasing the resources available to the VOA to extend its proactive information gathering exercises in this area;
- The VOA build on work it has already done to promote e-submission of information by exploring the possibility of e-submission of FORs;
- The VOA explore opportunities to rationalise the maintenance of its information bases, by
  - Sharing data with other government agencies,
  - Eliminating duplication of effort,
  - Playing a full part in developments relating to government property information bases.

An overall data strategy has been developed and adopted by the VOA's Management Board. Currently there are 3 projects which will deliver many of the recommendations made in the 2000 Review.

**Geographical Information System (GIS)** – Work continues on the adoption of OS MasterMap as the permanent platform for a VOA Geographic Information System which will improve the quality and accessibility of property information across Government.

**IR Stamps and HM Land Registry Interface Project** hopes to provide for electronic transmission of market information. Arrangements to capture information from the new SDLT form are well advanced. Discussions with HMLR are at an early stage (assessing a sample of their data to judge relevance and quality.)

**Valuebill Trial** concerns electronic transfer of information between local authorities and the VOA using the UPRN derived from the National Land and Property Gazetteer (NLPG) to assist data matching and to facilitate automatic population of the VOA database. It also aims to allow authorities to develop electronic linkages internally. Work has also started on developing electronic Billing Authority Reports (BARs) to improve the speed and efficiency of notifications from Bas that require alteration of the rating and council lists maintained by the VOA.

Market Information Units (MIUs) have been introduced in the VOA's Groups and Specialist Units to improve the quality of oversight and capture of market (including rental) information and other data.

Civil Penalty legislation was introduced in Section 72 of the Local

	<p>Government Act 2003 coming into effect on 18 September. Detailed procedures are in place to ensure that the Agency makes full use of the provisions to increase the flow of information available. Over 1000 cases have so far been pursued using these new powers, with a high proportion resulting in the provision of the required rental information.</p> <p>The civil penalty provisions may be seen as a “stick” to complement the “carrots” introduced to make provision of rental information easier. These include the use of a new electronic rent return form, a new shortened rent return form for use in rent review cases and other initiatives such as the new Valuation Office Ratepayer Contact (VORC) pilot scheme which facilitates the provision of rental information from a selected group of multi-site occupiers.</p> <p>The digitisation of the VOA’s domestic property records for the 2007 council tax revaluation and the proposals to publish property attribute data in the new valuation lists – which proposals are currently subject to public consultation – will represent another major step forward in rationalising data and making it available for use by others inside and outside Government.</p>
<p>1.2.12 That the VOA take action to address the need to prioritise action in local offices to progress Specialist Rating Unit (SRU) cases</p>	<p>Since 1 April 2002 a dedicated resource for property inspection has been provided to the SRUs to remove any conflict of priorities. Additionally, a comprehensive review of the Specialist Units and their work is expected to result in some streamlining of the Units and improvements in their governance.</p>

<p>1.2.15 That the VOA consider updating the Rating Support Application (RSA) computer system to improve the functionality to support right first time valuations</p>	<p>RSA has been enhanced to support right first time by providing functionality to produce and deliver summary valuations to the occupier's address as well as on the internet, together with summaries of valuation schemes. Additional IT support was delivered to help improve the flow of rental information back to the VOA as well as improving many legacy data issues. RSA – the VOA's biggest IT application and in terms of size surpassing most IR systems – is still not a full web enabled graphical user interface application but, in April 2004, a project was implemented which converted the old green on black character based screens to browser based equivalents. The result is more user friendly and easily navigable screens, with a full rewrite to follow by the time of the next rating revaluation. The time taken to become proficient with the application is now around 3 months - considerably less than the 6 months said to be the norm at the time of the last Review.</p>
<p>1.2.13 That the VOA build on the success of the publication of the 2000 rating lists on the internet for the future by considering how it might:</p> <ul style="list-style-type: none"> <li>• Meet the demand from private valuation firms for a more sophisticated search engine, possibly in return for a charge;</li> <li>• Meet the demand from local authorities for updates to the rating lists to be published on the internet, with the necessary audit trails to track changes in the lists; and</li> <li>• Extend the same approach to other areas of its work, such as council tax bandings</li> </ul>	<p>Rating lists for all billing authorities are all available on the internet. They are updated fortnightly (weekly from 1 April 2005) and the history of individual assessments can be seen by clicking on the relevant entry. As part of the rating Revaluation 2005 programme an improved search engine was included for the new draft lists. Feedback from professional agents on this has been very favourable. Summary valuations are also available on the internet for the majority (some 1.4 million) of properties for Revaluation 2005 together with the background to the basis on which the valuations have been made.</p> <p>Development of similar processes for the 2007 Council Tax Revaluation is an integral part of the programme. (The current council tax valuation lists are already available on the internet).</p>

### 1.2.20

That, under, the new organisational structure, the VOA develop the accountability of the GVOs by developing stronger central:

- Ownership and control of the VOA's valuation processes
- Mechanisms for identifying and disseminating best practice
- Arrangements for measuring and monitoring implementation of the processes and performance against targets
- Support for the GVOs to help them understand the reasons for, and address, any under-performance.

Information at 1.2.14 above added to by:

- the introduction of a results scorecard containing a wide range of performance indicators which are scored to a standard national system. Analysis of the results is disseminated to the network.
- A national Activity Monitoring and Costing mechanism allowing comparison on a quarterly basis of individual unit performance across the Agency by work activity. This allows investigation of the background to the statistics, the elimination of inefficiencies and the identification of best practice by CEO and individual network units. Training has been provided on how to use this information. This activity has been strengthened by the introduction of a Continuous Improvement Steering Group with a wide representation from Head Office and the VOA network and the introduction of a process improvement tool-kit.
- Monitoring and targeted support by the Business Improvement Teams.

---

**Appendix 4**

**Performance Against Targets**

---

<b>TARGET</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>
<b>LOCAL TAXATION SERVICES</b>	<b>Whether Met</b>	<b>Whether Met</b>	<b>Whether Met</b>	<b>Whether Met</b>
<b>NON-DOMESTIC RATES</b>				
Clear % of 1995 rating list appeals	<b>YES</b>	<b>YES</b>	n/a	n/a
Publish the first rolling two-year forward programmes for clearance of 2000 rating list	<b>YES</b>	n/a	n/a	n/a
Clear 45% 2000 rating appeals	n/a	<b>YES</b>	n/a	n/a
Valuation accuracy				
-Contain reductions in 2000 rating lists to less than 7.5% in respect of appeals settled in the year	n/a	n/a	<b>YES</b>	<b>YES</b>
-And to a maximum of 4.7% of the total compiled list rateable over the entire life of the 2000 Rating lists	n/a	n/a	<b>YES</b>	<b>YES</b>
Other major tasks				
Implement by April 2003 the recommendations coming out of the evaluation of the local ratepayer panel pilots	n/a	n/a	<b>YES</b>	n/a



Programming				
- Make draft programmes available by the end July,	n/a	n/a	<b>YES</b>	<b>YES</b>
- Publish final programmes by 1 Oct	n/a	n/a	<b>YES</b>	<b>NO</b>
- And to adhere to the start date of 95% of cases	n/a	n/a	<b>NO</b>	<b>YES</b>
Revaluations- Prepare for forthcoming revaluation of non-domestic properties in England and Wales by completing 85% of valuations required	n/a	n/a	n/a	<b>YES</b>
Appeals settled- England	No	Yes	Yes	Yes
Appeals settled- Wales	No	Yes	Yes	No
Clear all reports within time period	No	Yes	Yes	Yes
Clear reports within 3 months	No	No	No	No
Process record of rental status	n/a	No	n/a	n/a
<b>COUNCIL TAX</b>				
Clear council tax appeals equal to # by date				
England	<b>NO</b>	<b>NO</b>	n/a	n/a
Wales	<b>YES</b>	<b>NO</b>	n/a	n/a

Revaluations				
- Prepare for forthcoming revaluation of domestic properties in Wales by completing 50% of initial bandings required	n/a	n/a	n/a	<b>YES</b>
- Prepare for forthcoming revaluation of domestic properties in England by digitising data in respect of a minimum of three million properties	n/a	n/a	n/a	<b>YES</b>
Ensure all appeals are ready for hearing within 6m	No	No	No	No
Provide considered view to taxpayer within 2 months	No	No	No	No
Clear all reports within 3 months of receipt	No	No	Yes	Yes
Clear all reports in respect of new properties within 2 months of receipt	No	No	No	No
Get bandings right first time	Yes	Yes	Yes	Yes
Clear appeals equal to the number received	n/a	n/a	Yes	Yes
To get revised bandings within one band	No	n/a	n/a	n/a

TARGET	2000-2001	2001-2002	2002-2003	2003-2004
DISTRICT VALUER SERVICES	Whether Met	Whether Met	Whether Met	Whether Met
<b>INLAND REVENUE</b>				
Clear no fewer than the number of IR cases received in 12 month period	No	<b>NO</b>	n/a	n/a
Clear CG cases within				
30 days	No	No	No	No
3 months	n/a	n/a	No	No
Clear CG negotiation cases within				
6 months	No	No	No	No
12 months	n/a	n/a	No	No
Clear IHT appraisals within 20 days	Yes	No	No	Yes
Clear IHT valuation cases within				
40 days/ 1-2 months	No	n/a	Yes	n/a
3 month	n/a	Yes	No	Yes
6 months	No	Yes	No	Yes
9 months	n/a	n/a	No	Yes

Clear IHT negotiation cases within				
3 months	n/a	No	n/a	n/a
6 months	No	No	n/a	n/a
9 months	n/a	No	n/a	n/a
<b>LAND SERVICES</b>				
Land Services- Bring in income of #	No	<b>YES</b>	<b>YES</b>	<b>YES</b>
Land Services – Cover costs/ increase income %	n/a	n/a	<b>YES</b>	<b>YES</b>

TARGET	2000-2001	2001-2002	2002-2003	2003-2004
OTHER TARGETS	Whether Met	Whether Met	Whether Met	Whether Met
<b>CUSTOMER SERVICE</b>				
Secure charter mark %	<b>YES</b>	<b>YES</b>	Yes	n/a
Achieve specified standards for Valuation Accuracy 90%	<b>YES</b>	<b>YES</b>	Yes	Yes
Achieve specified standards for timeliness in % of cases	<b>YES</b>	<b>YES</b>	Yes	Yes
Improve customer satisfaction to %	n/a	n/a	<b>NO</b>	<b>NO</b>
Produce new customer service indicator	n/a	No	n/a	n/a
Develop new performance indicators	n/a	Yes	n/a	n/a
Answer all telephone calls within average of 10 seconds	Yes	Yes	Yes	Yes
Acknowledge all correspondence within 5 working days	No	No	No	No
Reply to correspondence within 15 working days	No	No	No	Yes
See all callers to offices within 5 minutes	Yes	Yes	Yes	Yes
Be punctual for meetings	Yes	Yes	n/a	n/a
<b>FINANCIAL TARGETS</b>				
Break even including notional interest of #/ % return on capital	<b>NO</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
Achieve increase in our efficiency index to #	<b>YES</b>	<b>YES</b>	n/a	n/a

Value for money – Improve value by achieving annual productivity gains of at least 2.5% per year	n/a	n/a	<b>YES</b>	<b>YES</b>
Pay all bills within 30 days	No	No	n/a	n/a
<b>OTHER</b>				
Improve annual satisfaction ratings given by staff	n/a	n/a	<b>YES</b>	<b>YES</b>
Achieve reduction sick leave levels	No	No	n/a	n/a
Introduce accreditation of NVQ level 3 in valuation	Yes	n/a	n/a	n/a

**Appendix 5**

**Analysis of Staff Survey Results**

<b>ANALYSIS OF STAFF SURVEY RESULTS</b>					
<b>Question</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Notes</b>
<b>JOB SATISFACTION</b>					
How satisfied are you with your current job?	54%	61%	65%	68%	Very/fairly satisfied
How would you rate the VOA as a place to work compared to other places you may know of?	31%	45%	53%	57%	"One of the best"/ above average
Pressure of work means that my home and/or social life are adversely affected	n/a	36%	33%	26%	Agree strongly/Agree
<b>TRAINING AND DEVELOPMENT</b>					
The VOA is committed to training and developing its staff	31%	43%	50%	57%	Agree strongly/Agree
<b>BEHAVIOURS AND VALUES</b>					
I take pride in working for the VOA	45%	53%	58%	56%	Agree strongly/Agree
<b>EQUAL OPPORTUNITIES</b>					

How committed is the VOA as a whole to equal opportunities	71%	73%	76%	82%	Very committed/ Fairly Committed
Overall level of discrimination	n/a	27%	23%	21%	Frequent/Occasional
Overall level of bullying	n/a	10%	9%	10%	Frequent/Occasional
Satisfaction with handling bullying and discrimination complaints	n/a	20%	22%	23%	Very/fairly satisfied
Satisfaction with action taken on bullying and discrimination complaints	n/a	15%	16%	15%	Very/Fairly satisfied
<b>COMMUNICATIONS</b>					
Generally speaking, how well informed do you feel about news, events and future plans for the VOA as a whole	58%	64%	67%	73%	Very/Fairly well informed
I have a good understanding of the VOA's overall plan for the next few years	30%	45%	50%	56%	Agree strongly/Agree
I am optimistic about the future of the VOA	15%	34%	48%	52%	Agree strongly/Agree
<b>LEADERSHIP</b>					
The VOA Management Board provide a clear sense of direction	14%	26%	31%	40%	Agree strongly/Agree
The VOA Management Board act as positive role models	5%	10%	13%	21%	Agree strongly/Agree



The VOA Management Board are in touch with the views and opinions of staff	7%	10%	12%	18%	Agree strongly/Agree
<b>PERFORMANCE MANAGEMENT</b>					
The system for performance management is fair and transparent	n/a	30%	36%	44%	Agree strongly/Agree

---

## Appendix 6

### Vision Statement

---

#### A WORLD CLASS VALUATION OFFICE AGENCY

##### ***Our vision***

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

##### ***Our purpose***

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

...compiling and maintaining accurate and comprehensive valuation lists for local taxation

... providing accurate valuations for national taxes

... delivering expert advice on valuations and strategic property management

... developing and maintaining a comprehensive and up-to-date property database

... advising policy makers on valuation and property issues

##### ***Our commitment is***

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

while reducing our impact on the environment and supporting the communities we serve.

---

**Appendix 7**  
**Draft Framework Document**

---

**FOREWORD BY THE PAYMASTER GENERAL**

*[Text required]*

**DAWN PRIMAROLO MP**  
**PAYMASTER GENERAL**

# FRAMEWORK DOCUMENT FOR THE VALUATION OFFICE AGENCY

## 1. STATUS AND FUNCTIONS OF THE AGENCY

- 1.1 The Valuation Office Agency (VOA) is an Executive Agency of Her Majesty's Revenue and Customs (HMRC). Its main functions are to:
- undertake rating valuation work in England and Wales on behalf of the Office of the Deputy Prime Minister (ODPM) and the Welsh Assembly Government (WAG)
  - undertake council tax valuation work in England and Wales on behalf of ODPM and WAG
  - provide valuation services to HMRC in England, Wales and Scotland in connection with direct taxes
  - provide valuation and property management services in England, Wales and Scotland to central government, the devolved administrations and public bodies and
  - support policy "owning" departments in advising Ministers on policy matters relating to property valuation.
- 1.2 The Agency does not have a separate legal status. It is part of HMRC.
- 1.3 The Commissioners for HMRC ("the Board of HMRC") are charged by statute with the care and management of the taxes that they administer and with responsibility for appointing:
- valuation officers for rating purposes
  - listing officers for council tax purposes
  - district valuers for Housing Act and other purposes.
- 1.4 The main statutory and other authorities under which the Agency operates are set out in Annex A. It may also provide valuation services under further statutory or non-statutory authorities.

## **2. AIM, OBJECTIVES AND PRIORITIES OF THE AGENCY**

### *Aim and objectives*

2.1 The Agency aims to provide a fair and robust basis for taxes which help to pay for public services and help drive better use of property in the public sector. Its objectives to enable this to be achieved are to:

- compile and maintain accurate and comprehensive valuation lists for local taxation
- provide accurate valuations for national taxes
- deliver expert advice on valuations and strategic property management
- develop and maintain a comprehensive and up-to-date property database and
- advise policy makers on valuation and property issues.

### *Priorities and Key Targets*

2.2 The Chief Executive of the Agency agrees the Agency's priorities with its major clients including the Board of HMRC and Treasury Ministers when planning and allocating resources for undertaking the Agency's functions. These priorities, together with specific shorter-term targets, are set out in the Agency's annual Forward Plan. Although some Key Targets vary from year to year as priorities change, a few core Key Target areas figure in Forward Plans for a number of consecutive years and assist HMRC and other major clients to achieve their PSA targets (or equivalent).

### **3. ORGANISATION, RESOURCES AND FINANCES**

#### ***Management structure***

- 3.1 The Agency is overseen by the Chairman and Board of HMRC, assisted by HMRC's Operating Committee.
- 3.2 The Agency is headed by a Chief Executive, who is responsible, and accountable, for the conduct of the Agency's operations.
- 3.3 The Chief Executive is supported by a Management Board consisting of senior managers in the VOA, plus one or more non-executive members appointed by the Chairman of HMRC and the Chief Executive.

#### ***Organisation***

- 3.4 The Agency conducts its operations through a network of local offices and specialist teams. The Chief Executive's Office, although based in London, includes a substantial number of post-holders located in various parts of the country. On 1 April 2005, the Agency had around 5,300 staff.

#### ***Changes to the organisation***

- 3.5 The Chief Executive may, within the delegated authorities under this document, make such changes to the organisation considered necessary to maintain and improve the performance of the Agency.

#### ***Resources and funding***

- 3.6 The principal resources of the Agency are its people, its systems and technology, and its information bases.
- 3.7 The Agency operates on a net control arrangement, recovering the full resource cost of its funding from the clients for whom it provides valuation services.

### ***Financial objectives***

- 3.8 The financial objective of the Agency is to recover the full economic costs of its operation, within each business segment, through charges for the services it provides.

### ***Financial provision***

- 3.9 The resource required by the Agency, and its charges, for each of its projected work programmes is agreed with its clients. In each case, a service level agreement sets out the arrangements under which the VOA provides its services to clients and the repayment arrangements. The resources of the Agency are identified separately within the overall HMRC Departmental total. Where Ministers or Treasury officials raise significant issues relating to the Agency's needs, the Chief Executive or the Agency's Director of Finance are consulted and, where appropriate, involved in the discussions.

### ***Financial delegations***

- 3.10 The Chief Executive has full financial authority within the resources Voted for which he or she is accountable, including authority to:
- commit and certify expenditure, both cash and non cash
  - authorise payment and accept receipts
  - enter into contracts for the supply or receipt of goods and services.
- 3.11 Such authorities are subject to limits delegated by the Board of HMRC and may, or may not, be set at the same level delegated from the Treasury to HMRC. With effect from the next formal Spending Review the Agency will be granted limited End-Year Flexibility to carry forward resources into the next financial year within an SR period.
- 3.12 The Chief Executive may delegate financial authority in writing to appropriate post-holders within the Agency.

## 4. ACCOUNTABILITY

### *Ministerial responsibilities*

- 4.1 The Chancellor of the Exchequer is accountable to Parliament for the Agency as part of his or her responsibility for HMRC. On behalf of the Chancellor, a designated Treasury Minister sets the Agency's overall objectives and approves its business plans, including its financial and other performance targets. At present the Paymaster General is the designated Minister. Where, however, the Agency carries out statutory functions relating to matters other than taxes administered by HMRC, the Ministers in charge of the Departments with policy responsibility for those matters are accountable for the policy and legislative framework within which the Agency carries on those functions (see Annex A).
- 4.2 Ministers are not involved in the day-to-day management of the Agency.

### *The Executive Chairman of HMRC*

- 4.3 The Executive Chairman of HMRC, as principal Accounting Officer for the Department, is responsible for ensuring that there is a high standard of financial management in HMRC as a whole, including the Agency.
- 4.4 The Chairman, in consultation with the Board of HMRC, its Operating Committee and the Chief Executive of the Agency, is responsible for strategic oversight of the Agency and advises Treasury Ministers on:
- overall objectives and financial and other targets for the Agency and its performance against them
  - the performance of the Chief Executive of the Agency
  - any changes needed to the Agency's operating framework
  - policy and other issues where HMRC has an interest.

### *The Chief Executive*

- 4.5 The Chief Executive of the Agency is appointed by the Chairman of HMRC.



- 4.6 The Chief Executive is responsible to the Board of HMRC for the exercise of the Board's statutory and other responsibilities that are devolved to the Agency. He or she is accountable to the Chairman, and through the Chairman to Treasury Ministers, for the management of the Agency and for the delivery of the Agency's objectives and targets.
- 4.7 As additional Accounting Officer for the Agency's Request for Resources, the Chief Executive is personally responsible for ensuring propriety and regularity of the public finances for which he or she is answerable, and for the efficient and effective use of all resources. As part of these responsibilities, an annual statement on internal control will be included with the Agency's accounts.
- 4.8 The Chief Executive is, in addition, responsible for:
- ensuring that the requirements of Government Accounting and the Resource Accounting Manual are met
  - ensuring that the Agency observes any general guidance issued by the Treasury or the Cabinet Office
  - putting into effect any recommendations of the Public Accounts Committee, other Parliamentary Select Committees or other Parliamentary authorities that are accepted by the Government.
- 4.9 The Chief Executive may be summoned before the Public Accounts Committee or other Parliamentary Select Committees to give evidence when the affairs of the Agency are examined.
- 4.10 The Chief Executive has direct access to Treasury Ministers on any issues affecting his or her operational responsibilities, following consultation with the Chairman of HMRC where the issue affects the Chairman's responsibilities as principal Accounting Officer or has wider implications for HMRC.

***Liaison and consultation between the Agency and HMRC***

- 4.11 The Chairman and the Chief Executive are jointly responsible for ensuring that there are effective arrangements for liaison and co-operation at Board and working level between the Agency and HMRC on all matters that affect their responsibilities and interests.
- 4.12 The Chairman designates a member of the Board of HMRC to act as a central point of contact between HMRC and the Agency, with responsibility for:

- providing advice and assistance to the Chairman, the Board of HMRC and its Operating Committee on issues relating to the Agency;
- monitoring the financial and other interests of HMRC in relation to the Agency;
- providing advice and assistance to the Chief Executive of the Agency as necessary;
- representing the Agency's interests within HMRC; and
- liaising with major clients of the Agency on a regular basis.

***Internal audit and management inspection***

- 4.13 As additional Accounting Officer, the Chief Executive commissions the internal audit and management inspection services required to ensure the proper and efficient conduct of the Agency. These services comply with the objectives, standards and practices laid down by HMRC, and by the Treasury or Cabinet Office (the "central Departments").
- 4.14 Individual audit reports are made to the Chief Executive, who is responsible for acting on the recommendations. An annual statement on internal control is given by the Chief Executive. This will be informed by the work of the internal auditors and executive managers within the Agency. The Chairman, as principal Accounting Officer, reserves the right to ask his Chief Internal Auditor to review aspects of the Agency's operations or systems, after consultation with the Chief Executive.

***External audit***

- 4.15 The Agency is subject to external audit by the Comptroller and Auditor General.

## **5. BUSINESS REPORTING AND PLANNING**

### ***Business Plans***

- 5.1 Each year, following consultation with major clients, the Chief Executive submits for consideration and approval by the Chairman of HMRC and Treasury Ministers, a business plan (the Forward Plan) setting out the Agency's aims, objectives, business strategies, work programmes and forecasts for a period of years with the first year being covered in detail.
- 5.2 The principal performance measures for the Agency, covering financial efficiency, effectiveness and quality of service elements, are formally agreed between Treasury Ministers, the Chairman of HMRC and the Chief Executive. Since much of the Agency's work is carried out for other departments, they are closely involved in setting the measures and targets for that work. Key targets in relation to those measures are set and announced by Treasury Ministers annually, normally before the end of April.
- 5.3 The Chief Executive submits regular reports on the Agency's performance to HMRC's Operating Committee and to the Board member referred to at paragraph 4.12 above, who will keep the Chairman and Board of HMRC in touch as appropriate.

### ***Annual Report and Accounts***

- 5.4 Each year the Chief Executive prepares and signs an Annual Report and Accounts, showing the Agency's performance against its financial and operational targets, for presentation to major clients, the Board of HMRC and to Treasury Ministers, with the aim of laying the Report and Accounts before Parliament by the summer recess. In addition the resource accounts of the Agency will be consolidated into the overall HMRC resource accounts.
- 5.5 The Accounts are prepared in accordance with the Accounts Direction issued by the Treasury under Section 7 of the Government's Resources and Accounts Act 2000.
- 5.6 HMRC's annual report, currently published in the autumn, also gives an account of the Agency's performance.

## **6. MANAGING HUMAN RESOURCES**

### ***Status of Agency employees***

- 6.1 The Agency's employees are civil servants.

### ***Responsibilities of the Chief Executive***

- 6.2 The Chief Executive has delegated responsibility for the management of the Agency's human resources and its industrial relations, subject only to the matters noted below at paragraphs 6.6, 6.7 and 6.9.
- 6.3 The Chief Executive exercises these responsibilities with regard to provisions and guidance issued by the central Departments (including the Civil Service Commissioners). He or she may bring forward proposals for alternative human resources or industrial relations policies designed specifically to meet the business objectives and operational needs of the Agency. These may be implemented with the agreement, where appropriate, of HMRC or the central Departments, and after consultation – including negotiation, where appropriate – with staff and their trade union representatives where changes in terms and conditions are envisaged.

### ***Consultation between the Agency and HMRC***

- 6.4 Where new human resources policies of mutual interest to the Department and the Agency are being planned, there is consultation between the parties.

### ***Statutory appointments***

- 6.5 The Board of HMRC has devolved responsibility for the appointment of valuation officers, listing officers and district valuers to the Chief Executive.

### ***Recruitment, promotion and early releases***

- 6.6 Recruitment and promotions are conducted in accordance with provisions and guidance issued by the central Departments concerning fair and open competition. HMRC retains responsibility for substantive advancements to the Senior Civil Service Band 1A and above.
- 6.7 The Agency consults HMRC on its policies regarding early releases. HMRC retains responsibility for early releases at Senior Civil Service

Band 1A and above, and for dismissals for inefficiency for all Senior Civil Servants.

### ***Performance management, pay and grading***

- 6.8 The Chief Executive is responsible for performance management, pay and grading systems for all VOA staff outside the Senior Civil Service. He or she ensures that the Agency's pay and grading systems continue to meet the Agency's needs within the amounts that it can afford, consulting with the Board of HMRC about any significant changes to these systems and on plans for annual pay awards.
- 6.9 The pay and grading of the Senior Civil Service will accord with the general procedures applying in HMRC, subject to any variations agreed by the Chief Executive and HMRC in the light of VOA circumstances.

### ***Interchange***

- 6.10 The Agency encourages the interchange of staff within the public sector and between the public and the private sectors where this is of benefit for career development or operational reasons.

### ***Diversity***

- 6.11 The Chief Executive and other Agency managers will ensure that there are equal opportunities and treatment for all staff and applicants for employment in accordance with HMRC policy.

### ***Staff training and development***

- 6.12 The Agency recognises training and development to be essential elements of human resources management for staff at all levels. It develops its training strategy to ensure that staff throughout the organisation have a clear understanding of the Agency's aims and objectives, a commitment to high standards of service in delivering the main functions to customers, and proper training for their roles.

### ***Trade union representation***

- 6.13 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 Agency works in partnership with the Trade Unions to ensure that the views of staff are represented at all levels in the Agency, from policy development to implementation.

*Health and safety matters*

- 6.14 The Chief Executive is bound by HMRC's health and safety policy statements and by all relevant health and safety legislation. The Agency has its own health and safety officer whose duty it is to ensure that policy and legal requirements are met.

## **7. SERVICES TO MINISTERS, CENTRAL GOVERNMENT, DEVOLVED ADMINISTRATIONS, PUBLIC BODIES AND COMMERCIAL POLICY**

### ***Handling MPs', MSPs' and AMs' questions, enquiries and complaints***

- 7.1 The Chief Executive provides Treasury (and where appropriate other) Ministers with any information needed to answer Parliamentary Questions or deal with any other Parliamentary business, including debates, concerning matters for which the Agency is responsible. Treasury Ministers decide how best to respond to Parliamentary Questions about the Agency. Where an MP asks a question about any matter delegated to the Agency under this Framework Document, Treasury Ministers normally ask the Chief Executive to reply directly to the MP. Such letters from the Chief Executive are published in Hansard.
- 7.2 Normally the Chief Executive or his senior managers in Scotland and in Wales will reply direct to the questions of members of the Scottish Parliament or Welsh Assembly in relation to matters delegated to the Agency under this Framework Document.
- 7.3 MPs, MSPs, AMs and members of the public who have a complaint about the Agency are encouraged to write in the first place to the relevant Group Valuation Officer, District Valuer or other operational manager and, if necessary, then to the Chief Executive. If they remain dissatisfied, they can refer their complaint to the independent Adjudicator.
- 7.4 MPs can also refer complaints about the Agency to the Parliamentary Commissioner for Administration (the Parliamentary Ombudsman). The Chairman of HMRC, as the Principal Officer of the Department, is responsible for dealing with inquiries by the Parliamentary Ombudsman, but in the majority of cases he or she delegates this responsibility to the Chief Executive.

### ***Provision of reserved services***

- 7.5 The Agency normally enters into service level agreements with central government, the devolved administrations and other public bodies for which it undertakes work which is reserved to it. Such agreements specify:

- the nature of the services to be provided
- the basis on which work will be charged for
- the statistical information to be supplied
- the processes for monitoring and reviewing the agreements, including where appropriate revisions following the outcome of Spending Reviews

7.6 Each service level agreement includes agreed performance measures and targets. The Agency also provides its clients with any information that they may reasonably require to enable them to evaluate performance and to satisfy themselves that best value is being obtained. Regular meetings to discuss the Agency's performance are held with a number of its major clients

***Provision of other services and commercial policy***

7.7 The Agency may also provide valuation services to central government, the devolved administrations and other public bodies where this is expedient in connection with exercise of functions of a public nature.

7.8 In undertaking this work the Chief Executive must be satisfied that:

- it will not conflict with the Agency's core functions
- the price agreed for the work is consistent with the objective of recovering the full cost of the Agency's operations
- it complies with Section 10 of the CRC Act 2005 .



## **8. PROVISION OF SUPPORT SERVICES**

### *General arrangements*

- 8.1 The Chief Executive is responsible for ensuring that the Agency has access to the support services it requires and that, wherever appropriate, service level agreements are in place.
- 8.2 The Chief Executive keeps under review the level, timeliness, quality and value for money of any support services, whether provided in-house, by HMRC, or contracted out. He or she may, with the agreement of HMRC, untie from HMRC in respect of any service the latter currently provides. Any proposal to do so must have regard to the financial and value for money implications for HMRC and the Agency, including the impact on any existing contractual commitments.

## **9. REVIEW OF THE FRAMEWORK**

### ***Review***

- 9.1 This Framework Document will be reviewed in three years' time, unless Ministers direct otherwise.

### ***Amendment***

- 9.2 The Chief Executive or the Chairman of HMRC may propose amendments to the Framework Document at any time. Such amendments may be made, subject to consultation with major clients of the Agency and to the approval of Ministers.

### ***Publication***

- 9.3 Copies of this Framework Document, and of any revised editions, will be placed in the Libraries of the Houses of Parliament.

## ANNEX A

### ***STATUTORY AND OTHER AUTHORITIES COVERING THE AGENCY'S ACTIVITIES***

1. The Agency continues to operate under a number of different authorities in relation to its work. These include those devolved to the Chief Executive by the Board of HMRC in connection with the Board's responsibility for the care and management of the taxes they administer.
2. The principal authorities which relate to statutory officers within the Agency are:
  - (a) in relation to a district valuer
    - authorities arising under the Housing Acts (with analogous provision in Scotland)
  - (b) in relation to a listing officer
    - authorities arising under the Local Government Finance Act 1992, and regulations made under it, concerning the compilation and maintenance of valuation lists in England and Wales.
  - (c) in relation to a valuation officer
    - authorities arising under the Local Government Finance Act 1988, and regulations made under it, concerning the compilation and maintenance of rating lists in England and Wales
    - various references in other primary and secondary legislation concerning the certification and apportionment of rateable values by valuation officers for different purposes in England and Wales.
3. Administrative authorities which relate to the Agency as a whole include:  
Section 10 of the Commissioners for Revenue and Customs Act 2005
4. The Agency is also authorised by the Treasury to:
  - (a) market tradable information in respect of which it has special knowledge, subject to certain legal constraints
  - (b) provide advice or assistance including training to overseas Governments in connection with the development of land or property based taxation systems.