

FRAMEWORK DOCUMENT:

**between the Department for
Communities and Local
Government and the Valuation
Tribunal Service**

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VALUATION TRIBUNAL SERVICE FRAMEWORK DOCUMENT

INTRODUCTION

1.1 This framework document has been drawn up jointly by the Department for Communities and Local Government (DCLG) and the Valuation Tribunal Service (VTS). It sets out the broad framework within which the VTS and DCLG intend to operate. The document does not convey any legal powers or responsibilities.

1.2 The framework clarifies the reciprocal arrangements in relation to: governance and accountability; management and financial responsibilities; DCLG clearance and delegations; and the employment of staff. The statute setting up and governing the VTS and any other legislation relevant to the operation of the VTS takes precedence over any provision of the framework that is found to be in conflict with such legislation.

1.3 The Framework Document also sets out requirements and makes general provision related to the payment and expenditure of public money and governs the formal sponsorship relationship between the VTS and the DCLG. Particular regard should be taken of relevant Treasury guidance including Managing Public Money and Consolidated Budgeting Guidance.

1.4 Detailed guidance underpinning the principles set out in the Framework Document will be set out periodically through the issue of financial management notes (MS FD notes) which are issued by HM Treasury from time to time in order to set out, for the mutual benefit of DCLG and VTS, how particular accounting or management processes or initiatives will work. These financial management notes underpin the framework. They will not, however, change the meaning or intention of the framework and will not normally require formal adoption by the VTS. Compliance with these MS FD Notes will be mandatory for VTS and DCLG.

1.5 Both DCLG and VTS will carry out their responsibilities under this Framework and deal with requests associated with their respective responsibilities in a timely manner.

1.6 Copies of this document have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the VTS website.

PURPOSE OF THE VTS

Founding legislation

2.1 Under the Local Government Act 2003 (sections 105-6 and Schedules 4 and 5) the VTS has been established as an executive non-departmental public body (NDPB) in order to support the strategic objectives agreed for DCLG.

Statutory functions and duties

2.2 The VTS has the following statutory functions in relation to the Valuation Tribunal for England:

- to provide, or arrange for the provision of, the services required for the operation of the Valuation Tribunal for England, particularly accommodation, staff (including the clerk to tribunal), information technology, equipment and training for members of the Valuation Tribunal for England and all staff of (including the clerk to) the tribunal and;
- to give general advice about procedure relating to proceedings before the Valuation Tribunal for England.

2.3 It has, in addition, the following statutory duties:

- to provide the Secretary of State for Communities and Local Government with such information advice and assistance as he may require;
- to carry out its functions with respect to the Valuation Tribunal for England in the manner which it considers best calculated to secure its efficient and independent operation;
- in relation to its functions with respect to the Valuation Tribunal for England, it shall consult the Valuation Tribunal for England about the carrying out of its functions;
- to comply with directions from the Secretary of State for Communities and Local Government under section 105(7)(a) of the Local Government Act 2003 and take account of any guidance issued by the Secretary of State under section 105(7)(b) of the same Act;
- to keep proper accounts and records in relation to accounts and prepare a statement of accounts each financial year;
- to provide to the Secretary of State for Local Government and the Comptroller and Auditor General the statement of accounts after the end of each financial year; and
- to keep minutes of proceedings of the VTS, its committees and sub-committees signed by their Chairmen if they are to be evidence of those proceedings.

2.4 The Act confers certain powers on the VTS including the following:

- to do anything it considers is calculated to facilitate, or is conducive or incidental to, carrying out its functions;
- to establish committees;

- to appoint to a committee a member of the Valuation Tribunal for England who is not a Board member of the VTS;
- to pay remunerations and allowances to members of VTS committees and sub-committees in accordance with the determination of the Secretary of State for Communities and Local Government;
- to regulate its own procedures (including quorum);
- to delegate in writing any of its functions to any committee or employee; and
- to authorise any Board member or employee of the VTS to apply a seal or sign any document of the VTS.

Strategic Aims

2.5 The VTS' strategic aims, which have been agreed with the responsible Minister, are to:

- enhance its support to the Valuation Tribunal for England,
- further improve the way it works and achieve a higher quality and more consistent service,
- operate in ways which are efficient, economic and provide value for money,
- build capacity to deliver through its people, and
- to enhance the end to end customer experience of valuation tribunal users by incorporating their needs as its primary concern.

GOVERNANCE AND ACCOUNTABILITY

VTS legal origins of powers and duties

3.1 The VTS' powers and duties stem from sections 105-6 of, and Schedules 4-5 to the, Local Government Act 2003. Additionally, the procedures through which the VTS administers, on behalf of the Valuation Tribunal for England, appeals in relation to council tax and national non-domestic rating matters or otherwise assists the Valuation Tribunal for England, are set out in the following statutory instruments:

- SI 2009/2267 - The Valuation Tribunal for England (Membership and Transitional Provisions) Regulations 2009 (as amended by SI 2009/2613)
- SI 2009/2268 - The Non-Domestic Rating (Alteration of Lists and Appeals) (England) Regulations 2009

- SI 2009/2269 - The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) regulations 2009
- SI 2009/2270 - The Council Tax (Alteration of Lists and Appeals) (England) Regulations 2009
- SI 2013/465 - The Valuation Tribunal for England (Council Tax and Rating Appeals) (Procedure) *Amendment) Regulations 2013

Ministerial responsibility

4.1 The Secretary of State for Communities and Local Government has overall responsibility to Parliament for the VTS.

DCLG Accounting Officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)

5.1 The Principal Accounting Officer of the Department for Communities and Local Government has designated the VTS Chief Executive as the VTS' Accounting Officer and may withdraw this designation if he/she believes that the incumbent is no longer suitable for the role. The respective responsibilities of the Principal Accounting Officer and Accounting Officers for arm's length bodies are set out in Chapter 3 of *Managing Public Money* which is sent separately to the VTS Accounting Officer on appointment.

5.2 The Permanent Secretary of DCLG is the Principal Accounting Officer of the Department as a whole. As such he/she has a duty to satisfy him/herself that arms' length bodies sponsored by the Department have adequate financial systems and procedures in place to promote the efficient and economical conduct of their business and to safeguard financial propriety and regularity. He/she also advises the Minister on the allocation of Departmental resources. He/she is supported in this role by the Investment and Finance Sub-Committees.

5.3 The responsibilities of Accounting Officers are set out in more detail in *Managing Public Money* and take precedence over those Accounting Officers established by delegation. In particular in relation to the VTS, the DCLG's Departmental Accounting Officer has the following responsibilities:-

- designating the VTS Accounting Officer and issuing the terms and requirements of the post of Accounting Officer;
- ensuring that procedures are designed to achieve organisational objectives whilst ensuring a high standard of financial management; ensuring that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity throughout the Department; ensuring that financial considerations are fully taken into account in decisions on policy proposals;

- ensuring that arrangements are in place inside the VTS and within DCLG to monitor corporate VTS activities on an ongoing basis and to ensure that the financial and other management controls applied by DCLG to the VTS are appropriate and sufficient to safeguard public funds;
- ensuring that the organisation's procurement procedures and projects are systematically evaluated and assessed to provide confidence about their suitability, effectiveness, prudence, quality, and value for money;
- monitoring compliance by the VTS with all such arrangements and controls;
- ensuring that the internal controls applied by the VTS conform to the requirements of regularity, propriety and good financial management; and that the VTS supplies to DCLG an adequate flow of information on matters of strategic, operational and financial performance, budgeting, control and risk management, including the VTS's Governance statement (this replaces the Statement on Internal Control). Further, the Departmental Accounting Officer may instigate such investigations as he/she considers appropriate or necessary under advisement by the DCLG Audit and Risk Committee and other stakeholders;
- being accountable to Parliament (particularly before the Public Accounts Committee) for VTS spending, and for ensuring that this is within the relevant control limits, and that Parliamentary authority has been sought and given.

5.4 The Accounting Officer is also responsible for advising the responsible Minister:

- on an appropriate framework of objectives and targets for the VTS in the light of the Department's wider strategic aims;
- on an appropriate budget for the VTS in the light of the sponsor Department's overall public expenditure priorities; and
- how well the VTS is achieving its strategic objectives and whether it is delivering value for money.

Sponsorship Team

6.1 The VTS Sponsorship Team in the DCLG is the primary contact for the VTS. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the VTS. They also support DCLG's Accounting Officer on his or her responsibilities toward the VTS.

6.2 The sponsorship team shall meet the Board Chairman formally once a year to discuss the Board's activities. They also have a standing invitation to attend Board and Audit Committee meetings held throughout the year.

6.3 The sponsorship team shall liaise regularly (at least quarterly) with the VTS Chief Executive and his staff to discuss VTS performance against plans; to explain wider policy developments that might have an impact on the VTS; and to discuss any other issues of common interest. The sponsorship team is available to provide ad hoc support and advice to the VTS when appropriate and without assuming responsibilities that belong properly to the VTS.

Responsibilities of the Chief Executive as VTS Accounting Officer

General

7.1 Chapter 3 of *Managing Public Money* sets out the responsibilities of an Accounting Officer, whether in a Department or arms length body such as the VTS. The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the VTS. In addition, he or she should ensure that the VTS as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to *Managing Public Money*.

VTS Accounting Officer responsibilities for accounting to Parliament

7.2 The accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the VTS are established and made widely known within the VTS;
- acting in accordance with the terms of this document, *Managing Public Money* and other instructions and guidance issued from time to time by DCLG, the Treasury and the Cabinet Office; and
- giving evidence, normally with the Principal Accounting Officer of DCLG, when summoned before the Public Accounts Committee on the VTS' stewardship of public funds.

Responsibilities to DCLG

7.3 Particular responsibilities to DCLG include:

- establishing, in agreement with the department, the VTS corporate and business plans in the light of the department's wider strategic aims and agreed priorities;
- informing the department of progress in helping to achieve the department's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that accurate, timely, forecasts and monitoring information on performance and finance are provided to DCLG in the format, within deadlines and in the level of detail as set out under 'Resource Management and Corporate Governance (ALBs) and any guidance issued by DCLG;
- ensuring that appropriate corrective action is taken to avoid overspending or underspending its allocated budgets and that DCLG is notified promptly when overspending or underspending is likely, together with the detailed reasons for it, including any financial risks and issues and details of the programme expenditure affected by it;
- ensuring that any significant problems, including financial, are immediately notified to DCLG with proposals to address them where possible;
- ensuring that VTS understand and comply with financial controls, delegations and any specific requirements relating to capital or AME expenditure, in particular, compliance with the deadlines and process for the Supplementary Estimates; and
- ensuring that Grant-in-Aid claims and financial data returns to DCLG have been made in accordance with 'Managing Public Money'.

Responsibilities to the VTS Board

7.4 The VTS Chief Executive and Accounting Officer is responsible for:

- advising the Board on the discharge of the VTS Board's' responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the VTS' performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.8.6 of *Managing Public Money* if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or

economical administration, efficiency or effectiveness, questionable feasibility, or is unethical;

- maintaining a system of risk management to inform financial and operational decisions in accordance with the Treasury's '*Orange Book: management of risk – principles and concepts*'; and
- ensuring that all material, relevant financial considerations are taken fully into account by VTS at all stages in reaching and executing its decisions as part of its governance and approval processes, and that standard financial appraisal techniques are followed using the Treasury's *Green Book, Appraisal and Evaluation in Central Government*² to evaluate alternatives, and good quality project and programme management techniques, such as Office of Government Commerce (OGC) Gateways, are used to track and, where necessary, take corrective action

The VTS Board

8.1 The powers of the VTS are set out in the Local Government Act 2003. The Board has powers to make rules, establish committees, to appoint a Chief Executive (with the consent of the Secretary of State) and to appoint staff. It should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board must set up an Audit Committee on which an independent non-executive member sits to provide independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

8.2 The Board is specifically responsible for:

- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department;
- establishing and taking forward the strategic aims and objectives of the VTS consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- ensuring that the Board receives and reviews regular financial information concerning the management of the VTS; is informed in a timely manner about any concerns about the activities of the VTS; and provides positive assurance to DCLG that appropriate action has been taken on such concerns;
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of the VTS or on the

² <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

attainability of its targets, and determining the steps needed to deal with such changes;

- demonstrating high standards of corporate governance at all times, including by using the independent audit committee member to help the Board to address key financial and other risks; and
- appointing with the Secretary of State's approval a Chief Executive and, in consultation with DCLG, setting performance objectives and remuneration terms, in line with the Cabinet Office Spending Controls, and linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources.

The Chairman's personal responsibilities

8.3 The Chairman is responsible to the Secretary of State for Communities and Local Government. Communications between the VTS Board and the responsible minister should normally be through the Chairman. He or she is responsible for ensuring that the VTS' policies and actions support the Secretary of State's wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the VTS.

8.4 In addition, the Chairman has the following leadership responsibilities:

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or DCLG;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

8.5 The Chairman also has an obligation to ensure that:

- the work of the Board and its members are reviewed and is working effectively;
- the Board has a balance of skills appropriate to directing the VTS' business, as set out in the Government Code of Good Practice for Corporate Governance;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate training on financial management and reporting

requirements and on any differences that may exist between private and public sector practice;

- the responsible minister is advised of the VTS' needs when Board vacancies arise;
- he or she assesses the performance of individual Board members particularly when being considered for re-appointment;
- there is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance; and
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

Deputy Chairman's responsibilities

8.6 The Deputy Chairman shall act as Chairman in the event of a vacancy in the office of Chairman or in the absence of the Chairman.

Individual Board members' responsibilities

8.7 Individual Board members have an overall responsibility to ensure that the VTS fulfils its statutory functions. In addition they should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the VTS.

Annual report and accounts

9.1 The VTS falls within the DCLG consolidation boundary as set in annual Designation Orders, unless otherwise agreed. Accordingly, the VTS must produce such consolidation packs as required in a format and to a timetable specified by DCLG to produce compliant Resource Accounts as part of ensuring the accounts of VTS are consolidated in the DCLG Resource Accounts.

9.2 The VTS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The VTS shall provide DCLG with its finalised audited accounts by 30 June each year.

9.3 The annual report must:

- comply with the Treasury's Financial reporting Manual (FReM); and
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

9.4 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the VTS' website, in accordance with the guidance in the Financial reporting Manual. A draft of the report should be submitted to DCLG at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by DCLG as well as, where appropriate, the Financial reporting Manual.

Internal audit

10.1 The VTS shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS) <https://www.gov.uk/government/publications/public-sector-internal-audit-standards> ;
- ensure DCLG is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with Government Internal Audit Standards (GIAS 5.2);
- set up an audit committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the *Audit and Risk Assurance Committee Handbook*;
- forward the audit strategy, periodic audit plans and annual audit report, including the VTS Head of Internal Audit opinion on risk management, control and governance as soon as possible to DCLG; and
- keep records of, and prepare and forward to DCLG an annual report on fraud and theft suffered by the VTS and notify DCLG of any unusual or major incidents as soon as possible.

10.2 DCLG's internal audit service has a right of access to all documents prepared by the VTS internal auditor, including where the service is contracted out.

External audit

11.1 The Comptroller & Auditor General audits the VTS annual accounts and lays them before Parliament, together with his report.

11.2 The C&AG:

- will consult DCLG and the VTS on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the Comptroller and Auditor General;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the VTS;
- shall share with the sponsor department information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on DCLG's responsibilities in relation to financial systems within the VTS; and
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

11.3 The Comptroller and Auditor General may carry out examinations into the economy, efficiency and effectiveness with which the VTS has used its resources in discharging its functions. For the purpose of these examinations the Comptroller and Auditor General has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the VTS shall provide, in conditions to grants and contracts, for the Comptroller and Auditor General to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the Comptroller and Auditor General to any other documents required by the Comptroller and Auditor General which are held by other bodies.

Right of access

11.4 DCLG has the right of access to all VTS records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

MANAGEMENT AND FINANCIAL RESPONSIBILITIES

Managing Public Money and other government-wide corporate guidance and Instructions

12.1 Unless agreed by DCLG and, as necessary, HM Treasury, the VTS shall follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the

Sponsorship Team in DCLG in the first instance. A list of guidance and instructions with which the VTS should comply is in Appendix 2.

12.2 Additionally, VTS are required to ensure that there is full compliance with Cabinet Office, HM Treasury and DCLG "Spending Controls", including budget allocations will not be breached, including those areas that are ring fenced;

12.3 The VTS shall ensure that spending decisions are:

- considered and approved through the appropriate channels;
- always approved by the delegated/authorised person;
- not extravagant, wasteful, and represent good value for money;
- able to be justified through a robust and valid business case;
- sustainable;
- actual spending is reviewed on a monthly basis, and corrections and inaccuracies to amounts and/or expenditure codings are identified and addressed;
- actual expenditures are not retrospectively adjusted;
- they promptly support Transparency initiatives, including the monthly publication of financial transactions over £250;
- expenditure forecasts are reasonable and accurate;
- cash forecasts are reasonable and accurate;
- spending is recorded against the correct budget line;
- financial reports are reviewed/challenged, issues and inaccuracies are addressed; and
- measures are in place to assess and improve financial performance.

12.4 Non-compliance could indicate a breach of delegated spending limits, and could lead to irregular expenditure. Where irregular expenditure is identified, the National Audit Office will consider whether this leads to a need for the Comptroller and Auditor General to qualify his regularity opinion.

12.5 Once the budget has been approved by the sponsor, the VTS shall have authority to incur expenditure approved in the budget without further reference to DCLG, (subject to any restrictions imposed by statute, the responsible minister's instructions or this document) on the following conditions:

- the VTS shall comply with the delegations set out in Appendix 1. These delegations shall not be altered without the prior agreement of the sponsor department;
- the VTS shall comply with *Managing Public Money* regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- the VTS shall provide the sponsor department with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require.

Corporate governance

Board appointments - the Chairman and Board members

13.1 The VTS Chairman and Board members may be appointed for periods of up to three years by the responsible minister. Such appointments shall comply with the Commissioner for Public Appointments *Code of Practice for Ministerial Appointments to Public Bodies*.

13.2 The provisions of the Local Government Act 2003 require the Board to consist of between 6 and 10 members, including the Chairman and Deputy Chairman. The Act also requires that the majority of Board members are drawn from serving senior members of the Valuation Tribunal for England. The President of the Valuation Tribunal for England is an ex officio member of the Board.

13.3 In line with the government's *Code of good Practice* (<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>), the Board is to have a balance of skills and experience appropriate to directing the VTS' business. For the VTS there should be members who have experience of the Valuation Tribunal for England, operational delivery, corporate services such as human resources, accountancy or finance, information technology, property and estate management, communications and performance management. All members of the VTS Board will follow the principles set out in the *Code of Conduct for Board Members of Public Bodies* (<http://www.bl.uk/aboutus/governance/blboard/Board%20Code%20of%20Practice%202011.pdf>)

Board appointments – the Chief Executive

13.4 The Chief Executive is appointed by the VTS with the approval of the responsible DCLG minister.

Risk management

14.1 The VTS shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the HM Treasury guidance *Management of Risk: Principles and Concepts* (http://www.hm-treasury.gov.uk/orange_book.htm). It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the HM Treasury's guide: *Managing the Risk of Fraud* (http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf). It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

Forward Plan and business plan

15.1 Before the commencement of each financial year, the VTS shall submit to DCLG a draft of the Forward Plan covering three years ahead. The VTS shall agree with DCLG the issues to be addressed in the plan and the timetable for its preparation. The Plan shall reflect the VTS' statutory duties and, within those duties, the priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the VTS contributes to the achievement of DCLG's strategic objectives.

15.2 The first year of the Forward Plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by DCLG. A copy of the Forward Plan and business plan shall be published by the VTS on its website and separately be made available to staff.

15.3 The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- a review of performance in the preceding financial year and an estimate of performance in the current year;
- an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between DCLG and the VTS.

The Departmental Expenditure Limit (DEL)

16.1 The VTS' current and capital expenditure form part of DCLG's Local Government Resource DEL and Capital DEL respectively.

Budgeting procedures

17.1 Each year, in the light of decisions by DCLG on the updated draft Forward Plan, DCLG shall send to the VTS before the commencement of each financial year:

- a formal statement of the annual budgetary provision allocated by DCLG in the light of competing priorities across the department and of any forecast income approved by DCLG; and
- a statement of any planned change in policies affecting the VTS.

17.2 The approved annual business plan shall take account both of approved funding provision and any forecast receipts (where this applies). The VTS shall also provide DCLG with a profile of expected expenditure against DEL resource and DEL Capital along with a profile for the draw-down of Grant in Aid over the year. Each profile should be regularly reviewed throughout the financial year and any changes in requirement reported to DCLG.

Activities requiring DCLG clearance including delegations

Novel and contentious proposals

18.1 The VTS must discuss with the Department at an early stage any novel, contentious or repercussive proposals likely to arise with respect to a particular piece of business or proposal, and must obtain the specific approval of the Department before:-

- incurring or making any promise to incur, any expenditure for any purpose which is, or might be considered, novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

18.2 The requirement in section 18.1 applies whether or not the proposal concerned is subject to any other requirement for consent or approval. Thus, for example, the requirement applies notwithstanding that it involves expenditure below financial delegation limits (see below). Treasury approval is also required in these cases, irrespective of the financial amounts involved.

Capital requirements

18.3 As soon as the VTS is aware of the need for capital expenditure, this must be included in forecasts and clearly identifiable as capital expenditure.

18.4 Where the VTS propose to make any capital spend, approval must be sought and secured from DCLG prior to making any financial commitment. The VTS must submit a business case to DCLG outlining the proposals and providing detail of the costs and benefits. This must also set out the profile of any expenditure paying particular attention to the year in which it will be spent. A template for the business case can be provided by DCLG and, when submitted, must be signed off by the VTS Chief Executive.

18.5 The total capital expenditure for the financial year must be agreed with DCLG and formally confirmed in writing by the Chief Executive in advance of the Supplementary Estimates.

Annual Managed Expenditure (AME) requirements

18.6 The VTS must notify the Department of any annual managed expenditure requirement as soon as possible. The DCLG will need to liaise with HM Treasury on behalf of the VTS in order to secure agreement to any additional annual managed expenditure. Final confirmation (based on an agreed amount) of annual managed expenditure requirement must be submitted by the Chief Executive of the VTS to DCLG in advance of the Supplementary Estimates Exercise.

Grant-in-aid

19.1 The VTS' resource and capital expenditure score in DCLG's resource and capital in the same way as the Department's own spending. Grant-in-aid payments to the VTS are outside the Departments budget, but it is still subject to control as it impacts on the Department's cash position.

19.2 The GIA will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The VTS shall comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from GIA shall be kept to a minimum level consistent with the efficient operation of the VTS. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, DCLG shall make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

Budget Exchange

20.1 Budget Exchange has replaced End Year Flexibility. Provision exists for Departmental Expenditure Limit (DEL) underspends identified in the run up to the Supplementary Estimate process (by early December at the latest) to be given up in-year and added to Departmental DEL totals in the following year. The additional funding in the following year will be used to deal with emerging

Departmental spending pressures. There is no provision to carry forward underspends at year-end.

Reporting performance to DCLG

21.1 The VTS shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The VTS shall inform DCLG of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives on a regular basis at the Quarterly Meetings between the VTS executive and the DCLG sponsorship team. The VTS' performance shall be formally reviewed by DCLG twice a year. The responsible minister shall meet the VTS Chairman once a year.

Financial Reporting to DCLG

21.2 DCLG has to provide forecast information to HM Treasury on a monthly basis, both for DEL expenditure and cash. HMT monitor this information very closely and use its accuracy as a performance measure for Departments. To facilitate this, VTS is required to submit the following financial information to DCLG to a timetable, format and level of detail specified by DCLG.

21.3 This will include the following information:

- actual expenditure and forecast profiles by month and end year outturn, by **resource and capital budget headings**, broken down to the detail shown in the Treasury Standard Chart of Accounts and otherwise as required by the Department, including reference to separate programmes, and against Departmental Expenditure Limit and Annual Managed Expenditure budget allocations;
- **cash management and forecast draw-down of Grant-in-Aid** - HM Treasury impose financial penalties on DCLG for poor cash management. The VTS must therefore produce timely monthly cash requirement forecasts one month in advance and update these with actual requirements at least seven days in advance of actual cash draw downs. In the event that DCLG is penalised by HM Treasury, then DCLG reserves the right to pass this on to VTS;
- **Grant-in-Aid** - each month, DCLG need to provide a cash forecast for the following month's grant-in-aid payment. The VTS's budget profile will be used for this purpose unless the VTS inform DCLG of any significant expected variances. The budget profile for grant-in-aid will be reviewed on a quarterly basis. Monthly grant claims should be signed off by the Accounting Officer confirming the request has been made in accordance with Managing Public Money;

21.4 The VTS should ensure that forecasts and actual expenditure is accurately recorded in SAP to meet the requirements of the DCLG accounts team. The VTS should provide a detailed explanation of any variances.

Providing monitoring information to DCLG

21.5 As a minimum, the VTS shall provide DCLG with information monthly that will enable DCLG satisfactorily to monitor:

- the VTS's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for HM Treasury purposes.

VTS and CLG working level liaison arrangements

21.6 Officials of the VTS Sponsorship team and Finance Business Partner in DCLG shall liaise regularly with VTS officials to review VTS financial performance against plans, achievement against VTS targets and the VTS expenditure against its Departmental Expenditure Limit, Annual Managed Expenditure and grant-in-aid allocations. The Sponsorship team shall also take the opportunity to explain wider policy developments that might have an impact on the VTS.

Delegated authorities

22.1 The VTS' delegated authorities are set out in appendix 1. The VTS shall obtain DCLG's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the VTS' annual budget as approved by DCLG;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DCLG;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

Commercial Insurance

23.1 In accordance with *Managing Public Money* (4.4 and Annex 4.4), the VTS shall not take out any insurance without the prior approval of DCLG, other than third party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation or which is permitted by *Managing Public Money*. In the event of a major loss or third-party claim, VTS should approach DCLG with a business case for additional resources and/or adjustment to the VTS's targets. A Certificate of Exemption for Employer's Liability Insurance has been issued to the VTS.

VTS staff

Broad responsibilities for VTS staff

24.1 Within the arrangements approved by the responsible minister, and the Treasury, the VTS shall have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- that remuneration is appropriate to responsibilities and in line with Government policy on public sector pay;
- the performance of its staff at all levels is satisfactorily appraised and the VTS performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the VTS objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and

- a code of conduct for staff is in place consistent with the Cabinet Office's *Model Code for Staff of Executive Non-departmental Public Bodies*:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf

Staff costs

24.2 Subject to its delegated authorities, the VTS shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Pay and conditions of service

24.3 The VTS shall follow Departmental guidance on pay matters, including the consolidated spending guidance (as updated), with Departmental approval required for any proposed major structural changes to pay and grading systems, and any proposals supported by a fully costed business case. DCLG will in turn consult HM Treasury, which has a strategic interest in public sector pay policy generally and in the control of public expenditure.

24.4 The VTS is required to provide DCLG with details of the National Joint Council pay award levels before agreeing those with its staff.

24.5 Staff terms and conditions should be set out in an Employee Handbook, a copy of which should be provided to DCLG together with subsequent amendments.

24.6 The VTS may devise and operate a performance-related pay scheme. The scope for performance pay in any year will be subject to the availability of funds within the VTS's budget and in accordance with "Managing Public Money" and any guidance set out by DCLG.

24.7 The travel expenses of Board members shall be tied to the rates allowed to senior staff of the VTS. Reasonable actual costs shall be reimbursed.

24.8 The VTS shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

Pensions, redundancy and compensation

24.9 The VTS's staff have a statutory right to membership of the Local Government Pension Scheme and to benefits in accordance with that scheme's provision. Staff may opt out of the occupational pension scheme provided by the VTS, but employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.

24.10 The VTS shall be liable to pay the required employer's contributions to the appropriate pension fund in respect of their staff who are members of the Local Government Pension Scheme, and any other payments required, in accordance with the statutory provisions governing the Local Government Pension Scheme, and shall comply with all the LGPS rules applying to scheme employers. DCLG stand ready to advise the VTS on Scheme matters and how these interface, for example, with FRS17 issues.

24.11 The VTS shall consult and obtain prior approval from DCLG on any proposal to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office. Proposals on severance payments must comply with the rules in chapter 4 of *Managing Public Money*.

Review of VTS status

25.1 The VTS shall normally be reviewed every 5 years.

Arrangements in the event that the VTS is wound up

26.1 DCLG shall put in place arrangements to ensure the orderly winding up of the VTS. In particular it should ensure that the assets and liabilities of the VTS are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department. To this end, DCLG shall:

- ensure that procedures are in place in the VTS to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the VTS's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the Comptroller and Auditor General for external audit, and that funds are in place to pay for such audits. It shall be for the Comptroller and Auditor General to lay the final accounts in Parliament, together with his report on the accounts; and
- arrange for the most appropriate person to sign the closing accounts. In the event that another Arms Length Body takes on the role, responsibilities, assets and liabilities, the succeeding Arms Length Body Accounting Officer should sign the closing accounts. In the event that DCLG inherits the role, responsibilities, assets and liabilities, DCLG's Principal Accounting Officer should sign.

26.2 The VTS shall provide DCLG with full details of all agreements where the VTS or its successors have a right to share in the financial gains of developers. It should also pass to DCLG details of any other forms of claw-back due to the VTS.

Appendix 1 - List of delegated authorities

Appendix 2 - List of government-wide corporate guidance instructions

Signed..... 	Signed..... 
Date.....12.09.2013.	Date.....12.09.13
(On behalf of DCLG)	(On behalf of the VTS)

APPENDIX 1

DELEGATED AUTHORITIES

Procurement

A1.1 The VTS' procurement policies shall reflect guidance from the Office of Government Commerce including *Procurement Policy Guidelines*. The VTS shall also ensure that it complies with any relevant EU or other international procurement rules.

A1.2 Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Any contracts to be let other than by competitive tender require the prior consent of the DCLG, except for the following categories:

- **De Minimis:** formal competitive tenders are not required for contracts worth less than £3,000
- **Single Tender:** contracts up to £25,000 where there is no reasonable alternative (for example, for certain specialist or fixed price services) or in cases of extreme urgency (for example, to remove a risk to public safety) may be let by single tender action.

A1.3 The VTS shall send to the DCLG after each financial year a report for that year explaining any contracts above the delegation thresholds set out above in which competitive tendering was not employed.

Budget transfers

A1.4 Unless financial provision is subject to specific DCLG or HM Treasury controls (eg, where provision is ring-fenced for specific purposes), transfers between budgets within the total VTS capital Departmental Expenditure Limit budget, or between budgets within the VTS total revenue Departmental Expenditure Limit budget, do not need DCLG approval. Transfers from capital to resource budgets are not allowed.

Gifts and bequests received

A1.5 The VTS is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.

A1.6 Before proceeding in this way, the VTS shall consider if there are any associated costs in doing so or any conflicts of interests arising. The VTS shall keep a register of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Gifts made, write-offs, losses and other special payments

A1.7 The VTS shall have delegated authority:

- to write off individual losses up to the value of £25,000;
- to make a single gift or special payment up to the value of £500. Such gifts and special payments shall not exceed a total value of £10,000 in any one year.

A1.8 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out above must have the prior approval of DCLG. Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

APPENDIX 2

COMPLIANCE WITH GOVERNMENT-WIDE CORPORATE GUIDANCE AND INSTRUCTIONS

A2.1 The VTS shall comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*:
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>
- *Managing Public Money (MPM)*,
<https://www.gov.uk/government/publications/managing-public-money> ;
- Public Sector Internal Audit Standards,
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
- *Audit and Risk Assurance Committee Handbook*,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206978/audit_and_risk_assurance_committee_handbook.pdf
- *Code of Conduct for Board Members of Public Bodies*
<http://www.bl.uk/aboutus/governance/blboard/Board%20Code%20of%20Practice%202011.pdf>
- *Code of Practice for Ministerial Appointments to Public Bodies*
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- Management of Risk: Principles and Concepts:
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf
- Government Financial Reporting Manual (FReM),
<https://www.gov.uk/government/publications/government-financial-reporting-manual>;
- Fees and Charges Guide, Chapter 6 of Managing Public Money;

- Departmental Banking: A Manual for Government Departments, annex 5.6 of Managing Public Money;
- relevant Dear Accounting Officer letters;
- Regularity, Propriety and Value for Money, http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm;
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration <http://www.ombudsman.org.uk/improving-public-service/ombudsmanprinciples>
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office);
- other relevant guidance and instructions issued by HM Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department; and
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the VTS.