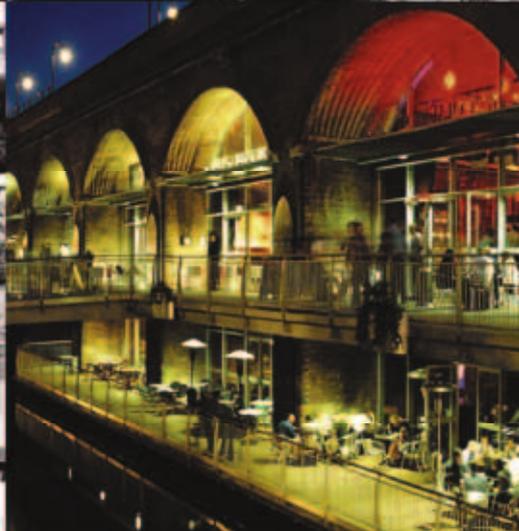


**Local Better  
Regulation Office  
Annual Report  
and Accounts  
2011-2012**

**LBRO**  
Prosperity and Protection





## **Local Better Regulation Office**

### **Annual Report and Accounts 2011-2012**

Presented to Parliament pursuant to Paragraph 7(5) of the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012.

Ordered by the House of Commons to be printed on 17 July 2012

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This document is also available from our website at [www.bis.gov.uk/brdo](http://www.bis.gov.uk/brdo)

ISBN: 9780102978698

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

ID: 2494436 07/12 21657 19585

Printed on paper containing 75% recycled fibre content minimum.

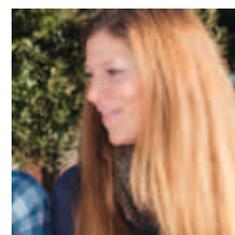
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## List of abbreviations

BIS	Department for Business, Innovation and Skills
BRDO	Better Regulation Delivery Office
BRE	Better Regulation Executive
CETV	Cash equivalent transfer value
CIEH	Chartered Institute of Environmental Health
CSP	Civil Service Pension
FReM	Financial Reporting Manual
FSB	Federation of Small Businesses
GRIP	Guidance for Regulators – Information Point
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
NAO	National Audit Office
NDPB	Non-departmental public body
PCSPS	Principal Civil Service Pension Scheme
RDNA	Regulators' Development Needs Analysis
SMEs	Small and medium enterprises
SRMO	Security risk management overview
TSI	Trading Standards Institute

## Foreword



Effective regulatory delivery is a mechanism to move to the outcomes that we all want to see in our local communities: clean and safe local places, healthy and productive employees, and confident, properly protected consumers. However, good regulatory delivery can also be good business, contributing significantly to economic development and sustainable growth.

The UK has taken a lead in regulatory reform, adopting a holistic approach encompassing the creation of new regulations at a national level and the delivery and enforcement of regulation at a local level. It is here that the Local Better Regulation Office (LBRO) focused its efforts, seeking to improve the regulation of businesses and ensure that the complex regulatory system works as a cohesive whole.

Often it is the day-to-day experience of how regulation is delivered and enforced that matters most to businesses. It is at this level that regulators can develop their understanding of local businesses, build good relationships with them, and work with them to enable compliance in a way that fosters confidence and trust.

Although this is the final annual report of LBRO, due to the transition of LBRO's functions to the Department for Business, Innovation and Skills (BIS), no slackening of operational pace is apparent in these pages. Highlights include the development of new Primary Authority training courses, the publication of a framework for the supply of age restricted products and services, the introduction of priority regulatory outcomes for England – updating the national enforcement priorities – and the launch of the common approach to competency for regulators.

Clive Grace, Chair

8 June 2012

Graham Russell, Chief Executive

## Introduction



LBRO focused on the interaction between business and regulators, ensuring that it delivered prosperity and protection for all. One aim was to change the nature of regulation, enabling regulators to apply their professional judgment in the most effective and efficient way.

LBRO was dissolved and its functions were transferred to the Secretary of State and Welsh Ministers on 1 April 2012, to be exercised by the Better Regulation Delivery Office, an independent unit within BIS. Despite the demands of this transition, LBRO continued to operate a full programme of activity, reflecting ministerial priorities. We operated Primary Authority, exploring the extension of its benefits to new areas. We liaised with pathfinder Local Enterprise Partnerships (LEPs) to help them create the conditions for improved regulatory delivery. We worked with a broad range of stakeholders to reduce duplication and complexity in the regulatory system.

Our remit covered the whole of the UK but its extent varied, so we liaised with the devolved administrations as required. Our small team was located in one office in Birmingham, although staff were also based at BIS in London and with the Welsh Government in Cardiff.

We received most of our income as grant in aid from BIS. In 2010-11 and 2011-12, our allocations were £3.71 million and £3.113 million respectively – a 16 per cent reduction – while our total expenditure including capital was £4.064 million and £3.795 million (with the difference funded by other income sources).

We were governed by an independent Board. Its six members had extensive experience in areas such as advocacy, business and governance.

Given our operational landscape, collaborative delivery was central to our approach, and our initiatives were shaped and launched in partnership with relevant stakeholders. We worked with the World Class Coalition of professional and representative bodies – including national regulators – to simplify the complex regulatory system. We gained valuable insight from our Local Authority Reference Panel, and we received advice and feedback from our Business Reference Panel, which represented a wider network of around 750,000 businesses. We supported the Welsh Regulators' Forum, which helps to deliver the Welsh Government's commitment to regulate businesses in a manner that supports prosperity and protects citizens. In 2012, we formed the Primary Authority User Group, to draw upon the experience and insight of businesses and local authorities participating in partnerships.

The members of these groups are listed on the following pages. We also conducted formal and informal consultations on a regular basis.

## **World Class Coalition**

Animal Health and Veterinary Laboratories Agency  
Association of Port Health Authorities  
Better Regulation Executive  
Chartered Institute of Environmental Health  
Chief Fire Officers Association  
Consumer and Competition Policy Directorate, BIS  
Department for Environment, Food and Rural Affairs  
Environment Agency  
Food Standards Agency  
Gambling Commission  
Health and Safety Executive  
Institute of Licensing  
Intellectual Property Office  
Local Government Association  
National Measurement Office  
Office of Fair Trading  
Trading Standards Institute  
Welsh Government

## **Local Authority Reference Panel – councils represented**

Brighton and Hove	Newham
Cannock Chase	Norfolk
Central Bedfordshire	North Lanarkshire
Chelmsford	Southampton
Cornwall	Suffolk
Derbyshire	Swindon
Dundee City	Torfaen
Durham	Warrington
East Dorset	West Yorkshire
Hertfordshire	Westminster
Leicester City	Wigan
Market Harborough	Worcestershire
Monmouthshire	

## **Business Reference Panel**

Asda Stores Ltd  
Association of Convenience Stores  
Assured Food Standards  
B&Q  
British Association of Removers  
British Beer and Pub Association  
British Chambers of Commerce  
British Frozen Food Federation  
British Holiday Home & Home Parks Association  
British Hospitality Association  
British Independent Retail Association  
British Jewellery & Giftware Federation  
British Meat Processors Association  
British Retail Consortium (BRC)

British Toy and Hobby Association  
CBI  
Co-operative Group  
Council for Responsible Nutrition  
Dairy UK  
DWF LLP  
Engineering Employers Federation  
Federation of Master Builders  
Federation of Private Businesses  
Federation of Small Businesses  
Food and Drink Federation  
Higgs & Co Solicitors  
Hire Association Europe  
Home Retail Group  
Institute of Directors  
John Lewis Partnership  
Ladbrokes  
Moto  
Müller Dairy (UK) Ltd  
National Caterers Association  
National Farmers' Retail & Markets Association  
National Farmers Union  
National Federation of Fish Friers  
National Federation of Meat & Food Traders  
National Federation of Retail Newsagents  
One Stop  
Petcare  
Proprietary Association of Great Britain  
Provision Trade Federation  
Radio, Electrical and TV Retailers Association  
Road Haulage Association  
Rural Shops Alliance  
Safety Assessment Federation Ltd  
Sainsbury's  
Seafish  
Tesco  
The Giftware Association  
TSI Business Members Group  
Wilkinson  
Wine and Spirits Trade Association  
Wragge and Co LLP

## **Welsh Regulators' Forum**

Animal Health  
Care and Social Services Inspectorate Wales  
Directors of Public Prosecution Wales  
Environment Agency Wales  
Food Standards Agency Wales  
Health and Safety Executive  
Healthcare Inspectorate Wales  
Office of Fair Trading  
Welsh Government  
Welsh Local Government Association

## **Primary Authority User Group**

Aneurin Bevan Health Board  
B&Q  
Cambridge Council  
Caravan Club  
Cherwell Council  
FARMA  
Home Retail Group  
Lichfield Council  
London Fire  
Monmouthshire Council  
Moto  
Newham Council  
Plastikote  
Reading Council  
Sainsbury's  
West Yorkshire Joint Services

Our equal opportunities and diversity policy applied to our work and recruitment procedures, and we had a range of flexible and family-friendly policies for our staff, such as the provision of child care vouchers. Staff participated in group activities to support our designated charity Epilepsy Action, on a voluntary basis and at no cost to LBRO.

Our activities were sponsored by the Better Regulation Executive (BRE). We were also subject to Parliamentary scrutiny, particularly by the Regulatory Reform Committee. Parliamentary and Freedom of Information questions were answered promptly and with full disclosure. The implementation of the recommendations of management letters prepared by the National Audit Office (NAO) and any other relevant external bodies was a key responsibility of our Audit Committee.

In Wales LBRO operated on the basis of a separate annual business plan with specific funding, and worked with the Welsh Government to develop regulatory delivery.

## Impact 2007-2012



The 2005 Hampton Review of inspection and enforcement marked a pivotal moment in the development of the regulatory reform agenda. It identified that a majority of the interactions between businesses and regulators occur at the local level, in a confusing and complex system of competing priorities. It concluded that the enforcement of regulation affects business as least as much as the policy of regulation. It called for proportionate enforcement practice, greater consistency in the local regulatory system, a move away from routine inspection, and the adoption of risk-based approaches to policy and operations.

The original proposals to deliver Hampton's recommendations envisaged a new regulator with direct enforcement responsibilities focusing on consumer protection and trading standards. In response to consultation, the Government responded instead with a new vision for a new approach to stimulate change: a small and agile strategic body, equipped with significant statutory powers of guidance and direction, working with local authorities and national regulators to deliver demonstrable improvements in local regulation.

LBRO began operating as a limited company in 2007, governed by a non-executive Board, and was established as an executive non-departmental public body under the Regulatory Enforcement and Sanctions Act 2008. Its statutory mission was to secure the effective delivery of local authority regulatory services – environmental health, fire safety, licensing and trading standards – in accordance with the principles of good regulation. Its statutory functions were to:

- operate the Primary Authority scheme;
- advise the Government on local regulation;
- issue guidance to local authorities;
- manage the list of national enforcement priorities;
- encourage innovation and good practice; and
- develop formal partnerships with national regulators.

LBRO concentrated on using these functions in the most effective manner to achieve a small number of interconnected objectives to deliver the vision of better local regulation that promotes prosperity and protection. Its approach was underpinned by its core organisational values: to be outcome-focused, evidence-based, creative, challenging and supportive.

In June 2011 the Government launched a consultation on its proposal to reconfigure LBRO as a unit within BIS. The feedback demonstrated the strong support for LBRO's work. The importance of building on its achievements was recognised, to maintain its capacity and capabilities, and continue the working practices and relationships with stakeholders that have proved so effective.

LBRO was dissolved under the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012. Its functions were transferred to the Secretary of State and Welsh Ministers on 1 April 2012, to be exercised by the Better Regulation Delivery Office (BRDO), an independent unit within BIS.

Reflecting on the evolution of the local regulatory reform agenda during the lifetime of LBRO, a number of key themes can be identified, which are discussed below.

### **New mechanisms and innovative approaches are stimulating change in local regulation**

The local regulatory landscape is crowded and opinionated and this can induce tensions among those within it. New bodies, especially those charged with holding others to account, or upholding new requirements that challenge custom and practice, can often be regarded with suspicion. Against this backdrop, LBRO drove change by building evidence for the need for new ways of working, demonstrating the benefits of effective local regulation, and building support for collaborative approaches.

### **The business voice has shaped a new conversation regarding local regulation, demonstrating that enforcement matters**

Local regulation has not always been responsive to the needs of business. Hearing the voice of business as a customer is key to delivering change that is felt by businesses at the front line. To enable it to shape the work of LBRO, the Business Reference Panel was established in 2009. It represents a wider network of around 750,000 businesses. Through ongoing and meaningful dialogue, LBRO gained a deeper understanding of business concerns and the approaches that best meet diverse business needs.

Often it is the day-to-day experience of how regulation is delivered and enforced that matters most to businesses. It is at this level that regulators can develop their understanding of local businesses, build good relationships with them, and work with them to enable compliance in a way that fosters confidence and trust.

Relevant LBRO initiatives in 2011-12, described in the performance section below, included work with LEP pathfinders and the staging of a Business Diversity Summit.

### **Collaboration between organisations is beginning to simplify the complexity of the regulatory system**

Hampton found that the existing local regulatory landscape – comprising a multiplicity of central policy mandates, overseen by a variety of central bodies with different priorities, powers and remits, and discharged by hundreds of autonomous local authorities – was a recipe for inconsistency.

Business groups highlighted that the same regulatory requirement could be interpreted locally in various ways, while regulatory services argued that the numerous, uncoordinated and conflicting regulatory regimes they were required to enforce – sometimes not even notionally funded – caused problems.

Given this complexity, LBRO was deliberately positioned to work collaboratively, acting as an independent facilitator and catalyst for change. In 2008, it established the World Class Coalition, harnessing the power of government departments, national regulators and professional bodies, and supported by several statutory memoranda of understanding. The World Class Coalition has supplied the necessary ambition, capacity and vision to simplify the regulatory system and provide the right conditions for regulatory services to deliver more efficiently and effectively.

## **Change in the regulatory system has been encouraged by identifying and creating the conditions for better local regulation**

Sustainable reform is often based on a strong evidence base and collective support for change. LBRO's unique position in the regulatory landscape allowed it to gather 'on the ground' intelligence, understand the views of business and regulators, and inform the better design of regulatory interventions.

For example, despite the fact that spending on regulatory services accounts for only 1 per cent of overall local authority expenditure, research conducted on behalf of LBRO identified that central bodies made 139 separate requests for information from regulatory services each year, drawing the equivalent of 171 full-time officers away from front line duties and costing local authorities across England and Wales in the order of £6 million annually. This is proportionally five times greater than reporting requirements for the NHS.

LBRO worked with a wide range of partners to provide the Government with expert advice on specific regulatory issues, accompanied by practical solutions to address them. It contributed research and analysis on issues as diverse as:

- the use of local service delivery to address national regulatory threats;
- consumer detriment resulting from unsafe imported goods;
- the lessons learned from the Retail Enforcement Pilot and other joint approaches to inspections;
- the integration of national and local enforcement priorities;
- business perceptions of local regulation;
- approaches to reducing alcohol-related harm;
- use by dates and food safety;
- business diversity;
- the role of the citizen in regulation; and
- risk assessment.

Having enhanced the evidence base for change, and within the context of a greater shift to local decision making and accountability, LBRO sought to produce the necessary conditions in the wider regulatory system for effective local delivery. One key element of this was the creation of frameworks allowing professionals to operate with judgment and discretion, and citizens to exercise appropriate choice.

Common frameworks promote efficiency and effectiveness where services are provided by multiple but related organisations. They help remove duplication, enable a flexible approach to cross-boundary working and information sharing, and shape culture and practice. The accountability of the regulatory system to businesses and citizens is increased by greater commonality and transparency in areas such as data capture, risk assessment, competence standards, performance assessment and reporting. Ultimately, this also drives improved business compliance and improved public services.

By replacing multiple sets of conditions with single, common sets, this approach is deregulatory in nature. It reduces burdens on businesses and front line regulatory officers, freeing professionals to deliver and enabling a strong localist approach.

Relevant LBRO initiatives in 2011-12, described in the performance section below, included work on common approaches to professional competency and risk assessment.

### **The delivery of assured advice through Primary Authority is addressing inconsistency**

The complexity of the local regulatory landscape can create unintended consequences. For some issues, the protection of consumers and workers – regardless of their location within the UK – requires consistent local regulation. Consistency also supports the creation of a level commercial playing field, giving businesses the confidence to invest and grow.

Hampton stated that although local authorities should aim to apply legislation in a similar way in similar circumstances, businesses reported that this was not always the case. Their concerns included contradictory advice, wasted resources and duplicated efforts, complicated by the lack of a binding mechanism to resolve disputes between local authorities.

Primary Authority was introduced in April 2009 to address these issues. It allows businesses to be involved in their own regulation, by enabling them to form a statutory partnership with a single local authority, which then provides information for other councils to take into account when carrying out inspections or addressing non-compliance.

The principles of Primary Authority are set out in the Regulatory Enforcement and Sanctions Act 2008, as amended by the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012. This transferred the statutory responsibility for its operation from LBRO to the Secretary of State, to be exercised by BRDO, which registers partnerships, issues guidance and resolves disputes.

By creating the opportunity for a new relationship between business and local regulators, Primary Authority has changed the delivery of local regulation. It is based on principles that are common to better local regulation: a positive partnership between businesses and regulators, a focus on supporting business towards compliance, and the intent to deliver the outcomes that matter.

Its impact is also clearly demonstrated by the level of support for widening its remit. The next stage in the development of Primary Authority offers the potential to truly transform the delivery of regulation at the local level for the benefit of business, the local regulatory system and the state.

## Performance



This section is arranged in accordance with LBRO's two core functions for 2011-12, reflecting ministerial priorities: Primary Authority and business engagement, and simplifying regulatory delivery.

### **Primary Authority and business engagement**

Primary Authority allows businesses to be involved in their own regulation. It does this by enabling them to form a statutory partnership with a single local authority, which then provides information for other councils to take into account when carrying out inspections or addressing non-compliance.

On 1 April 2012, the statutory responsibility for the operation of Primary Authority was transferred from LBRO to the Secretary of State, to be exercised by BRDO, which registers partnerships, issues guidance and resolves disputes.

The targets set for LBRO in terms of involvement were exceeded by a sizeable margin. By the end of March 2012, 468 businesses, 48,200 premises and some 1.3 million employees were covered by 1,531 partnerships. Nearly half of the participating businesses are retailers or wholesalers, while a fifth are manufacturers. More than a third are classified as small or medium-sized enterprises (SMEs), including some with just a few employees, such as regional brewers and farm-based market traders.

Owing to the success of Primary Authority, it proved necessary to shift the emphasis towards providing support at a system level, rather than to individual partnerships. This led to the development of two training courses – discussed on the following page – and the production of a comprehensive guide for local authorities, to be published in 2012.

The Government launched a consultation on the extension of Primary Authority in June 2011, publishing its response in November 2011. This confirmed its intention to strengthen the provisions of inspection plans to deliver earned recognition, enable more businesses to participate – benefiting SMEs in particular – and include specific legislative areas that are currently out of scope.

To ensure coordination and consistency between similar partnerships, and to give primary authorities and businesses access to sources of robust, objective advice, it was decided to form topic groups focusing on particular issues or sectors. Two were established by the end of March 2012.

Modifications to the secure Primary Authority IT system in May 2011 enabled businesses to view the information relating to their partnerships, and 55 were sufficiently interested to pre-register for the service.

An independent evaluation of Primary Authority was published in November 2011. It identified some barriers to engagement relating to regulatory culture, and consequently a major project was begun in December 2011, focused on changing attitudes and values.

Finally, LBRO helped coordinate cross-boundary working by regulatory services at all the Olympic sites, in partnership with London boroughs, major sponsors, professional bodies, and Joint Local Authority Regulatory Services – a body formed by the four Olympic Park host boroughs. As an indication of scale, food hygiene requirements will extend to around 14 million meals served by contractors during the event, making it the largest peacetime catering operation in the world.

### **Spotlight: System level support**

Two new practical training courses concerned with partnership creation and partnership operation and development were staged seven and 12 times respectively during the financial year. All were fully booked, although the number of places was limited to facilitate discussion and enhance the learning experience. Most were hosted by local authorities around England and Wales. This regional approach reduced the need for the participants to travel, while encouraging them to make local connections with colleagues providing Primary Authority. The feedback from both courses was very positive, and every attendee gained CPD points.

*“Consistency and reliability in the way that regulations are enforced are the most visible way that we can reduce the burden that bureaucracy places on our businesses. That’s why I’m a great advocate of Primary Authority and why I’m very pleased that so many businesses, large and small, are taking advantage of the benefits it has to offer.”*

Mark Prisk MP, Minister of State for Business and Enterprise

Business engagement was a key strand of LBRO’s activities. At a national level, this was done primarily through the Business Reference Panel. Its members represent around 750,000 businesses and voice and address their concerns on issues regarding regulation. This resulted in the publication of a report on ‘use by’ dates on food labels and a framework for dealing with age restricted products and services, discussed on the following page.

In a separate but associated initiative, LBRO hosted a Business Diversity Summit in London in October 2011. Participants from business, Government and national regulators discussed how regulation could better assist diverse businesses, given their importance to supporting growth. The event was well attended and the feedback was very positive. It was opened by Mark Prisk MP, Minister of State for Business and Enterprise.

At a local level, business engagement took the form of work with the LEP pathfinders in Leicestershire and Leicester, and Greater Birmingham and Solihull. LBRO helped local regulators to forge links with business representatives, listen to their concerns, and draw up an action plan to transform local regulatory enforcement. This involved a wide range of stakeholders, including national regulators, local authorities, fire authorities, the Federation of Small Businesses and the two Chambers of Commerce.

Through a mixture of support services as diverse as helplines, mobile phone applications, websites, mentoring and training, the way local regulation is delivered has changed for the better in both areas, saving businesses time and money, and promoting growth.

A bespoke approach was taken in Wales, involving the Welsh Government Economic Renewal team. This included the sharing of relevant learning through liaison with the English LEPs and Enterprise Zones.

### **Spotlight: Age restricted products and services framework**

To reflect the factors influencing the behaviour of young people as well as businesses and their staff – who are responsible for implementing controls at the retail level – approaches to restricting the availability and supply of age restricted products and services need to be multi-faceted. The framework presents an agreed set of shared responsibilities and reasonable expectations for young people, parents, businesses, employees and regulators. These principles have clear implications for businesses but clarify what can be expected in return. It is hoped that they will be adopted across the public and private sectors. They also form the foundation for the code of practice on test purchasing for regulators and enforcers published for consultation in 2012.

*“Responsible retailers operate strict procedures to handle age-related sales and have an excellent record. This statement of principles is welcome in demonstrating that many others also have a duty to help prevent underage sales.”*

Stephen Robertson, Director General, British Retail Consortium

### **Further resources for reference on the BRDO website**

*Better Regulation of ‘Use By’ Date Labelled Foods*, Business Reference Panel, July 2011

*‘Use By’ Date Survey Report*, IFF Research, July 2011

*Evaluating the Primary Authority Scheme*, RAND Europe, November 2011

*Primary Authority: Key Facts*, LBRO, November 2011

*Age Restricted Products and Services Framework*, December 2011

## **Simplifying regulatory delivery**

Local regulatory services exist to meet the needs in their areas, but balancing local activities with risks that apply at a national level can present challenges. It was in response to these that the Rogers Report in 2007 established the national enforcement priorities, for English councils to use when allocating resources. Their management was one of LBRO's statutory responsibilities during 2011-12.

After a formal consultation process that concluded in May 2011, the national enforcement priorities for England were updated in November 2011. Broader priority regulatory outcomes, reflecting issues of concern to citizens and businesses, now provide a focus for local regulatory activity and collaborative working. They clarify what the Government and communities want to achieve and ensure that the focus is on delivering outcomes rather than 'ticking boxes' or meeting centrally driven targets. They were developed with the help of an expert user group of local authorities and professional and representative bodies, a policy group comprising Government departments and national regulators, and a forum group of citizens and businesses.

### **Spotlight: Priority regulatory outcomes for England**

- 1** Support economic growth, especially in small businesses, by ensuring a fair, responsible and competitive trading environment
- 2** Protect the environment for future generations including tackling the threats and impacts of climate change
- 3** Improve quality of life and wellbeing by ensuring clean and safe neighbourhoods
- 4** Help people to live healthier lives by preventing ill health and harm and promoting public health
- 5** Ensure a safe, healthy and sustainable food chain for the benefits of consumers and the rural economy

In Wales, the focus was on embedding the first national enforcement priorities for Wales, introduced in July 2010, through means such as a stakeholder workshop and research to assess their impact.

A common approach to professional competency for regulators is being introduced in an ongoing project with the World Class Coalition. It is closely linked with the relevant qualifications frameworks provided by the professional bodies, and supported by the main players in the local and national regulatory landscape, giving transparency and confidence to all. Its key features are:

- core, generic regulatory skills and leadership skills sections;
- technical knowledge sections, specific to areas of regulation;
- the Regulators' Development Needs Analysis (RDNA) self-assessment tool;
- the Guidance for Regulators – Information Point (GRIP), designed to help meet development needs identified; and
- a development process for regulators and managers.

A major milestone was reached in November 2011 when, following extensive consultation and a pilot with 25 local authorities, LBRO launched the first competency frameworks, extending to six environmental health and trading standards functions: animal health and welfare, food, health and safety, housing, metrology (weights and measures), and port health. These reflect the way that work is commonly organised and structured within local authorities.

### **Spotlight: RDNA and GRIP**

There is agreement within the World Class Coalition that there is a set of generic core skills required by all regulators. This distinction is reflected in the RDNA self-assessment tool: an interactive website that provides a robust process enabling regulators to identify and prioritise their development needs. Users consider a series of statements and select responses, indicating their confidence in their ability to perform certain tasks effectively, or in their knowledge of specific technical or legal topics.

[www.rdna-tool.bis.gov.uk](http://www.rdna-tool.bis.gov.uk)

The GRIP is a portal website that directs users to relevant online resources to help them meet their development needs in a cost-effective way. It mirrors the structure of the RDNA tool, providing links to 12 types of learning material. Some links are categorised as core learning resources – the essential information required for competency – typically connecting to key documents issued by Government departments, national regulators, or European or international bodies, or to material directly applicable to regulators produced by a variety of organisations.

[www.regulatorsdevelopment.info/grip](http://www.regulatorsdevelopment.info/grip)

### **Spotlight: Comment on the common approach to competency**

*“It will be invaluable in supporting the professional qualification base of those working in the regulatory field, providing clarity on the competence standards required to be demonstrated which will benefit all regulators, their employing authorities and agencies, business and above all the consumers whom we serve.”*

Graham Jukes, Chief Executive, Chartered Institute of Environmental Health (CIEH)

*“It provides a clear, shared view of core regulatory skills and the specific knowledge underpinning the specific roles of regulatory officers. It is unique as the only resource which sets out a widely agreed set of core regulatory competences as well as learning resources to support continuous professional development.”*

Ron Gainsford, Chief Executive, Trading Standards Institute (TSI)

A common approach to the risk assessment of businesses and their processes by regulators is also being introduced in an ongoing project with the World Class Coalition. One key aim is to create a strong foundation for the sharing of information and intelligence within the regulatory community. The benefits will include reduced duplication, greater flexibility to cut across functional boundaries, and a means to guide the allocation of scarce resources.

To provide the evidence base for progress, there is a requirement to establish the extent to which the compliance of a business in one regulated area indicates its level of performance in others. In February 2012, LBRO commissioned a set of case studies looking at serious instances of non-compliance, to better understand how data sharing between regulators might assist the targeting of interventions where there is a risk of a major failing on the part of the business.

Further content was included in Resources for Regulators, a section of the LBRO website produced for the Welsh Government to assist Welsh regulators, drawing on work throughout the UK, with the emphasis on giving practical assistance. The most significant additions were a template to help local authorities create a Compliance and Enforcement Policy – a requirement of the Regulators' Compliance Code – and accompanying guidance.

The wide range of materials available via Resources for Regulators to support service planning and the delivery of better outcomes for businesses and citizens was highlighted at a free seminar staged by LBRO in Birmingham in March 2012, which was very well attended.

Two reports were published in September 2011. One examined the existing evidence on the concepts of co-production and co-regulation to better understand how the citizen can contribute to the process of regulation, especially at a local level, and how such cooperation can be achieved. The other, produced on behalf of the Welsh Regulators' Forum, examined ways to reduce the administrative burden of data reporting in local authorities, foster effective data sharing across the regulatory system, and make better use of data collections in order to evidence the contribution to the national enforcement priorities for Wales.

To underpin the various changes under way to local regulatory delivery, and to ensure a framework for sustainable support, a joint statement of commitment was issued by LBRO, the CIEH and TSI in June 2011. The three organisations pledged to act together to maintain and support the essential elements of the regulatory landscape and to rationalise and streamline existing systems of professional support and network communication.

#### **Further resources for reference on the BRDO website**

*The Citizen in Regulation*, Cambridge Centre for Planning and Housing Research, September 2011

*Data Collections Report Wales*, LBRO, September 2011

*Local Authority Regulatory Services Budgets 2011-12*, LBRO, CIEH and TSI, September 2011

*Compliance and Enforcement Policy Template*, LBRO, October 2011

*Compliance and Enforcement Policy Template Guidance*, LBRO, October 2011

*Common Approach to Competency for Regulators*, LBRO, October 2011

*Priority Regulatory Outcomes*, LBRO, October 2011

<b>Key targets for 2011-12</b>	
800 Primary Authority partnerships	1531 partnerships formed by 31 March
400 businesses are in a Primary Authority partnership	468 businesses were in a partnership by 31 March
65 local authorities are acting as primary authorities	81 local authorities were acting as primary authorities by 31 March
80% of businesses and primary authorities within a Primary Authority partnership for 12 months or more report satisfaction	90% of businesses and primary authorities providing feedback reported satisfaction
85% of businesses state that regulators understand their business	On the basis of the perceptions survey 2012 for the NAO, LBRO and the BRE, 77% of businesses felt understood by regulators
8 LEPs are focused on improving regulatory delivery in their locality	11 LEPs were focused on improving regulatory delivery in their locality by 31 March
An annual cost saving for business results from LBRO activity, measured through an impact assessment	An analysis of the impact of Primary Authority estimated the overall net economic benefits for participating businesses to be between £1.7 million and £23.5 million
125 regulators are using the common competency framework	272 local authorities – 63% of the UK total – were using the framework by 31 March, with 978 registered users of the RDNA self-assessment tool and 384 completed assessments
25 regulators are piloting the common approach to risk assessment	In response to feedback from local authorities, detailed cost benefit analysis work was being considered in advance of the commencement of the pilot

## Management commentary



### Outlook

LBRO's main priorities in 2011-12 were to operate and extend Primary Authority, in tandem with supporting local economic growth through business engagement, and to simplify regulatory delivery. A systemic, risk-based approach to regulation was encouraged. This requires a framework for robust decision making that:

- supports the formation of effective local partnerships;
- develops outcome-focused services; and
- improves accountability to businesses and citizens.

In relation to regulatory services, the risk posed to people and the environment should underpin the delivery chain, including the allocation of resources, management of activity, and use of sanctions.

### Activities

Initially established in 2007 as a Government-owned limited company, LBRO became an executive non-departmental public body (NDPB) following the commencement of the Regulatory Enforcement and Sanctions Act on 1 October 2008.

LBRO was dissolved under the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012. Its functions were transferred to the Secretary of State and Welsh Ministers on 1 April 2012, to be exercised by the Better Regulation Delivery Office (BRDO), an independent unit within BIS.

The Regulatory Enforcement and Sanctions Act 2008 granted LBRO the powers that formed its basis for action. Its six key statutory functions were to:

- operate Primary Authority;
- advise the Government on local regulation;
- issue guidance to local authorities;
- manage the list of national enforcement priorities;
- encourage innovation and good practice; and
- develop formal partnerships with national regulators.

LBRO was accountable to BIS through the BRE, and operated in the light of the BIS Structural Reform Plan introduced in June 2010. Part of the broader Business Plan, this details the actions required to deliver against nine priorities. The four that were most relevant to LBRO are to:

- boost enterprise and make this the decade of the entrepreneur;
- stimulate exports and inward investment;
- create a positive business environment; and
- protect and empower consumers.

Since its remit covered the UK but varied in extent, LBRO liaised with the devolved administrations to ensure its work was appropriate to the unique constitutional positions of each. For example, engagement with businesses in Scotland was informed by attendance at the Regulatory Review Group, while in Northern Ireland activity was guided by a Statement of Intent agreed by the local authorities and the Northern Ireland Assembly.

In Wales LBRO operated on the basis of a separate annual business plan with specific funding, overseen by a dedicated senior policy officer. The Welsh Government worked with LBRO to develop regulatory delivery in Wales and a consistent approach to delivering better regulation across the UK tailored to need. This had implications for the format and focus of the activities undertaken by regulatory services in areas such as the dissemination of best practice, the application of civil sanctions, and customer engagement.

LBRO's project work during 2011-12 is reviewed in the performance section of this report on pages 16 to 22. LBRO also continued to develop as an organisation. The skills of all staff were honed through a mixture of techniques, including coaching and training, with the general aim of improving the impact and delivery of initiatives. Moreover, the Birmingham office was used as a focal point for stakeholder engagement, as well as a convenient location to meet and work.

## **Policies and policy statements in 2011-12**

LBRO developed corporate policies in a number of key areas. In general, these:

- explained its underlying approach;
- clarified the key aspects of compliance;
- specified roles and responsibilities; and
- identified the main reporting procedures.

Policy statements that applied to LBRO during 2011-12 are listed below.

### **Risk**

As a small organisation with multiple programmes, effective risk management was crucial to the delivery of LBRO's strategic objectives. In particular, it was important for risks to be correctly identified and evaluated as early as possible. An organisational culture of risk awareness was promoted, with managers responsible for encouraging good practice with their own teams, and the Board taking overall responsibility for risk management and the setting of risk appetite. Further details on LBRO's approach to risk are given in the Governance Statement on pages 35 to 39. This also provides information on data handling. LBRO had no personal data-related incidents during 2011-12.

## **Complaints**

LBRO aimed to resolve all complaints quickly, acknowledging them within five working days of receipt and responding to the complainant where possible in 10, identifying actions that had been or would be taken as a consequence. If a complaint could not be addressed in this timeframe the complainant was advised of any delay, kept informed of progress, and told when a full reply could be expected. If a complainant remained dissatisfied, a complaint could be referred to the Chief Executive for consideration, then the Board, and ultimately the Parliamentary and Health Service Ombudsman. No complaints were received in 2011-12.

## **Environment**

LBRO recognized its ethical responsibilities and was committed to creating and maintaining an environment that would not compromise the abilities and needs of future generations. With this in mind, LBRO was committed to best practice when disposing of materials and developing energy and waste management controls. For example, the use of public transport was strongly encouraged (through such means as travel loans), the lights in the office were set to switch off automatically in the absence of movement, and all unwanted paper was collected for recycling. LBRO aimed to reflect the Government's vision of sustainability where possible, and planned to monitor the effectiveness of its control measures and environmental impact, to create a culture of continual improvement.

## **Equality and diversity**

LBRO was committed to equal opportunity and diversity for all staff and potential staff. It did not discriminate on grounds of gender, race, ethnic or national origin, disability, religion or belief, sexual orientation, marital/civil partnership status, or age. Assessment for purposes of recruitment, selection, training and career progression was based entirely on an individual's ability and suitability for the work. LBRO was committed to providing all staff with opportunities to maximize their skills and achieve their potential, offering flexible working arrangements wherever possible. It was also committed to promoting equality of opportunity for people with disabilities, adjusting work arrangements where reasonable. It encouraged a diverse workforce and aimed to provide a working environment where all staff at all levels were valued and respected and where discrimination, bullying and harassment were not tolerated.

## **Freedom of information**

LBRO was committed to the principles of freedom of information. Under the Freedom of Information Act 2000 there is a general right of access to the information LBRO held, promoting greater openness and accountability, and facilitating a better understanding of what it did and how it spent public money. LBRO affirmed its recognition of the public's 'right to know' and operated an access regime on the presumption that information was open unless there was a valid reason to restrict access. LBRO listed all the questions received under the Act and its responses on its website. Two were answered by BIS in 2011-12 on LBRO's behalf, one because it raised complex public interest issues, and the other because it was addressed to multiple BIS delivery partners.

## **Health and safety**

LBRO aimed to act positively and proactively to prevent injury, ill health, damage and loss arising from its activities, in addition to complying fully with the Health and Safety at Work Act 1974. Its policy was to maintain a safe environment, extending to plant and equipment; working, emergency and reporting procedures; staff awareness, training and supervision; and evaluation. All staff were consulted on an ongoing basis through the employee forum on matters to do with their health and safety at work. There were also designated and qualified fire marshals and first aiders. There were no accidents in 2011-12.

## **Sickness**

With regard to sickness absence, the percentage of working days lost in 2011-12 was 1.4 per cent overall, the equivalent to 3.5 days per employee. These figures were lower than those in 2010-11 (3 per cent and 7.4 days). The Civil Service average in the second quarter of 2011 was 7.3 days per annum per employee.

## **Payment of suppliers**

We seek to comply with the current Government standards and targets concerning payments to creditors, and aim to pay all creditors within eight working days from date of receipt of invoices. In 2011-12, this was achieved 92.3 per cent of the time.

## **Financial position and results for the year**

LBRO's business plan for 2011-12 was designed to deliver its statutory and strategic objectives, in the third full financial year after becoming a statutory NDPB.

### **Accounts Direction**

The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Business, Innovation and Skills (formerly Business, Enterprise and Regulatory Reform) with the consent of HM Treasury in accordance with the Regulatory and Enforcement Sanctions Act 2008. That Act requires accounts to be produced and audited for periods to 31 March.

### **Funding**

LBRO received the majority of its income as grant in aid from BIS. In 2011-12, the allocation was £3.113 million. The Welsh Government commissioned LBRO to undertake specific regulatory projects in Wales during the year against its business plan agreed with LBRO. The total received for delivery of this programme of work was £200,000.

### **Results for the year**

Receipt of grant in aid from the sponsor totalled £3,113,000. Net operating expenditure for the 12-month period to 31 March 2012 amounted to £3,233,385, giving a headline deficit of £120,385.

However, this excludes the impact of capital items. £73,975 of the grant in aid was applied to purchase fixed assets, whilst the sponsor allocated an additional non-cash budget of £170,000 for depreciation, of which £153,680 was charged to the LBRO Income and Expenditure account. Therefore, in total LBRO spent £3,307,360 (£3,795,204 total spend less £487,844 income) against a total sponsor budget allocation of £3,283,000, a net deficit of £24,360.

Figure 1 shows the analysis of total expenditure of £3,795,204 between the key headings from the Statement of Comprehensive Net Expenditure.

The statement of financial position at 31 March 2012 shows net assets of £378,668, represented by the general reserve. Non-current assets are a significant proportion of the statement of financial position at £381,651.

The budget allocation to BRDO from BIS for 2012-13 is £3,559,000, an increase of £276,000 (8 per cent) against the 2011-12 budget allocation to LBRO.

## Expenditure in year

(Values in £000s)

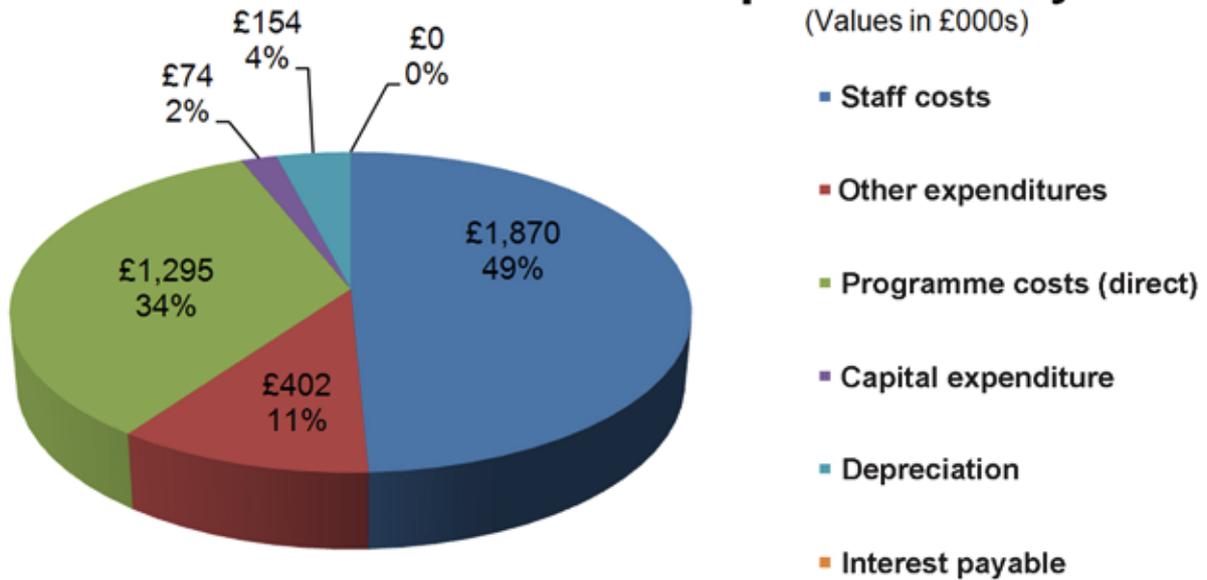


Figure 1: LBRO's total expenditure in 2011-12

### Closure and transfer of functions

LBRO was dissolved on 1 April 2012 under the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012. Its functions, and associated assets and liabilities of £378,668, were transferred to the Secretary of State and Welsh Ministers, to be undertaken by the Better Regulation Delivery Office (BRDO), an independent unit within BIS. Therefore, since the activities are continuing, the financial statements have been prepared on a going concern basis.

Funding for BRDO from BIS for 2012-13 is confirmed as £3.559 million.

### Auditors

The financial statements have been audited by the Comptroller and Auditor General. The cost of the statutory audit was £17,400. There was no remuneration for non-audit functions.

As Accounting Officer, so far as I am aware, there is no relevant audit information of which the auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that LBRO's auditors are aware of that information.

## Local Better Regulation Office Board



Clive Grace  
Chair 2007-12



Graham Russell MBE  
Chief Executive 2007-12

**“The Board members who have helped establish and steer LBRO have made a significant contribution to the success and impact of the organisation. The Department and Ministers recognise the solid foundations that have been laid and are extremely grateful to the Board for the strength and legacy which they are passing on.”**

**Mark Prisk MP, Minister of State for Business and Enterprise**



1



2



3



4



5



6

- 1 Robin Dahlberg 2007-10
- 2 Uday Dholakia OBE 2007-12
- 3 Michael Gibson 2007-10
- 4 Ann Hemingway CBE 2007-12
- 5 Robert Leak 2007-12
- 6 Rebecca Marsh 2007-10
- 7 David Thurston 2007-12



7

## Remuneration report



### Remuneration policy

LBRO's remuneration policy for senior managers is part of the pay policy for the organisation as a whole.

Salary and other terms and conditions for each grade of the organisation's staff is set:

- to reflect the need to recruit, maintain and motivate suitably qualified people to exercise their different responsibilities;
- reward people equitably for their contribution to the fulfilment of the organisation's objectives; and
- in accordance with the Government's target.

The Chief Executive's remuneration is set in accordance with the principles set out above. The remuneration of the Chief Executive is subject to approval by BIS.

### Service contracts

Appointments of LBRO's senior managers are made on merit and based on fair and open competition. Unless otherwise stated below, the senior managers covered by this report hold full-time appointments as officers of LBRO. The exceptions are Wendy McVey, who was appointed on 16 March 2009 on a two-year secondment from the Health and Safety Executive, which ended on 15 March 2011, and Claire Bridges, who was appointed on 11 January 2010 on a two-year secondment from the Improvement and Development Agency, which ended on 31 January 2012. The period of notice for termination is three months.

Remuneration paid to the Chief Executive, Directors and Board members during the period is shown in Table 1. This information is audited as part of the audit of the annual accounts. Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the financial year 2011-12 was £92,500 (2010-11, £92,500). This was 2.5 times (2010-11 2.4 times) the median remuneration of the workforce, which was £36,400 (2010-11 £37,920). In 2011-12, no (2010-11 no) employees received remuneration in excess of the highest paid director. Total remuneration includes salary and non-consolidated performance-related pay. It does not include employer pension contributions nor the cash equivalent transfer value (CETV) of pensions.

The employment of the Chief Executive and Leadership Team members was transferred to BIS on 1 April 2012 under the Transfer of Undertakings (Protection of Employment) Regulations 2006. The Board was dissolved on 1 April 2012 as part of the transfer of functions from LBRO to the Secretary of State and Welsh Ministers.

## Salary

'Salary' includes basic salary and any other allowance to the extent that it is subject to UK taxation. Bonuses were paid to two directors. The Board reviews the Chief Executive's performance against the objectives set at the start of the year and agrees any consolidated pay increase and bonus. Directors' bonuses are based on the outcomes of their annual appraisals and guidance contained in the Government's Pay Remit.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. No Board member or Director incurred any benefits in kind during the period under review.

Pension benefits are provided through the Civil Service Pension (CSP) arrangements and all Directors are members of the Principal Civil Service Pension Scheme (PCSPS). Directors may be in one of two 'average salary' defined benefit schemes (NUVOS and Partnership). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Non-executive directors are not eligible for pension scheme arrangements. Further details are contained in the notes to the financial statements and further details about the Civil Service Pension arrangements can be found at the website ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

Table 1 remains subject to audit.

**Table 1: Remuneration report – period ended 31 March 2012**

(Figures in £'000s)		Date of appointment	Salary / remuneration	Bonus	Total for period	Prior period
<b>Executive</b>						
Chief Executive	Graham Russell	03/09/07	90-95	0-5	95-100	90-95
Director	Sarah Smith	29/10/07	70-75	0-5	70-75	70-75
Director	Claire Bridges <sup>(1)</sup>	11/01/10 to 31/01/12	55-60	-	65-70	65-70
Director	Rob Powell	07/04/10 to 04/11/11	40-45	-	40-45	65-70
Director	Richard Wilson	29/10/07 to 25/09/11	20-25	-	20-25	55-60
<b>Non-executive</b>						
Chair <sup>(2)</sup>	Clive Grace	01/06/07	45-50	-	45-50	45-50
Board member <sup>(3)</sup>	Uday Dholakia	01/09/07	15-20	-	15-20	15-20
Board member <sup>(3)</sup>	Ann Hemingway	01/09/07	15-20	-	15-20	15-20
Board member <sup>(3)(4)</sup>	Robert Leak	01/09/07	5-10	-	5-10	5-10
Board member <sup>(3)</sup>	David Thurston	01/09/07	15-20	-	15-20	15-20

Notes: (1) Seconded (2) 80 days a year (3) Paid for 24 days a year (4) Emolument paid to employer, London Borough of Enfield

## Pension Entitlements

The pension entitlements shown in the table below are those that would be paid annually on retirement based on service to 31 March 2012 and include the value of added years paid for by members of the CSP. Members of the pension scheme have the option to pay Additional Voluntary Contributions but no one in the table currently exercises this option.

Table 2 remains subject to audit.

**Table 2 : Pension entitlements – period ended 31 March 2012**

	Salary band	Real increase in accrued pension benefits at age 60	Accrued pension at age 60 at 31 March 2012 and related lump sum	CETV at 1 April 2011	CETV at 1 April 2011 (revised)	CETV at 31 March 2012	Real increase in CETV as funded by employer
	£000	£000	£000	£000		£000	£000
<b>Executive</b>							
Graham Russell	90-95	0-2.5 lump sum N/A	55-60 lump sum N/A	501	546	603	10
Rob Powell	40-45	0-2.5 lump sum N/A	10-15 lump sum 35-40	118	139	149	1
Sarah Smith	70-75	0-2.5 lump sum N/A	25-30 lump sum N/A	140	170	189	3
Richard Wilson	20-25	0-2.5 lump sum N/A	5-10 lump sum N/A	49	53	61	8

## Cash Equivalent Transfer Value

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown in Table 2 relate to the benefits that the individual has accrued as a consequence of their total actuarial service as a public servant, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service scheme and for which the Civil Service Vote has received a transfer commensurate to the additional pension liabilities being assumed. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used in the CETV calculation have been revised during 2011-12 to take account of new actuarial factors. This means that the opening CETV value shown in this year's report differs from the amount shown as the closing CETV value in last year's report. Both values are shown in Table 2.

### **Real Increase in CETV**

The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, as well as contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market-valuation factors for the start and end of the period.

A handwritten signature in black ink, appearing to read 'G Russell', written in a cursive style.

Graham Russell,  
Accounting Officer and Chief Executive  
LBRO

8 June 2012

**Financial  
statements  
for the period  
1 April 2011 to  
31 March 2012**



### **Statement of LBRO's and Chief Executive's responsibilities**

Under paragraph 7(1) of the Local Better Regulation Office (Dissolution and Transfer of Functions Etc) Order 2012, the Secretary of State is required to prepare a statement of accounts of LBRO for the period 1 April 2011 to 31 March 2012, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of LBRO's state of affairs at the year end and of its income and expenditure, recognized gains and losses, and cash flows for the financial year.

In preparing the accounts, LBRO and the Accounting Officer are required to comply with the requirements of the Government's *Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statement; and
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Cabinet Office has designated the Chief Executive as the Accounting Officer for LBRO. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the authority's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in *Managing Public Money*.

## Governance Statement

### Introduction

This Governance Statement sets out the internal control procedures that have operated in the Local Better Regulation Office (LBRO) during the period 1 April 2011 to 31 March 2012. Its preparation has been supported by the work of the Department for Business, Innovation and Skills (BIS) Internal Audit, which LBRO engages to perform its internal audit function.

### Scope of responsibility

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

LBRO operates as an executive non-departmental public body largely funded by grant in aid from BIS. The purpose of LBRO, which focuses on making the regulation of business by local authorities more productive and effective, and its governance arrangements, accountability and delegations are set out in a financial memorandum which is available on our website.

In accordance with *Managing Public Money* I am personally responsible for managing the risks of LBRO and the key risks are set out in Board reports and discussed at each meeting. For line management I am responsible to the chair of the LBRO Board as Accounting Officer I am responsible to the BIS Accounting Officer, who is the Permanent Secretary.

### The Governance framework / structure

I am supported in my role of LBRO Accounting Officer by two corporate governance bodies: the Board and its sub-committee, the Audit Committee.

The overall direction of LBRO is the responsibility of its independent **Board**. Board members are public appointments appointed by the Secretary of State. As of 31 March 2012, this had six members: five non-executives (including the Chair) and me in an ex-officio role. It meets formally several times a year, and met six times in 2011-12. Its role is to provide strategic oversight, which involves:

- advising on LBRO's strategy and its allocation of resources;
- agreeing business plans, and monitoring LBRO's performance; and
- assessing risks/issues which could undermine LBRO's strategy/business plans.

Table 3 below outlines the attendance record of Board members.

Table 3: Attendance record of Board members		
Board member	No. of meetings held	No. of meetings attended
Clive Grace (Chair)	6	6
Uday Dholakia	6	6
Ann Hemingway	6	6
Robert Leak	6	5
David Thurston	6	6

Board members act as ambassadors for LBRO, engaging with a wide range of stakeholders at the highest levels. All abide by the HM Treasury *Code of Best Practice for Board Members of Public Bodies*, and the Nolan principles of standards in public life.

Collectively, the Board provides expertise on each of the four areas of governance: leadership and capability, performance and control, risk management, and scrutiny. Individually, non-executive members focus on specific areas, providing challenge and guidance where required. The Board is informed by the management statement originally agreed with BIS – which sets out LBRO’s broad operational framework – and its individual policies. We also work with reference to our Memoranda of Understanding with the Environment Agency, Food Standards Agency, Gambling Commission, Health and Safety Executive and Office of Fair Trading.

The Board was dissolved on 31 March 2012 as part of the transfer of functions from LBRO to the Secretary of State and Welsh Ministers.

The **Audit Committee** consists of three non-executive Board members and meets three times a year inviting other attendees from LBRO, the sponsor, internal audit and the NAO as necessary to support me in my role as Accounting Officer by:

- promoting confidence in LBRO’s governance;
- overseeing the work of the internal and external auditors; and
- making recommendations to the Board and reviewing the annual financial statements before submission to the Board.

Matters relating to accounting procedures, financial reporting, internal controls and risk management are the responsibility of the Audit Committee.

The Audit Committee was dissolved on 31 March 2012 as part of the transfer of functions from LBRO to the Secretary of State and Welsh Ministers. Board members were appointed to an Advisory Audit Committee to advise Graham Russell as Accounting Officer and the Secretary of State on the final LBRO accounts.

## **Review of Board performance**

During the year 2011-12 LBRO reviewed Board performance and it was concluded that because of impending transition the focus of the Board should be on core activities and concentrate on ‘business as usual’. The LBRO Audit Committee Self-Assessment Check List was completed in 2011, and the 2011 review concluded that existing arrangements were satisfactory.

## **Issues considered by the Board**

During the year under review, particular attention has been paid to:

- financial risks arising from the dissolution of LBRO from 31 March 2012; and
- reductions in budgets.

The project to ensure the orderly closure of LBRO as a legal entity and its absorption within BIS has been both complex and time consuming for those involved. It has also resulted in some key staff changes during the year which have required careful management.

In addition, the reductions in budgets and the introduction of controls on 'administrative' expenditure, the rules on transparency requirements and controls on certain categories of expenditure have increased the scope for reputational damage in cases of non-compliance and in some cases (notably restrictions on marketing expenditure and the freeze on recruitment) have made the delivery of LBRO's objectives challenging.

## **The risk and internal control framework**

As Accounting Officer I act as risk champion for LBRO and operate a system of internal control which is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Board defines LBRO's risk tolerance and appetite, and assists with driving the culture of risk management. I have responsibility for ensuring the maintenance of risk management policies, operations and profile to support these.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LBRO's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system encompasses a number of elements that together enable LBRO to respond to a variety of operational, financial and commercial risks. These elements include:

### **a. Policies, procedures and control measures**

Detailed written guidance, reviewed by the Audit Committee, is provided to all staff and the Deputy Director of Resources is responsible for ensuring that appropriate measures to identify, score, monitor and control risk against the risk appetite are in place, and are effective and fit for purpose. A set of policies and procedures underpins the internal control processes attached to significant risks. The control measures are set by the Leadership Team and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

### **b. Reporting**

LBRO has risk appetite and risk assessment guidance which both determine the priority to be given to identified risks and the acceptable level of risk. A comprehensive structure of reporting has been designed to monitor key risks and their controls. Any risks assessed as high or which are significantly above the desired risk are considered by the Leadership Team and Board and included in LBRO's high-level risk register, changes to which are documented. Decisions to rectify problems are made at regular meetings of the Leadership Team and the Board.

### **c. Business planning and budgeting**

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

**d. Risk Identifier and Action Plan (significant high risks only)**

A Risk Identifier and Action Plan is compiled by the Deputy Director of Resources and helps facilitate the identification, assessment and ongoing monitoring of risks significant to LBRO. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly and overseen by the Deputy Director of Resources.

**e. Programme / project risk plans**

Programme / project leaders use this framework and documentation to ensure that significant risks in their area are identified, assessed and monitored. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored on a regular basis by the programme areas. Each programme area creates and maintains its own risk registers and identifies and score risks pertaining to their particular areas of expertise. Identified risks that are judged as common across programme areas are considered for inclusion within LBRO's corporate risk register.

**f. Moderation and standardisation**

A moderation panel meets regularly to assess and judge the consistency given to the scoring of risks across all programmes and projects, to ensure a consistent approach by individual areas to the application of scoring and that a robust LBRO standard is maintained throughout the process.

The risk management system was reviewed by Internal Audit in 2008-09 and its operation is considered annually. Internal Audit concluded at that time that LBRO's management demonstrated an ongoing commitment to embedding risk management with a framework that was tailored to fit and applied good practice. The guidance was judged to be effectively communicated, with a consistent approach throughout LBRO.

Key risks are monitored and controlled via a comprehensive reporting structure. Managers are required to report progress towards managing risks by achieving related deliverables on a regular basis. This helps to embed risk management as part of a proactive risk management system. Decisions to rectify problems are made at regular meetings of the Leadership Team and the Board. Any issues that are seen to be significant are then addressed by the Board and where necessary escalated to our sponsor Department.

As an independent body we have opted for Independent Departmental Security Officer status and have a designated LBRO Security Officer and Information Technology Security Officer. I act as a Board-level Senior Information Risk Owner. Internal Audit carried out an audit in 2010-11 on data security arrangements, which concluded that they were satisfied that LBRO complied with *Data Handling Procedures in Government*. The Data Handling Review requires Government departments to report annually on information risk in their Resource Accounts and to the Cabinet Office in the security risk management overview (SRMO). In May 2011 LBRO completed an SRMO annual return – required by all of BIS partner organisations – which formed part of the overall BIS SRMO report and also provided LBRO with a comprehensive view of its main areas of security and information risk. LBRO also completed quarterly risk assessments throughout the year under review, which were reported to BIS.

## **Review of the system of internal control**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the internal auditors, by discussion with Directors within LBRO who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their ISA 260 and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and arrangements to ensure continual improvement of the system are in place.

The Internal Audit programme is considered by the Audit Committee annually. During 2011-12 this was considerably smaller than in previous years, with the primary focus placed on ensuring that risks associated with the transition from being an executive NDPB to an independent unit within BIS were well managed by acting as a critical friend to both LBRO and the project board overseeing the change programme. The programme also included a review of procurement and tendering processes, concluding that these were strongly controlled. Internal Audit has confirmed its opinion that the system of internal control that operated within LBRO during 2011-12 continued to be satisfactory.

I can also confirm that, throughout 2011-12, LBRO complied in all respects with the Corporate Governance Code.

In September 2011 LBRO's Director of Resources left the organisation. Owing to the limited timescale to transition, it was not appropriate to recruit a permanent replacement. However, LBRO maintained continuity of financial control by recruiting an interim Deputy Director of Resources via secondment from the Learning and Skills Improvement Service. He commenced his secondment on 24 October 2011 and remained with LBRO until 31 March 2012. LBRO also obtained the services of an experienced interim Finance Director, with previous knowledge of LBRO, to provide support during the 'gap' period from late September to 24 October, provide targeted support to the Interim Deputy Director of Resources during his tenure, and continue to provide year end and transition support through the financial year end and beyond.

In January 2012 there was a failure in the main LBRO IT server that resulted in a total loss of IT capability. However, daily backup and restoration of data, and swift communication with staff to instigate alternative working methods for the downtime period, meant that no data were lost and there was only a limited impact on operational performance. A replacement piece of hardware was installed, and normal service was resumed, within 36 hours. Other than this, there were no significant control issues and no data security lapses in 2011-12 which required intervention from me, the Board or the Audit Committee.



Graham Russell  
Chief Executive and Accounting Officer  
LBRO

8 June 2012

## **The certificate and report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Local Better Regulation Office for the year ended 31 March 2012 under the Regulatory Enforcement and Sanctions Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Board, Accounting Officer and auditor**

As explained more fully in the Statement of LBRO and Chief Executive as Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Regulatory Enforcement and Sanctions Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Local Better Regulation Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Local Better Regulation Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Management Commentary, Statement of Accounting Officer's Responsibility and Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

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

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Local Better Regulation Office's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regulatory Enforcement and Sanctions Act 2008 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Regulatory Enforcement and Sanctions Act 2008; and
- the information given in the Management Commentary and Performance sections for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

Without qualifying my opinion, I draw attention to the disclosures in note 1c which explain that the Local Better Regulation Office closed on 31 March 2012. As all functions have transferred to other bodies within the public sector, the financial statements have been prepared on a going concern basis.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

11 June 2012

**Table 4: Statement of comprehensive net expenditure****For the year ended 31 March**

	<i>Note</i>	<b>2011-12</b>	<b>2010-11</b>
		<b>£</b>	<b>£</b>
<b>Expenditure</b>			
Staff costs	3	(1,870,374)	(1,832,679)
Depreciation	8,9	(153,680)	(108,921)
Other expenditures	4	(1,697,175)	(1,998,630)
<b>Total expenditure</b>		<b>(3,721,229)</b>	<b>(3,940,230)</b>
<b>Income</b>			
Other income	7	487,844	347,982
<b>Total Income</b>		<b>487,844</b>	<b>347,982</b>
<b>Net expenditure</b>		<b>(3,233,385)</b>	<b>(3,592,248)</b>
Interest payable		-	(1,305)
<b>Net expenditure after interest</b>		<b>(3,233,385)</b>	<b>(3,593,553)</b>
<b>Total comprehensive expenditure for the year</b>		<b>(3,233,385)</b>	<b>(3,593,553)</b>

All of the organisation's activities are classed as continuing.

Notes are included on pages 45 to 57.

**Table 5: Statement of financial position****As at 31 March**

	Note	2012		2011
		£	£	£
<b>Non-current assets:</b>				
Property, plant and equipment	8	78,287		146,430
Intangible assets	9	303,364		316,059
<b>Total non-current assets</b>			381,651	462,489
<b>Current assets:</b>				
Trade and other receivables	12	107,138		109,872
Cash and cash equivalents	13	174,770		262,787
<b>Total current assets</b>			281,908	372,659
<b>Total assets</b>			663,559	835,148
<b>Current liabilities</b>				
Trade and other payables	14	(259,891)		(311,095)
<b>Total current liabilities</b>			(259,891)	(311,095)
<b>Non-current assets plus/less current assets/liabilities</b>				
			403,668	524,053
<b>Non-current liabilities</b>				
Provisions	15	(25,000)		(25,000)
<b>Total non-current liabilities</b>			(25,000)	(25,000)
<b>Assets less liabilities</b>				
			378,668	499,053
<b>Taxpayers' equity</b>				
General reserve			378,668	499,053
			378,668	499,053

The notes on pages 45 to 57 form part of these accounts.

These financial statements were approved by the Advisory Audit Committee on 23 May 2012 and were signed on its behalf by:



Graham Russell,  
Chief Executive and Accounting Officer,  
LBRO

8 June 2012

**Table 6: Statement of cash flows****For the year ended 31 March**

	<i>Note</i>	<b>2011-12</b>	2010-11
		<b>£</b>	£
<b>Cash flows from operating activities</b>			
Net deficit after cost of capital and interest		(3,233,385)	(3,593,553)
Increase in trade and other receivables	12	2,734	101,157
Decrease in trade payables	14	(51,204)	(49,800)
Increase in provisions	15	-	25,000
Loss on disposal of property, plant and equipment	8	1,133	-
Depreciation and amortisation	4	153,680	108,921
<b>Net cash outflow from operating activities</b>		<b>(3,127,042)</b>	<b>(3,408,275)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(18,304)	(47,220)
Purchase of intangible assets	9	(55,671)	(75,000)
<b>Net cash outflow from investing activity</b>		<b>(73,975)</b>	<b>(122,220)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department	6	3,113,000	3,619,000
<b>Net financing</b>		<b>3,113,000</b>	<b>3,619,000</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>(88,017)</b>	<b>88,505</b>
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>262,787</b>	<b>174,282</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>174,770</b>	<b>262,787</b>

Notes are included on pages 45 to 57.

**Table 7: Statement of changes in taxpayers' equity****For the year ended 31 March 2012**

	<b>Total Reserves</b>
	<b>£</b>
<b>Balance at 1 April 2011</b>	<b>499,053</b>
Comprehensive Expenditure for the year	(3,233,385)
Grant from Sponsoring Entity	3,113,000
<b>Balance at 31 March 2012</b>	<b>378,668</b>

Notes are included on pages 45 to 57.

**Notes to the  
financial  
statements  
for the period  
1 April 2011 to  
31 March 2012**



## **1 Statement of accounting policies**

### **A. General principles**

The financial statements comprise the Local Better Regulation Office's (LBRO) transactions for the 12-month period ended 31 March 2012.

LBRO commenced trading on 3 September 2007 as a wholly Government-owned company. The passing of the Regulatory and Enforcement Sanctions Act dissolved LBRO and established LBRO as an NDPB on 1 October 2008.

The financial statements have been prepared in accordance with the 2011-12 Government *Financial Reporting Manual* (FReM) issued by HM Treasury (available at [www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk)). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of LBRO for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by LBRO are described below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

### **B. Basis of accounting**

The financial statements have been prepared under the historical cost convention.

### **C. Going concern**

LBRO was dissolved under the Local Better Regulation Office (Dissolution and Transfer of Functions, Etc.) Order 2012. Its functions, and associated assets and liabilities of £378,668, were transferred to the Secretary of State and Welsh Ministers on 1 April 2012, to be undertaken by the Better Regulation Delivery Office (BRDO), an independent unit within BIS. Therefore, since the activities are continuing, these financial statements have been prepared on a going concern basis.

Funding for BRDO from BIS for 2012-13 is confirmed as £3.559 million.

#### **D. Income**

Income consists primarily of grant in aid from BIS. Grants used for revenue expenditure are credited to the statement of comprehensive net expenditure in the same period as the expenditure to which they relate.

Other Income relates directly to fees and charges for services provided by agreement with external organisations. This represents the value of invoices raised on completion of work and the value of work completed in the financial year but not yet invoiced. No VAT is charged.

#### **E. Property, plant and equipment**

All property, plant and equipment are initially recorded at cost.

Items of equipment costing less than £2,500 are charged to expenditure in the year of purchase. However, where a group of homogeneous items with individual values less than £2,500 but a group value in excess of £2,500 are purchased, these may be capitalized where it is considered that this would show a true and fair view.

Property, plant and equipment are capitalized at cost of acquisition, plus any costs such as installation and commissioning directly attributable to bringing them into a working condition.

Permanent offices, furniture and information communications technology equipment were established in January 2008 and included at cost. Revaluations will be undertaken by the end of 2012-13, in accordance with the appraisal and valuation standards of the Royal Institution of Chartered Surveyors (RICS).

#### **F. Intangible assets**

All intangible assets are initially recorded at cost.

Items of equipment costing less than £2,500 are charged to expenditure in the year of purchase. However, where a group of homogenous items with individual values less than £2,500, but a group value in excess of £2,500 are purchased, these may be capitalised where it is considered that this would show a true and fair view.

#### **G. Depreciation and amortisation**

Depreciation is provided on all property, plant and equipment from the month following the date of acquisition.

Amortisation is made on intangible assets from the month following the date of acquisition.

Depreciation and amortisation are calculated so as to write off the cost of an asset, less its estimated residual value, on a straight-line basis over the useful expected economic life of that asset, as set out in the remainder of this sub-section.

**Table 8: Calculation of depreciation and amortisation**

Leasehold improvements	Over period to break clause in lease
Furniture and fittings	Over period to break clause in lease
IT equipment	Over period to break clause in lease
IT systems – Primary Authority database	Over period to 31 March 2016
IT systems – other	Over period to break clause in lease

Leasehold improvements were originally depreciated over 10 years but depreciation was accelerated during 2010-11 to the end of January 2013, the date specified in the break clause in the lease.

Furniture and fittings were originally depreciated over a period varying between five and 10 years but depreciation was accelerated during 2010-11 to the end of January 2013, the date specified in the break clause in the lease.

IT equipment such as desktop and laptop computers were originally depreciated over three years. However, equipment from January 2008 was still being used at the end of 2010-11 so depreciation as at 1 April 2010 was recalculated over the period to the end of January 2013. All other IT equipment is being written off by the end of January 2013.

The Primary Authority database is depreciated over seven years to the end of March 2016, which is the current assessed life of the asset.

Other IT systems were originally depreciated over five years but depreciation was accelerated during 2010-11 to the end of January 2013, the date specified in the break clause in the lease.

Depreciated cost is considered to be the equivalent of fair value for all classes of asset with exception of leasehold property.

## **H. Research**

Expenditure on research (which appears within other expenditure in the statement of comprehensive net expenditure) is written off in the year in which it is incurred.

## **I. Finance leases**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to LBRO, are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of the future obligations under the leases are included as liabilities in the statement of financial position. The interest element of the rental obligation is charged to the statement of comprehensive net expenditure over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. There were no finance lease obligations in either 2011-12 or 2010-11.

## **J. Operating leases**

Rentals paid under operating leases are charged to the statement of comprehensive net expenditure on a straight-line basis over the lease term.

## **K. Pensions**

Past and present employees are covered by the provisions of the Civil Service Pension schemes, which are described in note 3. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. LBRO recognizes the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution element of the schemes, LBRO recognizes the contributions payable for the year.

## **L. Value Added Tax**

LBRO is not eligible to be registered for VAT purposes. Irrecoverable VAT is, therefore, charged to the relevant expenditure category or included in the capitalised cost of non-current assets.

## **M. IFRS issued but not yet effective**

Disclosure is only made for those new IFRS that are applicable.

# **Notes to the statement of comprehensive net expenditure**

## **2. Analysis of net expenditure by segment**

LBRO activity is not subject to segmentation as it operates as a single unit, with attainment of strategic objectives delivered across the whole organisation.

## **3. Staff numbers and related costs**

Staff-related costs are the direct costs of the executive staff employed by LBRO during the year, inclusive of salary payments, national insurance, employer's pension contributions and agency staff. They exclude recruitment and travel costs, which are included under other costs.

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

For the period from 1 April 2011, employers' contributions of £218,302 (2010-11 £210,152) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners (of which there were none).

a. Staff costs

<b>Table 9: Staff related costs</b>						
	2011 - 12				2010 - 11	
	Board members	Staff with a permanent or fixed-term contract	Secondees	Other staff on short-term temporary contracts	Total	Total
(Figures in £s)						
Wages and salaries	101,563	1,095,787	219,380	68,579	1,485,309	1,452,115
Social security costs	9,208	94,005	21,010	-	124,223	120,477
Other pension costs	-	218,302	42,540	-	260,842	260,087
<b>Total costs</b>	<b>110,771</b>	<b>1,408,094</b>	<b>282,930</b>	<b>68,579</b>	<b>1,870,374</b>	<b>1,832,679</b>

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employers' contributions were paid to appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. No employer contributions were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to partnership pension providers at the statement of financial position date were nil. Contributions prepaid at that date were also nil.

b. Average number of full-time equivalent persons employed

<b>Table 10: Average numbers of persons employed</b>						
	2011-12			2010-11		
	Total	Perm staff	Others	Total	Perm staff	Others
Chief Executive / senior management team	3.2	3.2	0.0	4.0	4.0	0.0
Policy and administration staff	23.1	22.6	0.5	21.3	21.1	0.2
<b>Total average numbers</b>	<b>26.3</b>	<b>25.8</b>	<b>0.5</b>	<b>25.3</b>	<b>25.1</b>	<b>0.2</b>

#### 4. Other expenditure

<b>Table 11: Other expenditure</b>		
	<b>2011-12</b>	<b>2010-11</b>
	<b>£</b>	<b>£</b>
Direct programme expenditure	1,142,287	1,370,152
Professional fees	117,180	180,569
Travel and subsistence	142,595	117,295
Rentals under operating leases	84,518	82,407
Other accommodation costs	92,492	87,548
Personnel costs	30,485	53,547
External auditors remuneration - statutory audit	17,400	17,000
Internal auditors remuneration	12,750	11,725
Other supplies and services	57,468	78,387
<b>Total other expenditures</b>	<b>1,697,175</b>	<b>1,998,630</b>
<b>Finance lease interest</b>	<b>-</b>	<b>1,305</b>
Non-cash items:		
Depreciation	85,314	55,234
Amortization	68,366	53,687
<b>Total non-cash items</b>	<b>153,680</b>	<b>108,921</b>

#### 5. Programme delivery spend by objective

<b>Table 12: Programme delivery spend by objective</b>		
	<b>2011-12</b>	<b>2010-11</b>
	<b>£</b>	<b>£</b>
<b>Primary Authority and business relationships</b>	<b>586,807</b>	<b>733,062</b>
Extending PA	13,383	37,637
Delivering PA	391,705	445,885
Supporting local growth	181,719	249,540
<b>Simplifying regulatory delivery</b>	<b>490,523</b>	<b>377,266</b>
Policy development	82,461	861
System alignment	155,621	200,250
System delivery	252,441	176,155
<b>Cross cutting</b>	<b>70,309</b>	<b>44,468</b>
<b>BIS ports / Surveillance of imported goods</b>	<b>147,800</b>	<b>130,000</b>
<b>2010/11 projects</b>	<b>-</b>	<b>249,118</b>
<b>Total programme delivery costs inc agency/secondees</b>	<b>1,295,439</b>	<b>1,533,914</b>

The purpose of LBRO is to deliver programmes (supported by the administrative costs of operating the organisation) in pursuit of main objectives. Spend on programmes, split by these objectives, and including attributable agency/seconded costs, is shown in Table 12.

The costs shown there exceed the sum shown in note 4 under other expenditures by the value of the agency/seconded costs, which are shown under staff costs in the net expenditure account.

Additionally, a number of permanent staff and secondees are employed to directly deliver some of these programmes as a significant element of their roles. The element of staff costs that can be directly attributed to programme delivery over this period is £1,065,245 (£837,500 in 2010-11). This equates to a total direct spend of £2,360,684, or 78 per cent (£2,371,415, or 68 per cent in 2010-11) of the grant in aid applied towards net revenue expenditure (see note 6 below).

## 6. Grant in aid

The total amount of external sponsor support from the Department for Business, Innovation and Skills (BIS) is shown in Table 13.

<b>Table 13: Grant in aid</b>		
	<b>2011 - 12</b>	<b>2010 - 11</b>
	<b>£</b>	<b>£</b>
Received in the year from BIS - allocation	3,113,000	3,619,000
	<u>3,113,000</u>	<u>3,619,000</u>
Less: applied towards purchase of non-current and intangible assets	(73,975)	(122,220)
	<u>3,039,025</u>	<u>3,496,780</u>

## 7. Sundry income

<b>Table 14: Sundry income</b>		
	<b>2011 - 12</b>	<b>2010 - 11</b>
	<b>£</b>	<b>£</b>
Cost Recovery:		
Welsh Assembly Government	200,000	200,000
Funding for Regional Coordination	90,000	-
BIS CCP Ports MOU	150,000	147,265
Miscellaneous	47,844	717
	<u>487,844</u>	<u>347,982</u>

LBRO has delivered projects specific to Wales to the value of £200,000 against a Welsh Assembly Government business plan.

BIS's Consumer & Competition Policy Directorate (CCP) allocated a grant of £150,000 to LBRO in order for it to pilot enhanced product testing and market surveillance activities at key ports of entry into the UK.

## Notes to the statement of financial position

### 8. Property, plant and equipment

<b>Table 15: Property, plant and equipment</b>				
(Figures in £s)	Leasehold improvements	Information Technology	Furniture & Fittings	Total
<b>Cost or valuation</b>				
At 1 April 2011	110,022	136,301	74,697	321,020
Additions	-	10,298	8,006	18,304
Disposals	-	(7,553)	-	(7,553)
<b>At 31 March 2012</b>	<b>110,022</b>	<b>139,046</b>	<b>82,703</b>	<b>331,771</b>
<b>Depreciation</b>				
At 1 April 2011	33,587	98,255	42,748	174,590
charged in period	41,692	23,129	20,493	85,314
Disposals	-	(6,420)	-	(6,420)
<b>At 31 March 2012</b>	<b>75,279</b>	<b>114,964</b>	<b>63,241</b>	<b>253,484</b>
<b>Carrying Amount at 31 March 2012</b>	<b>34,743</b>	<b>24,082</b>	<b>19,462</b>	<b>78,287</b>
Carrying Amount at 31 March 2011	76,435	38,046	31,949	146,430
<b>Asset financing</b>				
Owned	34,743	24,082	19,462	78,287
<b>Carrying Amount at 31 March 2012</b>	<b>34,743</b>	<b>24,082</b>	<b>19,462</b>	<b>78,287</b>

## 9. Intangible assets

**Table 16: Intangible assets**

(Figures in £s)	Software licences finance system	Software licences customer relation management system	Software licences and development Primary Authority	Total
<b>Cost or valuation</b>				
At 1 April 2011	16,947	19,742	373,678	410,367
Additions	-	-	55,671	55,671
Disposals	-	-	-	-
<b>At 31 March 2012</b>	<b>16,947</b>	<b>19,742</b>	<b>429,349</b>	<b>466,038</b>
<b>Amortization</b>				
At 1 April 2011	7,908	10,529	75,871	94,308
Charged in year	4,737	4,828	58,801	68,366
Disposals	-	-	-	-
<b>At 31 March 2012</b>	<b>12,645</b>	<b>15,357</b>	<b>134,672</b>	<b>162,674</b>
<b>Carrying Amount at 31 March 2012</b>	<b>4,302</b>	<b>4,385</b>	<b>294,677</b>	<b>303,364</b>
Carrying Amount at 31 March 2011	9,039	9,213	297,807	316,059
<b>Asset financing</b>				
Owned	4,302	4,385	294,677	303,364
<b>Carrying Amount at 31 March 2012</b>	<b>4,302</b>	<b>4,385</b>	<b>294,677</b>	<b>303,364</b>

Primary Authority is a software tool which enables businesses to form statutory partnerships with a single local authority. The principles of Primary Authority are set out in the Regulatory Enforcement and Sanctions Act 2008.

## 10. Impairments

There have been no asset impairments.

## 11. Inventories

LBRO does not hold items for resale or material stocks of publications.

## 12. Trade receivables and other current assets

### a. Analysis by type

**Table 17: Trade receivables and other current assets**

	2011 - 12	2010 - 11
	£	£
<b>Amounts falling due within one year</b>		
Trade receivables	693	-
Other receivables	3,349	1,096
Prepayments and accrued income	103,096	108,776
<b>Total amounts falling due within one year</b>	<b>107,138</b>	<b>109,872</b>
<b>Balance at 31 March</b>	<b>107,138</b>	<b>109,872</b>

### b. Intra-government balances

**Table 18: Intra-government balances**

	Amounts falling due within one year	Amounts falling due within one year
(Figures in £s)	2011 - 12	2010 - 11
Balances with:		
Local authorities	30,757	25,840
<b>Subtotal: Intra-governmental balances</b>	<b>30,757</b>	<b>25,840</b>
Balances with bodies external to government	76,381	84,032
<b>Balance at 31 March</b>	<b>107,138</b>	<b>109,872</b>

## 13. Cash and cash equivalents

**Table 19: Cash and cash equivalents**

	2011 - 12	2010 - 11
	£	£
Balance at 1st April	262,787	174,282
Net change in cash & cash equivalents	(88,017)	88,505
<b>Balance at 31 March</b>	<b>174,770</b>	<b>262,787</b>
The following balances at 31 March were held at:		
Government Banking Services	174,770	262,787
<b>Balance at 31 March</b>	<b>174,770</b>	<b>262,787</b>

## 14. Trade payables and other current liabilities

### a. Analysis by type

**Table 20: Trade payables and other current liabilities**

	2011 - 12 £	2010 - 11 £
<b>Amounts falling due within one year</b>		
Trade payables	148,108	155,277
Accruals and deferred income	111,783	155,818
<b>Total amounts falling due within one year</b>	<b>259,891</b>	<b>311,095</b>
<b>Total trade payables and other current liabilities</b>	<b>259,891</b>	<b>311,095</b>

### b. Intra-government balances

**Table 21: Intra-government balances**

	Amounts falling due within one year <b>2011 - 12</b>	Amounts falling due within one year <b>2010 - 11</b>
(Figures in £s)		
Balances with:		
Other central government bodies	19,989	20,935
Local authorities	8,534	18,739
<b>Intra-governmental balances</b>	<b>28,523</b>	<b>39,674</b>
Balances with bodies external to government	231,368	271,421
<b>Balance at 31 March</b>	<b>259,891</b>	<b>311,095</b>

## 15. Provisions for liabilities and charges

**Table 22: Provisions**

	2011 - 12 £	2010 - 11 £
Balance at 1 April	(25,000)	-
Provided in the year	-	(25,000)
<b>Balance at 31 March</b>	<b>(25,000)</b>	<b>(25,000)</b>

The provisions relate to dilapidations, i.e. the potential expenditure required to restore the current leased office space to its original condition as at the next break point in the lease, currently in January 2013. In accordance with IAS16, this expenditure has been capitalised within leasehold additions.

## 16. Capital commitments

There are no capital commitments at 31 March 2012.

## 17. Commitments under leases

### Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in Table 23 below, analysed according to the period in which the lease expires.

<b>Table 23: Operating leases</b>		
	<b>2011 - 12</b>	<b>2010 - 11</b>
	<b>£</b>	<b>£</b>
<b>Obligations under operating leases comprise:</b>		
Buildings:		
Expiring within one year	65,128	82,267
Expiring after one year but not more than five years	-	65,128
Expiring thereafter	-	-
	<b>65,128</b>	<b>147,395</b>
Other:		
Expiring within one year	52,318	124,533
Expiring after one year but not more than five years	-	52,318
Expiring thereafter	-	-
	<b>52,318</b>	<b>176,851</b>

The lease for provision of a managed ICT service was extended in January 2011 from three years to five years, now terminating in January 2013.

### Finance leases

There are no finance lease obligations in either the current or preceding year.

## 18. Related-party transactions

The organisation is an executive NDPB, sponsored and owned by the Department for Business, Innovation and Skills (BIS), part of the UK Government. The relationship is managed through the Better Regulation Executive (BRE).

These bodies are each regarded as a related party with which LBRO has had various material transactions during the period. During the financial year, LBRO received £3,113,000 grant in aid from its controlling related party BIS.

In addition, LBRO has had a small number of transactions with other government departments and other central government bodies.

One non-executive director, Robert Leak, is Chief Executive of the London Borough of Enfield. LBRO paid £6,562 to the London Borough of Enfield for his services during the financial year.

No Board member, key manager or other related party has undertaken any material transactions with LBRO during the period under review.

**19. Subsequent events**

There are no reportable subsequent events. The Accounting Officer authorised these financial statements for issue on 11 June 2012, the date that the accounts were certified by the Comptroller and Auditor General.

**20. Losses and special payments**

There are no reportable special payments for the period ending 31 March 2012.

**21. Financial instruments**

LBRO's resources are met through grant in aid from the sponsor department BIS. LBRO has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities, which are generated by day-to-day operational activities, LBRO holds no financial instruments.

**22. Contingent liabilities**

There are no contingent liabilities.



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ISBN 978-0-10-297869-8



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