

# Local Better Regulation Office Annual Report and Accounts 2010-2011

**LBRO**  
Prosperity and Protection





## **Local Better Regulation Office**

### **Annual Report and Accounts 2010-2011**

Annual Report presented to Parliament pursuant to Paragraph 12(5) of Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008 and Accounts presented to Parliament pursuant to Paragraph 13(6) of Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008.

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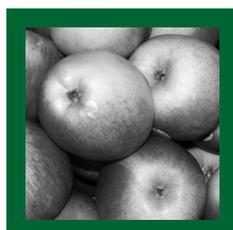
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## List of abbreviations

|       |  |
|-------|--|
| BIS   | Department for Business, Innovation and Skills |
| BRE   | Better Regulation Executive                    |
| CETV  | Cash equivalent transfer value                 |
| CIEH  | Chartered Institute of Environmental Health    |
| CPS   | Civil Service Pension                          |
| FReM  | Financial Report Manual                        |
| FSA   | Food Standards Agency                          |
| HSE   | Health and Safety Executive                    |
| LEPs  | Local Enterprise Partnerships                  |
| LGR   | Local Government Regulation                    |
| NAO   | National Audit Office                          |
| NDPB  | Non-departmental public body                   |
| PA    | Primary Authority                              |
| PCSPS | Principal Civil Service Pension Scheme         |
| SMEs  | Small and medium enterprises                   |
| TSI   | Trading Standards Institute                    |

## Foreword



Good regulation supports economic prosperity and consumer protection. The Local Better Regulation Office (LBRO) focuses on making the regulation of business by local authorities more productive and effective. This benefits business and improves the environment for creating and doing business; it benefits local authorities in making their regulatory work more efficient and targeted; and it benefits consumers who get better protection as a result. Our remit includes environmental health, fire safety, licensing and trading standards – between them covering major and extensive areas of the local regulation of business.

Across 2010-11, our second full year of operation as a non-departmental public body, we have achieved significant and tangible results. Our Primary Authority scheme, under which businesses form statutory agreements with councils to gain a reliable source of assured advice, has become firmly established and is fast becoming the norm, especially on the High Street. This success has been recognized by Government, and Primary Authority looks set to be extended and to generate even greater benefits. Our broader work to engage business was another key strand. It broke new ground in bringing a business perspective to bear on regulatory reform, for example on regulation and enforcement of age-restricted products which has generated specific reform proposals in that area.

The year was a watershed in a very fundamental way once LBRO was included in the Government's review of all arms length bodies. The review concluded that key LBRO functions had value and should be retained, thus endorsing the successes to date. It also concluded that the work should be taken forward by a streamlined body as an independent unit in the Department for Business, Innovation and Skills, and did not need to be an NDPB. 'New' LBRO should have two core functions. These are to operate and extend Primary Authority, in tandem with supporting local economic growth through business engagement, and to simplify regulatory delivery.

Subject to Parliamentary approval, the creation of the new unit is scheduled for 2011-12. We expect it to reflect LBRO's strengths – credible, flexible and cost-effective, and championing the principles of good regulation. It will also be based in Birmingham for the foreseeable future, helping to retain the expertise and commitment of the staff group. Other matters highlighted were the firm evidence of our impact and the value placed on our activities by businesses and their representatives. We are grateful for the strong support we received from our stakeholders. We thank them and everybody else who assisted us during 2010-11.

Handwritten signature of Clive Grace in black ink.

Clive Grace, Chair

Handwritten signature of Graham Russell in black ink.

Graham Russell, Chief Executive

27 June 2011

## Introduction



Who protects us at work and at home, sustains the quality of our air and food, and ensures we are treated fairly when buying goods? In the UK, these essential tasks are undertaken by regulatory services of 433 local authorities. They operate in a complex environment, often working together and in partnerships with other agencies to tackle broad and varied matters, while remaining focused on delivering better outcomes to achieve healthy, safe, green and prosperous communities.

The activities carried out by regulatory services contribute to economic prosperity and consumer protection, while being guided by local needs and priorities. In relation to our mission to improve the regulation of businesses at a local level, our remit extends to four services: environmental health, fire safety, licensing and trading standards. All provide advice, support and enforcement to companies, applying their expertise to key issues.

Our products aim to support this work and include tools, practice examples, project overviews, information, research findings and consultation reports.

Although our remit covers the whole UK its extent varies, so we liaise with the devolved administrations as required. We are a small team with one office in Birmingham. Where staff are based elsewhere we share office space, for example with the Department for Business, Innovation and Skills (BIS) in London and the Welsh Government in Cardiff.

We receive most of our income as 'grant in aid' from BIS. In 2009-10 and 2010-11, our allocations were £4.1 million and £3.71 million respectively, while our total expenditure including capital was £4.5 million and £4.064 million (with the difference funded by other income sources).

We are governed by an independent Board. Its six members (reduced from nine in September 2010) have extensive experience of areas such as advocacy, business and governance.

Given the landscape in which we operate, collaborative delivery is central to our approach, and our initiatives are shaped and launched in partnership with relevant stakeholders. During 2010-11, 288 local authorities in England and Wales were engaged with our projects: 77 per cent of the total. We work with the World Class Coalition of professional and representative bodies – including national regulators – to enhance the system as a whole. It gains vital input from our local authority reference panel, while we receive advice and feedback from our business reference panel, which represents a wider network of around 750,000 businesses. The members of all three groups are listed on page 10. We also conduct formal and informal consultations on a regular basis.

Our equal opportunities and diversity policy applies to our work and recruitment procedures, and we have a range of flexible and family-friendly policies for our staff, such as the provision of child care vouchers. Staff participate in group activities to support specific charities, on a voluntary basis and at no cost to LBRO.

Our activities are overseen by the Better Regulation Executive (BRE). We are also subject to parliamentary scrutiny, particularly by the Regulatory Reform Committee. Parliamentary and Freedom of Information questions are 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 is a key responsibility of our Audit Committee.

## Spotlight: Our three principal partnership groups

### World Class Coalition

*Animal Health  
Audit Commission  
Better Regulation Executive  
Chartered Institute of Environmental Health  
Chief Fire Officers Association  
Communities and Local Government  
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 Regulation  
National Measurement Office  
Office of Fair Trading  
Trading Standards Institute  
Welsh Government*

### Local authority reference panel – councils represented

*Barnsley  
Brighton and Hove  
Cannock Chase  
Central Bedfordshire  
Chelmsford  
City of London  
Cornwall  
Derbyshire  
Dundee City  
Durham  
East Dorset  
Essex  
Market Harborough*

*Monmouthshire  
Newham  
Norfolk  
North Lanarkshire  
North Norfolk  
North West Leicestershire  
Suffolk  
Torfaen  
Warrington  
Westminster  
Wigan  
Worcestershire*

### Business reference panel

*Alliance Boots (CBI member)  
Asda (BRC member)  
Association of Convenience Stores  
B&Q (TSI Business Members Group)  
BHF-BSSA Group (hardware / independent non-food retailers)  
British Beer and Pub Association  
British Chambers of Commerce  
British Frozen Food Federation  
British Holiday and Home Parks Association  
British Hospitality Association  
British Meat Processors Association  
British Retail Consortium (BRC)  
Chartered Institute of Environmental Health  
Co-op  
Confederation of British Industry (CBI)  
Direct Selling Association  
Engineering Employers Federation  
Farmers Markets Association  
Federation of Small Businesses*

*Food and Drink Federation  
Forum of Private Business  
Hire Association Europe  
Institute of Directors  
Ladbroke's (Association of British Bookmakers)  
National Farmers Union  
National Federation of Retail Newsagents  
Petcare Association  
Provision Trade Federation  
Radio, Electrical and TV Retailers Association  
Rural Shops Alliance  
Sainsbury's (BRC member)  
Seafish Industry Authority  
Society of Outside Local Authority Members  
Tesco (BRC member)  
WH Smith (BRC member)  
Wilkinson Hardware Stores (BRC member)  
Wines and Spirits Trade Association*

## Performance



On the following pages, our activities are assessed for our three strategic objectives during 2010-11, shown in the context of our overall strategy in Figure 1.

Our two priorities in 2011-12 are Primary Authority and business engagement, and simplifying regulatory delivery. These reflect ministerial objectives and the move away from centrally driven service improvement.

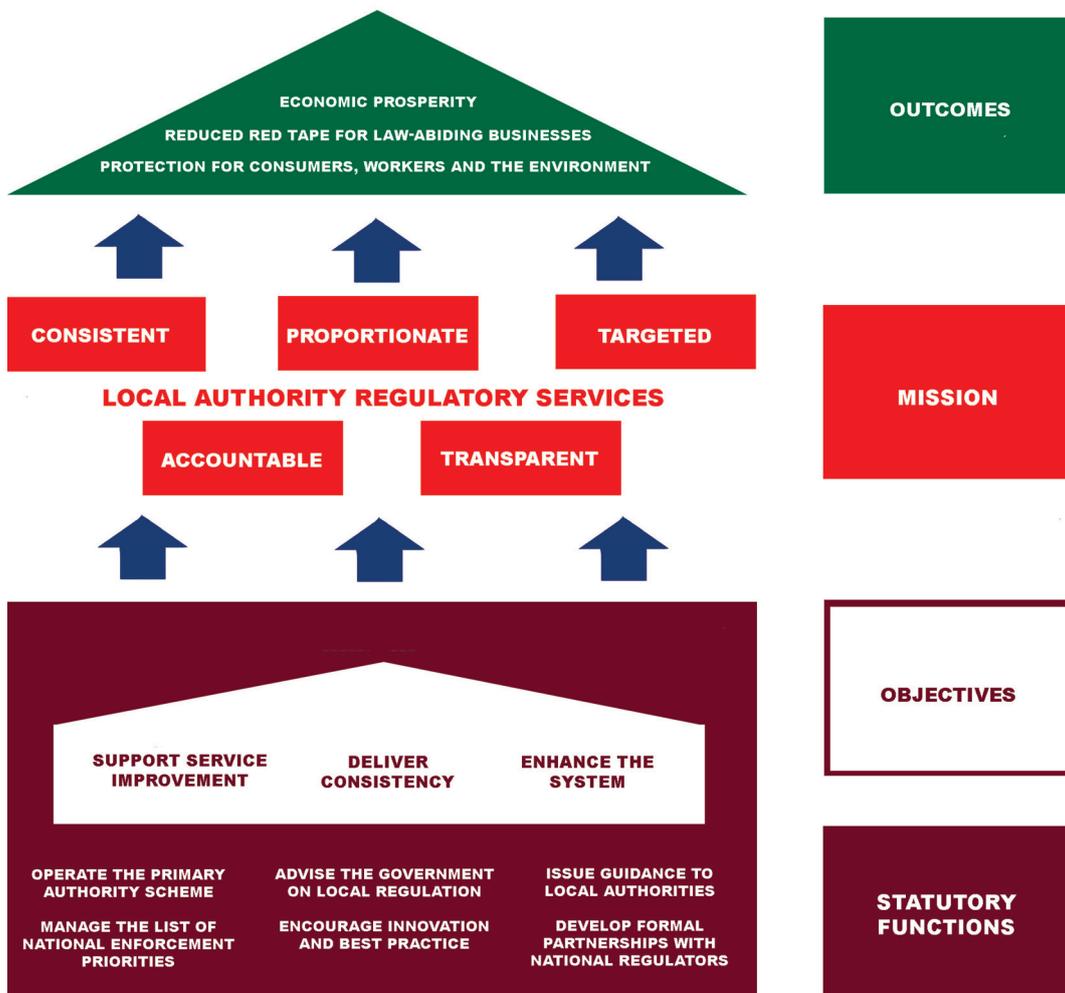


Figure 1: LBRO's strategy in 2010-11



## Objective 1

### Support the improvement of local authority regulatory services

Our initiatives are grouped under the main themes of the joint LBRO and LGR Excellence Framework, launched in February 2010. This established national consensus about the core aspects of effective regulatory services, and the use of self-assessment and peer challenge to drive innovation. Rigorous, thorough and practical, it provides a firm foundation for the delivery of the outcomes that matter for businesses and citizens. It also shapes the structure of Resources for Regulators, a section of our website that went live in February 2011.

#### Spotlight: Resources for Regulators

This online facility was produced for the Welsh Government to assist Welsh regulators, drawing on our work throughout the UK. At launch, it had 30 pages with 90 downloads, providing tools, practice examples, project overviews, information, research findings and consultation reports. The content is grouped into general themes, but can be viewed on the basis of the resources available or key subjects. The emphasis is firmly on giving practical assistance and creating the conditions for better regulation across the system as a whole.

*“Welsh regulatory services protect public interests and help to create a level playing field in which citizens, consumers and businesses can thrive. Their operations are critical to delivering the outcomes needed by people in Wales, including safer food, more secure communities, healthier workplaces and fairer trading. During 2010-11, LBRO strengthened the platform for progress considerably, by developing Resources for Regulators – a useful facility for local authorities – and preparing the first national enforcement priorities for Wales.”*

Richard Shearer, Making the Connections: Policy and Performance, Welsh Government

[www.lbro.org.uk/resources](http://www.lbro.org.uk/resources)

#### Achieving outcomes effectively and sustainably

Finding a clear and concise way to show the results of work underpins the effective targeting of limited resources. We continued to help regulatory services clarify and quantify the benefits they deliver to local businesses and consumers. To assist the assessment of the outcomes and impacts of operations, we added an interactive tool to our website. This allows council officers to create visual pathways of ongoing or proposed activity quickly and easily, while standardizing their look for presentation purposes. The use of this product is helping regulatory services to have more informed discussions about priorities and resource allocation, as well as increasing general awareness of their initiatives – enhancing their profile in local strategic partnerships.

To encourage the wider adoption of the outcomes and impacts approach, we arranged 'train the trainer' events, some involving staff from national regulators, and published an informal guide to facilitating workshop sessions, based on our experiences.

[www.lbro.org.uk/resources/outcomes-and-impacts-pathway-tool.html](http://www.lbro.org.uk/resources/outcomes-and-impacts-pathway-tool.html)

## **Focus on and engagement with customers**

Since regulatory services contribute to outcomes that matter for local people, they are well placed to nurture communities and local economies. Their work is also vital to delivering the accountable, citizen-centred public services.

Over half the interactions between local authorities and businesses are through regulatory services officers. The value of this face-to-face contact is maximized when there is a productive dialogue that delivers tangible benefits for companies. Officers can use their broad professional expertise to provide practical advice and targeted support, and to develop ongoing relationships enabling businesses to adapt to changing needs.

Launched in March 2009, Trading Places gives council officers valuable insight into how businesses deal with regulation. Short but intensive study visits are arranged at UK companies of all sizes, sometimes via trade associations or representative bodies. These practical learning experiences bring together people from the public and private sectors, with the involvement of the national regulators. By March 2011, officers from 32 per cent of the local authorities in England and Wales had enhanced their understanding of commercial environments by attending placements through our initiative.

The devolving of power increases the need for regulatory services to be accountable to the communities they serve. This is supported by the evaluation of the results of work to prove its effectiveness, and the empowerment of citizens through local initiatives such as approved trader schemes and food hygiene scores.

## **Leadership, strategies and collaboration**

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 councils to use when allocating resources. Their management is one of our statutory responsibilities.

Following a formal consultation process undertaken by the Welsh Government, we launched the first national enforcement priorities for Wales in July 2010. They reflect the principles of the *One Wales* agreement. To help embed them, we began project-based work on reducing the burden of data collections, using our outcomes and impacts approach.

### **Spotlight: National Enforcement Priorities for Wales**

- 1** Protecting individuals from harm and promoting health improvement
- 2** Ensuring the safety and quality of the food chain to minimize risk to human and animal health
- 3** Promoting a fair and just trading environment for citizens and business
- 4** Improving the local environment to positively influence quality of life and promote sustainability

[www.lbro.org.uk/resources/national-enforcement-priorities-in-wales.html](http://www.lbro.org.uk/resources/national-enforcement-priorities-in-wales.html)

In a consultation document we published in February 2011, we proposed the replacement of the existing national enforcement priorities for England with broader priority regulatory outcomes. These reflect issues of concern to citizens and businesses, including the quality and safety of the local environment; quality of life issues such as housing, noise and anti-social behaviour; and the hygiene and safety of local retail outlets. They clarify what matters to Government and ensure that regulatory activity can be focused on delivering outcomes.

The consultation ran for 12 weeks and closed in May 2011. The proposals were discussed with local authorities in a series of regional meetings and formal responses were received from 25 organizations, including representative bodies, Government departments and national regulators. We are currently considering the feedback and the publication of our final report is scheduled for September 2011, accompanied by practical tools to support the use of the priorities by local authorities.

### **Spotlight: Priority Regulatory Outcomes for England**

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

[www.lbro.org.uk/resources/priority-regulatory-outcomes-in-england.html](http://www.lbro.org.uk/resources/priority-regulatory-outcomes-in-england.html)

In the current challenging financial climate, finding ways to achieve priorities with reduced resources is of central importance. Drawing on approaches such as the application of systems thinking and the assessment of customer demand, many regulatory services are developing new delivery models, applicable within or across local authorities. We produced several case studies to highlight examples of good practice.

We also continued to support the existing partnerships for trading standards – in English regions and across Wales – and the steering group for the nine unitary councils created in April 2009. To encourage shared learning, we arranged a seminar in Birmingham in October 2010, attended by over 100 people. Presentations on solutions to various financial and service delivery challenges were given by representatives from seven local authorities and Worcestershire Regulatory Services. The feedback provided was very informative and led to much audience discussion.

### **Resources, activity and people management**

It is important for businesses to receive meaningful feedback from regulators on their compliance performance and how it can be improved. A common system will help businesses to understand the assessment criteria, and to appreciate that reducing the levels of risk can result in less frequent or less burdensome interventions.

We agreed an approach with the World Class Coalition to integrate the diverse risk assessment models in use across local regulation. This simplified and transparent system will provide a foundation for better information sharing, thus improving the robustness of the evidence available to support the assessment and regulatory response. The approach will reduce duplication and help focus scarce regulatory resources where they are most needed.

In Wales, the Single Use Carrier Bag Charge Regulations, which include provisions for civil sanctions, are due to be implemented in 2011. The Welsh Government asked us to review the progress of the 22 local authorities in Wales towards the circumstances that would enable the application of these new powers. A number of issues were addressed and a positive direction of travel was indicated.

| <b>Key targets for 2009-12</b>   | <b>Our progress by March 2011</b>   |
|--|---|
| 80% of businesses see regulatory services as fair and helpful                          | On the basis of the BRE assessment of National Indicator data in October 2010, 77% of businesses in England see regulatory services as fair and helpful |
| 85% of businesses state that regulatory services understand their businesses           | On the basis of the LBRO perceptions survey in July 2010, 75% of businesses feel understood by regulatory services                                      |
| 50% of regulatory services have measured the impact of their activities on communities | 101 local authorities in England and Wales (27%) used the outcomes and impacts toolkit in 2010-11   |
| 50% of local authorities have put staff in Trading Places                              | 32% of local authorities in England and Wales placed an officer on the scheme in its first two years of operation                                       |

#### **Further resources for reference on LBRO website**

*Priority Regulatory Outcomes: A New Approach to Refreshing the National Enforcement Priorities for Local Authority Regulatory Services*, LBRO, February 2011

*A Common Approach to Risk Assessment – Final Proposals*, LBRO, February 2011

*Facilitation of Workshops Using the Outcomes and Impacts Toolkit*, LBRO, February 2011

*Wales Omnibus Research*, Beaufort Research, September 2010

*Business Perceptions Survey*, FDS International, July 2010

*National Enforcement Priorities for Wales*, Welsh Government / LBRO, July 2010



## Objective 2

### Deliver consistency

#### Primary Authority

Primary Authority enables businesses to form a statutory partnership with a single local authority. The primary authority provides assured advice to the business and enables other councils to regulate it in a risk-based and proportionate way. This lowers costs and stimulates prosperity as well as delivering a more efficient system of local regulation.

Primary Authority forms one of the conditions necessary for sustainable growth, by providing businesses with ready access to regulatory support and enabling their compliance to be demonstrated efficiently. It has created a new relationship between businesses and regulators. Businesses can now rely on the environmental health, licensing and trading standards advice received from local authorities, in the knowledge that it is expert opinion, applicable across the UK, and a secure basis for investment and operational decisions.

The principles of Primary Authority are set out in the Regulatory Enforcement and Sanctions Act 2008. Its operation is a statutory responsibility of LBRO. We register partnerships, issue guidance and resolve disputes.

#### Spotlight: Primary Authority feedback

*“Our innovative primary authority partnership is arranged with Hertfordshire County Council and Dacorum Borough Council. It is a one-stop shop embracing the broadest range of local authority regulation from food safety to environmental protection. It ensures that our customers benefit from a consistent, risk-based approach to regulation.”*

Carole Payne, Operations and Standards Director for Trading Law and Technical, Tesco

Primary Authority has gathered considerable momentum in 2010-11, which was marked by the creation of many new partnerships and the evolution of those formed the previous year. This led to a sharp increase in the benefits realized by business participants and the local regulatory system. Local authorities have been increasingly active in setting out the benefits of Primary Authority to businesses operating in their areas through local seminars and meetings. Fifty now provide Primary Authority services. We mediated in cases where enforcement action was being considered, generally by encouraging productive dialogue. In addition, we further developed the functionality of the secure IT system used by councils.

By the end of March 2011, 211 businesses, 36,000 premises and some 920,000 employees were covered by 696 partnerships.

In its *Plan for Growth* in March 2011, the Government announced its intention to expand the Primary Authority model to apply consistent enforcement standards across a wider range of regulations and businesses.

The proposals are to:

- increase the number and type of regulations that fall within the Primary Authority model, for example age-restricted sales of alcohol and knives; and
- enable federations, company groups, franchise businesses and trade associations to access a form of Primary Authority.

To explore the potential for the extension of Primary Authority we initiated four projects, which are summarized on the following page.

### Other work strands

As part of our national threats project, we advised the allocation of funding for the surveillance of incoming consumer goods at two UK ports, informed by a strategic assessment of the risks. This stopped some unsafe and non-compliant products from reaching the market, by increasing both the amount of enforcement at the points of entry and the level of coordinated follow-up actions taken by councils. We recommended in a report to BIS that the financial support for this initiative should be continued.

| Key targets for 2009-12   | Our progress by March 2011   |
|---|--|
| 100% of businesses that seek a Primary Authority relationship are successful within six months  | 100% were successful   |
| 650 Primary Authority partnerships exist, covering at least 250 businesses  | Excellent progress was made towards the March 2012 target: 696 partnerships were formed covering 211 businesses  |
| For businesses and local authorities within Primary Authority partnerships: <ul style="list-style-type: none"> <li>• 80% of businesses and local authorities report satisfaction</li> <li>• 85% of businesses report that the advice they receive is very or fairly consistent</li> <li>• 95% of businesses report that they experience a more consistent approach to regulation</li> </ul> | On the basis of preliminary evaluation with a limited sample size, a strong start was made toward the March 2012 target: <ul style="list-style-type: none"> <li>• 100% of businesses in a partnership for 12 months or more were satisfied</li> <li>• 64% of businesses in a partnership for two months or more found the advice received very or fairly consistent</li> </ul> |

### Further resources for reference on LBRO website

- Primary Authority Advice: Providing Assurance*, LBRO, June 2010  
*Primary Authority Inspection Plans: A Tool for Change*, LBRO, June 2010  
*Primary Authority: Resourcing Partnerships*, LBRO, June 2010

## Spotlight: Extending Primary Authority: Four pilot approaches

|                        |  |
|------------------------|--|
| <b>1</b>               | <b>Earned recognition</b>  |
| Aim                    | To assess the tools needed by businesses for earned recognition and explore the potential for it to be delivered through inspection plans formed with primary authorities.   |
| Participants           | Asda, B&Q, Co-op, Home Retail Group, Iceland, Marks and Spencer, Moto, Sainsbury's, Tesco, TK Maxx, JD Wetherspoons, BRE, HSE, FSA   |
| Progress to March 2011 | Following two workshops that tackled various practical issues, draft inspection plans prepared with support from the national regulators are being approved by LBRO.   |
| <b>2</b>               | <b>Wider reach: small businesses</b>   |
| Aim                    | To test the potential for the principles of Primary Authority to be applied to the needs of individual local businesses, including assurance, the delivery of compliance through advice and partnership, the recognition of compliance, and regulators working together. |
| Participants           | Eight local authorities  |
| Progress to March 2011 | Initiatives looking at a range of issues such as joint approaches to compliance and mechanisms for recognition are being tested in eight local authority areas.  |
| <b>3</b>               | <b>Wider reach: compliance models</b>  |
| Aim                    | To investigate whether assured advice can benefit businesses operating inter-related approaches to compliance, typified by franchises and tenanted premises.   |
| Participants           | Enterprise Inns, Kentucky Fried Chicken, Enterprise Inns   |
| Progress to March 2011 | Case studies have been prepared for use in the Regulatory White Paper.   |
| <b>4</b>               | <b>Wider reach: sector models</b>  |
| Aim                    | To check the feasibility of providing assured advice through PA partnerships with trade associations.  |
| Participants           | Association of Convenience Stores, BHF-BSSA Group, British Toy and Hobby Association, FARMA, Petcare Association   |
| Progress to March 2011 | Case studies have been prepared for use in the Regulatory White Paper.   |



### **Objective 3**

## **Enhance the local regulatory system**

***The UK local regulatory landscape comprises 433 councils, 58 fire and rescue authorities, 152 port health authorities, 11 national regulators and 12 central Government departments, their equivalents in some cases in the devolved nations, and various other representative bodies.***

We work with the World Class Coalition to augment the Excellence Framework by developing common approaches to specific aspects of regulatory services. One key aim is to simplify the diverse regulatory models and enforcement techniques that presently impede the implementation of risk-based regulation.

We worked in partnership with the CIEH, HSE and TSI to create transparent professional standards of competency. These will embed the principles of good regulation and focus on supporting businesses into compliance.

The aim is to ensure that the needs of local authority regulatory services and officers are identified and addressed:

- through self-assessment;
- via simple and user-friendly web-based tools;
- with innovative and cost-effective solutions; and
- as an integral part of continuous professional development.

More information is provided on the following page.

Further work on our existing evidence base on data collections – which found that 139 separate returns were requested annually from regulatory services across England and Wales – was requested by the Welsh Government. We were asked to produce a more detailed analysis, linked to the new national enforcement priorities for Wales, with the aims of reducing the burden and streamlining performance assessment. A report with input from local and national regulators was prepared for consideration by the Welsh Regulators Forum in June 2011.

## Spotlight: Professional competency

Replacing the current multiple and inconsistent approaches to competency with a single set of common professional standards will simplify the regulatory system. It will also assist cross-regulatory activity, helping national regulators to work more closely together, supported by their professional bodies.

The overall approach is tried and tested. It is already used by health and safety teams at many councils, the HSE, and the Office of Rail Regulation. It encourages officers to draw on their professional judgment and discretion when resolving local circumstances, and has strong backing from the Government.

Its key features are:

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

Following extensive consultation with professional and representative bodies, including feedback from our business reference panel, we created eight frameworks for regulatory services, and piloted them with 25 local authorities and the Vehicle Certification Agency in February / March 2011. The intention is to make them available to councils, together with the supporting tools, in September / October 2011.

*“Both our Institutes are committed to working with LBRO to develop professional standards of competency in regulatory services. The underlying aim is to deliver a cost-effective and practical way to maintain essential skills and knowledge that enhances the reputation of officers and supports legitimate business.”*

Tony Lewis, Head of Education, Chartered Institute of Environmental Health and Phil Owen, Services Director (Professional Standards), Trading Standards Institute

Business engagement is a key strand of our activities and resulted in several significant outcomes, including the publication of the report highlighted on the following page, and an appraisal of the regulation and enforcement of age-restricted products.

Following the announcement of the Local Enterprise Partnerships (LEPs) in the Local Growth White Paper in October 2010, the Minister of State for Business and Enterprise Mark Prisk asked us to support the new partnerships, to find the best way to tackle red tape at a local level. This initiative is being developed and our intention is to work closely with two LEPs to develop effective business engagement mechanisms for regulatory services, and then share this knowledge with the others.

| Key targets for 2009-12   | Our progress by March 2011   |
|---|--|
| 10% reduction in the actual burdens on local authority regulatory services                                | Assessment is scheduled for 2011-12 against the baseline figure of £6 million established in December 2009   |
| 60% of local authorities have self-assessed against the Excellence Framework and have an improvement plan | 43 local authorities (10%) self-assessed and developed an improvement plan in 2009-10. Progress in 2010-11 was slower and responsibility has now transferred to the sector |

**Further resources for reference on LBRO website**

*Professional Standards of Competency for Regulators*, LBRO, February 2011  
*From the Business End of the Telescope: Perspectives on Local Regulation and Enforcement*, LBRO, October 2010  
*Better Regulation of Age-Restricted Products*, Review Group – LBRO Business Reference Panel, September 2010  
*Simplifying the Local Regulatory System*, LBRO, September 2010

**Spotlight: Advice to Government**

A valuable resource for policy makers and regulators alike was provided by *From the Business End of the Telescope*, published in September 2010. This was compiled using feedback from our Business Reference Panel. It calls for a new culture, and is informing the development of practical measures to increase the value of interactions with local regulators. Through our work on alternative regulatory approaches and business-focused professional standards, we are actively taking forward the findings. It is clear that the goal for regulators and the overwhelming majority of regulated businesses is the same: timely, cost-effective, sustainable compliance.

*“Local authorities play a critical role in enforcing regulation in our communities, so they are vital partners as we find new ways to combine public protection with business growth. We need to move towards a genuinely risk-based regime, founded on pragmatism, competence and trust. Encouraging regulators and businesses to work in partnership to achieve joint objectives has to be the way forward. I hope that the deregulatory proposals in this report are an inspiration to regulators across the country.”*

Mark Prisk MP, Minister of State for Business and Enterprise

## Management commentary



### Outlook

The overall objective of our work is to deliver better regulation at a local level, building on the strong foundations provided by the Hampton Review in 2005. We seek to ensure that regulation is:

- targeted on the basis of risk and a full understanding of the issues;
- consistent and transparent in its application;
- proportionate to the threat posed; and
- accountable to citizens and businesses.

We encourage a systemic, risk-based approach to regulation. This entails the creation of 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.

One aim is to develop a new operational model in which businesses can be partners in the delivery of better compliance and outcomes. The relationship between regulators and the regulated should not be too close but rather based on mutual respect and shaped by responsiveness to valid concerns. Moreover, although we work with business, we recognize the essential contribution of the intended beneficiaries of regulation: citizens and consumers. In its widest sense, co-production is a three-way rather than two-way dialogue, as shown in Figure 2. The necessary backdrop is culture change, both in terms of behaviour and the language of engagement.

### Activities

We work to ensure the effective regulation of businesses by local authority regulatory services: environmental health, fire safety, licensing and trading standards.

Our specific brief is to reduce red tape for law-abiding companies, to allow greater focus on tackling the rogue traders who harm vulnerable people and damage our communities. We strive to make it easier for councils to advise on and apply the rules, and simpler for businesses to understand them.

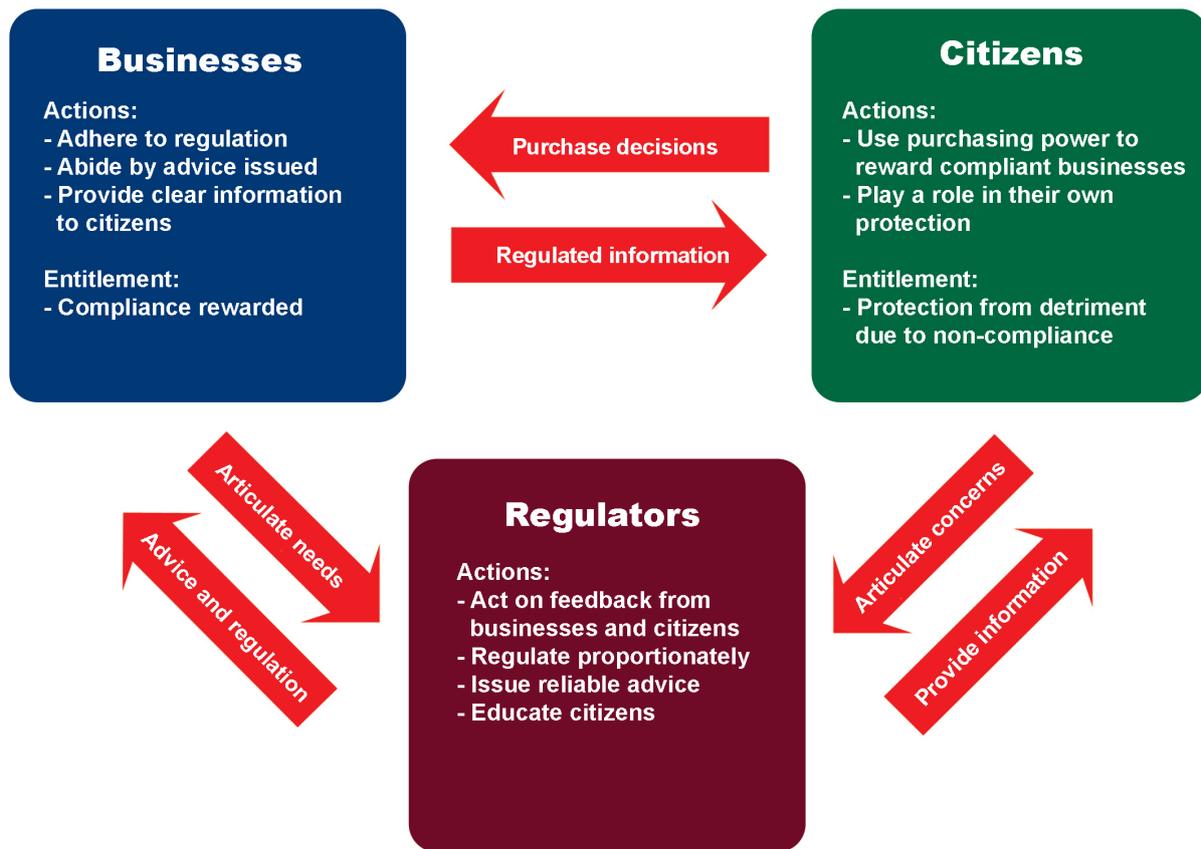


Figure 2: Co-production

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. This also granted us the powers that form our basis for action. Our six key statutory functions are 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 is accountable to BIS through the BRE, operating in the light of its Structural Reform Plan, introduced in June 2010. This is a key part of the broader Business Plan, detailing the actions required to deliver against nine priorities. The four 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.

Our remit covers the UK, but its extent varies, so we liaise with the devolved administrations to ensure our work is appropriate to the unique constitutional position of each. For example, our engagement with businesses in Scotland is informed by our attendance at the Regulatory Review Group, while in Northern Ireland we are guided by the Statement of Intent agreed by the local authorities and the Assembly.

In Wales we operate on the basis of a separate annual business plan with specific funding, overseen by a dedicated senior policy officer. The Welsh Government works with LBRO to develop a consistent approach to delivering better regulation across the UK that is tailored to need. This has 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. We also advise Welsh ministers on local regulation.

We work to deliver genuine impact, mindful of our core values – outcome-focused, evidence-based, creative, challenging and supportive – while introducing our initiatives in the context of the bigger picture. Regulatory services make a significant contribution to creating vibrant communities and often punch above their weight, even though they are allocated less than 1 per cent of UK local authority expenditure. Our efforts are an integral part of the activity undertaken by councils to increase prosperity.

Our project work during 2010-11 is reviewed in the performance section on pages 11 to 21.

We 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 our initiatives. In addition, our Birmingham office was increasingly used as a focal point for stakeholder engagement, as well as a convenient location to meet and work.

Subject to Parliamentary approval, when the work of LBRO is carried forward by a new streamlined body within BIS, the priorities will be to extend the principles of Primary Authority to SMEs and trade associations, work with LEPs and Enterprise Zones to help them create the conditions for improved regulatory delivery, and work with a broad range of stakeholders to reduce duplication and complexity in the regulatory system.

One aim will be to ensure that professional regulators can focus on meeting the needs of business in the most effective and efficient way. The need to simplify the frameworks for risk assessment, professional competency and data sharing will continue, encouraging an outcome-focused culture within regulation.

## **Governance**

In relation to governance, we are informed both by the management statement originally agreed with BIS – which sets out the broad operational framework – and our 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: a statutory requirement under the Regulatory Enforcement and Sanctions Act 2008.

## Board

The overall direction of LBRO is the responsibility of its independent Board, appointed by the Secretary of State. As of 31 March 2011, this had six members: five non-executive (including the Chair) and one ex-officio (the Chief Executive). They 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:

|                    | Dates of Appointment | Dates of renewal | Renewal terms |
|--------------------|----------------------|------------------|---------------|
| Clive Grace, Chair | 01/06/2007           | 01/06/2012       | N/A           |
| Uday Dholakia OBE  | 01/09/2007           | 01/09/2010       | 3 years       |
| Ann Hemingway CBE  | 01/09/2007           | 01/09/2010       | 3 years       |
| Robert Leak        | 01/09/2007           | 01/09/2010       | 2 years       |
| David Thurston     | 01/09/2007           | 01/09/2010       | 2 years       |

The Board was reduced from nine to six members on 01/09/2010, following the completion of the contracts for Robin Dahlberg, Michael Gibson and Rebecca Marsh. The first annual public meeting of LBRO was held in Birmingham on 08 September 2009 and the second in Cardiff on 17 November 2010.

## Executive

The executive of LBRO is a highly skilled, close-knit team that delivers the Board's vision and strategy, supplying the information required to inform its decision-making. Personnel are divided into resource pools, as shown in Figure 3. To pursue our broad agenda, we also routinely work with associates with expertise in relevant fields. Leadership and the control of day-to-day operations are the responsibility of the Senior Management Team, which as of 31 March 2011 had five members:

|                |                 |
|----------------|-----------------|
| Graham Russell | Chief Executive |
| Sarah Smith    | Director        |
| Claire Bridges | Director        |
| Rob Powell     | Director        |
| Richard Wilson | Director        |

Claire Bridges is on secondment from Local Government Improvement and Development until January 2012. Wendy McVey, who was on secondment from HSE, returned to HSE in March 2011, with her position – Director of Corporate Strategy and Board Support – then ending as part of the streamlining of the organisation.

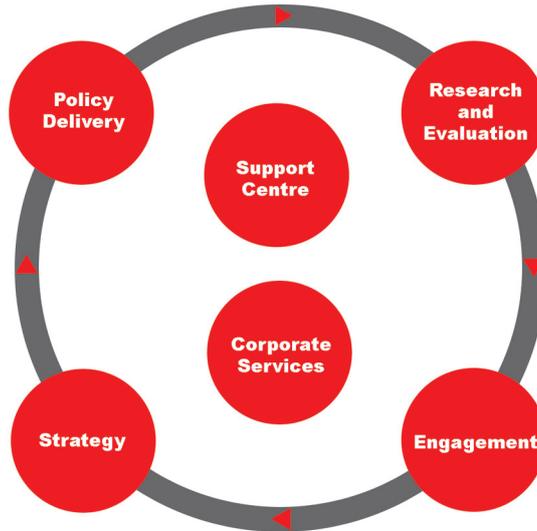


Figure 3: LBRO's resource pools

Brief profiles of the members of the Board and Senior Management Team are provided on our website [www.lbro.org.uk](http://www.lbro.org.uk), together with the register of interests.

### Audit Committee

Matters relating to accounting procedures, financial reporting, internal controls and risk management are the responsibility of the Audit Committee. This operates in accordance with its terms of reference and the HM Treasury *Audit Committee Handbook*. It meets formally at least three times a year. As of 31 March 2011, it had three members:

|                   |                      |
|-------------------|----------------------|
| Robert Leak       | Board member / Chair |
| Ann Hemingway CBE | Board member         |
| Uday Dholakia OBE | Board member         |

The Audit Committee invites other attendees from the executive (including the Accounting Officer and Director of Resources), the sponsor, internal audit and National Audit Office.

### Policy and policy statements

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

- explain our underlying approach;
- clarify the key aspects of compliance;
- specify roles and responsibilities; and
- identify the main reporting procedures.

### Risk

As we are a small organisation with multiple programmes, effective risk management is crucial to the delivery of our three strategic objectives. In particular, it is important that risks are correctly identified and evaluated as early as possible. An organisational culture of risk awareness is 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 our approach to risk are given in the Statement on Internal Control, on pages 36 to 39. This also provides information on data handling. LBRO had no personal data-related incidents during 2010-11.

## **Environment**

We recognize our ethical responsibilities and are committed to creating and maintaining an environment that will not compromise the abilities and needs of future generations. With this in mind, we are committed to best practice when disposing of materials and developing energy and waste management controls. For example, the use of public transport is strongly encouraged – through such means as travel loans – the lights in our office are set to switch off automatically in the absence of movement, and all unwanted paper is collected for recycling. We aim to reflect the Government's vision of sustainability where possible. We plan to monitor the effectiveness of our control measures and our environmental impact, in order to create a culture of continuous improvement.

## **Complaints**

We aim to resolve all complaints quickly. We will acknowledge them within five working days of receipt and respond to the complainant where possible in 10, identifying actions we have taken or will take as a consequence. If a complaint cannot be addressed in this timeframe the complainant will be advised of any delay, kept informed of progress, and told when a full reply can be expected. Where a complainant remains dissatisfied, a complaint may be referred first to the Chief Executive for consideration, then the Board, and ultimately the Parliamentary and Health Service Ombudsman. No complaints were received in 2010-11.

## **Equality and diversity**

We are committed to equal opportunity and diversity for all staff and potential staff. We will 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 recruitment, selection, training and career progression purposes is based entirely on an individual's ability and suitability for the work. We are committed to providing all staff with opportunities to maximize their skills and achieve their potential, offering flexible working arrangements wherever possible. We are also committed to promoting equality of opportunity for people with disabilities, adjusting work arrangements where reasonable. We encourage a diverse workforce and aim to provide a working environment where all staff at all levels are valued and respected and where discrimination, bullying and harassment are not tolerated.

## **Freedom of information**

We are 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 we hold, promoting greater openness and accountability, and facilitating a better understanding of what we do and how we spend public money. We affirm our recognition of the public's 'right to know' and operate an access regime on the presumption that information is open unless there is a valid reason to restrict access. We list all the questions received under the Act and our responses on our website. Eight were answered in 2010-11.

## **Health and safety**

Our aim is to act positively and proactively to prevent injury, ill health, damage and loss arising from our activities, in addition to complying fully with the Health and Safety at Work Act 1974. Our policy is to maintain a safe environment, extending to plant and equipment; working, emergency and reporting procedures; staff awareness, training and supervision; and evaluation. All staff are consulted on an ongoing basis through our employee forum on matters to do with their health and safety at work. There are also designated and qualified fire marshals and first aiders. There was one minor accident in 2010-11.

## **Sickness**

With regard to sickness absence, the percentage of working days lost in 2010-11 was 3 per cent overall, the equivalent to 7.4 days per employee. These figures are higher than those in 2009-10 (2 per cent and 4.5 days) and reflect periods of convalescence for several team members following significant operations. The public sector average is 9.6 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 2010-11, this was achieved 99.35 per cent of the time (by comparison with 83 per cent in 2009-10).

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

LBRO's business plan for 2010-11 was designed to deliver its statutory and strategic objectives, in the second 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 Regulatory and Enforcement Sanctions Act 2008 (RES Act). The Act requires accounts to be produced and audited for periods commencing 1 October 2008.

### **Funding**

LBRO receives the majority of its income as grant in aid from BIS. In 2010-11, the allocation was £3.71 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**

The net operating deficit for the 12-month period to 31 March 2011 amounted to £3,593,553. Receipt of grant in aid from the sponsor totalled £3,619,000. The net surplus was £25,447. Additionally capital expenditure of £97,220 was spent on fixed assets, for Phase 3 of the Primary Authority database, office alterations, and new ICT equipment, and £25,000 was added to fixed assets for dilapidations in accordance with applicable accounting standards. The net surplus, after allowing for capital expenditure and dilapidations, becomes a net deficit of £96,773.

Figure 4 shows the analysis of total expenditure from the net expenditure account, together with finance lease interest and capital expenditure, giving a total of £4,063,755.

The statement of financial position at 31 March 2011 shows net assets of £499,053, represented by the general reserve. Non-current assets are a significant proportion of the statement of financial position at £462,489.

The budget allocation from BIS for 2011-12 is £3,112,000, a reduction of £598,000 (16 per cent) against the 2010-11 grant in aid allocation. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due.

Subject to Parliamentary approval, LBRO will cease as an independent NDPB during 2011-12 and the remaining functions delivered by an independent unit within BIS.

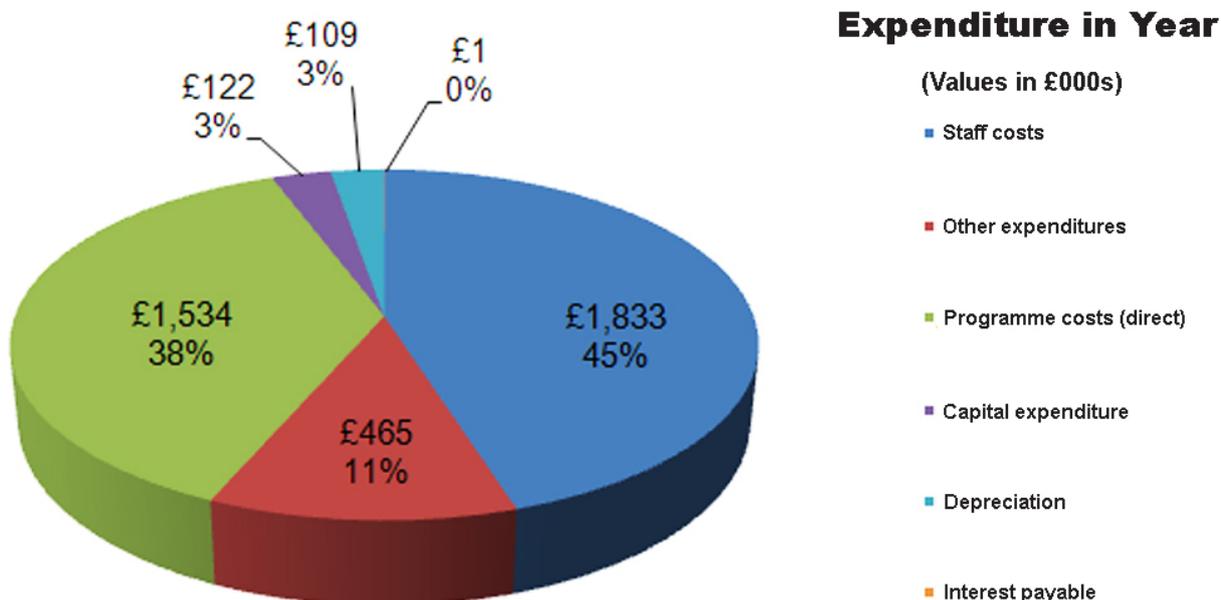


Figure 4: LBRO's total expenditure in 2010-11

### Auditors

The financial statements have been audited by the Comptroller and Auditor General. The cost of the statutory audit was £17,000. 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.

## 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 are set:

- to reflect the need to recruit, maintain and motivate suitably qualified people to exercise their different responsibilities;
- to 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 Local Government Improvement and Development. 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.

The Executive officers listed above are on three-month notice periods. Non-executive directors are on fixed term contracts to 1 September 2010, initial two-year contracts made conterminous to those on three-year contracts, with the exception of the Chair on a five-year contract.

### 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 review 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.

This table is subject to audit

**Table 1: Remuneration report - period ended 31 March 2011**

|                                |                               | Date of appointment  | Salary/ remuneration | Bonus | Total for period | Prior period |
|--------------------------------|-------------------------------|----------------------|----------------------|-------|------------------|--------------|
| (Figures in £'000s)            |                               |                      |                      |       |                  |              |
| <b>Executive</b>               |                               |                      |                      |       |                  |              |
| Chief Executive                | Graham Russell                | 3/9/07               | 90-95                | -     | 90-95            | 90-95        |
| Director                       | Sarah Smith                   | 29/10/07             | 70-75                | 0-5   | 70-75            | 65-70        |
| Director                       | Claire Bridges <sup>(1)</sup> | 11/1/10              | 65-70                | -     | 65-70            | 10-15        |
| Director                       | Rob Powell                    | 7/4/10               | 65-70                | -     | 65-70            | 65-70        |
| Director                       | Wendy McVey <sup>(1)</sup>    | 16/03/09 to 15/03/11 | 55-60                | 5-10  | 65-70            | 55-60        |
| Director                       | Richard Wilson                | 29/10/07             | 55-60                | -     | 55-60            | 55-60        |
| <b>Non-executive</b>           |                               |                      |                      |       |                  |              |
| Chair <sup>(2)</sup>           | Clive Grace                   | 1/6/07               | 45-50                | -     | 45-50            | 45-50        |
| Board member <sup>(3)</sup>    | Robin Dahlberg                | 1/9/07 to 31/8/10    | 5-10                 | -     | 5-10             | 20-25        |
| Board member <sup>(3)</sup>    | Uday Dholakia                 | 1/9/07               | 15-20                | -     | 15-20            | 20-25        |
| Board member <sup>(3)</sup>    | Michael Gibson                | 1/9/07 to 31/8/10    | 5-10                 | -     | 5-10             | 20-25        |
| Board member <sup>(3)</sup>    | Ann Hemingway                 | 1/9/07               | 15-20                | -     | 15-20            | 20-25        |
| Board member <sup>(3)(4)</sup> | Robert Leak                   | 1/9/07               | 5-10                 | -     | 5-10             | 10-15        |
| Board member <sup>(3)</sup>    | Rebecca Marsh                 | 1/9/07 to 31/8/10    | 5-10                 | -     | 5-10             | 20-25        |
| Board member <sup>(3)</sup>    | David Thurston                | 1/9/07               | 15-20                | -     | 15-20            | 20-25        |

Note:

(1) Secondees

(2) 80 days a year

(3) Paid for up to 32 days a year to 31/8/10, 24 days a year thereafter

(4) Emolument paid to employer, London Borough of Enfield

## 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 Directors incurred any benefits in kind during this period.

Pension benefits are provided through the Civil Service Pension (CPS) arrangements and all Directors are members of the Principal Civil Service Pension scheme. 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)).

## Pension entitlements

The pension entitlements shown in Table 2 are those that would be paid annually on retirement based on service to 31 March 2011 and include the value of added years paid for by members of the CPS. Members of the pension scheme have the option to pay additional voluntary contributions but no-one in the table currently exercises this option.

This table is subject to audit.

**Table 2 : Pension entitlements - period ended 31 March 2011**

|                  | Salary band | Real increase in accrued pension benefits at age 60 | Accrued pension at age 60 at 31 March 2011 and related lump sum | CETV at 1 April 2010 | CETV at 1 April 2010 (Revised) | CETV at 31 March 2011 | Real increase in CETV as funded by employer |
|------------------|-------------|---|---|----------------------|--------------------------------|-----------------------|---|
|                  | £000        | £000  | £000  | £000                 | £000                           | £000                  | £000  |
| <b>Executive</b> |             |   |   |                      |                                |                       |   |
| Graham Russell   | 90 - 95     | 0-2.5 lump sum N/A                                  | 50-55 lump sum N/A  | 502                  | 427                            | 501                   | 8   |
| Rob Powell       | 65 - 70     | 0-2.5 lump sum N/A                                  | 10-15 35-40   | n/a                  | 97                             | 118                   | 7   |
| Sarah Smith      | 70 - 75     | 0-2.5 lump sum N/A                                  | 20-25 lump sum N/A  | 139                  | 111                            | 140                   | 11  |
| Richard Wilson   | 55 - 60     | 0-2.5 lump sum N/A                                  | 0-5 lump sum N/A  | 35                   | 30                             | 49                    | 12  |

## Cash equivalent transfer value

A cash equivalent transfer value (CETV) is the actuarially assessed capitalized 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 he or she accrued in his or her former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total actuarial service as a public servant, not just his or her 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 2010-11 to account for the change from the use of the Retail Prices Index to the Consumer Prices Index to calculate future pensions increase. 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. This is shown as an additional column 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, 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.

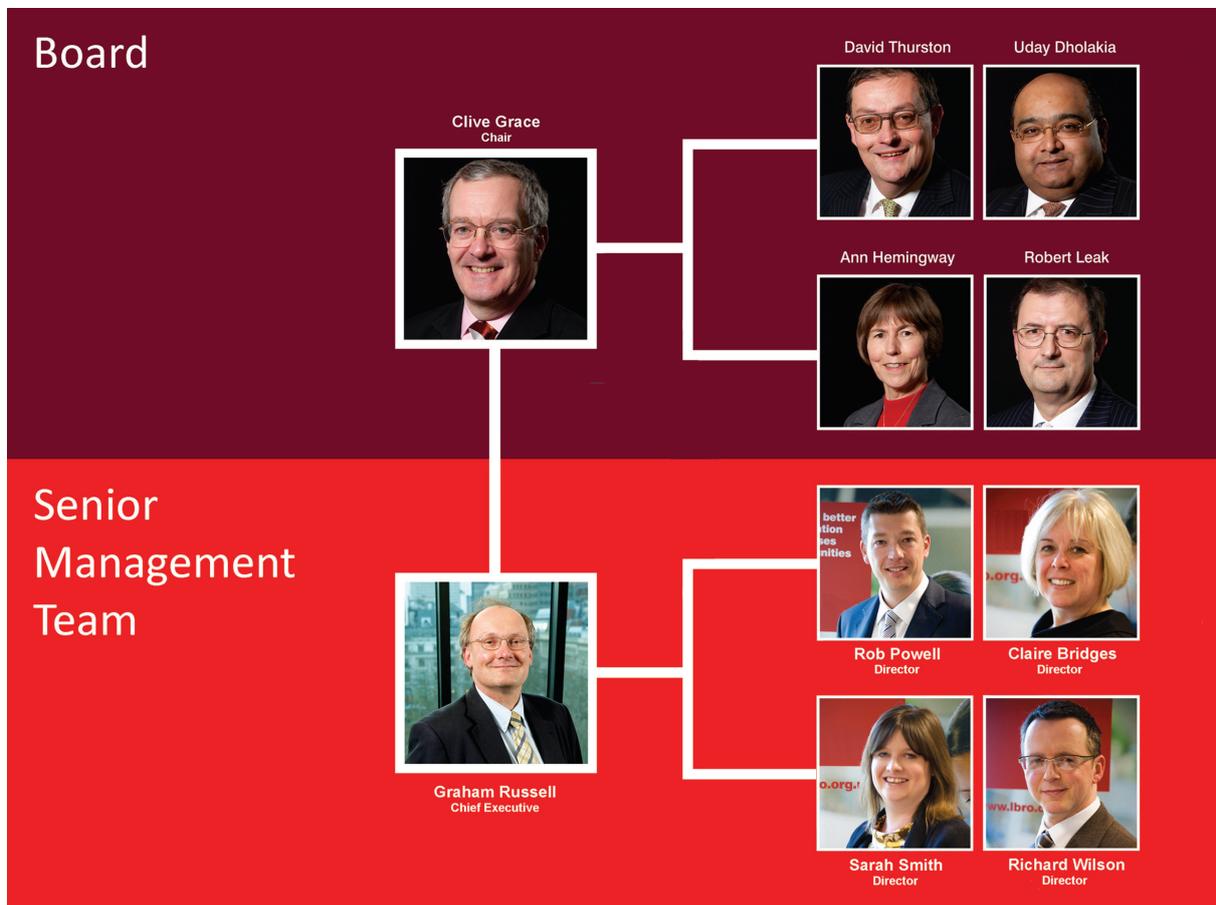
Graham Russell  
Accounting Officer and Chief Executive  
LBRO

27 June 2011

## Financial statements for the period 1 April 2010 to 31 March 2011



### Board and Senior Management Team



#### Registered address

2nd Floor East  
The Axis  
10 Holliday Street  
Birmingham  
B1 1TG

#### External auditors

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

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

Under paragraphs 13 (2) and 13 (3) of Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008, LBRO is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, 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 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*.

## **Statement on Internal Control**

### **Scope of responsibility**

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

I am accountable to the Board for ensuring effective arrangements for the management of risk. The Board has overall responsibility for determining LBRO's system on internal control, reviewing its effectiveness, and annually reviewing the risk policy and strategy. The Audit Committee, a Board sub-committee, advises me on the adequacy of the audit arrangements and on the assurances received in respect of risk management and internal control.

The Minister decided to reduce the Board from nine to six members from 1 September 2010, following the completion of the contracts for Robin Dahlberg, Michael Gibson and Rebecca Marsh. This change was managed through appropriate changes to Board activities and responsibilities including adjustment of the Audit Committee's Terms of Reference. Uday Dholakia became a member of the committee, keeping the Board representation at three, and Robert Leak was appointed Chair. Changes in representative responsibilities included Clive Grace attending the Regulatory Reform Group in Scotland in place of Michael Gibson.

### **The purpose of the system on internal control**

The system on internal control 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 system on internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of LBRO's policies, aims and objectives; to evaluate the likelihood of those risks happening and the impact should they occur; and to manage them efficiently, effectively and economically. The system on internal control has been in place in LBRO for the period ending 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

As Accounting Officer I act as risk champion for LBRO. My role is to ensure robust and effective risk management, and this underpins all policies and procedures. The planning and budgeting process is used to set objectives, agree actions and allocate resources, with progress assessed regularly. Key risks are monitored and controlled via a comprehensive reporting structure. Decisions to rectify problems are made at regular meetings of the senior management team and the Board.

The Board is responsible for defining and accepting LBRO's risk tolerance and appetite, and for driving the culture of risk management. The 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. 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.

## **The risk and control framework**

Risk management is handled effectively at LBRO. A guiding policy clarifies the approach and identifies the main reporting procedures. At Board level, corporate risks are reviewed, opportunities are identified and control mechanisms are assessed. The risk appetite is explicitly varied according to individual risks, with activities such as Primary Authority and internal control having a lower risk appetite (or tolerance) than other risks.

Responsibility cascades throughout the organisation, with staff managing specific risks that could affect the achievement of their objectives and targets. Programme leaders create and maintain their own risk registers. A Programme and Performance Group scrutinizes the programme risks. Risks identified as common to a number of programme areas or of sufficient significance are considered for inclusion within the corporate risk register. Risks are moderated by the Risk Management Group, with recommendations being made to the Board.

LBRO does not operate a risk-averse culture. To deliver its challenging agenda, risks need to be taken. However, I require them to be properly evaluated and managed appropriately. In doing so, I expect a balanced response.

The key elements of LBRO's risk and control framework are as follows:

- Risks are managed in line with best practice.
- There is a systematic process for identifying, monitoring and controlling major risks faced by LBRO in the delivery of its objectives and agenda.
- Residual risks are identified, and timely action plans created to mitigate them.
- Risks are added to the corporate and project risk registers from a variety of sources.
- Reviews are held in line with the Board cycles, with risk owners to assess the relevance of risks, and the strength and adequacy of their control measures.
- Financial and management procedures and guidelines are clearly documented.
- Budgeting systems and financial reporting are reviewed through internal audit, and finalized and agreed with the Audit Committee.
- Regular reports on all significant issues are provided to the Board.

## **In-year risks**

The organisation managed a number of significant risk areas:

- The financial pressures on businesses, local authorities and national regulators in the year impacted on their capacity to engage and to initiate change. Our programmes had to be adjusted to meet a changing authorizing environment.
- LBRO was subject to the Government-wide review of public bodies, and it was essential to maintain programme delivery and the confidence of our partners and customers during a period of uncertainty.
- The impact of the review, and Efficiency and Reform Group spending restrictions, meant that we had to focus on efficient delivery mechanisms and find new ways of operating. As a result, an underspend of £91,000 was identified in the third quarter and the final quarter's grant in aid draw-down was reduced by this amount.

## **Information assurance**

Whilst LBRO possesses relatively little information that is personal or protected it takes information assurance seriously and treats its records in a manner that will protect the individual and organisations, and be for the public good.

LBRO completed a Risk Management and Accreditation Document Set in August 2009. The Senior Information Risk Officer has assessed that nothing of significance has altered since that date.

During the year staff attended numerous Cabinet Office and sponsor department training events. LBRO has continued to work with the sponsor department and wider 'family' to ensure full compliance within a reasonable timeframe. A total of 20 (74%) staff and Information Asset Owners have completed the National School of Government Protecting Information level 1 online training module and eight (30%) have completed level 2.

There have been no material incidents formally reported to the Information Commissioners Office to date, and no recorded or reported mishandling of personal protected data during the period.

LBRO will continue to respond positively to Government directions on this matter, working closely with the sponsor department.

### **Internal audit reporting**

LBRO has contracted with the internal audit service of the sponsor department BIS to provide assurance to the organisation and its stakeholders. During the year to 31 March 2011 the internal audit service has undertaken a number of reviews, which are summarized in Table 3.

LBRO regards sound systems of governance and control as imperative, underpinning its role in achieving its key objectives. The Audit Committee plays a fundamental part in this process, ensuring that the organisation responds positively to findings and recommendations from our internal audit reports.

During the last 12 months, the most significant recommendations were around the segregation of duties and corporate credit card limits. Action was promptly taken to address the segregation of duties concerns that exist in a very small organisation and credit card limits were reduced to levels consistent with operational requirements.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system on internal control. My review is informed by numerous sources, notably the work of the independent internal auditors, the executive managers within LBRO who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and in other reports.

I am advised on the implications of the results of the reviews by the Board and Audit Committee. Where they consider necessary, they will advise me on mechanisms and action plans to address identified weaknesses and continuously improve the system. I will ensure that these are written and adopted as appropriate.

Any system on internal control is subject to development, and I believe LBRO's engaged and positive response to audit recommendations makes it stronger. This leads me to conclude that LBRO has a framework of risk management, governance and control which provides reasonable assurance regarding the effective achievement of its objectives. As the organisation plans for transition, subject to Parliamentary decisions in the future, I am confident that the procedures we have created for effective and efficient control of delivery will provide a basis for future success.

**Table 3: Summary of internal audits**

| Internal audit                     | Overall opinion   | Management response  |
|------------------------------------|---|--|
| Budgetary control                  |  Strong control environment                    | Not applicable   |
| Governance (gifts and hospitality) |  Strong control environment                    | Not applicable   |
| Risk management arrangements       |  Strong control environment                    | Not applicable   |
| Financial systems                  |  Significant weaknesses in control environment | <p>Segregation of duties is difficult in a team of two but additional users have been set up to authorize electronic payments.</p> <p>Corporate credit card limits have been reduced; acceptable internet booking receipt documents have been redefined; and countersigning has been increased.</p> <p>Reports on the use of the corrections module will be reported to the Audit Committee.</p> |
| Payment of expenses                |  Some weaknesses in control environment      | This is linked to the credit card issues above   |

**Key**

-  *Strong control environment – A strong risk and control environment is in place with low residual risk to effective and efficient delivery.*
-  *Some weaknesses in control environment – The risk and control environment is generally sound. There are some weaknesses that should be addressed to reduce residual risk to delivery and/or improve efficiency / effectiveness.*
-  *Significant weaknesses in control environment – There are significant weaknesses in the risk and control environment that pose a high residual risk to effective and efficient delivery unless corrective action is taken.*



Graham Russell  
 Chief Executive and Accounting Officer  
 LBRO

27 June 2011

## **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 (LBRO) for the year ended 31 March 2011 under the Regulatory Enforcement and Sanctions Act 2008. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 LBRO, Chief Executive and auditor**

As explained more fully in the Statement of LBRO's and Chief Executive's Responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, 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 LBRO's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the LBRO; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of LBRO's affairs as at 31 March 2011 and of its 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 Act and Secretary of State for Business, Innovation and Skills' directions issued thereunder.

### **Emphasis of matter – going concern**

Without qualifying my opinion, I draw attention to note 1 of the financial statements concerning the application of the going concern basis in the light of the Ministerial proposal to dissolve the LBRO. This is subject to legislation and there is therefore uncertainty over the LBRO's ability to continue to operate in its current legal form.

### **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 issued under the Regulatory Enforcement and Sanctions Act 2008 Act; and
- the information given in Management Commentary 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

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

29 June 2011

**Table 4: Statement of comprehensive net expenditure**

|  | <i>Notes</i> | <b>1 Apr 10 to<br/>31 Mar 11</b> | 1 Apr 09 to<br>31 Mar 10 |
|--|--------------|----------------------------------|--------------------------|
|  |              | £                                | £                        |
| <b>Expenditure</b>   |              |                                  |                          |
| staff costs  | 3            | (1,832,679)                      | (1,953,507)              |
| depreciation   | 8,9          | (108,921)                        | (91,630)                 |
| other expenditures   | 4            | (1,998,630)                      | (2,358,604)              |
| <b>Total expenditure</b>   |              | <b>(3,940,230)</b>               | <b>(4,403,741)</b>       |
| <b>Income</b>  |              |                                  |                          |
| other income   | 7            | 347,982                          | 422,817                  |
| <b>Total income</b>  |              | <b>347,982</b>                   | <b>422,817</b>           |
| <b>Net expenditure</b>   |              | <b>(3,592,248)</b>               | <b>(3,980,924)</b>       |
| interest payable   |              | (1,305)                          | (4,700)                  |
| <b>Net expenditure after interest</b>                                  |              | <b>(3,593,553)</b>               | <b>(3,985,624)</b>       |
| <b>Other comprehensive expenditures</b>                                |              |                                  |                          |
|  | <i>Notes</i> | <b>1 Apr 10 to<br/>31 Mar 11</b> | 1 Apr 09 to<br>31 Mar 10 |
|  |              | £                                | £                        |
| net gain/(loss) on revaluation of property, plant & equipment          |              | -                                | -                        |
| net gain/(loss) on revaluation of intangibles                          |              | -                                | -                        |
| net gain/(loss) on revaluation of available-for-sales financial assets |              | -                                | -                        |
| <b>Total comprehensive expenditure for the year</b>                    |              | <b>(3,593,553)</b>               | <b>(3,985,624)</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**

|   | <i>Notes</i> | <b>31 March 11</b> | <b>31 March 10</b> |
|---|--------------|--------------------|--------------------|
|   |              | <b>£</b>           | <b>£</b>           |
| <b>Non-current assets</b>                     |              |                    |                    |
| property, plant and equipment                 | 8            | 146,430            | 154,444            |
| intangible assets                             | 9            | 316,059            | 294,746            |
| <b>Total non-current assets</b>               |              | <b>462,489</b>     | <b>449,190</b>     |
| <b>Current assets</b>                         |              |                    |                    |
| trade and other receivables                   | 12           | 109,872            | 211,029            |
| cash and cash equivalents                     | 13           | 262,787            | 174,282            |
| <b>Total current assets</b>                   |              | <b>372,659</b>     | <b>385,311</b>     |
| <b>Total assets</b>                           |              | <b>835,148</b>     | <b>834,501</b>     |
| <b>Current liabilities</b>                    |              |                    |                    |
| trade and other payables                      | 14           | (311,095)          | (360,895)          |
| <b>Total current liabilities</b>              |              | <b>(311,095)</b>   | <b>(360,895)</b>   |
| <b>Non-current assets plus current assets</b> |              |                    |                    |
|   |              | <b>524,053</b>     | <b>473,606</b>     |
| <b>Non-current liabilities</b>                |              |                    |                    |
| provisions                                    | 15           | (25,000)           | -                  |
| <b>Total non-current liabilities</b>          |              | <b>(25,000)</b>    | <b>-</b>           |
| <b>Assets less liabilities</b>                |              |                    |                    |
|   |              | <b>499,053</b>     | <b>473,606</b>     |
| <b>Taxpayers' equity</b>                      |              |                    |                    |
| general fund                                  | 22           | 499,053            | 473,606            |
|   |              | <b>499,053</b>     | <b>473,606</b>     |

Notes are included on pages 45 to 57.

These financial statements were approved by the Board of LBRO on 25 May 2011 and signed on its behalf by:



Graham Russell  
Chief Executive and Accounting Officer  
LBRO

27 June 2011

**Table 6: Statement of cash flows**

|   | Notes | 1 Apr 10 to 31<br>Mar 11<br>£ | 1 Apr 09 to 31<br>Mar 10<br>£ |
|---|-------|-------------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                     |       |                               |                               |
| net deficit after cost of capital and interest                  |       | (3,593,553)                   | (3,985,624)                   |
| increase/(decrease) in trade and other receivables              | 12    | 101,157                       | (36,143)                      |
| decrease in trade payables                                      | 14    | (49,800)                      | (516,299)                     |
| increase in provisions  | 15    | 25,000                        | -                             |
| depreciation and amortisation                                   |       | 108,921                       | 91,630                        |
| non cash finance costs  |       | -                             | -                             |
| <b>Net cash outflow from operating activities</b>               |       | <b>(3,408,275)</b>            | <b>(4,446,436)</b>            |
| <b>Cash flows from investing activities</b>                     |       |                               |                               |
| purchase of property, plant and equipment                       | 8     | (47,220)                      | -                             |
| purchase of intangible assets                                   | 9     | (75,000)                      | (145,774)                     |
| <b>Net cash outflow from investing activity</b>                 |       | <b>(122,220)</b>              | <b>(145,774)</b>              |
| <b>Cash flows from financing activities</b>                     |       |                               |                               |
| grants from parent department                                   | 6     | 3,619,000                     | 4,300,000                     |
| <b>Net financing</b>  |       | <b>3,619,000</b>              | <b>4,300,000</b>              |
| <b>Increase in cash and cash equivalents in the period</b>      |       | <b>88,505</b>                 | <b>(292,210)</b>              |
| <b>Cash and cash equivalents at the beginning of the period</b> |       | <b>174,282</b>                | <b>466,492</b>                |
| <b>Cash and cash equivalents at the end of the period</b>       | 13    | <b>262,787</b>                | <b>174,282</b>                |

Notes are included on pages 45 to 57.

**Table 7: Statement of changes in taxpayers' equity**

|                                  | Notes | General<br>fund<br>£ | Total<br>taxpayers'<br>equity<br>£ |
|----------------------------------|-------|----------------------|------------------------------------|
| <b>Balance at 1 April 2010</b>   |       | 473,606              | 473,606                            |
| changes in accounting policy     | 2     | -                    | -                                  |
| restated balance at 1 April 2010 |       | 473,606              | 473,606                            |
| <b>Deficit for the year</b>      |       | <b>(3,593,553)</b>   | <b>(3,593,553)</b>                 |
| grant from parent department     |       | 3,619,000            | 3,619,000                          |
| <b>Balance at 31 March 2011</b>  |       | <b>499,053</b>       | <b>499,053</b>                     |

Notes are included on pages 45 to 57.

## **Notes to the financial statements for the period 1 April 2010 to 31 March 2011**



### **1. Statement of accounting policies**

#### **A. General principles**

The financial statements summarize the Local Better Regulation Office's (LBRO) transactions for the 12-month period ended 31 March 2011.

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

The financial statements have been prepared in accordance with the 2010-11 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 subject to Parliamentary review during 2010-11, with a ministerial recommendation that the majority of LBRO's functions are continued while the Board-run non-departmental public body entity currently known as LBRO would be dissolved and its assets, liabilities and functions transferred to the sponsor department, BIS.

A final decision on the Minister's recommendation remains subject to the Parliamentary process. However, since it is probable that some or all of the functions of LBRO will be transferred to BIS, these financial statements have been prepared on a going concern basis.

Funding from BIS for 2011-12 is confirmed as £3.112 million.

## **D. Government grants**

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.

## **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 homogenous items with individual values of 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 of 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.

## **G. Depreciation and amortization**

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

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

Depreciation and amortization 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 shown in Table 8.

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

Furniture and fittings were originally depreciated between five and 10 years but depreciation was accelerated during 2010-11 to the lesser of five years or to the end of January 2013, the break-clause in the lease.

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

IT systems were originally depreciated over five years but depreciation was accelerated during 2010-11 to the lesser of five years or to the end of January 2013, 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.

|   |  |
|---|--|
| Leasehold improvements                  | Over period to break-clause in lease 5 years |
| Furniture and fittings                  | Over period to break-clause in lease 5 years |
| IT equipment                            | 3-5 years                                    |
| IT systems – Primary Authority database | 7 years                                      |
| IT systems – other                      | Over period to break-clause in lease 5 years |

## **H. Research**

Expenditure on research 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 capitalized 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 on 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.

## **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 dependents' 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 capitalized cost of non-current assets.

## **M. IFRS in issue not yet effective**

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

## **N. Cost of capital**

The 2010-11 FReM removes the cost of capital charging from accounts, which will reduce the entries disclosed in the statement of comprehensive net expenditure and statement of cash flows but will not affect the deficit for the period. There are no other disclosures applicable or significant to LBRO.

# **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**

These 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 2010, employers' contributions of £210,152 were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners (none).

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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent 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 the partnership pension providers at the statement of financial position date were nil. Contributions prepaid at that date were nil.

#### a. Staff costs

**Table 9: Staff related costs**

|                     | 1 April 10 to 31 March 11 |   |                |   | 1 Apr 09 to 31 Mar 10 |                  |
|---------------------|---------------------------|---|----------------|---|-----------------------|------------------|
| (Figures in £s)     | Board members             | Staff with a permanent or fixed-term contract | Secondees      | Other staff on short-term temporary contracts | Total                 | Total            |
| Wages and salaries  | 134,063                   | 1,064,032                                     | 242,942        | 11,078  | 1,452,115             | 1,579,947        |
| Social security     | 12,323                    | 86,271  | 21,883         | -   | 120,477               | 126,559          |
| Other pension costs | -                         | 210,152                                       | 49,935         | -   | 260,087               | 247,001          |
| <b>total</b>        | <b>146,386</b>            | <b>1,360,455</b>                              | <b>314,760</b> | <b>11,078</b>                                 | <b>1,832,679</b>      | <b>1,953,507</b> |

#### b. Average number of full time equivalent persons employed

**Table 10: Average numbers of persons employed**

|  | 2010-11     |             |            | 2009-10     |             |            |
|--|-------------|-------------|------------|-------------|-------------|------------|
|  | Total       | Perm staff  | Others     | Total       | Perm staff  | Others     |
| Chief Executive / senior management team | 4.0         | 4.0         | 0.0        | 5.0         | 5.0         | 0.0        |
| Policy and administration staff          | 21.3        | 21.1        | 0.2        | 22.9        | 20.8        | 2.1        |
| <b>Total average numbers</b>             | <b>25.3</b> | <b>25.1</b> | <b>0.2</b> | <b>27.9</b> | <b>25.8</b> | <b>2.1</b> |

## 4. Other expenditure

**Table 11: Other expenditures**

| (Figures in £s)                                  | 1 April 10 to 31 March 11 | 1 Apr 09 to 31 Mar 10 |
|--|---------------------------|-----------------------|
| Direct programme expenditure                     | 1,370,152                 | 1,573,275             |
| Professional fees                                | 180,569                   | 228,452               |
| Travel and subsistence                           | 117,295                   | 152,807               |
| Rentals under operating leases                   | 82,407                    | 82,196                |
| Other accommodation costs                        | 87,548                    | 73,843                |
| Personnel costs                                  | 53,547                    | 60,432                |
| External auditors remuneration - statutory audit | 17,000                    | 23,750                |
| Internal auditors remuneration                   | 11,725                    | 12,999                |
| Other supplies and services                      | 78,387                    | 150,850               |
| <b>total other expenditures</b>                  | <b>1,998,630</b>          | <b>2,358,604</b>      |
| <b>finance lease interest</b>                    | <b>1,305</b>              | <b>4,700</b>          |
| Non-cash items:                                  |                           |                       |
| Depreciation                                     | 55,234                    | 52,983                |
| Amortization                                     | 53,687                    | 38,647                |
| <b>total non-cash items</b>                      | <b>108,921</b>            | <b>91,630</b>         |

## 5. Programme delivery spend by segment (objective)

| <b>Table 12: Programme Delivery by Segment (Objective)</b> |                                  |                          |
|--|----------------------------------|--------------------------|
| (Figures in £s)  | <b>1 Apr 10 to<br/>31 Mar 11</b> | 1 Apr 09 to<br>31 Mar 10 |
| <b>Support service improvement</b>                         | <b>652,994</b>                   | <b>678,980</b>           |
| Achieving outcomes and impacts effectively and sustainably | 44,036                           | 71,942                   |
| Leadership, strategies and collaboration                   | 165,340                          | 401,166                  |
| Resources, activities and people management                | 114,210                          | 28,470                   |
| Focus on engagement with customers                         | 329,408                          | 177,402                  |
| <b>Directly deliver consistency</b>                        | <b>538,215</b>                   | <b>443,424</b>           |
| Business engagement  | 168,395                          | -                        |
| Primary Authority  | 235,650                          | 433,582                  |
| National Threats   | 134,170                          | 9,842                    |
| <b>Improve the system</b>                                  | <b>255,452</b>                   | <b>273,067</b>           |
| World Class  | 191,510                          | 272,317                  |
| Advice and Policy  | 63,942                           | 750                      |
| <b>Excellent organization</b>                              | <b>87,253</b>                    | <b>298,631</b>           |
| Strategy   | 9,842                            | 11,515                   |
| Programme Monitoring and Evaluation                        | 14,195                           | -                        |
| Publications and Engagement                                | 63,216                           | 287,116                  |
| <b>Total Programme Delivery Costs inc Agency/Secondees</b> | <b>1,533,914</b>                 | <b>1,694,102</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 / secondee costs, is shown in Table 12.

The cost shown above exceeds the sum shown in note 5 under other expenditure by the value of the agency / secondee costs, which are shown under staff costs in the net expenditure account.

Additionally, a number of permanent staff and some 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 £837,500 (£510,600 in 2009-10). This equates to total direct spend of £2,371,400, or 68 per cent (£2,204,700, or 53 per cent in 2009-10) of the grant in aid applied towards net revenue expenditure (see note 6).

## 6. Grant in aid

The total amount of external sponsor support from BIS is shown below. The amount shown as being applied towards the purchase of fixed assets includes £25,000 of additions to leasehold improvements generated as a result of creating a provision for dilapidations under IAS16.

**Table 13: Grant in aid**

| (Figures in £s)   | 1 Apr 10 to<br>31 Mar 11 | 1 Apr 09 to<br>31 Mar 10 |
|---|--------------------------|--------------------------|
| Received in the year from BIS - allocation                    | 3,619,000                | 4,300,000                |
|   | <b>3,619,000</b>         | 4,300,000                |
| Less: applied towards purchase of fixed and intangible assets | (122,220)                | (145,775)                |
|   | <b>3,496,780</b>         | 4,154,225                |

## 7. Sundry income

**Table 14: Sundry income**

| (Figures in £s)             | 1 Apr 10 to<br>31 Mar 11 | 1 Apr 09 to<br>31 Mar 10 |
|-----------------------------|--------------------------|--------------------------|
| Reimbursement of costs:     |                          |                          |
| Welsh Assembly Government   | 200,000                  | 300,000                  |
| BIS CCP                     | -                        | 97,000                   |
| BIS ports MOU               | 147,265                  | 10,000                   |
| Food Standards Agency       | -                        | 5,000                    |
| Health & Safety Executive   | -                        | 5,000                    |
| SITPRO                      | -                        | 2,800                    |
| National Measurement Office | -                        | 2,500                    |
| Miscellaneous               | 717                      | 517                      |
|                             | <b>347,982</b>           | 422,817                  |

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

BIS Consumer and Competition Policy Directorate (CCP) allocated a grant of £130,000 to LBRO in order for it to pilot enhanced product testing and market surveillance activities at key ports of entry into the UK. An additional £17,265 was also allocated to LBRO to enable it to conduct a strategic assessment of the key issues surrounding the import of consumer goods to allocated resources on the basis of risk.

## Notes to the statement of financial position

### 8. Property, plant and equipment

**Table 15: Property, plant and equipment**

| (Figures in £s)                                      | Leasehold<br>improvements | IT<br>equipment | Furniture<br>and fittings | <b>Total</b>   |
|--|---------------------------|-----------------|---------------------------|----------------|
| <b>Gross cost or valuation</b>                       |                           |                 |                           |                |
| At 1 April 2010                                      | 70,301                    | 128,802         | 74,697                    | <b>273,800</b> |
| additions  | 39,721                    | 7,499           | -                         | <b>47,220</b>  |
| disposals  | -                         | -               | -                         | -              |
| reclassifications                                    | -                         | -               | -                         | -              |
| revaluations   | -                         | -               | -                         | -              |
| <b>Balance at 31 March 2011</b>                      | <b>110,022</b>            | <b>136,301</b>  | <b>74,697</b>             | <b>321,020</b> |
| <b>Depreciation</b>                                  |                           |                 |                           |                |
| At 1 April 2010                                      | 15,232                    | 77,948          | 26,176                    | <b>119,356</b> |
| charged in period                                    | 18,355                    | 20,307          | 16,572                    | <b>55,234</b>  |
| disposals  | -                         | -               | -                         | -              |
| reclassifications                                    | -                         | -               | -                         | -              |
| revaluations   | -                         | -               | -                         | -              |
| <b>Accumulated depreciation at 31<br/>March 2011</b> | <b>33,587</b>             | <b>98,255</b>   | <b>42,748</b>             | <b>174,590</b> |
| <b>Net book value at 31 March<br/>2011</b>           | <b>76,435</b>             | <b>38,046</b>   | <b>31,949</b>             | <b>146,430</b> |
| Net book value at 31 March 2010                      | 55,069                    | 50,854          | 48,521                    | 154,444        |
| <b>Asset financing</b>                               |                           |                 |                           |                |
| owned  | 76,435                    | 38,046          | 31,949                    | <b>146,430</b> |
| finance-leased                                       | -                         | -               | -                         | -              |
| <b>Net book value at 31 March<br/>2011</b>           | <b>76,435</b>             | <b>38,046</b>   | <b>31,949</b>             | <b>146,430</b> |

Additions to leasehold improvements include £25,000 for dilapidations capitalized under IAS16.

## 9. Intangible assets

**Table 16: Intangible assets**

| (Figures in £s)   | 1 April 10 to 31 March 11                 |  |   | 1 Apr 09 to<br>31 Mar 10 |         |
|---|---|--|---|--------------------------|---------|
|   | Software<br>licences<br>finance<br>system | Software<br>licences<br>customer<br>relation<br>management<br>system | Software<br>licences and<br>development<br>Primary<br>Authority | Total                    | Total   |
| <b>Gross cost or valuation</b>                                  |   |  |   |                          |         |
| At 1 April 2010   | 16,947                                    | 19,742   | 298,678   | <b>335,367</b>           | 189,593 |
| additions   | -   | -  | 75,000  | <b>75,000</b>            | 145,774 |
| disposals   | -   | -  | -   | -                        | -       |
| reclassifications   | -   | -  | -   | -                        | -       |
| revaluations  | -   | -  | -   | -                        | -       |
| <b>Balance at 31 March 2011</b>                                 | <b>16,947</b>                             | <b>19,742</b>  | <b>373,678</b>  | <b>410,367</b>           | 335,367 |
| <b>Amortization</b>   |   |  |   |                          |         |
| At 1 April 2010   | 3,389                                     | 5,923  | 31,309  | <b>40,621</b>            | 1,974   |
| charged in period   | 4,519                                     | 4,606  | 44,562  | <b>53,687</b>            | 38,647  |
| disposals   | -   | -  | -   | -                        | -       |
| reclassifications   | -   | -  | -   | -                        | -       |
| revaluations  | -   | -  | -   | -                        | -       |
| <b>Accumulated amortization at<br/>end of accounting period</b> | <b>7,908</b>                              | <b>10,529</b>  | <b>75,871</b>   | <b>94,308</b>            | 40,621  |
| <b>Net book value at 31 March<br/>2011</b>                      | <b>9,039</b>                              | <b>9,213</b>   | <b>297,807</b>  | <b>316,059</b>           | 294,746 |
| Net book value at 31 March 2010                                 | 13,558                                    | 13,819   | 267,369   | 294,746                  | 187,619 |
| <b>Asset financing</b>  |   |  |   |                          |         |
| owned   | 9,039                                     | 9,213  | 297,807   | <b>316,059</b>           | 294,746 |
| <b>Net book value at 31 March<br/>2011</b>                      | <b>9,039</b>                              | <b>9,213</b>   | <b>297,807</b>  | <b>316,059</b>           | 294,746 |

## 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**

| (Figures in £s)   | 31 Mar 11      | 31 Mar 10      |
|---|----------------|----------------|
| <b>Amounts falling due within one year</b>                |                |                |
| trade receivables   | -              | 75,000         |
| other receivables   | 1,096          | 5,540          |
| prepayments and accrued income                            | 108,776        | 130,489        |
| <b>Total amounts falling due within one year</b>          | <b>109,872</b> | <b>211,029</b> |
| <b>Amounts falling due after more than one year</b>       |                |                |
| trade receivables   | -              | -              |
| other receivables   | -              | -              |
| prepayments and accrued income                            | -              | -              |
| <b>Total amounts falling due after more than one year</b> | <b>-</b>       | <b>-</b>       |
| <b>Total debtors and other current assets</b>             | <b>109,872</b> | <b>211,029</b> |

### b) Intra-government balances

**Table 18: Intra-government balances**

| (Figures in £s)                                    | Amounts falling due within one year<br>31 Mar 11 | Amounts falling due after more than one year<br>31 Mar 11 | Amounts falling due within one year<br>31 Mar 10 | Amounts falling due after more than one year<br>31 Mar 10 |
|--|--|---|--|---|
| Balances with:                                     |  |   |  |   |
| other central government bodies                    | -  | -   | 95,059   | -   |
| local authorities                                  | 25,840   | -   | 24,633   | -   |
| NHS trusts   | -  | -   | -  | -   |
| public corporations and trading funds              | -  | -   | -  | -   |
| <i>Subtotal: intra-governmental balances</i>       | 25,840   | -   | 119,692  | -   |
| <b>Balances with bodies external to government</b> | <b>84,032</b>                                    | <b>-</b>  | <b>91,337</b>                                    | <b>-</b>  |
| <b>Total debtors at 31 March</b>                   | <b>109,872</b>                                   | <b>-</b>  | <b>211,029</b>                                   | <b>-</b>  |

### 13. Cash and cash equivalents

**Table 19: Cash and cash equivalents**

| (Figures in £s)                                  | 31 Mar 11      | 31 Mar 10      |
|--|----------------|----------------|
| Balance at start of period                       | 174,282        | 466,492        |
| Net change in cash & cash equivalents            | 88,505         | (292,210)      |
| <b>Balance at 31 March</b>                       | <b>262,787</b> | <b>174,282</b> |
| The following balances at 31 March were held at: |                |                |
| Government Banking Services                      | 262,787        | 174,282        |
| Commercial banks and cash in hand                | -              | -              |
| Balance at 31 March                              | 262,787        | 174,282        |

### 14. Trade payables and other current liabilities

#### a) Analysis by type

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

| (Figures in £s)   | 1 Apr 10 to<br>31 Mar 11 | 1 Apr 09 to<br>31 Mar 10 |
|---|--------------------------|--------------------------|
| <b>Amounts falling due within one year</b>                |                          |                          |
| trade payables  | 155,277                  | 121,683                  |
| accruals and deferred income                              | 155,818                  | 203,941                  |
| current part of finance leases                            | -                        | 35,271                   |
| <b>Total amounts falling due within one year</b>          | <b>311,095</b>           | <b>360,895</b>           |
| <b>Amounts falling due after more than one year</b>       |                          |                          |
| other payables, accruals and deferred income              | -                        | -                        |
| finance leases  | -                        | -                        |
| <b>Total amounts falling due after more than one year</b> | <b>-</b>                 | <b>-</b>                 |
| <b>Total trade payables and other current liabilities</b> | <b>311,095</b>           | <b>360,895</b>           |

#### b) Intra-government balances

**Table 21: Intra-government balances**

| (figures in £s)  | Amounts<br>falling due<br>within one<br>year<br>31 Mar 11 | Amounts<br>falling due<br>after more<br>than one<br>year<br>31 Mar 11 | Amounts<br>falling due<br>within one<br>year<br>31 Mar 10 | Amounts<br>falling due<br>after more<br>than one<br>year<br>31 Mar 10 |
|--|---|---|---|---|
| balances with:   |   |   |   |   |
| other central government bodies                        | 20,935  | -   | 141,735   | -   |
| local authorities                                      | 18,739  | -   | 20,609  | -   |
| NHS Trusts   | -   | -   | -   | -   |
| public corporations and trading funds                  | -   | -   | -   | -   |
| <i>subtotal</i> : intra-governmental balances          | 39,674  | -   | 162,344   | -   |
| <b>balances with bodies external to<br/>government</b> | <b>271,421</b>  | <b>-</b>  | <b>198,551</b>  | <b>-</b>  |
| total creditors at 31 March                            | 311,095   | -   | 360,895   | -   |

## 15. Provisions for liabilities and charges

**Table 22: Provisions**

| (figures in £s)            | 31 Mar 11       | 31 Mar 10 |
|----------------------------|-----------------|-----------|
| balance at start of period | -               | -         |
| charged in the period      | (25,000)        | -         |
| <b>balance at 31 March</b> | <b>(25,000)</b> | <b>-</b>  |

This provision relates to dilapidations, ie 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 January 2013. In accordance with IAS16, this expenditure has been capitalized within leasehold additions.

## 16. Capital commitments

There are no capital commitments at 31 March 2011.

## 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 the table below, analysed according to the period in which the lease expires.

**Table 23: Operating leases**

| (Figures in £s)                                      | 1 Apr 10 to<br>31 Mar 11 | 1 Apr 09 to<br>31 Mar 10 |
|--|--------------------------|--------------------------|
| <b>Obligations under operating leases comprise:</b>  |                          |                          |
| Buildings:   |                          |                          |
| expiring within one year                             | 82,267                   | 82,267                   |
| expiring after one year but not more than five years | 65,128                   | 147,396                  |
| expiring thereafter                                  | -                        | -                        |
|  | 147,395                  | 229,663                  |
| Other:   |                          |                          |
| expiring within one year                             | 124,533                  | 104,596                  |
| expiring after one year but not more than five years | 52,318                   | -                        |
| expiring thereafter                                  | -                        | -                        |
|  | 176,851                  | 104,596                  |

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

## Finance leases

Obligations under finance leases are as follows.

**Table 24: Finance leases**

| (figures in £s)                                   | 1 Apr 10 to<br>31 Mar 11 | 1 Apr 09 to<br>31 Mar 10 |
|---|--------------------------|--------------------------|
| <b>Obligations under finance leases comprise:</b> |                          |                          |
| Other:  |                          |                          |
| rentals due within one year                       | -                        | 36,577                   |
| rentals due after one year but within five years  | -                        | -                        |
| rentals due thereafter                            | -                        | -                        |
|   | -                        | 36,577                   |

The finance lease ended in March 2011, with title to the assets passing to LBRO.

## 18. Related-party transactions

The organisation is an executive non-departmental public body, sponsored and owned by BIS, a part of Government. The relationship is managed through the Better Regulation Executive (BRE).

These bodies are regarded as a related party with which LBRO has had various material transactions during the period. During the financial year, LBRO received £3,619,000 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, Rob Leak, is Chief Executive of the London Borough of Enfield. LBRO paid £7,812 to the London Borough of Enfield for Rob's services during the financial year.

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

## 19. Subsequent events

There are no reportable subsequent events. These accounts were authorized for issue on 29 June 2011, 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 ended 31 March 2011.

## 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.



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