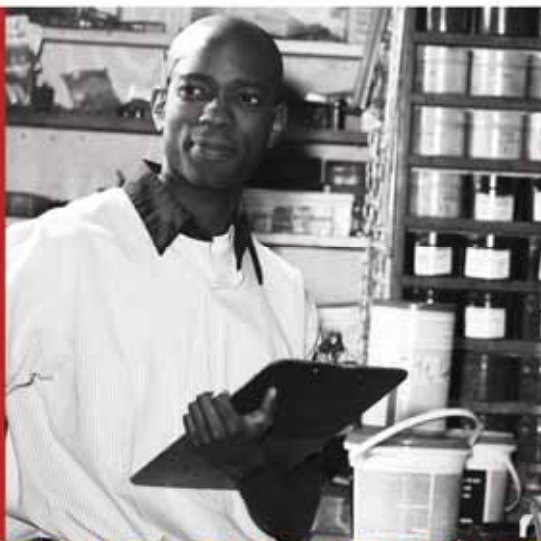


Annual Report and Accounts 2009-2010

LBRO
Better Local Regulation





Local Better Regulation Office

Annual Report and Accounts 2009-2010

Annual Report presented to Parliament by the Secretary of State for Business, Innovation and Skills in pursuance of Paragraph 12(5) of Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008 and Accounts presented to Parliament by the Secretary of State for Business, Innovation and Skills on behalf of the Comptroller and Auditor General in pursuance of Paragraph 13(6) of Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008.

Ordered by the House of Commons to be printed on 14 July 2010

HC 262
London: The Stationery Office
Price: £14.75

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ISBN: 9780102964431

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

ID: 2361370 07/10

Printed on paper containing 75% recycled fibre content minimum.

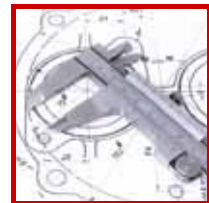
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List of abbreviations

BIS	Department for Business, Innovation and Skills
BRE	Better Regulation Executive
CBI	Confederation of British Industry
CIEH	Chartered Institute of Environmental Health
CLG	Department for Communities and Local Government
HSE	Health and Safety Executive
IDeA	Improvement and Development Agency
LAA	Local Area Assessment
LACoRS	Local Authorities Coordinators of Regulatory Services
LGA	Local Government Association
NAO	National Audit Office
NDPB	Non-Departmental Public Body
SOLACE	Society of Local Authority Chief Executives
TSI	Trading Standards Institute

Foreword



The key lesson of the recession is that good regulation is necessary for economic prosperity and consumer protection. The Local Better Regulation Office (LBRO) helps to drive the process of reform. We focus on improving the regulation of businesses by local authorities, supporting effective performance in environmental health, fire safety, licensing and trading standards. We also work to ensure that the multi-layered local regulatory system functions in a coordinated and efficient manner.

With 2009-10 being our first full year of operation as a non-departmental public body, our major initiatives produced substantial results. Of most significance was the success of Primary Authority, launched on 6 April 2009. This provides businesses with the opportunity to form statutory agreements with local authorities, giving them a reliable source of authoritative advice that applies regardless of where stores, factories or offices are based. The partnerships created by the end of March 2010 extended to 68 businesses, 17,000 premises and over 275,000 employees.

Two other major milestones merit special mention. The launch of the Excellence Framework marked the first national consensus concerning the characteristics of good quality regulatory services, and the use of self-assessment and peer review to drive improvement. Separately, meaningful indicators to enable regulatory services to assess the outcomes and impacts of their operations were published in a toolkit, helping them to have more informed discussions about priorities and allocation of resources.

We would like to thank everybody who assisted us in 2009-10.

A handwritten signature in black ink, appearing to read 'Clive Grace', with a long horizontal flourish extending from the bottom of the signature.

Clive Grace
Chair
LBRO

A handwritten signature in black ink, appearing to read 'Graham Russell', with a long horizontal flourish extending from the bottom of the signature.

Graham Russell
Chief Executive
LBRO

30 June 2010

Introduction



Who checks whether air is clean, food is fit to eat, workplaces are safe and companies trade fairly? In the UK, these essential tasks are undertaken by regulatory services of 433 local authorities.

Regulatory services operate in a complex environment, working across local authorities and in partnership with health bodies, police forces and government agencies – sometimes at a regional or even national level – to tackle broad and varied issues such as anti-social behaviour, carbon emissions, climate change, obesity, serious crime and social exclusion. They focus on delivering better outcomes to achieve healthy, safe, green and prosperous communities.

The range of activities carried out by regulatory services depends on local priorities and community needs, but the underlying aim is to contribute to both economic prosperity and consumer protection. In relation to our mission to improve the regulation of businesses at a local level, we focus on four services: environmental health, fire safety, licensing and trading standards. All provide advice, support and enforcement to companies, applying their professional expertise to key issues.

By way of an overview of LBRO, some short and straightforward answers are given below to 10 key questions based on the Local Government Association toolkit to help councils scrutinize non-departmental public bodies.

Who's in charge?

We are governed by an independent Board. Its nine members are identified on page 23 and they have extensive experience of advocacy, business, consumer issues, governance, local government and national regulation.

How much public money is spent?

We receive the majority of our income as 'grant in aid' from the Department for Business, Innovation and Skills (BIS). In 2008-09 and 2009-10, our allocations were £4.4 million and £4.1 million respectively, while our total expenditure including capital was £4.4 million and £4.5 million (with the difference funded by other income sources). Breakdowns of our programme spend and costs are given on pages 51 and 52.

What corporate social responsibility policies have been implemented?

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. We are committed to best practice when disposing of materials and developing energy and waste management controls, although our impact is limited given our size. Through our work, we help regulatory services contribute to meeting outcome-focused targets with environmental health implications.

What is being done to improve value for money?

This is a central to our initiatives. For example, it is estimated that Primary Authority (see page 16) will save businesses at least £32 million per year. We also scrutinize our internal operations from this perspective. The implementation of a new financial system saved money while enhancing our procedures.

How local are operations?

Our remit covers the whole of the UK, but its extent varies, so we liaise with the devolved administrations as required. We are a small team and have only one office, in central Birmingham. Where staff work in other areas, we share office space, for example with BIS in London and the Welsh Assembly Government in Cardiff.

How much partnership work is undertaken?

Collaborative delivery is at the heart of our approach. Initiatives are shaped and launched in partnership with relevant stakeholders. During 2009-10, more than 200 local authorities were engaged with our projects. We work with our coalition of professional and representative bodies – including national regulators – to enhance the system as a whole. We encourage the achievement of excellence via continuous sector-led self-assessment and development.

Are people kept informed?

We have an extensive events programme and a monthly newsletter. New publications are drawn to the attention of relevant local authority personnel by email or post where they exist as a printed document. Our website is extensive and includes all our reports, brochures, leaflets, case studies, updates and background information.

Are the views of others heard?

As well as working with our coalition, we receive vital input from our local authority and business reference panels. We also conduct formal and informal consultations on a regular basis.

How good is the response to scrutiny?

Our work is 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, the three members of which are identified on page 25. In accordance with modern best practice, we will be subject to statutory review in 2011.

How effective is the contribution to local area assessment?

Although we are not directly involved with local area assessment, we have given significant support to local authorities. Our guide to the development of meaningful indicators to assess the impacts and outcomes of operations has helped regulatory services to have more informed discussions about the allocation of resources, as well as increasing general awareness of their initiatives – enhancing their profile in local strategic partnerships. We have also worked with SOLACE to highlight the role of regulatory services in meeting LAA priorities, including the level of business satisfaction in relation to their activities (National Performance Indicator 182).

Spotlight 1: Partnerships for progress

Given the complex landscape in which we operate, engagement is essential to maximize results. We work with our coalition for better regulation, which in turn receives vital input from our local authority reference panel. We also receive advice and feedback from our business reference panel, established in December 2009.

Coalition for better regulation

Animal Health	Gambling Commission
Audit Commission	Health and Safety Executive
Better Regulation Executive	Institute of Licensing
Chartered Institute of Environmental Health	Local Authorities Coordinators of Regulatory Services
Chief Fire Officers Association	National Measurement Office
Communities and Local Government	Office of Fair Trading
Environment Agency	Trading Standards Institute
Food Standards Agency	

Local authority reference panel – councils represented

Barnsley	Newham
Birmingham	Norfolk
Brighton	North Lanarkshire
Cambridgeshire	North Norfolk
Cannock Chase	Omagh
Chelmsford	North West Leicestershire
City of London	Southampton
Cornwall	Suffolk
Derbyshire	Torfaen
Dundee City	Westminster
Essex	Wigan
East Hampshire	Worcestershire
Hertfordshire	

Business reference panel

Alliance Boots (CBI member)	Food and Drink Federation
Asda (BRC member)	Institute of Directors
Association of Convenience Stores	National Farmers Union
British Beer and Pub Association	National Federation of Retail Newsagents
British Chambers of Commerce	Petcare Association
British Frozen Food Association	Provisions Trade Federation
British Hardware Federation	Sainsbury's (BRC member)
British Meat Processors Association	Seafish Organization
British Retail Consortium (BRC)	Society of Outside Local Authority Members
Chartered Institute of Environmental Health	Tesco (BRC member)
Confederation of British Industry (CBI)	WH Smith (BRC member)
Direct Selling Association	Wilkinson Hardware Stores (BRC member)
Federation of Small Businesses	Wines and Spirits Trade Association

Spotlight 2: Vision

Originally articulated in our Strategy 2008-11, our vision is based on securing positive demonstrable differences for our stakeholder groups. We will measure our success in terms of the improvements we envisage for each, which are summarized as follows:

For communities:

- People are better protected from rogue traders.
- Proper consideration is given to the health and safety of employees.
- Local environments are more valued by those living or working there.
- Greater prosperity is achieved by stimulating employment and investment.
- Consumers express more satisfaction with the service they receive and their voice is heard in local regulation.

For businesses:

- Legislation is simpler to understand.
- Streamlined procedures save time and money.
- Access to expert advice about regulatory issues is readily available.
- Burdens on the law-abiding are reduced.
- Companies have a greater say in local regulation.
- Many businesses benefit from working in close partnership with their local authority.

For local authority regulatory services:

- Legislation is easier to advise on and apply.
- Common frameworks and streamlined procedures save time and money.
- Regulatory tools are available to use to create a better local environment.
- Self-assessment and development are the rule, with reference to a single standard of excellence.
- A partnership approach to working with businesses is common.

For national regulators and other partners:

- Policy goals are achieved through the active engagement of national and local regulators in a cohesive system.
- Communications with local authorities are open, direct and consistent.
- Clear relationships exist with local authority regulatory services.

Performance



On the following pages, our activities during 2009-10 are assessed for each of our three strategic objectives, which are shown in the context of our strategy in Figure 1.

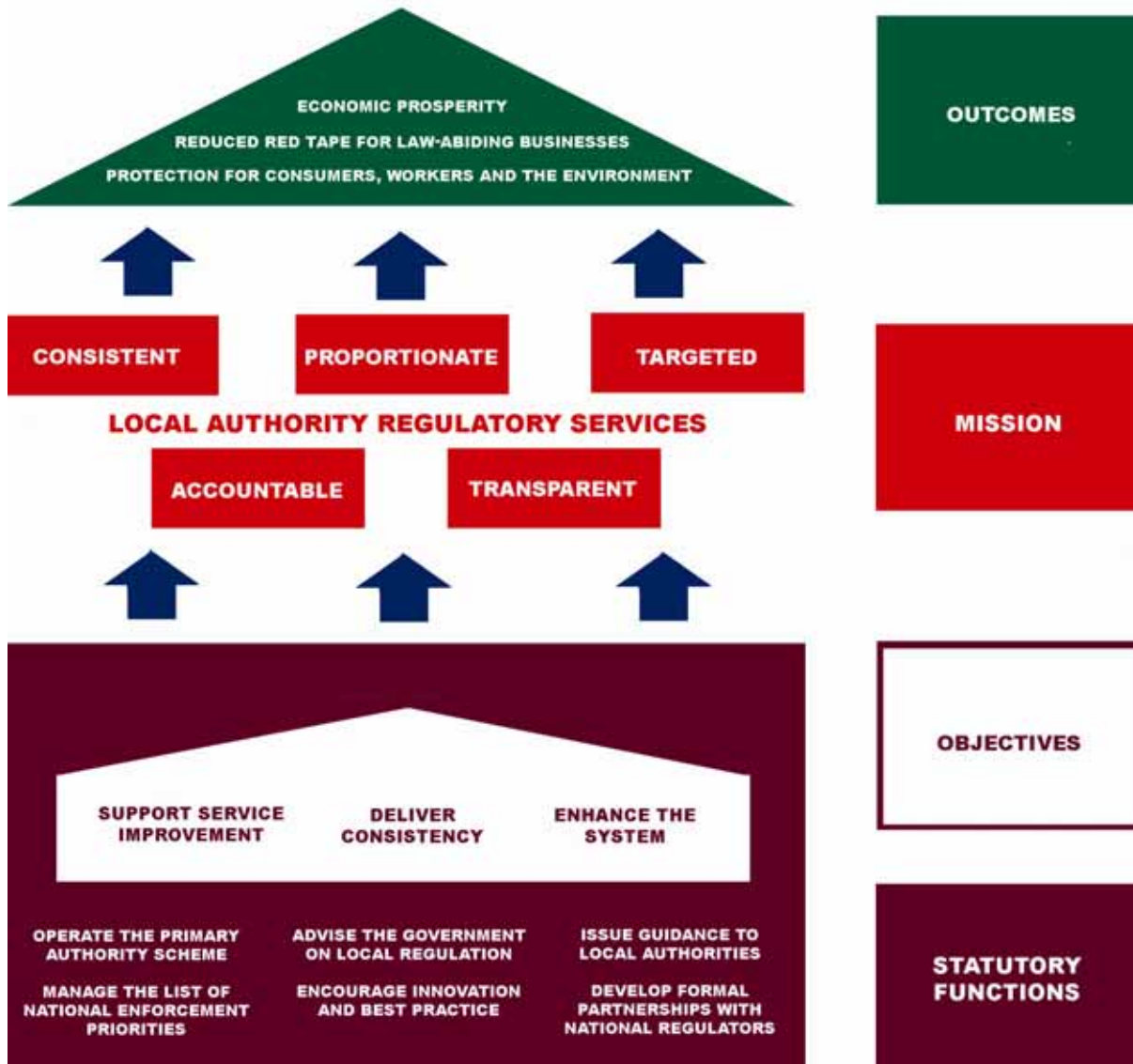


Figure 1: LBRO's strategy

Objective 1: Support the improvement of local authority regulatory services

Our initiatives to support sector-led service improvement can be grouped under the four main criteria of the Excellence Framework. Described on pages 18 to 20, this provides the new keystone for the performance management of regulatory services, combining the strongest aspects of recognized national standards with a highly practical approach to development.

Achieving outcomes effectively and sustainably

One major milestone was the publication of our guide to the development of meaningful indicators to assess the impacts and outcomes of operations. This has helped regulatory services to have more informed discussions about priorities and allocation of resources, as well as increasing general awareness of their initiatives – enhancing their profile in local strategic partnerships.

Spotlight 3: Impacts and outcomes toolkit

At a time of increasingly scarce resources, it is important to be able to demonstrate the value of work undertaken or proposed. Our impacts and outcomes report, published in October 2009, provides regulatory services with a process for developing a robust evidence base to quantify the benefits their activities deliver to local businesses and consumers. The report draws on interviews and workshops with council officers, and builds on current practice. Its core is the toolkit. This is a step-by-step guide to the development of meaningful indicators to assess the impacts and outcomes of operations. Graphical representation permits the summary of vital contributions to communities.

“Ensuring the activities of regulatory services deliver effective impacts and outcomes that contribute towards the organization’s aims is as important now as ever. The toolkit allows the direct linkage of inputs to real impacts and outcomes, and when used creatively can identify gaps in the processes or resources needed to deliver priority outcomes. We have started to use the toolkit in our service planning.”

Andy Goldsmith, Assistant Director Public Protection, Shropshire Council

The Retail Enforcement Pilot (REP) brought together local authorities, businesses and government bodies to identify new ways that regulatory services could achieve desired outcomes and make greater use of available resources. Responsibility for managing REP was transferred to LBRO from the BRE in September 2008. We supported and guided the 31 councils, clustered geographically, that tested a collaborative, risk-based approach to activity. We published the findings in two reports, one focused on the key lessons learned, and the other on the impact of REP on businesses inspected. Making integrated inspection a reality requires strong partnerships, robust mechanisms to share information using effective IT, and – most significantly – a change of culture.

Regulatory services must address the needs of their areas while remaining an effective part of the UK legal system. In 2007, the Rogers Report provided the first national enforcement priorities for England, for councils to use when allocating resources to meet the expectations of communities and businesses. Updating this list as appropriate is one of our statutory responsibilities. A consultation on the first national enforcement priorities for Wales was published in December 2009. This was prepared by us for the Welsh Assembly Government, with the intention of reflecting the fundamental principles of *One Wales*: accountable, citizen-centre public services.

Focus on and engagement with customers

A total of 295 local regulators either increased or registered to increase their understanding of commercial environments by attending placements at UK companies through Trading Places. This project was supported by 189 businesses and trade associations. Our learning initiative was commended by the Regulatory Reform Committee in its July 2009 report *Themes and Trends in Regulatory Reform*.

Spotlight 4: Trading Places

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. This practical learning experience is open to all environmental health, fire safety, licensing and trading standards officers working in local authorities, as well as businesses from any sector. It is endorsed by business organizations and professional bodies.

Fostering understanding between regulatory services and the companies they monitor brings benefits for both parties, by strengthening working relationships and promoting a partnership approach to achieving compliance.

“Trading Places is a breath of fresh air for the National Federation of Retail Newsagents. It doesn’t rely on theory nor leave anything to chance or misinterpretation. Trading standards officers experience first-hand just what it’s like to run a newsagents shop, possibly including the intimidation and threats owners can suffer when they refuse to serve under age customers with alcohol or tobacco products. Our members will benefit in the long term from better-informed officers who have an empathy for the difficulties and the wide range of issues retailers face. We see the future as being a working partnership. This will also allow rogue traders to be identified more easily and then dealt with appropriately.”

Parminder Singh, National Vice President, National Federation of Retail Newsagents

Work was also carried out with the three councils that won the ‘Cutting Red Tape’ category in the IDeA-managed Beacons scheme in March 2009, to promote the innovative ways in which they provide effective support to law-abiding businesses.

Leadership, strategies and collaboration

We worked with four pilot groups testing regional partnerships between environmental health and trading standards services to identify the benefits derived and the costs incurred.

Drawing on research we commissioned, we also published information on the implications of sharing the delivery of regulatory services within or across local authorities, including a checklist to prompt improvement.

In partnership with LACoRS, CIEH and TSI, we held the first joint leadership conference for environmental health and trading standards in February 2010. This brought together directors and heads of service to share ideas, best practice and future plans.

Resources, activity and people management

With the creation of the nine new unitary authorities in April 2009, we have assisted all of them in the development of coordinated and customer-focused approaches to the delivery of regulatory services. Their collective learning is providing valuable lessons for collaborative working across professional and geographical boundaries.

Successful initiatives by councils and police forces across the UK to reduce underage sales of alcohol and prevent it getting into the hands of the under 18s were detailed in a report we commissioned. The approaches ranged from zero tolerance to educational programmes with licensees, parents and school children. The findings underpinned our response to the Home Office consultation *Safe. Sensible. Social. Selling alcohol responsibly*.

Key targets for 2009-12	Our progress by March 2010
80% of businesses see regulatory services as fair and helpful	Baseline figures were established and initial assessment is scheduled for October 2010
85% of businesses state that regulatory services understand their businesses	Baseline figure of 75% established
50% of regulatory services have measured the impact of their activities on communities	An estimated 75 regulatory services (20%) have used our impacts and outcomes toolkit
50% of local authorities have put staff in Trading Places	18% of local authorities placed an officer on the scheme in its first year of operation
Anticipated annual benefits attributable to LBRO activity: £8.6 million (Impact Assessment: Regulatory Enforcement and Sanctions Bill, BERR, May 2008)	

Further resources for reference on LBRO website

- Impact and Outcomes Toolkit: Summary*, RAND Europe/LBRO, March 2010
- Review and Assessment of the Lessons Learned from REP* (Lessons Learned Report), Centre for Decision Analysis and Risk Management, Middlesex University, March 2010
- Review and Assessment of the Methodology of REP in a Business Environment* (CRED Report), Centre for Regional Economic Development, University of Cumbria, October 2009
- Trading Places: Business Insight for Local Authorities*, LBRO, November 2009
- Strategic Implications of Shared Working in Regulatory Services* (LBRO full report), LBRO, October 2009
- Protecting Young People from Alcohol-related Harm*, Research by Design Ltd., July 2009

Objective 2: Deliver consistency

Primary Authority

Effective local regulation requires confidence and mutual trust. Businesses should be able to 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.

Primary Authority gives companies the right to form a statutory partnership with a single local authority, which then provides robust and reliable advice for other councils to take into account when carrying out inspections or dealing with non-compliance. This is a means of stimulating prosperity: the return on delivering tailored expertise is increased investment and employment within local communities.

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 5: Primary Authority feedback – business

“Due to our international nature, we know that the USA perceives the UK as an example of best practice in relation to legislative compliance. In this context, Primary Authority has implications for the global economy, since it changes the way businesses liaise with local regulators. At the end of the day, we all have the same ultimate goal: to provide a safe place to shop and work. Reputable businesses are generally well-intended and well-informed, and if enforcing officers are freed to focus on high-risk business, persistent offenders and rogue traders then this is a win-win situation.”

Stuart Wiggins, Trading Law Manager, Asda

Launch day on 6 April 2009 proved auspicious. Retailers B&Q, Iceland and Moto Hospitality immediately signed agreements with Eastleigh, Flintshire and Central Bedfordshire Councils having all participated in the pilot. (Getting started is simple: a short application form on our website lists all the key points to be agreed at the outset.) Thereafter, our focus was on helping businesses and local authorities initiate and shape their relationships. We attended face-to-face meetings, provided relevant resources, and further developed the secure IT system used by councils. We also supported peer learning by helping Westminster Council establish its Primary Authority centre of excellence, for training and sharing best practice.

By the end of March 2010, 68 businesses, 17,000 premises and more than 275,000 employees were covered by 221 partnerships.

Councils are now gaining from access to better intelligence. Primary Authority makes information on business risks and systems freely available to inspectors at the outset. As a result, they arrive at premises well briefed and confident about what to expect. This enables them to avoid duplication of effort and to target resources on the areas of highest need.

While the flexibility to deal with local circumstances must be retained, eliminating inconsistent interpretation from area to area serves to enhance the credibility and reputation of all local regulators. This also supports the protection of the public and the environment, and the creation of a level commercial playing field, giving businesses more confidence to invest and grow.

Other work strands

Our national threats project studied how local authorities tackle problems that cross council boundaries, typified by animal diseases, mobile scams and illegal imports. We assessed the restrictions on targeting resources on such areas, even when clearly in the economic interests of businesses and consumers. Our research was cited as an authoritative evidence base in the White Paper *A Better Deal for Consumers – Delivering Real Help Now and Change for the Future*, published in July 2009. Drawing on our insight into the current situation with regard to the surveillance of incoming consumer goods at UK ports, we made several key recommendations to BIS. We were then invited to lead on the allocation of extra funding provided for product activity at key ports. Our decisions are guided by a stakeholder group we formed in January 2010.

Working with the BRE and the BIS Enterprise Directorate, we conducted interviews with representatives from some of the UK's smallest businesses. The information gathered will inform future initiatives in partnership to deliver improved outcomes for SMEs and regulators, through means such as targeted advice and clearer guidance.

Key targets for 2009-12	Our progress by March 2010
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 <i>Target for 2009-10: 100 partnerships</i>	221 partnerships were formed covering 68 businesses
For businesses and local authorities within Primary Authority partnerships: <ul style="list-style-type: none"> • 80% of businesses and local authorities report satisfaction • 85% of businesses report that the advice they receive is very or fairly consistent • 95% of businesses report that they experience a more consistent approach to regulation 	Ongoing assessment is scheduled for 2010-11 on the first anniversaries of the partnerships formed
Anticipated annual benefits attributable to LBRO activity: £4.3-£9.5 million <small>(Impact Assessment: Regulatory Enforcement and Sanctions Bill, BERR, May 2008)</small>	

Further resources for reference on LBRO website

Primary Authority: The Gateway to Better Regulation, LBRO, March 2010

Primary Authority Business Briefing Note, LBRO, September 2009

Addressing National Threats through Local Service Delivery, LBRO, December 2009

Spotlight 6: Primary Authority feedback – local authorities

“Enfield Council sees Primary Authority as the ideal vehicle for helping its small and medium enterprises to develop their businesses. Partnerships will deliver the assurances they need to trade in regional and national markets, in the form of consistent advice from one authority. In recognition of the importance of the success of such businesses to the local economy, Enfield Council has offered to provide the advice given under Primary Authority partnerships free to all the SMEs based in its area.”

Bob Griffiths, Assistant Director – Planning and Environmental Protection, Environment and Street Scene Department, London Borough of Enfield

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.

Our extensive involvement with our partners bore fruit in February 2010 with the publication of the joint LBRO/LACoRS Excellence Framework: the first national consensus concerning the characteristics of good-quality regulatory services, and the use of self-assessment and peer review to drive improvement.

To consolidate the framework, we started a major project with our coalition to develop common, practical approaches to specific aspects of regulatory services. One key aim is the amalgamation of the diverse regulatory models and enforcement techniques that presently impede the implementation of risk-based regulation.

Common approaches to competence and risk assessment were agreed, promoting the best elements of current practice and reducing duplication. Our report on data collections also provided an evidence base for progress. This found that 139 separate data returns were requested annually from regulatory services across England and Wales, estimating the cost to be in the region of £6 million in terms of staff time.

An appreciation at a strategic level of the value that regulatory services can deliver is critical for them to play a full part in meeting the broader needs of communities. We continued to coordinate efforts to make council chief executives and elected members more aware of the significant potential of regulatory services to contribute to local government priorities.

We also updated our mapping report, which clarifies the complex relations between the many organizations encountered in the terrain, showing how their functions complement, overlap and occasionally contradict. By fostering common understanding, it helps all those involved with local regulation to work towards improvement.

Key targets for 2009-12	Our progress by March 2010
10% reduction in the actual burdens on local authority regulatory services	A baseline figure of £6 million was established in our report on data collections. Assessment is scheduled for 2011-12
60% of local authorities have self-assessed against the Excellence Framework and have an improvement plan	43 local authorities (10%) have self-assessed and developed an improvement plan
<p>Anticipated annual benefits attributable to LBRO activity: £3.9 million <small>(Impact Assessment: Regulatory Enforcement and Sanctions Bill, BERR, May 2008)</small></p>	

Further resources for reference on LBRO website

Local Authority Regulatory Services Excellence Framework, LBRO/LACoRS, February 2010
Data Collections from Local Authority Regulatory Services, CIPFA, December 2009
Mapping the Local Authority Regulatory Services Landscape, LBRO, November 2009

Spotlight 7: Advice to Government

Better law brings benefits to all. Under LBRO’s statutory role to provide both proactive and reactive advice to the Government on existing local regulation, we gave input relating to our national threats project, as noted on page 17.

Prior to the return of VAT to the rate of 17.5 per cent on 1 January 2010, businesses expressed concern that the 14-day period for changing prices was insufficient. We subsequently recommended to BIS that the time available should be extended to 28 days. This advice was subsequently accepted.

We also advised on proposed mandatory codes of practice for alcohol sales, by highlighting approaches used by local authorities to engage with businesses in designing effective interventions.

Spotlight 8: Excellence Framework

Principles-based rather than prescriptive, the Excellence Framework is the keystone for the performance management of regulatory services, and the product of work between LBRO, local authorities and LACoRS, with contributions from national regulators, central government and professional bodies. It is based on recognized standards, covers service delivery in its entirety, and reflects the views and experiences of practitioners. The overall aim is to enable regulatory services to take responsibility for their performance, enabling them to maximize their contribution to important outcomes articulated through Local Area Agreements in England, Local Delivery Agreements in Wales, and the national enforcement priorities.

The Excellence Framework has four general themes: leadership and strategy, customer focus, resource management, and the achievement of sustainable outcomes. It was piloted in relation to self-assessment and peer challenge by 43 local authorities, building on work across the local government sector in recent years. The evaluation of this initiative is informing the development of our better local regulation toolbox.

“Regulatory services delivered locally must be designed and shaped to meet the needs and priorities of citizens and communities. The Excellence Framework helps councils review the delivery of their regulatory services, identifying strengths that can be shared as well as areas where improvement may be required. Many local authorities have used it for self-assessment during the pilot, developing improvement plans that were then validated by peer challengers. As more councils embrace the Excellence Framework, we look forward to their release from the many centrally imposed burdens, allowing them to use this precious local resource to deliver real positive outcomes for local people and their communities.”

Councillor Paul Bettison, Chairman, Local Authorities Coordinators of Regulatory Services



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 a full understanding of the issues;
- consistent and transparent in its application;
- proportionate to the threat posed; and
- applied by organizations that are properly accountable for their actions.

We pursue this goal by encouraging 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;
- champions outcome-focused services; and
- strengthens the ties between the state, businesses and citizens.

In relation to regulatory services, we would like the risk posed to people and the environment to underpin every stage of delivery chain, including the:

- production of primary legislation;
- approach of relevant regulatory bodies;
- selection of national enforcement priorities;
- allocation of resources by local authorities;
- management of activity with the right tools; and
- use of sanctions.

This outlook is guiding the development of our better regulation toolbox: an integrated set of practical, online resources for regulatory services.

To stimulate debate on the regulatory environment, we published our pamphlet *Better Local Regulation – New Approaches to Securing Compliance* in November 2009. This includes contributions from the BRE, CBI, HSE, LGA, NAO and Welsh LGA.

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.

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 Public Service Agreement targets for 2008-11, which are to:

- raise the productivity of the UK economy;
- deliver the conditions for business success in the UK; and
- improve the economic performance of all English regions and reduce the gap in economic growth rates between regions.

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 Assembly Government works with us to develop a consistent approach to delivering better regulation across the UK that is tailored to need. This has implications for the format and flavour of the activities undertaken by regulatory services in areas such as leadership development, dissemination of best practice, and customer engagement through our Trading Places initiative. 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 – but we always introduce our initiatives in the context of the bigger picture. Although regulatory services make a significant contribution to creating vibrant communities and often punch above their weight, they account for slightly 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.

The underlying need is to foster the creation, survival and development of companies by encouraging investment, innovation and productivity, and promoting procurement opportunities. This greater task is multi-faceted: there is no one way forward.

Our project work during 2009-10 is reviewed in the performance section on pages 12 to 20.

We also continue to develop as an organization. The HR policies and procedures drawn up in 2008-09 were further embedded, and an employee forum was established to gather views and feedback.

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 and Office of Fair Trading. These were all signed during 2009-2010 and are a statutory requirement under the Regulatory Enforcement and Sanctions Act 2008. A Memorandum of Understanding with the Health and Safety Executive is being finalized.

Board

The overall direction of LBRO is the responsibility of its independent Board, appointed by the Secretary of State. As of 31 March 2010, this had nine members: eight non-executive (including the Chair) and one ex-officio (the Chief Executive). 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.

The Board members act as ambassadors for LBRO, engaging with a wide range of stakeholders at the highest levels. For example, liaison with trade associations proved a particularly productive area during 2009-10. In one-to-one meetings, Board members gained insight into the issues that individual business sectors face in relation to local regulation, highlighting the potential benefits of our initiatives in this context. With firm commitment to participation secured at the top, the executive then worked closely with these stakeholders in the development of our projects. To help trade association members achieve better regulatory outcomes, alternative formats were devised for Primary Authority and Trading Places.

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:

	Portfolios	Dates of appointment / renewal
Clive Grace, Chair		01/06/2007 / 01/06/2012
Robin Dahlberg	Best Practice	01/09/2007 / 01/09/2010
Uday Dholakia OBE	SMEs, Europe and Diversity	01/09/2007 / 01/09/2010
Michael Gibson CBE	Scotland and Northern Ireland	01/09/2007 / 01/09/2010
Ann Hemingway CBE	Wales	01/09/2007 / 01/09/2010
Robert Leak	World-class	01/09/2007 / 01/09/2010
Rebecca Marsh	SMEs, Europe and Diversity	01/09/2007 / 01/09/2010
David Thurston	Primary Authority	01/09/2007 / 01/09/2010

Note: Robin, Robert and David originally had two-year contracts. These were extended by one year on 1 September 2009 to bring them in line with the other Board members (except the Chair).

The Board meets formally several times a year. The first annual public meeting of LBRO was held in Birmingham on 8 September 2009.

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 2. 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 2010 had five members:

Graham Russell	Chief Executive
Sarah Smith	Director of Delivery
Claire Bridges	Director of Policy Engagement
Vacant	Director of Service Improvement
Wendy McVey	Director of Corporate Strategy and Board Support
Richard Wilson	Director of Resources

Jane Martin, Director of Policy Engagement, stepped down in December 2009 and was replaced by Claire Bridges, who is on secondment from IDeA.

Carol Brady, Director of Service Improvement, stepped down in January 2010 and was replaced by Rob Powell in April 2010.

Wendy McVey is on secondment from HSE.



Figure 2: LBRO's resource pools

Brief profiles of the members of the Board and Senior Management Team are provided on our website www.lbpro.org.uk, 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 four times a year. As of 31 March 2010, it had three members:

Robin Dahlberg	Board member / Chair
Ann Hemingway	Board member
Robert Leak	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 organization 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 organizational 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 35 to 39. This also provides information on data handling. LBRO had no personal data-related incidents during 2009-10.

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, a car share scheme has been introduced, 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 ten, 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.

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.

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.

Sickness

With regard to sickness absence, the percentage of working days lost in 2009-10 was 2 per cent or 4.5 days per employee. This compares favourably to the public sector average of 9.7 days per annum per employee.

Payment of suppliers

To reduce costs and improve management information, LBRO commissioned its own in-house financial system on 1 April 2009, prior to which all its invoice processing and creditor payments were outsourced. 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 2009-10, this was achieved more than 83 per cent of the time (and more than 98 per cent in the last six months of the year).

Financial position and results for the year

LBRO's business plan for 2009-10 was designed to deliver its statutory and strategic objectives, in the first 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.

Prior-year comparatives

As a consequence of the RES Act, prior-year comparatives for 2008-09 are only for the six-month period after this date. Prior-period figures are on an International Financial Reporting Standards (IFRS) basis.

Funding

LBRO receives the majority of its income as grant in aid from BIS. In 2009-10, the allocation was £4.1 million, with an additional £200,000 from the 2010-11 allocation being drawn down in late March 2010 to cover cash flow while the corporate plan was being finalized with the sponsor, and to cover an anticipated overspend and any delays in receiving 'commercial' income.

The Welsh Assembly 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 £300,000.

In parallel with grants made under its existing programme of regional coordination, LBRO administered the distribution of £97,000 to local authority regulatory services involved with regional working, on behalf of the Consumer and Competition Policy Directorate of BIS. The payment of these grants is included in the net expenditure account.

Results for the year

The net operating deficit for the 12-month period to 31 March 2010 amounted to £3,985,600. Receipt of grant in aid from the sponsor totalled £4,300,000. The net surplus inclusive of the additional funding was £314,400. Additionally capital expenditure of £145,800 was spent on intangible assets, for Phase 2 of the Primary Authority database. The net surplus, after allowing for capital expenditure and the early drawdown of grant in aid, becomes a net deficit of £31,375.

LBRO has drawn up robust financial plans for 2010-11 to manage this deficit and reduction in grant in aid, to ensure that the organization is able to continue to deliver against its core objectives.

Figure 3 shows the analysis of total expenditure from the net expenditure account, together with finance lease interest and capital expenditure, giving a total of £4,554,216.

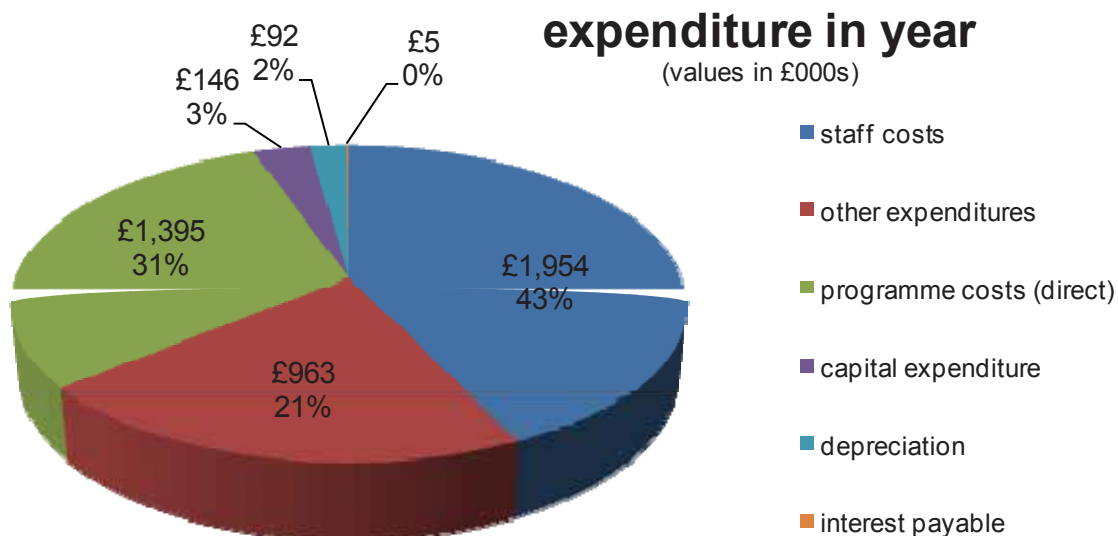


Figure 3: LBRO's total expenditure in 2009-10

The statement of financial position at 31 March 2010 shows net liabilities of £473,600, represented by the general reserve. Non-current assets are a significant proportion of the statement of financial position at £449,190.

BIS has advised that a 6.3 per cent saving on our budget will be required during 2010-11. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due. There are uncertainties that could affect funding in the future. Additional cuts for the public sector as a whole were signalled by the Chancellor's emergency budget on 22 June, and we are also aware that BIS is responding to a Cabinet Office request to review, along with all Departments, its Arms Length Bodies. At the date of issue of this report however, we remain satisfied that the preparation of accounts on a going concern basis remains appropriate.

Auditors

The financial statements have been audited by the Comptroller and Auditor General. The cost of the statutory audit was £23,750 of which £4,000 related to additional work required as part of transition to International Financial Reporting Standards.

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 organization as a whole.

Salary and other terms and conditions for each grade of the organization'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 organization'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 HSE, and Claire Bridges, who was appointed on 11 January 2010 on a two-year secondment from the IDeA. 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 the Table 1. This information is audited as part of the audit of the annual accounts.

The executive officers listed in Table 1 are on three-month notice periods. Non-executive directors are on fixed-term contracts to 1 September 2010, initial two-year contracts having been 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 reviews the Chief Executive's performance against the objectives set at the start of the year and agrees any consolidated pay increase and bonus.

Directors' bonuses are based on the outcomes of their annual appraisals and guidance contained in the Government's pay remit.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. No Board member or 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 more information about the Civil Service Pension arrangements can be found at the website (www.civilservice-pensions.gov.uk).

Table 1: Remuneration report - period ended 31 March 2010

		Date of appointment	Salary/ remuneration	Bonus	Total for period	Prior six month period ⁽⁵⁾
(Figures in £'000s)						
Executive						
Chief Executive	Graham Russell	3/9/07	90-95	0-5	95-100	45-50
Director	Jane Martin	01/10/2007 to 24/12/09	70-75	-	70-75	40-45
Director	Claire Bridges ⁽¹⁾	11/1/10	10-15	-	10-15	n/a
Director	Carol Brady	01/10/2007 to 15/1/10	65-70	-	65-70	40-45
Director	Sarah Smith	29/10/07	65-70	0-5	70-75	40-45
Director	Wendy McVey ⁽¹⁾	16/3/09	55-60	-	55-60	0-5
Director	Richard Wilson	29/10/07	55-60	-	55-60	30-35
Non-executive						
Chair ⁽²⁾	Clive Grace	1/6/07	45-50	-	45-50	20-25
Board member ⁽³⁾	Robin Dahlberg	1/9/07	20-25	-	20-25	10-15
Board member ⁽³⁾	Uday Dholakia	1/9/07	20-25	-	20-25	10-15
Board member ⁽³⁾	Michael Gibson	1/9/07	20-25	-	20-25	10-15
Board member ⁽³⁾	Ann Hemingway	1/9/07	20-25	-	20-25	10-15
Board member ⁽⁴⁾	Robert Leak	1/9/07	10-15	-	10-15	10-15
Board member ⁽³⁾	Rebecca Marsh	1/9/07	20-25	-	20-25	10-15
Board member ⁽³⁾	David Thurston	1/9/07	20-25	-	20-25	10-15

Note:

(1) Secondees

(2) 80 days a year

(3) Paid for up to 40 days a year

(4) Paid for up to 32 days a year; emolument paid to employer, London Borough of Enfield

(5) Prior period six month period from 1 October 2008 to 31 March 2009

Pension entitlements

The pension entitlements shown in Table 2 are those that would be paid annually on retirement based on service to 31 March 2010 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.

Table 2 : Pension entitlements - period ended 31 March 2010

	Salary band	Real increase in accrued pension benefits at age 60	Accrued pension at age 60 at 31 March 2010 and related lump sum	CETV at 1 April 2009	CETV at 31 March 2010	Real increase in CETV as funded by employer
	£000	£000	£000	£000	£000	£000
Executive						
		2.5-5.0	45-50			
Graham Russell	90 - 95	lump sum N/A	lump sum N/A	441	502	29
		0-2.5	20-25			
Jane Martin	70 - 75	lump sum N/A	lump sum N/A	301	336	16
		0-2.5	0-5			
Carol Brady	65 - 70	lump sum N/A	lump sum N/A	21	34	9
		0-2.5	20-25			
Sarah Smith	65 - 70	lump sum N/A	lump sum N/A	116	139	13
		0-2.5	0-5			
Richard Wilson	55 - 60	lump sum N/A	lump sum N/A	20	35	12

These tables are subject to audit.

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 they have accrued in their 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 their service in a senior capacity to which disclosure applies.

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

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.

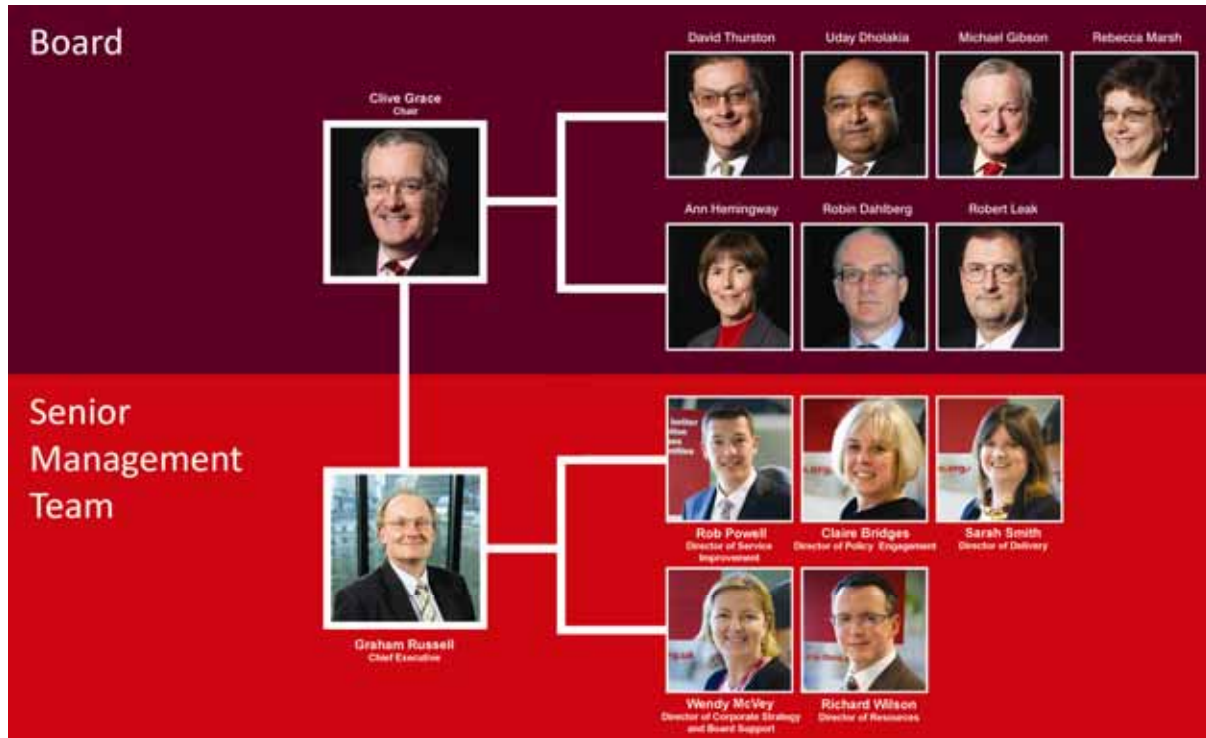
Graham Russell,
Chief Executive and Accounting Officer
LBRO

30 June 2010

**Financial statements
for the period
1 April 2009 to
31 March 2010**



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 Government Financial Reporting Manual 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 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 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM 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 governance having a lower risk appetite (or tolerance) than other risks.

Responsibility cascades throughout the organization, 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 staged 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 organization managed three significant risk areas:

- The Government Banking Service required LBRO to introduce new bank accounts, which were introduced in March 2010 with no disruption to payment of invoices. No residual risks remain outstanding.
- LBRO is working with external public sector partners on an income basis, requiring a change to internal processes to control risks around income collection, contractual liabilities and risks to core objectives.
- Cash management remains a high priority, ensuring that sponsor funding and external income arrives in time to match commitments and allow suppliers of goods and services and other creditors to be paid in line with Government recommendations. At year end this became more critical, with significant external income due, a small overspend identified, and delays anticipated in the release of the 2010-11 sponsor funding. An advance of £200,000 grant in aid was obtained in late March 2010, resulting in a balance of £174,300 at 31 March, which is carried forward into 2010-11. This will need to be actively managed against the delivery of the 2010-11 business plan.

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 organizations, and be for the public good.

LBRO completed a risk management and accreditation document set in August 2009. This identified the need for a suite of information communication technology (ICT) policies, which were reviewed by the Audit Committee.

Two further major pieces of work were undertaken: an assessment of compliance against the Security Policy Framework – Mandatory Requirements and LBRO's status against the Information Assurance – Maturity Model. No significant concerns were identified but LBRO will be working with the sponsor department and wider 'family' to ensure full compliance within a reasonable timeframe.

During the year staff attended numerous Cabinet Office and sponsor department training events, while a total of six (22%) key staff and information asset owners have completed the National School of Government Protecting Information levels 1 and 2 online training modules.

A number of penetration tests were carried out on key systems, including the Primary Authority database system that launched in April 2009. No areas of concern were discovered during these tests.

There have been no material incidents formally reported to the Information Commissioner's 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 organization and its stakeholders.

During the year to 31 March 2010 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 organization responds positively to findings and recommendations from our internal audit reports.

The most significant recommendation in 2008-09 concerned the inadequacy of the financial systems. LBRO had already identified this as an area for improvement and sought to discover the optimal solution to its needs. I am pleased to report that we were able to replace the outsourced payment provider with an in-house finance system in April 2009. The improvements in control and performance and the cost savings achieved have all been acknowledged by internal audits in 2009-10.

Table 3 : Summary of internal audits

Internal audit	Overall opinion	Management response
Financial systems	 Some weaknesses in control environment	Significant improvements in cash flow monitoring were implemented with the in-house finance system. Invoice payment days were reduced from an average of 13 in 2008/09 to 83% within 8 working days in 2009/10 (98% within 8 days in the last 6 months).
External reporting	 Some weaknesses in control environment	A revised publication policy was issued. The website is being further developed to ensure full compliance with reporting requirements
Project management	 Some weaknesses in control environment	The minor recommendations around project highlight reports and risk registers were accepted
Tendering and procurement	 Some weaknesses in control environment	The fine tuning of processes has been implemented
Data handling	 Some weaknesses in control environment	Recommendations will be implemented when practical and cost-effective, in accordance with BIS information assurance advice
Follow up	n/a	Actions had generally been completed on target

Key

 *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.*

The head of the internal audit service judged that effective systems of internal control, governance and risk management have operated within LBRO during the year. No control failures have arisen from significant systemic weakness. Action to implement audit recommendations to enhance control still further during the year has been both prompt and effective.

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 of 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.

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

Graham Russell
Chief Executive and Accounting Officer
LBRO
30 June 2010

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 2010 under the Regulatory Enforcement and Sanctions Act 2008. These comprise the net expenditure account, 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 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 the financial statements in accordance with applicable law and 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 LBRO's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by LBRO; and the overall presentation of the financial statements.

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 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regulatory Enforcement and Sanctions Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with the Secretary of State directions issued under the Regulatory Enforcement and Sanctions Act 2008; and
- the information given in the management commentary included within the Annual Report and Accounts 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 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
2 July 2010

Table 4: Net expenditure account

	Notes	1 Apr 09 to 31 Mar 10 £	6 months to 31 Mar 09 £
Expenditure			
staff costs	4	(1,953,507)	(964,723)
depreciation	9, 10	(91,630)	(29,473)
other expenditures	5	(2,358,604)	(1,843,984)
Total expenditure		(4,403,741)	(2,838,180)
Income			
other income	8	422,817	4,348
Total income		422,817	4,348
Net expenditure			
		(3,980,924)	(2,833,832)
cost of capital		(14,639)	(7,292)
interest payable		(4,700)	(3,632)
Net expenditure after cost of capital charge and interest		(4,000,263)	(2,844,756)
reversal of cost of capital		14,639	7,292
Deficit for the period	23	(3,985,624)	(2,837,464)

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

Notes are included on pages 46 to 58.

Table 5: Statement of financial position

	Notes	31 March 2010 £	31 March 09 £
Non-current assets			
property, plant and equipment	9	154,444	207,427
intangible assets	10	294,746	187,619
Total non-current assets		449,190	395,046
Current assets			
trade and other receivables	13	211,029	174,886
cash and cash equivalents	14	174,282	466,492
Total current assets		385,311	641,378
Total assets		834,501	1,036,424
Current liabilities			
trade and other payables	15	(360,895)	(841,923)
Total current liabilities		(360,895)	(841,923)
Non-current assets plus/less current assets/liabilities			
		473,606	194,501
Non-current liabilities			
other payables	15	-	(35,271)
Total non-current liabilities		-	(35,271)
Assets less liabilities			
		473,606	159,230
Taxpayers' equity			
general fund	23	473,606	159,230
		473,606	159,230

Notes are included on pages 46 to 58.



Graham Russell
Chief Executive and Accounting Officer
LBRO

30 June 2010

Table 6: Statement of cash flows

	<i>Notes</i>	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
		£	£
Cash flows from operating activities			
net deficit after cost of capital and interest		(4,000,263)	(2,844,756)
adjustments for cost of capital charge		14,639	7,292
increase in trade and other receivables	13	(36,143)	(91,960)
increase/(decrease) in trade payables	15	(516,299)	392,053
depreciation and amortisation		91,630	29,473
non cash finance costs		-	-
Net cash outflow from operating activities		(4,446,436)	(2,507,898)
Cash flows from investing activities			
purchase of property, plant and equipment	9	-	-
purchase of intangible assets	10	(145,774)	(189,593)
Net cash outflow from investing activity		(145,774)	(189,593)
Cash flows from financing activities			
grants from parent department	7	4,300,000	2,778,599
Net financing		4,300,000	2,778,599
Increase/(decrease) in cash and cash equivalents in the period		(292,210)	81,108
Cash and cash equivalents at the beginning of the period		466,492	385,384
Cash and cash equivalents at the end of the period	14	174,282	466,492

Notes are included on pages 46 to 58.

Table 7: Statement of changes in taxpayers' equity

	1 Apr 09 to 31 Mar 10		1 Oct 08 to 31 Mar 09		
	<i>Notes</i>	General fund £	Total taxpayers' equity £	General fund £	Total taxpayers' equity £
Balance at period start		159,230	159,230	236,629	236,629
changes in accounting policy	2	-	-	(18,534)	(18,534)
restated balance at start of accounting period		159,230	159,230	218,095	218,095
Deficit for the period		(3,985,624)	(3,985,624)	(2,837,464)	(2,837,464)
grant from parent department		4,300,000	4,300,000	2,778,599	2,778,599
Balance at period end		473,606	473,606	159,230	159,230

Notes are included on pages 46 to 58.

**Notes to the
financial statements
for the period
1 April 2009 to
31 March 2010**



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 2010.

LBRO commenced trading on 3 September 2007 as a wholly government-owned company, pending the Regulatory and Enforcement Sanctions Act's progression through the legislative process. The passing of the Act dissolved LBRO and established LBRO as an NDPB on 1 October 2008. The Act requires LBRO to produce statutory accounts with effect from this date. Therefore, prior-period comparators for 2008-09 are for the six-month period from 1 October 2008.

The financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FRoM) issued by HM Treasury (available at www.financial-reporting.gov.uk). The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted for the public sector context. Where the FRoM 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

The financial statements have been prepared on a going concern, which assumes that LBRO will continue to operate. The validity of this assumption is dependent upon the continuance of support from LBRO's sponsor, the Department for Business, Innovation and Skills (BIS), and in obtaining future funding confirmation for 2010-11 and beyond. The Department has advised that a 6.3 per cent saving on our budget will be required during 2010-11. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due. Funding from BIS for 2010-11 is confirmed as £3.71 million.

For accounting purposes it has been assumed that LBRO will exist in NDPB form for the foreseeable future, in deliverance of its functions as set out in the Regulatory and Enforcement Sanctions Act.

D. Government grants

Income consists primarily of grant in aid from BIS. Grants used for revenue expenditure are credited to the net expenditure account 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.

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.

Software licences are amortized on a straight-line basis over an expected economic life of five to seven years.

G. Depreciation

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

Depreciation is 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	Over period of lease – 10 years
Furniture and fittings	5 – 10 years
IT equipment	3 – 5 years
IT systems	5 – 7 years

H. Capital charge

A charge, reflecting the cost of capital utilized by LBRO, is included in the expenditure account. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amounts of all assets less liabilities, except for:

- a. property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost
 - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
 - depreciation of property, plant and equipment and amortization of intangible assets.
- b. cash balances with the Government Banking Service (GBS), where the charge is nil.
- c. intra-departmental balances.

In 2010-11 the FReM removes the cost of capital charge from the accounts. The net effect on the net expenditure account is nil.

I. Research

Expenditure on research is written off in the year in which it is incurred.

J. 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 net expenditure account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

K. Operating leases

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

L. Pensions

Past and present employees are covered by the provisions of the Civil Service pension schemes, which are described in note 4a. 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.

M. 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.

N. IFRS in issue not yet effective

Disclosure is only made for those new International Financial Reporting Standards (IFRS) that are or will be applicable. There are no disclosures applicable to LBRO.

The 2010-11 FReM removes the cost of capital charging from accounts, which will reduce the entries disclosed in the net expenditure account 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 net expenditure account

2. First-time adoption of IFRS

Table 9: First-time adoption of IFRS

(Figures in £s)	General fund
Taxpayers' equity at 30 September 2008 under UK GAAP	236,629
Adjustments for:	
accrued staff leave	(18,534)
Taxpayers' equity at 1 October 2008 under IFRS	218,095
Taxpayers' equity at 31 March 2009 under UK GAAP	179,188
Adjustments for:	
accrued staff leave	(19,958)
Taxpayers' equity at 1 April 2009 under IFRS	159,230
	£
Net expenditure for 2008/09 under UK GAAP	(2,836,040)
Adjustments for:	
accrued staff leave	(1,424)
Net expenditure for 2008/09 under IFRS	(2,837,464)

3. 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 organization.

4. Staff numbers and related costs

Table 10: Staff related costs

	1 April 09 to 31 March 10					1 Oct 08 to 31 Mar 09
	Board members	Staff with a permanent or fixed-term contract	Secondees	Other staff on short-term temporary contracts	Total	Total
(Figures in £s)						
Wages and salaries	213,337	1,088,089	139,874	138,647	1,579,947	785,267
Social security costs	20,469	93,631	12,459	-	126,559	59,294
Other pension costs	-	217,824	29,177	-	247,001	120,162
total	233,806	1,399,544	181,510	138,647	1,953,507	964,723

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 Principal Civil Service Pension Scheme (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 on its website under civil superannuation (www.civilservice-pensions.gov.uk).

For the period from 1 April 2009, employers' contributions of £217,824 were payable to the PCSPS at one of four rates in the range of 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, 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 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners (none).

a. Staff costs

Employees can opt to open a partnership pension account, which is 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.

b. Average number of persons employed

Table 11: Average numbers of persons employed

	2009/10			2008/09		
	Total	Perm staff	Others	Total	Perm staff	Others
Chief Executive / senior management team	5.0	5.0	0.0	6	5	1
Policy and administration staff	22.9	20.8	2.1	21	18	3
Total average numbers	27.9	25.8	2.1	27	23	4

5. Other expenditure

Table 12: Other expenditures

(Figures in £s)	1 April 09 to 31 March 10	1 Oct 08 to 31 Mar 09
Direct programme expenditure	1,573,275	1,395,261
Professional fees	228,452	67,293
Travel and subsistence	152,807	101,762
Rentals under operating leases	82,196	41,098
Other accommodation costs	73,843	52,520
Personnel costs	60,432	73,350
External auditors remuneration - statutory audit	23,750	14,000
External auditors remuneration - discretionary audit	-	5,000
Internal auditors remuneration	12,999	11,241
Other supplies and services	150,850	82,459
total other expenditures	2,358,604	1,843,984
finance lease interest	4,700	3,632
Non-cash items:		
Depreciation	52,983	27,499
Amortization	38,647	1,974
Cost of capital charges	14,639	7,292
total non-cash items	106,269	36,765

6. Programme spend

Table 13: Programme delivery within administrative expenses

(Figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Support service improvement	688,527	651,749
Outcome and customer focus	137,282	141,818
Leadership	84,708	19,275
Capacity and collaboration	301,775	408,146
Risk-based regulation	164,762	82,510
Directly deliver consistency	433,581	368,335
Primary Authority	433,581	368,335
Improve the system	273,362	284,404
Develop a world-class system	262,770	284,404
Advice and policy	10,592	-
Excellent organization	298,632	90,773
Stakeholder engagement and comms	259,639	90,773
Organization and governance	4,540	-
Strategy and research	34,453	-
Total programme	1,694,102	1,395,261

The purpose of LBRO is to deliver programmes (supported by the administrative costs of operating the organization) in pursuit of four main objectives. Direct spend on these programmes is shown in Table 13.

The total programme cost exceeds the sum shown in note 5 under administrative expenses as it includes agency costs 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 £510,600. This equates to total direct spend of £2,204,700, or 53 per cent of the grant in aid applied towards net revenue expenditure (see note below).

7. Grant in aid

The total amount of external sponsor support from BIS is shown in Table 14.

Table 14: Grant in aid

(Figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Received in the year from BIS - allocation	4,100,000	2,778,599
Received in the year from BIS - early 2010-11 drawdown	200,000	-
	4,300,000	2,778,599
Less: applied towards purchase of fixed and intangible assets	(145,775)	(189,593)
	4,154,225	2,589,006

8. Sundry income

Table 15: Sundry income

(Figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Reimbursement of costs:		
Welsh Assembly Government	300,000	-
BIS CCP	97,000	-
BIS ports MOU	10,000	-
Food Standards Agency	5,000	-
Health & Safety Executive	5,000	-
SITPRO	2,800	-
National Measurement Office	2,500	-
Better Regulation Executive	-	2,328
Northern Ireland Public Sector Enterprises Ltd	-	2,020
Miscellaneous	517	-
	422,817	4,348

LBRO has delivered projects specific to Wales to the value of £300,000 against a Welsh Assembly Government business plan.

BIS's Consumer and Competition Policy Directorate paid £97,000 to LBRO for the administration and allocation of grant funding to local authority regional working of regulatory services, building on the synergies with LBRO's existing regional coordination programme. The payment of this sum to the regional bodies is included as contributions within other expenditures in the net expenditure account.

Notes to the statement of financial position

9. Property, plant and equipment

Table 16: Property, plant and equipment

(Figures in £s)	1 April 09 to 31 March 10			6 months to 31 Mar 09	
	Leasehold improvements	IT equipment	Furniture and fittings	Total	Total
Gross cost or valuation					
At start of accounting period	70,301	128,802	74,697	273,800	273,800
additions	-	-	-	-	-
disposals	-	-	-	-	-
reclassifications	-	-	-	-	-
revaluations	-	-	-	-	-
Balance at end of accounting period	70,301	128,802	74,697	273,800	273,800
Depreciation					
At start of accounting period	8,202	43,629	14,542	66,373	38,874
charged in period	7,029	34,319	11,635	52,983	27,499
disposals	-	-	-	-	-
reclassifications	-	-	-	-	-
revaluations	-	-	-	-	-
Accumulated depreciation at end of accounting period	15,231	77,948	26,177	119,356	66,373
Net book value at end of accounting period	55,070	50,854	48,520	154,444	207,427
net book value at end of previous period	62,099	85,173	60,155	207,427	234,926
Asset financing					
owned	55,070	30,170	48,520	133,760	161,922
finance-leased	-	20,684	-	20,684	45,505
Net book value at end of accounting period	55,070	50,854	48,520	154,444	207,427

10. Intangible assets

Table 17: Intangible assets

	1 April 09 to 31 March 10			6 months to 31 Mar 09	
	Software licences finance system	Software licences customer relation management system	Software licences and development Primary Authority	Total	Total
(Figures in £s)					
Gross cost or valuation					
At start of accounting period	16,947	19,742	152,904	189,593	-
additions	-	-	145,774	145,774	189,593
disposals	-	-	-	-	-
reclassifications	-	-	-	-	-
revaluations	-	-	-	-	-
Balance at end of accounting period	16,947	19,742	298,678	335,367	189,593
Amortization					
At start of accounting period	-	1,974	-	1,974	-
charged in period	3,389	3,949	31,309	38,647	1,974
disposals	-	-	-	-	-
reclassifications	-	-	-	-	-
revaluations	-	-	-	-	-
Accumulated amortization at end of accounting period	3,389	5,923	31,309	40,621	1,974
Net book value at end of accounting period	13,558	13,819	267,369	294,746	187,619
net book value at end of previous period	16,947	17,768	152,904	187,619	-
Asset financing					
owned	13,558	13,819	267,369	294,746	187,619
Net book value at end of accounting period	13,558	13,819	267,369	294,746	187,619

11. Impairments

There have been no asset impairments.

12. Inventories

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

13. Trade receivables and other current assets

a) Analysis by type

Table 18: Trade receivables and other current assets

(Figures in £s)	31 Mar 10	31 Mar 09
Amounts falling due within one year		
trade receivables	75,000	4,348
other receivables	5,540	6,005
prepayments and accrued income	130,489	164,533
Total amounts falling due within one year	211,029	174,886
Amounts falling due after more than one year		
trade receivables	-	-
other receivables	-	-
prepayments and accrued income	-	-
Total amounts falling due after more than one year	-	-
Total debtors and other current assets	211,029	174,886

b) Intra-government balances

Table 19: Intra-government balances

(Figures in £s)	Amounts falling due within one year 31 Mar 10	Amounts falling due after more than one year 31 Mar 10	Amounts falling due within one year 31 Mar 09	Amounts falling due after more than one year 31 Mar 09
Balances with:				
other central government bodies	95,059	-	4,358	-
local authorities	24,633	-	-	-
NHS trusts	-	-	-	-
public corporations and trading funds	-	-	-	-
Subtotal: intra-governmental balances	119,692	-	4,358	-
Balances with bodies external to government	91,337	-	170,528	-
Total debtors at 31 March	211,029	-	174,886	-

14. Cash and cash equivalents

Table 20: Cash and cash equivalents

(Figures in £s)	31 Mar 10	31 Mar 09
Balance at start of period	466,492	385,384
Net change in cash & cash equivalents	(292,210)	81,108
Balance at 31 March	174,282	466,492
The following balances at 31 March were held at:		
Government Banking Services	174,282	466,492
Commercial banks and cash in hand	-	-
Balance at 31 March	174,282	466,492

15. Trade payables and other current liabilities

a) Analysis by type

Table 21: Trade payables and other current liabilities

(Figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Amounts falling due within one year		
trade payables	121,683	262,728
accruals and deferred income	203,941	540,003
current part of finance leases	35,271	39,192
Total amounts falling due within one year	360,895	841,923
Amounts falling due after more than one year		
other payables, accruals and deferred income	-	-
finance leases	-	35,271
Total amounts falling due after more than one year	-	35,271
Total trade payables and other current liabilities	360,895	877,194

b) Intra-government balances

Table 22: Intra-government balances

(figures in £s)	Amounts falling due within one year 31 Mar 10	Amounts falling due after more than one year 31 Mar 10	Amounts falling due within one year 31 Mar 09	Amounts falling due after more than one year 31 Mar 09
balances with:				
other central government bodies	141,735	-	57,412	-
local authorities	20,609	-	200,312	-
NHS Trusts	-	-	-	-
public corporations and trading funds	-	-	-	-
<i>subtotal</i> : intra-governmental balances	162,344	-	257,724	-
balances with bodies external to government	198,551	-	584,199	35,271
total creditors at 31 March	360,895	-	841,923	35,271

16. Provisions for liabilities and charges

LBRO does not currently make any provisions.

17. Capital commitments

There are no capital commitments at 31 March 2010.

18. Commitments under leases

Operating leases

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

Table 23: Operating leases

(Figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Obligations under operating leases comprise:		
Buildings:		
expiring within one year	82,267	82,267
expiring after one year but not more than five years	147,396	229,663
expiring thereafter	-	-
	229,663	311,930
Other:		
expiring within one year	104,596	111,243
expiring after one year but not more than five years	-	44,383
expiring thereafter	-	-
	104,596	155,626

Finance leases

Obligations under finance leases are as follows.

Table 24: Finance leases

(figures in £s)	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Obligations under finance leases comprise:		
Other:		
rentals due within one year	36,577	39,906
rentals due after one year but within five years	-	35,271
rentals due thereafter	-	-
	36,577	75,177

19. Related-party transactions

The organization is an executive non-departmental public body, sponsored and owned by BIS, a part of government. The relationship is managed through the 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 £4,300,000 grant in aid from its controlling related party BIS, including a £200,000 advance from the 2010/11 grant.

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

LBRO has entered into or is close to finalizing a memorandum of understanding with five of the national regulators to improve the system in which they interact with local authority regulatory services. Transactions for the provision of secondees took place with Office of Fair Trading (OFT) and Health and Safety Executive, with respective amounts of £4,400 and £35,000 due to these organizations at 31 March 2010, and included within trade payables and other current liabilities.

One non executive director, Rob Leak, is Chief Executive of the London Borough of Enfield.

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

20. Subsequent events

There are no reportable subsequent events. These accounts were authorized for issue on 2 July 2010, the date that the accounts were certified by the Comptroller and Auditor General.

21. Losses and special payments

There are no reportable special payments for the period ended 31 March 2010.

22. 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.

23. Reconciliation of deficit for the period to general fund

Table 25: Reconciliation of deficit for the period to general fund

(Figures in £s)	Notes	1 Apr 09 to 31 Mar 10	6 months to 31 Mar 09
Surplus brought forward	2	159,230	218,095
Receipt of grant in aid	7	4,300,000	2,778,599
Deficit for the period		(3,985,624)	(2,837,464)
Net surplus for the period		314,376	(58,865)
Surplus carried forward		473,606	159,230



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