



**TO HIGHER
STANDARDS**

**Annual Report
and Accounts**

**06
07**

A year of achievement

- The majority of our recommendations were implemented by government, leading to the introduction of an improved, less restrictive Code of Conduct.
- The initial assessment time for complaints was nine working days.
- 55% of cases were referred for local investigation.
- The Fifth Annual Assembly of Standards Committees was sold out, with an overall satisfaction rate of 91%.
- The Standards Board's move to Manchester was successfully completed.

THE STANDARDS BOARD FOR ENGLAND

**ANNUAL REPORT AND ACCOUNTS
2006-07**

PRESENTED TO PARLIAMENT PURSUANT TO SECTION 13 OF SCHEDULE 4 TO
THE LOCAL GOVERNMENT ACT 2000.

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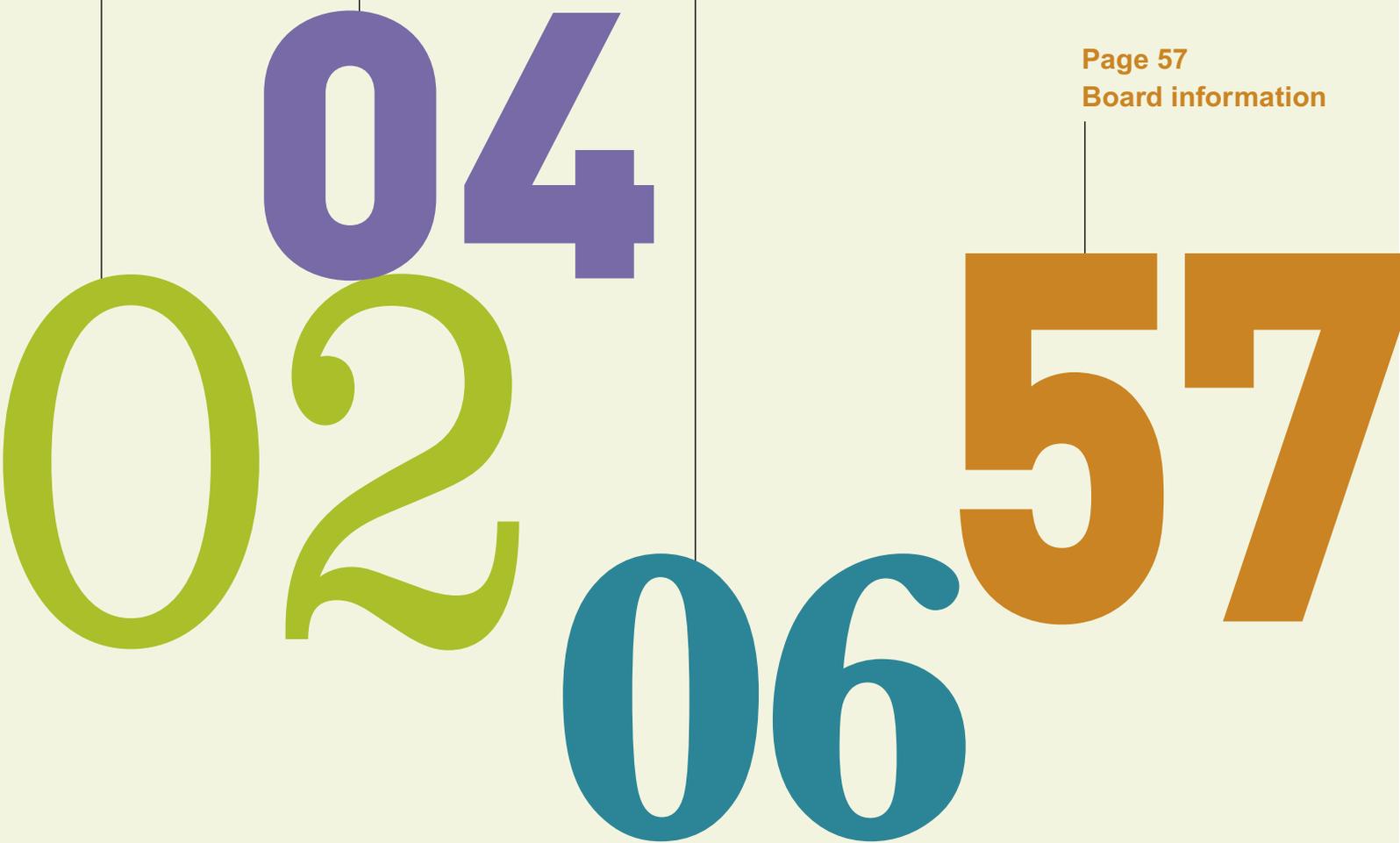
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Foreword from the chair and chief executive

We're pleased to say that, as was the case last year, the facts and figures show that the Standards Board for England has been doing its job effectively. Despite a challenging and eventful year, we have met our most important targets, details of which can be found in the performance section overleaf. From our research, we also have evidence that the increasing number of cases investigated at local level are being dealt with effectively.

As the journey towards local ownership of the standards agenda has continued, we have been on the move to Manchester. The relocation was completed in April 2007 with minimum disruption to our work. We support the government's policy of relocating national bodies from London, and have achieved positive benefits for the organisation in terms of high quality recruitment and lower property costs. You'll find our new contact details on the back cover of this report.

We would like to thank everyone on our team who worked so hard to make this year a success – with special mention to Board members Councillor Louise Bloom, Celia Cameron CBE, Peter Chalke CBE and Paul Sabapathy CBE who came to the end of their terms of office. In their place, we welcome four new members: Councillors Shirley Flint, Beatrice Fraenkel, Mehboob Khan and Sir Ron Watson CBE. Between them, they bring us a wealth of new expertise across a range of important issues for local government.

Sir Anthony Holland's role as Chair should also have finished this year, six years having elapsed since his appointment. However, he has agreed to the minister's request that he should stay on until 30 June 2008 in order to see fully in place the revised Code of Conduct, the new legislation and our move to Manchester.

While the new locally based ethical system is not yet completely in place, it's important to stress that a great deal of progress has already been made. The move to local investigation of complaints is continuing, with over half of all cases that needed to be investigated being handled by local authorities in 2006-07. And, from research we carried out during the year, a generally positive picture emerges of how local authorities are responding to the changes taking place. Further information on our research can be found in our Annual Review, available from our website.

Overall, there is a wide consensus that standards of conduct have improved since the Standards Board was established. Most encouragingly, we see

strong evidence that local authorities – from chief executives and political leaders to standards committees and monitoring officers – are embracing their new role as champions of high standards, and gaining confidence in their ability to play it effectively.

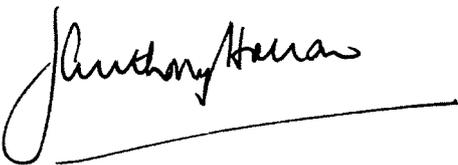
But there's still a long way to go. Our research also highlighted the fact that many local authorities are very conscious that their workload will increase under the new system. More generally, our findings strongly underlined the need for the Standards Board to continue to provide guidance and support, as well as dealing with the most complicated cases or those that raise special issues.

We believe the continued success of this devolutionary process will depend on the quality of the partnership between local authorities and the Standards Board, and the willingness of both sides to play their complementary roles with energy and enthusiasm. We need a culture of high standards in every authority in the country; accepted as the norm, and as a part of our political culture.

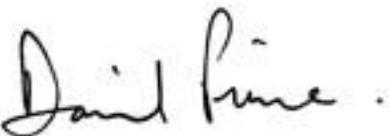
If they really embrace the new system, local authorities have the opportunity to reinforce their position as leaders in standards of conduct, setting an example to other bodies they work with and to the community at large.

Meanwhile, as we evolve into a strategic regulator, we will be better able to provide the independent monitoring and oversight that are essential for the public to feel confident that the highest possible standards are being maintained.

Sir Anthony Holland, Chair



David Prince, Chief Executive



We're giving local authorities the information they need to embrace their new role.



Key performance indicators

A number of key performance indicators were introduced and monitored during the 2006-07 financial year.

Table 1 below presents our performance for 2006-07 against key performance indicators contained within the corporate plan. There were 14 key performance indicators, of which 11 out of 14 have been achieved.

Table 1: Performance against key performance indicators (KPIs)

| KPI | Target | Performance 2006-07 | Performance 2005-06 |
|---|-----------------------|--|---------------------|
| Telephone enquiries (other than case-related) to receive a substantive response within two working days. | 90% | Achieved 99.95% (2151/2152) | Achieved 99% |
| Correspondence (including faxes and emails but excluding case-related correspondence) receiving a substantive response within five working days of receipt. | 90% | Achieved 91% (1184/1304) | Achieved 93% |
| Average time taken from receipt of allegation to notification. | Ten days | Achieved 9.2 days | Achieved 9 days |
| Average sickness absence rate. | Below 3.5% per annum | Achieved 2.45% | Achieved 2.91% |
| Percentage of invoices paid within terms. | 90% | Achieved 93.14% | Achieved 95% |
| Performance against budget. | Perform within budget | Achieved | Achieved |

| KPI | Target | Performance 2006-07 | Performance 2005-06 |
|---|---|--|---|
| Percentage of staff to be drawn from ethnic minorities. | 05/06: 7.2% 06/07: 29% London 06/07: 22% Manchester | Not Achieved N/A London – 21% Manchester – 19.5% | Achieved 23% N/A N/A |
| Average time taken to complete all cases. | 2.85 months | Achieved 1.10 months | Achieved 1.65 months |
| Cases closed should equal cases referred. | No further backlog to occur – 1.0 | Achieved 1.14 closed for every case referred | Achieved 1.32 closed for every case referred |
| Percentage of cases referred for investigation six months ago completed within six months. | 90% | Achieved 90% (260/288) | New |
| Upholding of breaches by standards committees. | 90% | Achieved 92% (12/13) | New |
| Upholding of breaches by the Adjudication Panel for England. | 90% | Not Achieved 71% (12/17) | New |
| Percentage of allegations acknowledged within two working days. | 90% | Not Achieved 86% (3067/3549) | New |
| Percentage of complainants to be contacted by an investigator, either by letter or telephone, within ten working days of receipt of referral. | 95% | Achieved 100% (634/634) | New |

We have achieved, or come close to achieving, all targets with the exception of the independent Adjudication Panel for England upholding breaches of the Code of Conduct identified by ethical standards officers and our Referrals department acknowledging new complaints received within two working days.

The shortfall of breaches being confirmed by the Adjudication Panel is largely due to cases being withdrawn following an interpretation of the act by Mr Justice Collins in the case concerning the Mayor of London. This landmark ruling in the case of Ken Livingstone v the Adjudication Panel for England (2006) EWHC 2533 (Admin) gave clearer guidance about where activities could be regarded as being carried out in an 'official capacity' and so subject to the Code of Conduct.

The target for acknowledging new complaints was achieved for ten out of the last 12 months. However, in August 2006 and in February 2007, the Referrals Unit was only able to log around half of all new complaints within this timeframe. This was mainly due to large amounts of complaints being received over several days rather than more evenly spread over the month.

Management commentary

Format of the annual accounts

The annual accounts have been prepared in a form directed by the Secretary of State with the consent of HM Treasury in accordance with the *Local Government Act 2000 as amended*.

History of the Standards Board for England

The background to the Standards Board for England and its main tasks are explained in the Annual Report.

Statutory background

The Standards Board for England is a corporate body established on 22 March 2001 by the Secretary of State under powers conferred by the *Local Government Act 2000 as amended*.

Principal activities of the Standards Board for England

The Standards Board for England is a non-departmental public body sponsored by the Department for Communities and Local Government. Its principal activities are explained in the Annual Report.

Significant changes in tangible fixed assets

The movement in tangible fixed assets is shown in note 11 to the annual accounts.

The Standards Board for England's activities and how these are undertaken

The Standards Board for England (the Standards Board) was formally established in March 2001. Although set up by an Act of Parliament, we are a public body acting independently of the government.

The Standards Board oversees and maintains the Code of Conduct (the Code) – a set of rules that all elected or appointed members of local authorities must follow. We are also responsible for promoting high standards of ethical conduct, and receive and investigate allegations that members may have breached the Code.

The Code was recently revised, and an improved, less restrictive Code came into force on 3 May 2007.

We assess complaints and refer appropriate ones for investigation, focusing on fair and effective treatment of the most serious cases. We expect cases to be dealt with at local level wherever possible, and provide guidance and support to standards committees and monitoring officers in order to achieve this.

The Local Government and Public Involvement in Health Bill will see the role of the Standards Board develop as a strategic regulator. The bill will make standards a truly local issue, reversing the centralism of the original *Local Government Act 2000 as amended*. This will create the framework for local authorities to take the major responsibility for upholding ethical standards into their own hands, and will lead to our new function as a light-touch strategic regulator. Our primary role will be to champion local ownership and accountability, and to ensure that standards committees act effectively and in an impartial way.

In this new role we will handle only the most serious cases – those that have national significance or set an important precedent – as well as those that cannot be investigated locally, for example due to a conflict of interest.

The legislative, regulatory, operational and external environment

The Standards Board's new strategic role will carry a number of responsibilities. It requires us to ensure that standards and conduct issues are properly integrated into corporate governance responsibilities. We will take responsibility for the Code of Conduct and advise government on any changes needed in light of experience. We will also issue appropriate guidance on case handling and Code-related issues. We will monitor the numbers and outcomes of cases, identifying trends and common problems, and deal with any concerns relating to the case handling system not working at local level.

The Standards Board has consolidated its links with other regulators and key stakeholders who are committed to improving local government. We will build on our work to date with the Audit Commission on the incorporation of standards and conduct issues into the Comprehensive Performance Assessment, while the new Comprehensive Area Assessment is finalised.

In partnership with both the Audit Commission and the Improvement and Development Agency for local government (IDeA), we have been updating the ethical governance toolkit so that it is compatible with the revised Code of Conduct. The toolkit is consistent with the new Framework for Good Governance in Local Government, which we have endorsed and developed in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). We have particularly supported its emphasis on upholding standards of conduct and behaviour as an integral part of good governance.

Local authorities can use this toolkit to improve conduct and to assess whether they are complying with the ethical agenda. The Audit Commission's 'good governance standard pilot diagnostic' builds on this work and has been endorsed by the Standards Board. Our chief executive additionally chairs a joint working steering committee, which includes various national regulators and bodies to ensure joint working and shared research into the conduct and behavioural aspects of good governance.

We are developing a project with Manchester City Council to explore what appropriate behaviour should be like in partnership working. We hope this will allow us to arrive at a robust and flexible definition of standards that can be applied to a variety of partnership arrangements.

In 2006-07, we completed four major projects as part of our research programme. The first of these examined components of the ethical environment and determined the conditions that need to be created locally to maintain high ethical standards. The second focused on the role of the Standards Board, how members perceive us, and what they require from us as an organisation. Our third project gave us a national view of how local standards committees and monitoring officers are performing and the ways in which they are adapting to their changing roles. And our fourth research project sought stakeholders' perceptions of the Standards Board's role, culture and values at a time when local authorities are becoming increasingly responsible for the ethical framework.

The Standards Board will continue to set up and maintain new networks of key stakeholders where they do not already exist in order to support learning and the sharing of good practice. We will also continue to support and work actively with those networks that already exist. In addition, the Standards Board has developed support for parish and town councils, taking seriously its role as the only national regulator that has any significant engagement with this sector.

Experience has shown that the responsibility for setting and upholding ethical standards needs to be shared as widely as possible. To this end, we have continued to work with a range of government bodies and external organisations, combining our expertise and theirs in the pursuit of higher standards.

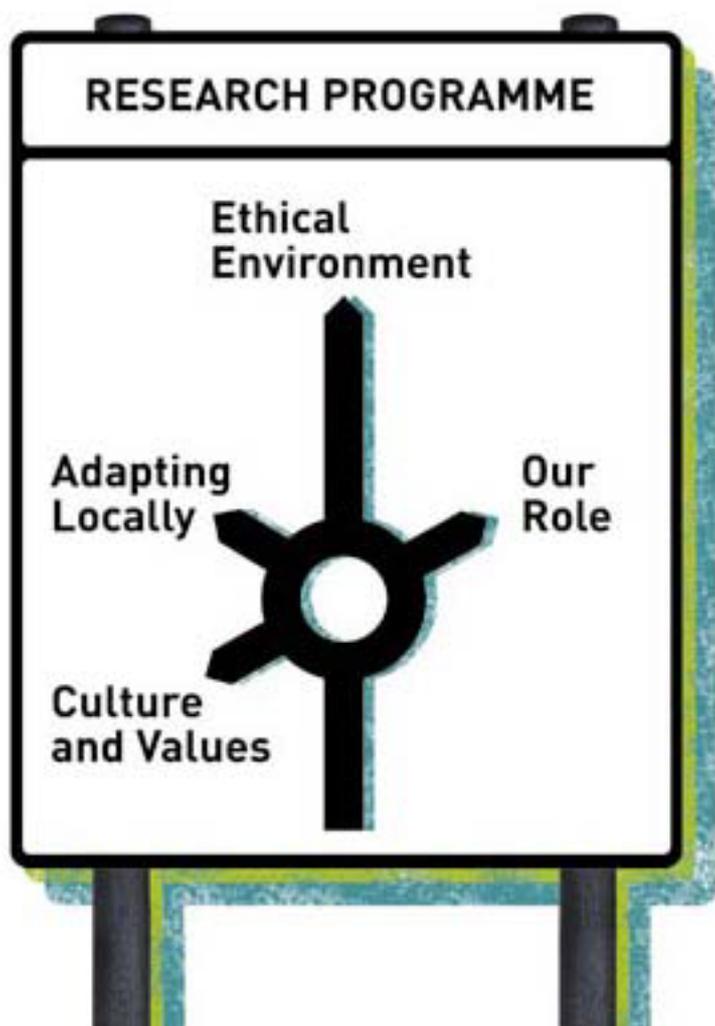
The Standards Board's objectives and strategies for achieving them

The Standards Board works with local government and other organisations to build confidence in local democracy through the promotion of high standards of ethical conduct. We have a number of key objectives in order to achieve this. These include assisting relevant authorities in achieving high standards of ethical conduct through the issue of guidance and advice. We also provide independent, impartial and timely investigation into alleged breaches of the Code of Conduct.

The Code will play a key part in the strategic framework which, once developed, will allow local authorities to take on the major responsibility for upholding ethical standards. We believe that a locally based approach will help embed high standards of ethical conduct in each authority, and increase the public's trust in their locally elected representatives.

This year, four major projects were completed as part of our research programme.

In meeting our objectives, the Standards Board discharges its duties and exercises its powers in a way that is fair and open and preserves its independence and integrity. We ensure that ethical standards officers fulfil their statutory functions. We set up robust and fair procedures for the conduct of investigations and appropriate rules governing privacy and confidentiality, consistent with the provisions in Section 63 of the *Local Government Act 2000 as amended* and other relevant legislation (such as the *Human Rights Act 1998* and the *Data Protection Act 1998*).



Resources available to the entity: Key strengths

In 2006-07, the Standards Board further developed a quality strategy comprising the quality management activities that will be implemented throughout the organisation over the next three years. The key objectives of the project are to improve quality control, and to make continual improvements in service delivery, by ensuring that staff own, follow and develop their procedures.

Our key achievement for the end of the 2006-07 financial year was to ensure that staff in each department had up-to-date guidance and process maps before some staff left the organisation and before we relocated. This ensured that new staff in the Manchester office received all the necessary information for their duties and quickly became competent in their new roles. An internal quality auditing programme was also agreed on and developed, and will be introduced in 2007-08.

The Standards Board continues to encourage staff to acquire the appropriate professional, management and other expertise necessary to achieve our objectives. We also continue to recruit from a broad range of backgrounds to ensure that we have the right blend of knowledge and experience to operate effectively.

Key relationships with stakeholders (central government) that might affect the entity's long-term position

In December 2005, the government responded to recommendations from the Committee on Standards in Public Life and the Department for Communities and Local Government's select committee. The minister for local government's announcement underlined and consolidated the Standards Board's move to becoming a strategic regulator. The government also supported our recommendations to provide a lighter touch Code of Conduct that supported elected members' advocacy and representative roles.

In autumn 2007, the Local Government and Public Involvement in Health Bill is expected to complete its parliamentary journey. The Standards Board believes that the key change in this bill affecting our work will be the provision for local standards committees to gain responsibility for receiving complaints and deciding whether they should be investigated. This bill, together with its accompanying regulations, will establish the Standards Board's strategic regulatory role, supporting and ensuring the effectiveness of the localised standards framework.

Directors' report

1 Review of the development of the Standards Board and its position at the balance sheet

In January the government released a draft revised Code of Conduct for public consultation, which finished in March 2007. This revised Code resulted from an extensive, four-month consultation process led by the Standards Board in 2005. More than 1,200 individuals, authorities and other organisations responded and we consulted nearly 1,000 additional members and officers during this process. We are pleased to say that the government accepted our recommendations in full.

The Standards Board's prime objective has been to continue the progress we have made in ensuring our referrals and investigations processes are fair, thorough, timely and consistent. In 2006-07, the Standards Board received 3,549 complaints, which is a slight decrease on the year before. Complaints from members of the public made up 62% of the total received. There has been a further decrease in the percentage of cases referred for investigation from 22% last year to 19% this year. Ethical standards officers referred 55% of cases for investigation back to local authorities, with the Standards Board continuing to focus its resources proportionately on the most serious cases.

The Adjudication Panel for England acts independently of the Standards Board for England. It provides open, fair and impartial hearings when an ethical standards officer passes on matters which are the subject of an investigation. The Adjudication Panel is an independent judicial tribunal which was established by Part III, Chapter IV of the *Local Government Act 2000* to hear and adjudicate on matters concerning the conduct of local authority members. It consists of a president and members who were appointed by the Lord Chancellor after consultation with the Secretary of State. The current president is David Laverick.

The Standards Board's ethical standards officers referred nine cases to the Adjudication Panel during 2006-07. In all, they heard 19 cases during the year (including cases carried over from the previous year), resulting in nine members being given sanctions, ranging from partial suspensions to disqualifications.

We have seen a significant drop in cases in which the Adjudication Panel needed to impose sanctions against councillors, and we believe this is a sign of increased certainty about, and acceptance of, what constitutes high ethical standards. Overall, there is a wide consensus that standards of councillor conduct have improved since the inception of the Standards

Board. Whilst this is partly due to the threat of sanctions, it is also a result of greater awareness of and adherence to the Code. It has also been shown that the benefits of local hearings and investigations are: raised awareness of the Code; a reinforcement of its importance; and raised awareness of standards committees and the statutory role of the monitoring officer.

The Standards Board has, within a relatively short time, established a positive reputation for providing high quality guidance on relevant issues, in addition to giving an effective and timely response to day-to-day enquiries. We are continuing to gain experience of the types of issues arising from interpretation of the legislation and individual cases.

The Standards Board remains uniquely placed to provide an oversight of misconduct issues across local government. We have built networks and partnerships with local and national stakeholders to champion good practice and publish good ideas to help local government raise its standards.

2 Indication of likely developments

As mentioned earlier, the Local Government and Public Involvement in Health Bill is on course to become law in autumn 2007. This will involve significant changes for the Standards Board.

One of the key proposals is the government's decision to adopt a 'local filter' approach to considering allegations, with standards committees receiving and assessing new allegations. This is designed to place standards committees at the heart of decision-making in the ethical framework and to give local authorities greater responsibility for the conduct of their members. Although this system is unlikely to come into effect until at least 2008, there is a great deal of work ahead of us to ensure local authorities are fully prepared for the workload and the challenges it will bring. The Standards Board will also be developing advice and guidance to assist authorities in making the new ethical framework effective, and consulting with the Department for Communities and Local Government on developing the relevant legislation.

The government's recommendations set out a continuing central role for the Standards Board within local government, championing and promoting high standards of conduct. With an increasing focus on local decision-making, the majority of cases will be dealt with at a local level. This will enable us to develop our strategic functions of providing guidance and support to local authorities and providing more resources to help local authorities with their training requirements.

We will be pressing government to consult on and implement, at the earliest opportunity, the relevant regulations that underpin these legislative changes. We are committed to producing accompanying guidance and training materials to help elected members, monitoring officers and standards committees to understand and discharge their new duties. This will help them to meet the test of local public confidence.

3 Post balance sheet events

The Standards Board for England's financial statements are laid before the Houses of Parliament by the Comptroller and Auditor General. FRS21 requires the Standards Board for England to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Standards Board for England's management to the Comptroller and Auditor General or HM Treasury. The authorised date of issue is 18 October 2007.

4 Board members and executive directors

The Board members who served in the year ending 31 March 2007, together with details of their remuneration, are shown in the remuneration report to the annual accounts. Details regarding the appointment and remuneration of the chief executive, who is not a member of the Board, are shown in the remuneration report.

The membership of Councillor Louise Bloom, Celia Cameron CBE and Peter Chalke CBE ended on 2 May 2006. On 21 March 2007 the term of Paul Sabapathy CBE ended. New membership terms for Councillors Shirley Flint, Beatrice Fraenkel, Mehboob Khan and Sir Ron Watson CBE started on 23 October 2006.

Margaret Pratt was appointed to the post of an independent member of the audit committee on 1 January 2006, this term ends on 31 July 2007.

5 Board delegation of referral decisions

The Standards Board for England continued to ensure that its focus was only on those allegations that have the potential to damage the public's confidence in local democracy. Politically motivated or vexatious complaints or those that sought to abuse the role and purpose of the Standards Board were rigorously weeded out. 3,389 complaints were assessed over the course of the year and of these 19% were referred for investigation. These decisions were made and communicated to all the relevant parties in an average of 9.2 working days. The Standards Board continued to delegate

responsibility for referral decisions to officers under the powers of the *Local Government Act 2000 as amended*.

6 Going concern

The balance sheet at 31 March 2007 shows net liabilities of £527,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Standards Board's other sources of income, may only be met by future grants or grants-in-aid from our sponsoring department, the Department for Communities and Local Government. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2007-08, taking into account the amounts required to meet the Standards Board's liabilities falling due in that year, has already been included in the department's estimates for that year, which have been approved by Parliament. There is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Operating financial review

The expenditure for the year 2006-07 before interest receivable, notional cost of capital and taxation amounted to £11,430,000. Corporation tax is payable on interest receivable of £8,940.00.

Details of the Standards Board's pension scheme and financial instruments are shown in notes 15 and 17 respectively.

Employment issues

The Standards Board for England aims to be a good employer. There are a number of ways in which this is demonstrated:

- The creation of human resource policies and procedures that reflect current best practice, ensuring fairness and consistency of approach in all employment issues.
- The use of a performance appraisal system, to reinforce the vital link between corporate and departmental goals and individual performance against agreed competencies.
- The development of an appropriate retention strategy to enable business continuity during a period of change.

- The ongoing development of a human resource strategy, to set high standards of practice in terms of resourcing, learning and development, and organisation development. This takes place across core and temporary workforces to deliver optimal organisational performance.
- The creation of systems to encourage employee involvement and consultation, such as the involvement of an elected staff council to represent staff's views to senior management and the Board in all issues having an impact on staff, and the recognition of a trade union.
- The performance review process is linked to the pay structure to enhance the rewarding of effective performance. Access to a flexible range of additional benefits is also available to staff.
- The Standards Board is fully committed to a policy of equal opportunities in all aspects of employment. The aim of the policy is to ensure that all job applicants and employees receive fair treatment regardless of their gender, sexual orientation, race, nationality, ethnic origin, colour, creed, disability, marital status, age, trade union membership, religious or political beliefs.
- Additional resource has been made available to the staff being made redundant because of either the restructure or the relocation. This has been directed into additional training to assist career development outside the organisation, careers counselling and outplacement sessions.

Environmental issues

The Standards Board for England is committed to adopting policies to promote the conservation of energy, reduce waste, minimise the reliance on greenhouse gases, and encourage the recycling of material whenever consistent with the efficient use of public funds.



**Environmental
issues**

The environmental working group meets on a regular basis to discuss current environmental issues and ways to implement new initiatives, including the introduction of an environmental policy.

Some initiatives introduced during the 2006-07 financial year were:

- installation of sensor-driven office lights in both sites
- double-sided printing for all printers
- installation of video conferencing equipment to reduce the need for travel between sites
- recycling facilities for paper, toners and electrical goods

Better payment practice code

The Standards Board for England complies with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890) in its treatment of all its suppliers. We also comply with the *Late Payment of Commercial Debts (Interest) Act 1998*. Excluding disputed items, key performance indicators show that 93.14% of suppliers' invoices were paid within the suppliers' credit terms.

External auditors

The auditors for the year ended 31 March 2007 are the National Audit Office. Their fee for the audit of the financial statements was £31,000.

Audit information

As Accounting Officer, I David Prince confirm that there is no relevant audit information that the external auditors are unaware of and have taken all the steps to ensure that they are aware of all relevant information.

Disclosure of registered interests by Board members and higher-paid employees

The Standards Board for England maintains a comprehensive register of interests for Board members and higher-paid employees, which is available for public inspection on the website (www.standardsboard.gov.uk) and on application to the secretary to the Board. Members of the public may also visit the Standards Board's offices during normal working hours to inspect the register.

Remuneration and employment policy and methods used to assess performance

Remuneration policy

All staff operate under a job family performance related pay system, whereby each job is assigned a salary band, which is grouped with those jobs at the same grade and in the same family.

Salary ranges are externally benchmarked every three years and increased by the average earnings increase for the two years in-between. The benchmarks give a range for both the public and private sector and an average of both is applied to the mid-point in the salary scales. The ranges then have a span of 15% either side of that mid-point. This process ensures that salaries are competitive and enables the Standards Board to recruit, retain and motivate high calibre staff, from the public and private sectors.

Performance is assessed on an ongoing basis through a performance management system. The system monitors and tracks achievement against objectives agreed at the beginning of the year, and development against competencies agreed for the role. Performance is formally reviewed every six months, and a performance rating of one to five is given annually.

The performance rating is used to establish individual percentage salary increases. This is assessed on a matrix of the performance rating awarded against the individual's position in the salary band. In compiling the matrix, the minimum level is set at Retail Prices Index for those staff achieving at least a satisfactory level rating of three (on the one to five scale).

Policy on recruitment

Where posts are permanent, all staff are recruited through open and fair competition and appointed on an open-ended permanent contract with a six-month probation period.

Where posts are temporary, or short-term cover is needed while the recruitment process is completed, staff are appointed on a fixed-term contract of up to one year, and usually appointed through an agency.

Occasionally, appointments on an agency contract basis are necessary. This would only be for very short-term temporary cover (of up to three months), or for IT temporary cover.

Decisions on pay

Decisions on pay have been delegated to the Standards Board's senior management team when they are within the rules set out in the pay guidelines.

The guidelines set the rules for pay on recruitment, pay on promotion, pay for temporary and additional responsibility allowances, and for the annual pay review. Pay decisions made within these guidelines are made by a senior manager in conjunction with the Human Resources (HR) manager or an HR officer. Any pay changes outside of these guidelines require approval from the Department for Communities and Local Government.

Amendments to senior management pay and agreement to the overall annual salary review are made by the remuneration committee. The remuneration committee members consist of the audit committee members, the head of Corporate Services and the HR manager.

Salary

Salary includes basic salary and allowances. Allowances consist of either an Acting Up Allowance, for those staff acting up to a high grade or job on a temporary basis; or an Additional Responsibility Allowance, for those staff taking on additional responsibilities for a temporary period.

No other allowances or benefits in kind are paid to Standards Board employees.

Pension benefits

All staff are entitled to join the Greater Manchester Pension Fund, which is part of the nationwide pension scheme for local authorities, the Local Government Pension Scheme (LGPS). The scheme is a 'final salary' or 'defined benefit' scheme. Employer's contributions are set at the rate of 13% of pensionable earnings with an earnings cap of £105,000.

Part of the Remuneration Report subject to audit

The Board consists of 11 members including the chair and the deputy chair and are initially appointed by the Secretary of State on renewable contracts lasting up to 36 months. Details of the Board members' emoluments for the year were as follows:

| Name | Position | Date of original appointment | Contract end date | 2006-07 Fees and other remuneration £s | 2005-06 Fees and other remuneration £s |
|---------------------|--------------|------------------------------|-------------------|--|--|
| Sir Anthony Holland | Chair | 07/02/01 | 30/06/08 | 4,568 | 40,000 |
| P Hughes | Deputy Chair | 22/03/01 | 30/06/08 | 1,675 | 15,277 |
| L Bloom | Member | 06/09/04 | 02/05/06 | 649 | 7,130 |
| C Cameron | Member | 03/05/01 | 02/05/06 | 1,837 | 11,123 |
| P Chalke | Member | 03/05/01 | 02/05/06 | 649 | 7,130 |
| P Sabapathy | Member | 22/03/01 | 21/03/07 | 7,231 | 7,469 |
| R Taylor | Member | 22/03/01 | 30/10/07 | 14,611 | 15,183 |
| P Gott | Member | 13/02/06 | 13/02/09 | 7,231 | 1,188 |
| E Hall | Member | 13/02/06 | 13/02/09 | 7,231 | 1,188 |
| J Simons | Member | 13/02/06 | 13/02/09 | 7,963 | 1,188 |
| S Flint | Member | 23/10/06 | 23/10/09 | 3,631 | – |
| B Fraenkel | Member | 23/10/06 | 23/10/09 | 3,692 | – |
| M Khan | Member | 23/10/06 | 23/10/09 | 3,631 | – |
| R Watson | Member | 23/10/06 | 23/10/09 | 3,631 | – |

1. No pension contributions are payable for Board members.
2. All Board members have attended their committed days either through full Board meetings, limited-agenda Board meetings, various panel meetings, or in the many conferences, seminars and road shows held around the country.

**Senior management team and chief executive officer costs
(excluding Board members)**

The salary, pension entitlements and the value of any taxable benefits in kind of the senior management team of the Standards Board for England reporting to the chief executive were as follows:

| Name | Position | Remuneration 2 6- 7 £s | Remuneration 2005-06 £s |
|-------------------|-----------------------------|------------------------------|-------------------------------|
| David Prince | Chief Executive Officer | 113,568 | 109,200 |
| Allister Duncan | Head of Corporate Services | 73,791 | 73,909 |
| Chris Boothman | Head of Legal Services | 76,459 | 73,945 |
| Lisa Klein* | Head of Investigations | 136,925 | 82,087 |
| Paul Hoey | Head of Policy and Guidance | 71,624 | 68,869 |
| Kathy Farrand | Head of Referrals | 65,15 | 59,482 |
| Tim Bogan | Head of Communications | 64,948 | 57,311 |
| Sharon Penn | Head of Adjudication Panel | 42,244 | 40,619 |
| Hazel Salisbury** | Head of Investigations | 12,968 | – |
| | | 657,677 | 565,422 |

1. All senior management are employed on permanent contracts.
2. Lisa Klein received three months salary as approved by the Board.
3. Allister Duncan received an advance of salary loan of £70,000 under the Standards Board for England's relocation policy dated April 2006, during the 2006-07 financial year. This agreement was also authorised and signed during the 2006-07 financial year. The loan term started on 1 June 2006 and is to be paid back at the end of the 2007-08 financial year. The benefit in kind received by Allister Duncan amounted to £2,916.67; this amount was calculated using the averaging method.

* appointment ended 31 January 2007

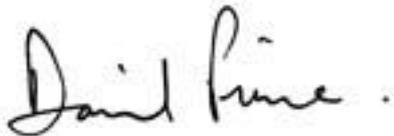
** appointed 12 February 2007

Pension benefits

| Name | Accrued pension at age 60 at 31.3.07 & related lump sum (£k) | Real increase in pension & related lump sum at age 60 (£k) | *CETV at 31.3.06 (£k) | *CETV at 31.3.07 (£k) | Real increase in CETV (£k) | Employer's contribution to Partnership Pension Account (£k) |
|-----------------|--|--|-----------------------|-----------------------|----------------------------|---|
| David Prince | 15-17.5 | 5-7.5 | 36 | 62 | 25 | 15 |
| Allister Duncan | 40-42.5 | 0-2.5 | 125 | 143 | 12 | 10 |
| Chris Boothman | 18.5-20 | 2.5-5 | 52 | 65 | 10 | 10 |
| Lisa Klein | 25-27.5 | 5-7.5 | 58 | 86 | 25 | 12 |
| Paul Hoey | 62.5-65 | 2.5-5 | 172 | 194 | 14 | 9 |
| Kathy Farrand | 35-37.5 | 2.5-5 | 81 | 101 | 16 | 8 |
| Tim Bogan | 57.5-60 | 5-7.5 | 168 | 207 | 31 | 8 |
| Sharon Penn | 17.5-20 | 0-2.5 | 45 | 56 | 9 | 5 |
| Hazel Salisbury | 0-2.5 | 0-2.5 | 0 | 1 | 1 | 2 |

* Cash equivalent transfer value

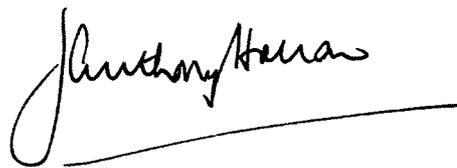
Signed by
David Prince



Chief Executive and Accounting Officer
The Standards Board for England

Date: 4 October 2007

and on behalf of the Board
Sir Anthony Holland



Chair
The Standards Board for England

Date: 4 October 2007

22_ Statement of the Board's and the accounting officer/ chief executive's responsibilities

Statement of the Board's and the accounting officer/chief executive's responsibilities

Under the *Local Government Act 2000 as amended*, the Secretary of State with the consent of HM Treasury has directed the Standards Board for England to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Standards Board for England and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of the *Government Financial Reporting Manual* 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 statements; and
- prepare the financial statements on a going concern basis.

The accounting officer of the Department for Communities and Local Government has designated the chief executive as accounting officer of the Standards Board for England. The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the Standards Board for England's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

Statement on internal control

Scope of responsibility

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Standards Board for England's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*.

The Standards Board has a comprehensive set of policies and procedures in place, appropriate for the organisation, and which represent an effective key element of the overall internal control system and ensures the full implementation of HM Treasury guidelines.

In addition, the system of internal control includes:

- An annual corporate planning process during which performance targets and strategic, operational and financial parameters are agreed by the Board. The Board monitors performance through regular reviews of the key performance indicators contained within the corporate plan and activities contained within the operational plan. The corporate plan, which is our three-year strategic plan, is subject to scrutiny by the Department for Communities and Local Government and approval by the Secretary of State. The plans of individual business units were approved by the senior management team and are consistent with the overall operational and corporate plans.
- Budgets are delegated to appropriate levels of management with accurate and timely monthly management accounts being produced for all budget holders. An effective budget management system is in place, which helps ensure that all expenditure is approved at an appropriate level and that the virement of budgets is properly controlled.
- Regular reviews are undertaken by senior management and the Board of monthly and annual financial reports, which indicate financial performance against forecasts.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable 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 of internal control is based on an ongoing process formulated to identify and prioritise the risks to the achievement of the Standards Board for England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the

impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Standards Board for England for the year ended 31 March 2007 and up to the date of the approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

The Board has oversight responsibility for ensuring that I, as accounting officer, discharge my risk management responsibilities efficiently, effectively and economically. The audit committee regularly monitors the organisation's risk management performance.

The audit committee has met three times during the year and is made up of three full Board members and an independent member. The committee has a standing item on its agenda of review of risk management. Among other tasks, the committee has reviewed the major corporate risks and the level of assurance provided against each one, and has assessed the acceptability of the residual risk. The members of the senior management team have reviewed both the corporate risk register and individual departmental risk registers twice annually. The committee provided the Board with an updated corporate risk register and highlighted significant risks and/or risk areas.

The risk and control framework

The Standards Board for England has a risk management policy and strategy, which includes a methodology for measuring the relative levels of risk to the organisation. The two key areas are considered to be the risk to the organisation's reputation, followed by financial risks. A review cycle has been established which ensures that the corporate risk register is comprehensively reviewed twice each year and that the residual risk, which is now identified on the register, is acknowledged and properly managed.

In addition to the actions mentioned above, the following has continued:

- The Board receives regular reports on all significant issues and with every Board report including a section on risks and financial consequences. Risks with the highest scores are linked to the remedial actions in the operational plan.
- The comprehensive business planning process ensures that new risks, or changes to existing risks, are identified at each stage of the process, from horizon scanning, through to the agreement of detailed business plans for each department.

- The operation of departmental risk registers which are also subject to twice-yearly review.
- The use of a quality management system (QMS) in respect of case management.
- The reporting of performance against key performance indicators.
- Periodic reports from the chair of the audit committee to the Board.
- Board referrals panel monitoring of the consistent application of referrals criteria and case handling performance.
- Board investigations panel monitoring of the case handling performance of investigated cases. Including selective review of closed cases to consider their impact locally and on the broader standards framework, and any issues arising from local standards committees or the tribunal cases of the Adjudication Panel for England, particularly in high profile cases.
- The quality and strategy panel oversaw the preparation and communication of the corporate plan, monitored performance against operational plan targets and oversaw the operation and auditing of the QMS.

The control and risk assessment processes have been applied to key initiatives during the year:

- Following the Standards Board's consultation with stakeholders, the government agreed to produce a revised Code of Conduct, which came into force on 3 May 2007.
- The Standards Board embarked on its relocation to Manchester and completed the first phase in June 2006. Risks and mitigation measures were identified to ensure the move was successful. With these in place, more than 50% of our permanent staff moved into Griffin House in April 2007 – with a minimum of disruption to the work of the organisation.

The relocation process and the development of the Standards Board's new regulatory role was monitored against agreed milestones by the Board's transition panel, who also kept under the review that part of the risk register which related to the transition process.

- In 2006-07, a vision for quality management was created for the organisation commencing with the full implementation of the QMS. With the relocation in mind, the first action required existing process champions and staff to complete their process flowcharts and guidance, as well as ensuring that new members of staff had ease of access to relevant processes enabling them to gain quick competencies in their role. With

26 Statement on internal control

Year ended 31 March 2007

most processes mapped and the remainder scheduled to be completed in 2007-08, the QMS is expected to be a vital tool for staff. An induction system for the QMS was developed to ensure that staff understood the reasons for following the processes, as well as an auditing system that will be introduced in 2007-08.

- A new IT strategy for the information systems was agreed and implemented, including a major disaster recovery measure.
- The IT team has set up all IT equipment and services for all four sites that we have occupied as part of our move. Apart from a short delay beyond our control in one system, these were all set up on schedule, within budget and allowed continuity of the business during the time of huge change.
- All network and desktop infrastructure and services were replaced and the hub of services was relocated to Manchester from London. This new network infrastructure was built to Microsoft standards with increased capacity and newer technology. This work produced improvements in speed, reliability and features available. Additionally, this produced a future-proof network for all planned changes within the organisation.
- Every document created or modified in our Manchester site is replicated to the London site as soon as the document is closed and vice versa. Additionally, the replication of documents includes the Case Management System database four times per day. This measure would allow the Standards Board to have all its documents instantly available in case of major disaster on one of the sites.
- A trial of providing IT services for remote workers has been carried out. Designated home-workers have been provided with laptops, broadband, printers and monitors. The laptops were configured with access to the shared and personal drives, email and all systems, such as the Case Management System. This resulted in staff being able to work at home more effectively than previously. This has been a measured success, although lessons have been learned from the trial. The home-working solution will be re-designed, improved and be made more widely available.

Review of effectiveness

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation 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 other

reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board continues to take overall responsibility for monitoring my performance, and that of my executive officers, in delivering a sound and effective system of internal control. They do this in receiving and considering regular reports from the audit committee on the detailed work being done in developing and managing the system of internal control.

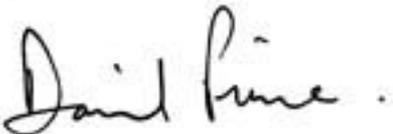
The audit committee is the mechanism employed by the organisation to enable detailed scrutiny of the internal control system and offers a forum, independent of management, where both the internal and external auditors can raise matters of concern regarding any weaknesses or failures in the system.

The Board continues to employ Bentley Jennison as internal auditors for the 2003-07 period operating to Government Internal Audit Standards. The work of the internal auditors has been carried out in accordance with the agreed plan, subject to the changing analysis of the risk provided by the risk management processes. These are now being put in place and will be subject to careful scrutiny by the Board's audit committee.

At regular intervals, the internal auditors provide the audit committee and accounting officer with reports on the areas of activity subject to audit. The reports include the internal auditors' independent opinion on the adequacy and effectiveness of the Standards Board's system of internal control during the report period. Management gives careful consideration to their recommendations, which have been accepted in virtually every case, and their prioritised implementation monitored by the audit committee. The development and maintenance of the control framework has continued to be informed by work undertaken by the senior management team. The content of the management letter and regulatory compliance report provided by the external auditors also played a vital role.

Signed by

David Prince

A handwritten signature in black ink that reads "David Prince". The signature is written in a cursive style with a small dot at the end.

Accounting Officer and Chief Executive
The Standards Board for England

Date: 4 October 2007

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 Standards Board for England for the year ended 31 March 2007 under the *Local Government Act 2000*. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Standards Board for England, Accounting Officer / Chief Executive and Auditor

The Standards Board for England and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the *Local Government Act 2000* and the directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Standards Board for England's and Accounting Officer / Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *Local Government Act 2000* and the directions made thereunder by the Secretary of State. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Board Information and the Management Commentary is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Standards Board for England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Standards Board for England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Standards Board for England's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Standards Board for England and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Standards Board for England's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the *Local Government Act 2000* and directions made thereunder by the Secretary of State, of the state of the Standards Board for England's affairs as at 31 March 2007 and of its net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the *Local Government Act 2000* and directions made thereunder by the Secretary of State; and
- information given within the Annual Report, which comprises the Board Information and the Management Commentary, is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

John Bourn

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

Date: 12 October 2007

Income and expenditure account

| | Notes | 2 6- 7 £' | 2005-06 £'000 Restated |
|---|-------|-----------------|------------------------------|
| Other income | 6 | 293 | 300 |
| Total income | | 293 | 300 |
| Staff costs | 2 | 5,239 | 5,310 |
| Administrative expenditure | 7 | 6,484 | 4,393 |
| Total operating expenditure | | 11,723 | 9,703 |
| Net expenditure | | (11,43) | (9,403) |
| Interest receivable | 8 | 47 | 41 |
| Notional cost of capital | 9 | 4 | (18) |
| Net pension interest and expected return on assets | 15 | (22) | (34) |
| Net expenditure on ordinary activities before taxation | | (11,4 1) | (9,414) |
| Taxation | 10 | (9) | (7) |
| Net expenditure on ordinary activities after taxation | | (11,41) | (9,421) |
| Add back notional cost of capital | | (4) | 18 |
| Net expenditure carried forward | | (11,414) | (9,403) |

All amounts relate to continuing operations.

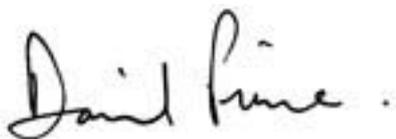
Net expenditure is funded by grant-in-aid as explained in accounting policy 1.3.

| Statement of recognised gains and losses | 2 6- 7 £' | 2005-06 £'000 Restated |
|---|----------------|------------------------------|
| Actuarial loss from staff pension fund | (1,192) | (221) |
| Recognised gains and losses for the period | (1,192) | (221) |

Balance sheet

| | Notes | 2 6- 7 £' | 2005-06 £'000 Restated |
|--|-------|----------------|------------------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 1,4 5 | 693 |
| Debtors due after more than one year | 12 | 185 | – |
| | | 1,59 | 693 |
| Current assets | | | |
| Debtors | 12 | 613 | 489 |
| Cash at bank and in hand | | 1,8 5 | 730 |
| Total assets | | 4, 8 | 1,912 |
| Current liabilities | | | |
| Amounts payable within one year | 13 | (2,) | (892) |
| Provisions | 22 | (6 5) | – |
| Total assets less current liabilities | | 1,4 3 | 1,020 |
| Long-term liabilities | | | |
| Pension liability | 15 | (1,93) | (722) |
| Total assets less total liabilities | | (527) | 298 |
| Pension reserve | 14 | (1,93) | (722) |
| General reserve | 14 | 1,4 3 | 1,020 |
| Total reserves | | (527) | 298 |

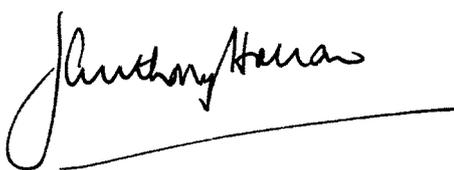
Signed by
David Prince



Chief Executive and Accounting Officer
The Standards Board for England

Date: 4 October 2007

and on behalf of the Board
Sir Anthony Holland



Chair
The Standards Board for England

Date: 4 October 2007

Cash flow statement

| | Notes | 2 6- 7 £' | 2005-06 £'000 Restated |
|--|-------|-----------------|------------------------------|
| Net cash inflow from operating activities | 3 | (1 ,298) | (9,216) |
| Returns on investments and servicing of finance | | | |
| Interest received | 8 | 47 | 41 |
| Taxation | 10 | - | (7) |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | 11 | (455) | (69) |
| Financing | | | |
| Grant-in-aid received | 5 | 11,781 | 9,181 |
| (Decrease)/increase in cash in the year | 4 | 1, 75 | (70) |

Notes to the annual accounts

1.1 Basis of accounting

The financial statements are drawn up in accordance with a direction given by the Department for Communities and Local Government, with the approval of HM Treasury in accordance with the *Local Government Act 2000 as amended*. The financial statements are prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, and the accounting and disclosure requirements given in *Government Accounting* and in the *Financial Reporting Manual* (FReM), insofar as these are appropriate to the Standards Board for England and are in force for the financial year for which the statements are prepared. The financial statements are prepared under the modified historical cost convention. The financial effect of revaluing fixed assets was considered to be immaterial and therefore they have been disclosed at their historical cost value.

1.2 Going concern

The balance sheet at 31 March 2007 shows net liabilities of £527,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Standards Board for England's other sources of income, may only be met by future grants or grants-in-aid from the Standards Board for England's sponsoring department, the Department for Communities and Local Government. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2007-08, taking into account the amounts required to meet the Standards Board for England's liabilities falling due in that year, has already been included in the department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Change of accounting policy

With effect from the 2006-07 reporting period the FReM requires non-departmental public bodies (NDPBs) to account for grants and grants-in-aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year are shown below.

The Standards Board for England now has one reserve for all grant-in-aid, whether it is used for revenue or capital purposes.

| | At 31 March 2006 (as previously stated) | Impact of adopting the new policy | At 31 March 2 6 (restated) |
|-----------------------------|---|---|----------------------------------|
| Net expenditure for 2005-06 | 283 | (9,686) | (9,4 3) |
| Fixed asset reserve | 684 | (684) | – |
| Pension reserve | (722) | – | (722) |
| Grant reserve | 336 | (336) | – |
| General reserve | – | 1,020 | 1, 2 |

| | At 31 March 2007 (without applying the new policy) | Impact of adopting the new policy | At 31 March 2 7 (applying the new policy) |
|-----------------------------|---|---|--|
| Net expenditure for 2006-07 | 367 | (11,781) | (11,414) |
| Fixed asset reserve | 1,396 | (1,396) | – |
| Pension reserve | (1,930) | – | (1,93) |
| Grant reserve | 490 | (490) | – |
| General reserve | – | 1,403 | 1,4 3 |

1.4 Capitalisation of fixed assets

In accordance with the Financial Memorandum, only items which cost more than or equal to £2,500 gross of VAT are capitalised, other items being written off as expenditure and included within the appropriate heading in the income and expenditure account.

1.5 Depreciation

Depreciation is provided on all tangible fixed assets on a straight-line basis over their estimated useful lives, except for assets under construction, which are not depreciated until those amounts are brought into use. The estimated useful lives are as follows:

| | | |
|------------------------|---|-------------|
| Office equipment | – | three years |
| Furniture and fittings | – | five years |
| Computer equipment | – | three years |

No depreciation is charged on assets under construction.

1.6 Valuation of fixed assets

Fixed assets are valued at Net Book Value. The financial effect of revaluing fixed assets was considered to be immaterial and therefore they have been disclosed at their historical cost value.

1.7 Grant-in-aid

Grant-in-aid used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the general reserve, because they are regarded as contributions from a controlling party.

1.8 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

There are no deferred tax implications for the Standards Board at the end of the financial year.

1.9 Value added tax

The Standards Board for England registered for Value Added Tax (VAT) on 21 March 2003 under special registration, which limits the Standards Board to account for VAT only on conference activity and publication sales. As agreed with HM Revenue and Customs, other activities of the Standards Board are not registered.

All irrecoverable VAT is included as part of the expenses concerned and capitalised as part of the cost of fixed assets acquired as appropriate.

1.1 Operating leases

Leasing charges in respect of operating leases are recognised in the income and expenditure account in equal amounts over the life of the lease agreement as incurred.

1.11 Pension

Contributions to the Greater Manchester Pension Fund are made in accordance with actuarial recommendations and are charged to the income and expenditure account as they are incurred.

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In calculating the real increase in accrued pension, inflation has been assumed to run at 3.5% throughout 2006-07. Pensionable salary includes performance related pay.

Details of the Standards Board's pension scheme are shown in note 15.

1.12 Notional cost of capital

In order to disclose the full cost of the Standards Board's activities, an amount is included for the notional cost of capital.

The notional cost of capital has been calculated at the Treasury rate of 3.5% on average net assets during the year.

Notional cost of capital is reversed out after net expenditure on ordinary activities after taxation.

2 Staff Costs

| | 2 6- 7 £' | 2005-06 £'000 Restated |
|---|--------------|------------------------------|
| Permanent staff costs, including the chief executive were: | | |
| Wages and salaries, including performance related pay | 4,111 | 4,046 |
| Social security costs | 378 | 378 |
| Pension costs | 365 | 341 |
| Total permanent staff costs | 4,854 | 4,765 |
| Board members | 123 | 132 |
| Temporary staff costs | 262 | 363 |
| Staff on secondment | – | 50 |
| Total staff costs, including the chief executive | 5,239 | 5,310 |

The employer's contribution is calculated at the rate of 13% recommended for all the Standards Board for England's employees by the pension fund actuaries and is subject to the 'earnings cap' of £105,000. David Prince remained a member of the Standards Board for England's pension scheme, to which the Standards Board contributed at the appropriate rate, during his employment on a full-time basis.

2 Staff Costs (Continued)

| | 2 6- 7 | 2005-06 |
|---|-------------|-------------|
| | Average no. | Average no. |
| Number of persons employed during the year | | |
| Policy and Guidance | 13 | 12 |
| Communications | 9 | 8 |
| Legal | 1 | 10 |
| Corporate Services (including chief executive) | 23 | 19 |
| Referrals | 12 | 11 |
| Adjudication Panel | 4 | 4 |
| Investigations | 32 | 47 |
| Board | 9 | 9 |
| Total of the above | 112 | 120 |
| Contract staff | 5 | 5 |
| Seconded staff | – | 1 |
| Total number of staff | 117 | 126 |

3 Reconciliation of operating deficit to net cash inflow from operating activities

| | 2 6- 7 | 2005-06 |
|--|----------|----------|
| | £' | £'000 |
| | | Restated |
| Net expenditure | (11,43) | (9,403) |
| Depreciation charges | 463 | 558 |
| (Increase) in debtors | (3 9) | (46) |
| Increase in amounts payable within one year | 388 | (307) |
| Increase in provisions | 6 5 | – |
| FRS17 adjustments | (6) | (18) |
| Adjustments for tax accrual | (9) | – |
| Net cash inflow from operating activities | (1 ,298) | (9,216) |

4 Reconciliation of net cash flow to movement in net funds

| | 2 6- 7 £' | 2005-06 £'000 |
|--|--------------|------------------|
| Cash at bank and in hand carried forward | 1,8 5 | 730 |
| Less: cash at bank and in hand brought forward | (73) | (800) |
| Increase/(decrease) in cash in the year | 1, 75 | (70) |

5 Grant-in-aid

Grant-in-aid is receivable from the Department for Communities and Local Government to fund revenue expenditure, the purchase of tangible fixed assets, and capital projects.

| | 2 6- 7 £' | 2005-06 £'000 |
|-------------------------|---------------|------------------|
| Amounts received | 11,781 | 9,181 |

6 Other income

| | 2 6- 7 £' | 2005-06 £'000 |
|--------------------|--------------|------------------|
| Conference income | 291 | 290 |
| Publication income | 2 | 10 |
| Total | 293 | 300 |

Conference income is generated through individual spaces sold at the Annual Assembly where the individual sale price is calculated on the basis to optimise attendance.

Other income is net of VAT.

7 Administrative expenditure

| | 2 6- 7 £' | 2005-06 £'000 Restated |
|----------------------------|--------------|------------------------------|
| Relocation cost (Note 20) | 2, 9 | 236 |
| Rent and rates | 1,584 | 970 |
| Conferences | 579 | 519 |
| Depreciation | 463 | 558 |
| Professional fees* | 438 | 523 |
| Computer expenses | 277 | 212 |
| Other administration costs | 258 | 275 |
| Training | 24 | 227 |
| Communications** | 211 | 264 |
| Travel and subsistence | 165 | 240 |
| Recruitment costs | 91 | 220 |
| Office equipment | 46 | 26 |
| Internal auditors' fee | 35 | 34 |
| Subscriptions | 35 | 28 |
| External audit fee | 31 | 29 |
| Miscellaneous costs | 18 | 16 |
| Refurbishment | 3 | 14 |
| Office supplies | 1 | 2 |
| Total | 6,484 | 4,393 |

* Professional fees consist of the following expenses: specialist fees, audio typist fees, legal fees, judicial review, High Court appeals, Adjudication Panel representations and local Standards Board representations.

** Communications costs comprise the following expenses: conferences, publications, guidance/advice, website development, bulletins, the *Case Review*, the *Annual Report* and *Annual Review*, complaints leaflets and other communications.

8 Interest receivable

| | 2 6- 7 £' | 2005-06 £'000 |
|---------------------|--------------|------------------|
| Interest receivable | 47 | 41 |
| Total | 47 | 41 |

9 Notional cost of capital

| | 2006-07 £' | 2005-06 £'000 Restated |
|--|---------------|------------------------------|
| Opening assets | 298 | 741 |
| Closing assets | (527) | 298 |
| Average | (115) | 520 |
| At 3.5% on average of net assets during the year | 4 | (18) |

1 Taxation

Corporation tax is charged on interest receivable. The tax charge is £8,940 for 2006-07 and is current tax only. The tax charge for 2005-06 was £7,361. In comparison to the amount charged for 2005-06, there has been an increase in interest receivable which resulted in a higher tax charge for 2006-07.

11 Tangible fixed assets

| | Assets under construction £' | Computer equipment £' | Office equipment, furniture and fittings £' | Total £' |
|-------------------------|---------------------------------------|-----------------------------|---|--------------|
| Cost | | | | |
| At 1 April 2006 | 133 | 849 | 1,073 | 2,055 |
| Additions | 1,172 | 3 | – | 1,175 |
| At 31 March 2007 | 1,305 | 852 | 1,073 | 3,230 |
| Depreciation | | | | |
| At 1 April 2006 | – | 642 | 720 | 1,362 |
| Charge for the period | – | 163 | 300 | 463 |
| At 31 March 2007 | – | 805 | 1,020 | 1,825 |
| Net book amounts | | | | |
| At 31 March 2006 | 133 | 207 | 353 | 693 |
| At 31 March 2007 | 1,305 | 47 | 53 | 1,405 |

Assets under construction as at 31 March 2007 relates to the fit-out of the Standards Board's new office in Manchester of £977,000, IT hardware £323,000 (£133,000 relates to amounts brought forward from previous years) and office equipment of £5,000.

12 Debtors

| | 2006-07 | 2005-06 |
|---|------------|---------|
| | £' | £'000 |
| Amounts falling due within one year: | | |
| Prepayments | 212 | 465 |
| VAT debtor | 16 | 6 |
| Other debtors | 385 | 18 |
| Total | 613 | 489 |
| Amounts falling due after one year: | | |
| Prepayments | 18 | – |
| Other debtors | 167 | – |
| Total | 185 | – |

During the accounting period 2006-07 there were no material amounts of any debts or any provision for bad/doubtful debts.

Total balance of staff loans outstanding at the year end was £163,671.76.

This amount is broken down into two categories:

1. Season ticket loans which amounted to £14,806.76 and
2. Housing loans for staff relocating to Manchester on a permanent basis, this amounted to £148,865.00.

13 Creditors

| Creditors – amounts falling due within one year | 2006-07 £' | 2005-06 £'000 |
|---|---------------|------------------|
| Amounts falling due within one year: | | |
| Creditors | 15 | 403 |
| Capital creditors | 72 | – |
| Accruals | 925 | 302 |
| Deferred income | 3 | 14 |
| Other taxation and social security* | 125 | 129 |
| Other creditors** | 5 | 44 |
| Total creditors | 2, | 892 |

* As at 31 March 2007 amounts outstanding to other government bodies:
HM Revenue & Customs : PAYE £69,629.16 and National Insurance £55,296.98

** As at 31 March 2007 amounts outstanding to other bodies:
Greater Manchester Pension Fund £50,323.43

14 Reserves

| | 2006-07 £'000 | 2006-07 £'000 | 2006-07 £'000 | 2005-06 £'000 | 2005-06 £'000 | 2005-06 £'000 |
|--------------------------------|--------------------|--------------------|--------------------------|--------------------------------|--------------------------------|-------------------|
| | Pension reserve | General reserve | 2006-07 Total | Restated Pension reserve | Restated General reserve | Restated Total |
| Brought forward | (722) | 1,020 | 298 | (485) | 1,226 | 741 |
| Net expenditure | – | (11,414) | (11,414) | – | (9,403) | (9,403) |
| Grant-in-aid received | – | 11,781 | 11,781 | – | 9,181 | 9,181 |
| Actuarial gain/(loss) | (1,192) | – | (1,192) | (221) | – | (221) |
| Movement between reserve | (16) | 16 | – | (16) | 16 | – |
| Balance carried forward | (1,930) | 1,403 | (527) | (722) | 1,020 | 298 |

15 Pension

The Standards Board for England is an admitted body to the Greater Manchester Pension Fund, which operates under the Local Government Pension Scheme Regulations. It is a defined benefit scheme based on final pensionable salary.

The most recent triennial valuation was carried out as at 31 March 2007 and has been updated by independent actuaries to the Greater Manchester Pension Fund to take account of the requirement of FRS17 in order to assess the liabilities of the Fund as at 31 March 2007. Hymans Robertson carried out the actuarial valuation on 31 March 2007, for the purposes of FRS17. Liabilities are valued on an actuarial basis using the projected unit method of valuation, which assesses the future liabilities discounted to their present value.

The Standards Board for England also pays pensions direct to ex-employees who were awarded additional benefits under the Standards Board's early retirement scheme. These pension costs are funded from grant-in-aid as they are paid. The pension charge for the period is shown below.

The net pension liability as at 31 March 2007 is estimated to be £1,930,000. The employer makes a contribution of 13% for each employee's pensionable salary who joins the scheme, which amounts to £371,000 in 2006-07 with prior year amounts being £359,000.

Appendix B contains the income and expenditure account cost for the year ended 31 March 2007, along with an analysis of the amount recognised in the Statement of recognised gains and losses. Also shown are the movement of the net expenditure over the year and the history of experience gains and losses, expressed as a percentage of assets and/or liabilities.

Appendix C contains estimates of the income and expenditure account cost for 2007-08. These figures should be treated as provisional and are subject to change.

Certain FRS17 assumptions are set by the Board (for example salary increases). The actuary has stated the assumptions in this report are reasonable, largely being determined by the latest formal funding valuation.

Appendix A – Balance sheet disclosure as at 31 March 2007

| Assumptions as at | 31 Mar 2007 %p.a. | 31 Mar 2006 %p.a. | 31 Mar 2005 %p.a. |
|-------------------|----------------------|----------------------|----------------------|
| Price increases | 3.2 | 3.1 | 2.9 |
| Salary increases | 4.7 | 4.6 | 4.4 |
| Pension increases | 3.2 | 3.1 | 2.9 |
| Discount rate | 5.4 | 6.0 | 6.5 |

| Assets (Employer) | Long Term | | Long Term Return at 31 Mar 2006 %p.a. | Assets at 31 Mar 2006 £'000 | Long Term Return at 31 Mar 2005 %p.a. | Assets at 31 Mar 2005 £'000 |
|----------------------|--------------------------------------|-----------------------------------|---|--------------------------------------|---|--------------------------------------|
| | Return at 31 Mar 2007 %p.a. | Assets at 31 Mar 2007 £' | | | | |
| Equities | 7.8 | 3,122 | 7.4 | 2,504 | 7.7 | 1,785 |
| Bonds | 4.9 | 744 | 4.6 | 607 | 4.8 | 371 |
| Property | 5.8 | 461 | 5.5 | 355 | 5.7 | 267 |
| Cash | 4.9 | 347 | 4.6 | 356 | 4.8 | 214 |
| Total | 6.9 | 4,674 | 6.5 | 3,822 | 6.9 | 2,637 |

| Net pension asset as at | 31 Mar 2007 £' | 31 Mar 2006 £'000 | 31 Mar 2005 £'000 |
|---------------------------------------|----------------------|-------------------------|-------------------------|
| Estimated employer assets (A) | 4,674 | 3,822 | 2,637 |
| Present value of scheme liabilities | 6,644 | 4,544 | 3,122 |
| Present value of unfunded liabilities | – | – | – |
| Total value of liabilities (B) | 6,644 | 4,544 | 3,122 |
| Net pension asset (A-B) | (1,930) | (722) | (485) |

The corresponding liabilities as at 31 March 2006 on a real discount rate of 2.8% p.a. were £4,544,000. The Revenue Account figures for 2006-07 have been calculated using a real discount rate of 2.8% p.a.

Appendix B – Revenue account costs for the year to 31 March 2007

Analysis of amount charged to net expenditure

| Amount charged to net expenditure | Year to 31 Mar 2007 | | Year to 31 Mar 2006 | |
|---|---------------------|--------------|---------------------|--------------|
| | £' | % of Payroll | £'000 | % of Payroll |
| Service cost* | 365 | 12.8 | 341 | 12.5 |
| Past service cost | – | – | – | – |
| Curtailment and settlements | – | – | – | – |
| Decrease in irrecoverable surplus | – | – | – | – |
| Total operating charge (A) | 365 | 12.8 | 341 | 12.5 |
| | | | | |
| Amount credited to other finance income | Year to 31 Mar 2007 | | Year to 31 Mar 2006 | |
| | £' | % of Payroll | £'000 | % of Payroll |
| Expected return on employer assets | 267 | 9.4 | 199 | 7.3 |
| Interest on pension scheme liabilities | (289) | (1 .1) | (233) | (8.6) |
| Net return (B) | (22) | (.8) | (34) | (1.2) |
| Net revenue account cost (A) - (B) | 387 | 13.6 | 375 | 13.8 |

* The service cost takes no account of the removal of the Rule of 85 for new members from 1 October 2006. An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 April 2006 and for life expectancy improvements. The service cost figures include an allowance for administration expenses of 0.2%.

Analysis of amount recognised in statement of recognised gains and losses (SRGL)

| | Year to 31 Mar 2007 | | Year to 31 Mar 2006 | |
|---|---------------------|--|---------------------|--|
| | £' | | £'000 | |
| Actual return less expected return on pension scheme assets | 27 | | 454 | |
| Experience gains and losses arising on the scheme liabilities | 11 | | (4) | |
| Changes in assumptions underlying the present value of the scheme liabilities* | (1,23) | | (671) | |
| Actuarial gain / (loss) in pension plan | (1,192) | | (221) | |
| Increase/(decrease) in irrecoverable surplus from membership fall and other factors | – | | – | |
| Actuarial gain / (loss) recognised in SRGL | (1,192) | | (221) | |

* The change in assumption is approximately comprised of a negative item of £1,125,000 in respect of the change in financial assumptions, £82,000 in respect of an allowance for commutation and a negative item of £187,000 in respect of an allowance for longevity improvements.

Movement in surplus/deficit during the year

| | Year to 31 Mar 2 7 £' | Year to 31 Mar 2006 £'000 |
|---|-----------------------------|---------------------------------|
| Surplus/(deficit) at beginning of the year | (722) | (485) |
| Current service cost | (365) | (341) |
| Employer contributions | 371 | 359 |
| Contributions in respect of unfunded benefits | – | – |
| Other income | – | – |
| Other outgoings (e.g. expenses, etc) | – | – |
| Past service costs | – | – |
| Impact of settlements and curtailments | – | – |
| Net return on assets | (22) | (34) |
| Actuarial gains/(losses) | (1,192) | (221) |
| Surplus/(deficit) at end of year | (1,93) | (722) |

History of experience gains and losses

| | Year to 31 Mar 2 7 £' | Year to 31 Mar 2006 £'000 | Year to 31 Mar 2005 £'000 |
|---|-----------------------------|---------------------------------|---------------------------------|
| Difference between the expected and actual return on assets | 27 | 454 | 109 |
| Value of assets | 4,674 | 3,822 | 2,637 |
| Percentage of assets | .6% | 11.9% | 4.1% |
| Experience gains / (losses) on liabilities | 11 | (4) | 0 |
| Total present value of liabilities | 6,6 4 | 4,544 | 3,122 |
| Percentage of the total present value of liabilities | .2% | (0.1%) | 0.0% |
| Actuarial gains / losses recognised in SRGL | (1,192) | (221) | 109 |
| Total present value of liabilities | 6,6 4 | 4,544 | 3,122 |
| Percentage of the total present value of liabilities | (18. %) | (4.9%) | 3.5% |

Appendix C – Projected pension expense for the year 31 March 2008

Analysis of projected amount to be charged to net expenditure for the year to 31 March 2008

Projected amount charged to net expenditure

| | Year to 31 Mar 2008 | |
|-----------------------------------|------------------------|--------------|
| | £' | % of Payroll |
| Estimated current service cost | 484 | 16.7 |
| Past service costs | – | – |
| Curtailment and settlements | – | – |
| Decrease in irrecoverable surplus | – | – |
| Total operating charge (A) | 484 | 16.7 |

Projected amount credited to other financial income

| | Year to 31 Mar 2008 | |
|--|------------------------|--------------|
| | £' | % of Payroll |
| Expected return on employer assets | 343 | 11.9 |
| Interest on pension scheme liabilities | (374) | (12.9) |
| Net return (B) | (31) | (1.1) |
| Estimated net income and expenditure account cost (A) – (B) | 515 | 17.8 |

16 Lease commitments

Annual commitments under operating leases

| |
|---------|
| 2005-06 |
| 2006-07 |
| £' |
| £'000 |

Land and buildings on leases expiring:

| | | |
|---|--------------|------------|
| Within one year | 265 | 197 |
| Within two to five years | 79 | 8 |
| After five years | – | – |
| Other operating leases on leases expiring: | | |
| Within one year | 2 | – |
| Within two to five years | – | – |
| After five years | – | 5 |
| Total | 1, 57 | 210 |

17 Financial instruments

HM Treasury guidance requires that the accounts of the Standards Board for England contain disclosures in respect of financial instruments (financial assets and financial liabilities) maintained by the Standards Board. Apart from short-term debtors and creditors, the only financial instrument maintained during the period was cash held on current account. The only associated risk is interest rate risk, which the Standards Board regards as minimal.

18 Related party transactions

The Standards Board for England is a non-departmental public body sponsored by the Department for Communities and Local Government. The Department for Communities and Local Government is regarded as a related party, as are other entities that it sponsors. The Standards Board had material transactions with the Department for Communities and Local Government during the financial year by way of grant-in-aid of £11,781k.

None of the Board members, key management or other related parties have undertaken any material transactions with the Standards Board.

Greater Manchester Pension Fund is considered a related party and the Standards Board had transactions of £371k during the year (2005-06: £359k) being employer's contribution.

19 Capital commitments

The Standards Board does not have any capital commitment at present and is not likely to have any in the future.

2 Relocation cost

The Standards Board supports the government's policy of relocating national bodies from London, and relocated to Manchester in April 2007. The costs incurred to relocate included in administrative expenditure on the income and expenditure account are as follows:

| Description | Amount £' |
|----------------------------|--------------|
| Staff costs | 718 |
| Dilapidation costs | 418 |
| Professional fees | 317 |
| Staff relocation costs | 186 |
| Office supplies | 179 |
| Recruitment costs | 84 |
| Other administration costs | 66 |
| Travel and subsistence | 31 |
| Subscriptions | 6 |
| Training | 2 |
| Computer expenses | 1 |
| Communications | 1 |
| Total | 2, 9 |

21 Contingent liabilities

Given the nature of the business undertaken by the Standards Board for England, there exists the possibility that legal or other costs may arise subsequent to these accounts, in respect of cases completed or legal decisions given in 2006-07 or previous years.

22 Provisions

Provision of £605k made is in respect of the relocation costs incurred in the income and expenditure account.

| | 2006-07 £' | 2005-06 £'000 |
|----------------------|---------------|------------------|
| Relocation provision | 56 | – |
| Other provision | 99 | – |
| Total | 65 | – |

The cost of £505,766.83 relates to redundancy payments due to staff as a result of our relocation move to Manchester. It is expected that these costs will be paid in the 2007-08 financial year.

23 Post balance sheet events

Details of events since the balance sheet date are included within the Management commentary on page 13.

Accounts direction

Accounts direction given by the First Secretary of State with the consent of the Treasury, in accordance with paragraph 13(B) of schedule 4 to the Local Government Act 2000.

1 The annual accounts of the Standards Board (hereafter in this accounts direction referred to as “the Board”) shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts for 2006/07 and subsequent years shall be prepared in accordance with:-

- (a) the accounting and disclosure requirements given in *Government Accounting* and in the *Government Financial Reporting Manual* issued by the Treasury (“the FReM”) as amended or augmented from time to time, and subject to Schedule 1 to this direction;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Board and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2 Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the *Companies Act* and accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State and further explanation of Treasury requirements are set out in Schedule 2.

3 This direction shall be reproduced as an appendix to the annual accounts.

4 This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

Paul Rowsell

An officer in the Department for
Communities and Local Government

Date: 27 March 2007

Schedule 1

- 1 Stocks and work in progress shall be included in the balance sheet at the lower of estimated replacement cost and estimated net realisable value.
- 2 The annual accounts shall be signed and dated by the chairman on behalf of the board members, and by the accounting officer.

Schedule 2

Additional disclosure requirements

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraphs 1 and 2 of this direction.

1 The notes to the annual accounts

- (a) an analysis of grants from:
 - (i) government departments
 - (ii) European Community funds
 - (iii) other sources identified as to each source;
- (b) For grants from the Department for Communities and Local Government, the following information shall also be shown:
 - (i) the amount that the Board is entitled to receive for the year
 - (ii) the amount received during the year
 - (iii) the amount released to the income and expenditure account for the year
 - (iv) the amount used to acquire or improve fixed assets in the year
 - (v) movements on amounts carried forward in the balance sheetand the note should make it possible to reconcile any of the amounts in (i) to (v) above, to each of the other amounts;
- (c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account;
- (d) details of employees, other than members of the Board, showing:-
 - (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Board, but excluding those

- on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
- (ii) the total amount of loans to employees.
 - (iii) employee costs during the year, showing separately:-
 - (1) wages and salaries
 - (2) early retirement costs
 - (3) social security costs
 - (4) contributions to pension schemes
 - (5) payments for unfunded pensions
 - (6) other pension costs
 - (7) amounts recoverable for employees on secondment or loan to other organisations

(The above analysis shall be given separately for the following categories:

- I employed directly by the Board
 - II on secondment or loan to the Board
 - III agency or temporary staff
 - IV employee costs that have been capitalised);
- (e) an analysis of liquid resources, as defined by accounting standards;
 - (f) in the note on debtors, prepayments and payments on account shall each be identified separately;
 - (g) a statement of debts written off and movements in provisions for bad and doubtful debts;
 - (h) a statement of losses and special payments during the year, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £250,000. Disclosure shall also be made of any loss or special payment of £250,000 and below if it is considered material in the context of the Board's operations.

* (i) particulars, as required by the accounting standard on related party disclosures, of material transactions during the year and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Board), between the Board and a party that, at any time during the year, was a related party. For this purpose, notwithstanding anything in the accounting standard, the following assumptions shall be made:

- (i) transactions and balances of £5,000 and below are not material
- (ii) parties related to board members and key managers are as notified to the Board by each individual board member or key manager

(iii) the following are related parties:

- (1) subsidiary and associate companies of the Board
- (2) pension funds for the benefit of employees of the Board or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds)
- (3) board members and key managers of the Board
- (4) members of the close family of board members and key managers
- (5) companies in which a board member or a key manager is a director
- (6) partnerships and joint ventures in which a board member or a key manager is a partner or venturer
- (7) trusts, friendly societies and industrial and provident societies in which a board member or a key manager is a trustee or committee member
- (8) companies, and subsidiaries of companies, in which a board member or a key manager has a controlling interest
- (9) settlements in which a board member or a key manager is a settlor or beneficiary
- (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or of a key manager has a controlling interest
- (11) partnerships and joint ventures in which a member of the close family manager is a partner or venturer

- (12) settlements in which a member of the close family of a board member or of a key manager is a settlor or beneficiary
- (13) the Department for Communities and Local Government, as the sponsor department for the Board.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Board's management board.
- (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
- (iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at board meetings of the company.

* Note to Schedule 2 paragraph 2(i): under the Data Protection Act 1998 individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.

Board information

Board: Sir Anthony Holland (Chair)
 Patricia Hughes CBE (Deputy Chair)
 Louise Bloom (term ended 2 May 2006)
 Celia Cameron CBE (term ended 2 May 2006)
 Peter Chalke CBE (term ended 2 May 2006)
 Paul Sabapathy CBE (term ended 21 March 2007)
 Roger Taylor
 Paul Gott
 Elizabeth Hall
 Judy Simons
 Shirley Flint (term started 23 October 2006)
 Beatrice Fraenkel (term started 23 October 2006)
 Mehboob Khan (term started 23 October 2006)
 Sir Ron Watson CBE (term started 23 October 2006)

Chief Executive: David Prince

Principal Office: Fourth Floor
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 National Audit Office
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Further information on the Board members can be found on our website or in our Annual Review. Please see overleaf for contact details.



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