

Taking an objective approach
regulation with a local focus

We met a number of key objectives last year, including:

- clearing our backlog of 400 investigations that built up while we were waiting for the full legislative framework to be put in place
- speeding up our investigations — completing nearly twice as many investigations this year than in 2003–04
- halving the time taken to make a decision on whether to investigate a complaint
- filtering out malicious, vexatious and tit-for-tat complaints
- focusing positively on cases with the potential to damage local democracy
- enabling successful local investigations — for example by giving guidance and helping authorities establish their processes
- encouraging local authorities to take leadership on ethics
- developing the ethical governance toolkit jointly with the Audit Commission and the Improvement and Development Agency

We will continue to work hard on our remaining targets, particularly completing cases in a more timely fashion.

“Only by local ownership and involvement can issues of ethical organisational culture be properly addressed and the overall regulatory framework for standards in local government made proportionate and strategic.”

Committee on Standards in Public Life

Achievements
from 2004–05



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We set out this year to sharpen our focus, improve our efficiency, and meet head-on the challenges and opportunities of the local investigations framework, the review of the Code of Conduct, and the scrutiny by two influential public bodies. Our success may be judged, in part, from the results of our key performance indicators on the following pages. We have made significant progress: we have reduced the time it takes to consider and investigate complaints, delivered timely and effective guidance on a number of issues, and strengthened partnerships to help improve the reach and impact of the service we provide. The year's developments have also had a considerable impact on the local government improvement agenda as a whole, and will be a benefit in our aim to improve public confidence in local democracy.

Completing the picture

At the start of the year, we had a backlog of 400 cases awaiting investigation which had built up in the absence of regulations enabling local investigations. That final piece of the legislative framework was slotted into place in November 2004. We are now referring appropriate allegations back to the relevant local authority to be investigated locally — comprising about a third of all cases referred for investigation — and have cleared the backlog of cases. Our case handling has improved across the board: we are currently meeting our target of completing 40% of cases within four months, and are getting closer to hitting our target of completing 90% of investigations within six months.

A Code for the future

In September, the government invited us to review the Code of Conduct. We launched our consultation in February, inviting every member, relevant authority and stakeholder group to tell us how they thought the Code of Conduct could be improved. We received over 1,100 written responses, and consulted almost as many monitoring officers and standards committee members at a series of 11 regional roadshows from Newcastle to Plymouth.

We are now at the point of presenting recommendations to the government for a new Code of Conduct, one which is clearer, simpler, and better suited to the realities of representing local government.

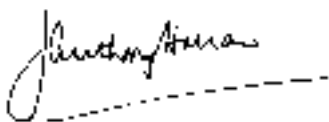
Letter from our
Chair and Chief Executive

Scrutiny

Our role and performance were scrutinised by both the Committee on Standards in Public Life and the parliamentary select committee on the Office of the Deputy Prime Minister. Although these bodies reached very different conclusions on some questions, such as whether complaints should be considered by local authorities in the first instance, there was much common ground on the importance of the Code of Conduct and the future direction for the Standards Board for England as an increasingly strategic organisation. We welcome the positive approach and constructive recommendations of both reports and await the government's responses to each.

A strategic approach

The challenge now is to build on these successes. With more cases being handled locally, the Standards Board for England can concentrate resources on giving authorities the support and guidance they need to be able to take ownership of the ethical agenda. Through our joint work with partner bodies, we want to ensure that elected members and officers work effectively together, treating each other with respect, to meet the needs of their local communities. The real test, we believe, is whether local people have confidence in their local democracy. Our challenge is to embed the Code of Conduct into the fabric of local democracy, so that it becomes an integral part of how authorities do business.



Sir Anthony Holland, Chair



David Prince, Chief Executive



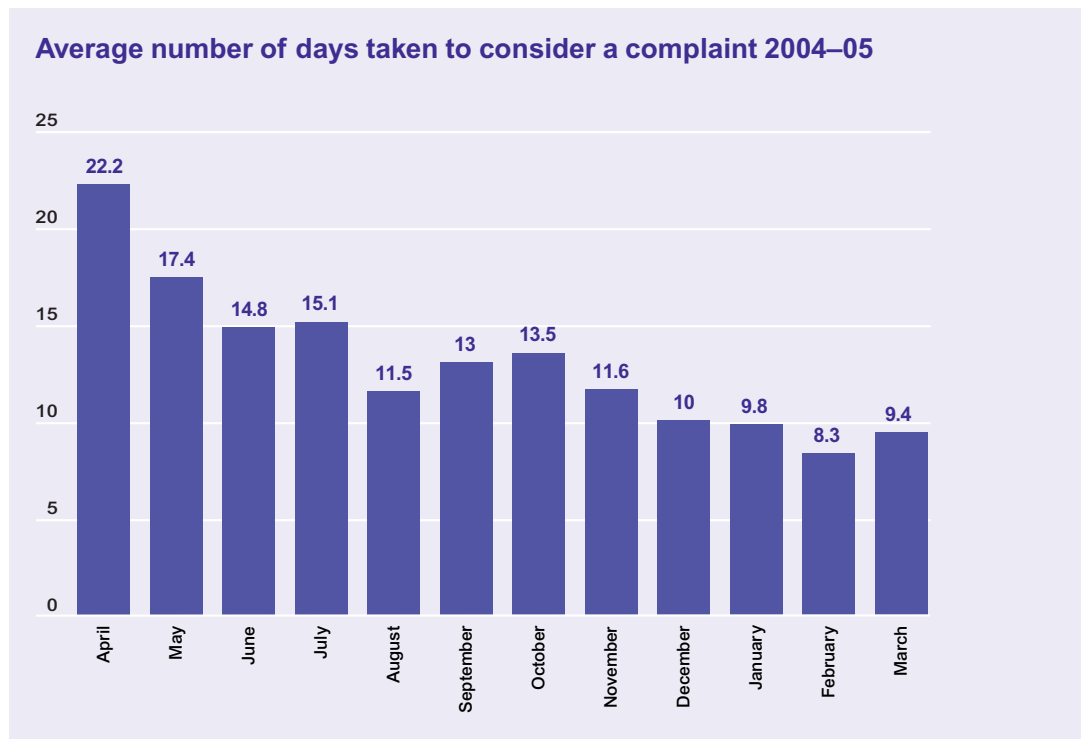
Our key performance indicators are designed to gauge what is important rather than making a virtue of what is easy to measure.

Over the past year we have focused on improving the throughput of cases with particular emphasis on both the initial consideration of new complaints and the timely completion of investigations while, of course, maintaining our commitment to fairness.

Although the target of considering new complaints within ten working days was not achieved over the full year, it was met during the last four months (see chart below). We are strengthening the team which carries out this vital work to ensure we continue to hit the target.

The improvement in the number of investigations completed within our target timescales is also something on which we wish to build. The long-awaited introduction of regulations that enabled local investigations and the refocusing of resources towards our case work function have both contributed to this. For us, the challenge is to find new ways of improving efficiency and effectiveness while maintaining quality.

Our performance for 2004–05, shown over the following pages, was measured against key performance indicators set by the Board. They have been grouped according to our four key objectives.



Our performance

Objective 1 — improve our handling of cases so that they are focused and proportionate by increasing throughput

Average time taken to complete a case

Target: 6 months

Performance: **Achieved** — 3.67 months

This includes all cases received by the organisation, consisting of both allegations referred for investigation and allegations not referred.

Average time taken from receipt of allegation to notification

Target: 10 days

Performance: **Not achieved** — 13.1 days

Although the target was not met for the year as a whole, the average performance figure shows a marked improvement from the 22.8 days achieved in 2003–04. The target was achieved for the last four months of 2004–05 and, with a strengthening of the capacity of the referrals team, we expect to see this improving trend continue throughout 2005–06.

Average time taken from decision to investigate to closure of investigation

Target: 40% to be completed within 4 months, 90% to be completed within 6 months

Performance: **Not achieved** — 18% within 4 months, 29% within 6 months

This measures the time taken from a decision to refer to either the completion of the ethical standards officer's report or the referral of the case for local investigation. It does not include the time taken by a local authority with a local referral or the time taken once the case has been referred to the Adjudication Panel for England.

The failure to meet these targets was caused by, amongst other things, the legacy of completing the historic backlog of cases and the delayed introduction, only in November, of the local investigations regulations. These issues were highlighted in the report of the Committee on the Office of the Deputy Prime Minister, which accepted the reasons for our inability to meet these targets but urged us to ensure that they were met in the coming year.

The 40% target was achieved in the first month of 2005–06 and we are on track to meet the 90% target.

Average number of cases closed per investigator

Target: No less than 36
Performance: **Achieved** — 42

Elimination of cases unallocated to an investigator

Target: By 31 March 2005
Performance: **Achieved**

The backlog of some 400 cases which had built up in the previous year, partly as a result of the delay to the local investigations regulations, was cleared by the end of the year.

Cases referred should equal cases closed

Target: At least 1 case closed for every allegation referred
Performance: **Achieved** — 1.56 cases closed for every allegation referred

This target was set by the Board to ensure a further backlog of cases would not develop. During 2004–05, a total of 929 allegations were referred for investigation while 1446 investigations were completed.

Revise referrals criteria to concentrate resources on most serious cases

Target: By July 2004
Performance: **Achieved**

The referrals criteria, indicating what issues should and should not be investigated, were revised in response to criticisms that the Board was investigating too many 'trivial' issues and not focussing on cases which had serious consequences for confidence in local democracy. They were put in place in July, and have resulted in a reduction in the percentage of cases referred for investigation from 34% in 2003–04 to 24% in 2004–05.

Develop differentiated investigations covering case weighting, investigations plans, and resource envelopes

Target: Establish by July 2004, test and refine by March 2005

Performance: **Partly achieved**

- case weighting: **achieved**
- investigations plans: **achieved**
- resource envelopes: **not achieved**

As part of its programme of continuous improvement, the Board introduced measures to improve the efficiency of its investigation processes. Of the three specific targets the Board set, two were achieved. The third — the introduction of ‘resource envelopes’ (the agreement at the outset of a case on how much resource it would be appropriate to put towards a case) — was held up by a delay in implementing an IT time-recording system. The target has been revised to November 2005.

Introduce pre-referral information-gathering process to reduce inappropriate referrals

Target: By September 2004

Performance: **Achieved**

As part of its drive to weed out inappropriate cases before they are referred for investigation, and in response to feedback from stakeholders, the Board introduced an information-gathering stage to the referrals process. Under the scheme, referrals officers contact the local authority in appropriate cases to see whether there is any factual information available to support or negate an allegation. A total of 47 preliminary enquiries were carried out under a pilot project, of which 19 cases were referred and 24 cases were not referred as a direct result of the information gathered. Only four of the preliminary enquiries failed to help the officer reach a definitive conclusion on whether to refer the case. The scheme has now been made a permanent arrangement.

Establish a working assumption of cases likely to be referred locally

Target: By July 2004

Performance: **Achieved**

The Board wished to establish an estimate of how many investigations it expected to be referred locally under the new regulations. Since the introduction of the regulations, 30% of allegations referred for investigation have been referred locally. An additional 5% of those cases investigated nationally were referred back to standards committees for local determination. At this stage, therefore, the working assumption is proving correct. The number of cases handled locally at some stage is expected to rise to more than half of all cases referred for investigation over the coming years, as local authorities become better equipped to handle cases.

Objective 2 — produce authoritative guidance and support to relevant authorities

Statutory guidance is produced within timescale

Target: 6 weeks after legislation is laid

Performance: **Achieved**

The Board wished to ensure that timely guidance was available on the local investigations regulations to help local authorities with handling cases referred back locally. This target was achieved.

Correspondence (including faxes and emails but excluding case-related correspondence) receiving a substantive response within five working days of receipt

Target: 90%

Performance: **Not achieved** — 80%

The failure to achieve this target relates partly to the diversion of resources towards clearing the case backlog and partly due to the increasing complexity of the nature of enquiries. However, the year's performance represents a marked increase from the 66% recorded for 2003–04. We are introducing further improvements in the process and expect to hit this target in the 2005–06 financial year.

Telephone enquiries (other than case-related) to receive a substantive response within two working days

Target: 90%

Performance: **Achieved** — 99%

Objective 3 — promote the development of the ethical environment by working in partnership with stakeholders

Demonstrate input into Audit Commission and Improvement and Development Agency ethical products

Target: Joint badging where possible

Performance: **Achieved**

The Board wished to set some targets to demonstrate that it was working effectively with other national bodies to promote high standards and help prevent misconduct arising in the first place. During the year, the Board worked with the Audit Commission to further develop its ethical governance toolkit. The Board funded the Improvement and Development Agency to develop workshop materials to complement the Audit Commission's approach. The IDeA project was partly funded through the Office of the Deputy Prime Minister's Capacity Building Fund and the workshop material was successfully piloted during the spring and summer of 2005.



Impact on the methodology for the Comprehensive Performance Assessment

Target: Measurable input

Performance: **Achieved**

The Board wished to see greater emphasis on high standards within the Comprehensive Performance Assessment as it believed there was a link between poor standards of conduct and poor performance. There was significant Board input into the methodology consulted on by the Audit Commission.

**Demonstrable role
in working with
problematic councils**

Target: Measurable input
Performance: **Partly achieved**

The Board was concerned that in a number of cases it is called upon to investigate, particularly in the town and parish sector, there are deeper underlying issues of failures of governance and breakdowns in personal relations within the authority. The Board therefore wanted to find ways of helping to address these underlying problems as a way of ensuring the councils were better able to serve their communities. The Board has given support and advice to local stakeholders in a small number of cases and is working with the National Association of local Councils and the Society of Local Council Clerks to develop a bid for Capacity Building funding from the Office of the Deputy Prime Minister to support town and parish councils.

Objective 4 — to be a fit for purpose organisation

**Performance
against budget**

Target: Performance within budget
Performance: **Achieved**

There was an underspend of £2,000 for the 2004–05 financial year.

**Establish a range of
average costs
for different types
of cases**

Target: By September 2004
Performance: **Not achieved**

The Board worked on developing a time-recording system during 2004–05. However, the system was not introduced until shortly into the new financial year for reasons relating to the development of the supporting IT software. The IT system is now in place and we expect the analysis of costs to be complete by December 2005.

**Reduction
in the proportion
of negative press
coverage**

Target: Decrease against benchmark of 15%
Performance: Achieved — 14.16%

The Board wished to see how it was being perceived in the local, national and trade media and set a target that no more than 15% of coverage of the Board's work should portray the Board in a negative light.

**Average sickness
absence rate**

Target: Below 3.5%
Performance: Achieved — 2.91%

**Proportion of
permanent staff to
be drawn from
ethnic minorities**

Target: 7.2%
Performance: Achieved — 18.2%

Foreword to the annual accounts

Format of annual accounts

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

History of the Board

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 First Secretary of State under powers conferred by the *Local Government Act 2000*.

Principal activities of the Board

The Board is a non-departmental public body sponsored by the Office of the Deputy Prime Minister. 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 9 to the annual accounts.

Review of the development of the Board and its position at the balance sheet date

The Standards Board for England welcomed completion of the statutory framework in November 2004, enabling ethical standards officers to pass cases back for local investigation or alternative dispute resolution, such as mediation. This has allowed the Board to make further progress on delivering its commitment to achieve the right balance between its national regulatory role and local ownership of the Code of Conduct.

The Board's prime objective has been to continue progress on ensuring that its referrals and investigations processes are fair, thorough, timely and consistent. The Board received a total of 3,861 complaints, an increase of around 8% on the year before. The percentage of complaints from members of the public has increased from 51% in 2003–04 to 60% in 2004–05. The Board continues to focus its resources proportionately on the most serious cases that damage the confidence in local democracy. A further revision of the Board's criteria for assessing complaints has led to a fall in the percentage of cases referred for investigation to 24% from 34% in the previous year.

The accounts

The Adjudication Panel for England acts independently of the Board in providing open, fair and impartial hearings when matters which are the subject of an investigation are passed to the Panel by an ethical standards officer. A total of 59 cases were heard during the year, resulting in 44 members being given sanctions ranging from suspensions to disqualifications.

The Board has, within a relatively short time, established a positive reputation for providing high quality clear and concise guidance on relevant issues, in addition to giving an effective and timely response to day-to-day enquiries. The Board is continuing to gain experience of the types of issues arising from interpretation of the legislation and individual cases. It remains uniquely placed to have an oversight of misconduct issues across local government and has built networks and partnerships with local and national stakeholders to champion good practice and publish good ideas to help local government raise its standards.

The Board's case management system has continued to be developed during 2004–05. This included the improvement and simplification of the referrals workflow and its use as a source of monthly case statistics. Further enhancements are planned for 2005–06, including the introduction of a time recording system.

Indication of likely developments

At the government's request, the Standards Board for England began its consultation on a review of the Code of Conduct in February 2005, some three years after the Code came into force. The consultation ended in June 2005, and seeks to draw out responses on what may be learnt from experiences of working with the Code. The responses will be collated and a report forwarded to the government in the autumn.

Publication in January 2005 of the report on the Tenth Inquiry of the Committee on Standards in Public Life provided some interesting views on the ethical standards framework for local government.

The recommendations broadly reflected the Board's submission to the Committee on work already in progress to promote ethical standards. However, a recommendation for the local sifting of complaints in the first instance is in contrast to a recommendation of the report of the parliamentary select committee on the Office of the Deputy Prime Minister published in April 2005 into the role and effectiveness of the Standards Board for England. The select committee believes that central initial assessment of complaints by experienced officers applying a consistent set of criteria is one of its unique strengths. Both reports support the



Board's objective to put more resources into training and guidance materials and supporting parish councils.

The Board has accepted that it should relocate outside of London and the South East under the Lyon Review. A decision has been made to move to Manchester. It is planned that the Board will be fully functioning in Manchester by the end of 2006, with the closure of the current office in April 2007.

The membership of the Board will largely be reviewed over the next two years, as all existing members, bar one, come to the end of their second period in office. This transitional process will need to be carefully managed over the next 24 months, by which time the new Board will be overseeing a Manchester-based organisation.

Post balance sheet events

No significant matters have occurred since the year end that require adjustment to the figures shown in the accounts or disclosure by way of a note therein.

Board Members and Executive Directors

The Board Members who served in the year ending 31 March 2005, together with details of their remuneration, are shown in note 4 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 note 5.

Councillor Louise Bloom was appointed as a Board member on 6 September 2004. The membership terms of John Bowers QC and Professor Alan Doig expired on 22 March 2005 and were both extended until 21 September 2005.

All Board Members were re-appointed by the First Secretary of State to serve between a further one and three years. The Chair's term of appointment was renewed for a further three years until February 2007. However, Sir Anthony has decided to leave his post at the end of 2005 so that a new Chair may be in place to guide the Standards Board for England through its relocation and be involved in the selection of new Board Members as the terms of office of existing Members expire.

Board delegation of referral decisions

The Board reviewed its referrals criteria and made it clear that it is not interested in refereeing personal squabbles, or in indulging attempts to use the Code of Conduct as a means of gaining political advantage. At the same time, experience of assessing allegations over the past year has

continued to highlight the fact that some of the issues raised by the Code of Conduct are not clear-cut. As a result, the Board is considering what it can do to help local government address the issue of conduct that falls below the referrals threshold, particularly that which relates to corporate governance, yet remains sufficiently serious to warrant some concern. The Board continued to delegate responsibility for referral decisions to officers under the powers of the *Local Government Act 2000*.

Employment issues

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

- The formulation of human resource policies and procedures which 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.
- The ongoing development of a human resource strategy to set high standards of practice in terms of resourcing, learning and development and organisation development across its core and temporary workforces to deliver optimal organisational performance.
- The creation of systems to encourage employee involvement, 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.
- The performance review process is linked to the revised pay structure to enhance the rewarding of effective performance. A comprehensive review of benefits has also been undertaken and additional flexible benefits will be introduced in 2005.
- The 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, and religious or political beliefs.
- The Board has increased the proportion of permanent staff from 52% at the beginning of the year to 72% as at 31 March 2005. In the short to medium term, this progress to permanent staffing will be disrupted by the relocation project.

Environmental issues

The Board is committed to adopting policies to promote the conservation of energy, reducing waste, minimising the reliance on greenhouse gases and encouraging the recycling of material whenever consistent with the efficient use of public fund.

Better payment practice code

The Board complies with the British Standard for Achieving Good Payment in Commerce Transactions (BS7890) in its treatment of all its suppliers. The Board also complies with the *Late Payment of Commercial Debts (Interest) Act 1998*. Excluding disputed items, key performance indicators show that 95% of suppliers' invoices were paid within 30 days of the invoice date.

External auditors

The external auditors for the year ended March 2005 are the National Audit Office. Their remuneration fee for the audit of the financial statements was £35,000.

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

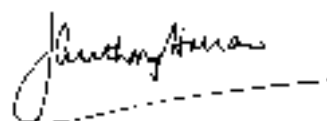
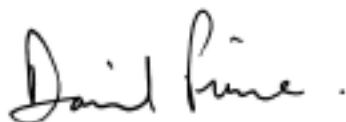
The Board maintains a comprehensive register of interests for Board Members and higher-paid employees, which is available for public inspection on the website (www.standardsboard.co.uk) and on application to the secretary to the Board. Members of the public may also visit the Board's offices during normal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

Performance

The operating surplus for the year 2004–05 before interest receivable, notional cost of capital and taxation amounted to £57,000. Corporation tax is payable on interest receivable in the region of £4,950.

Signed by

and on behalf of the Board



David Prince, Chief Executive
and Accounting Officer

Sir Anthony Holland, Chair

The Standards Board for England
15 July 2005

Statement of the Board's and the Accounting Officer/Chief Executive's responsibilities

Under the *Local Government Act 2000* the Board of the Standards Board for England is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the First Secretary of State with the consent of Treasury.

The Accounting Officer for the Office of the Deputy Prime Minister had designated the Chief Executive of the Standards Board for England as the Accounting Officer for the Board.

The relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the *Non-Departmental Public Bodies' Accounting Officer Memorandum* issued by HM Treasury and published in *Government Accounting* by the Stationery Office.

The annual accounts are prepared on an accruals basis and must show a true and fair view of the Board's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing these accounts, the Board is required to:

- observe the accounts direction issued by the First Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether or not applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare annual accounts on a going concern basis, unless it is inappropriate to presume that the Board will continue in operation

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, while 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 for England has now completed its fourth full year, having been set up in March 2001. The Board has a comprehensive set of policies and procedures in place, appropriate for the organisation, and an effective element of the overall internal control system. During the last year this has included the revision of the procurement procedures used throughout the organisation and the agreement of a procurement strategy. The Board's continuing growth in understanding of the nature and extent of its responsibilities, and the mechanisms required to effectively manage its business, has led to further development of finance policies and procedures aimed at ensuring effective control and the full implementation of Treasury guidance. The Board has a comprehensive set of policies and procedures in place, appropriate for the organisation, and an effective element of the overall internal control system.

In addition the system of internal control includes:

- an annual corporate planning process, during which performance targets and strategic financial parameters are agreed by the Board; the corporate plan is then subject to scrutiny by the Office of the Deputy Prime Minister and approval by the First Secretary of State
- budgets that have been delegated to appropriate levels of management with accurate and timely monthly management accounts being produced for all budget holders
- regular reviews 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 a reasonable level rather than 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 designed to identify and prioritise the risks to the achievement of the Board'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 fully in place since 31 March 2004 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 responsibility for ensuring that risk management is carried out efficiently, effectively and economically in my role as Accounting Officer. The detailed responsibility for monitoring the organisations risk management performance is delegated to the Audit Committee.

The Audit Committee meets a minimum of three times a year and is made up of three full Board members. The Committee has a standing item on its agenda of review of risk management. Amongst other tasks, the Committee will, at least once a year, review the major corporate risks and the level of assurance provided against each one, and will make an assessment concerning the acceptability of the residual risk that has been identified.

Both the corporate risk register and individual departmental risk registers are collectively reviewed by the members of the senior management team twice annually.

The risk and control framework

The Board 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. Given the Board's responsibilities, the loss of reputation is likely to be the most damaging outcome, with the potential to do the greatest harm to the organisation's capacity to effectively carry out our legislative functions. A review cycle has been established which ensures that the corporate risk register is comprehensively reviewed twice a 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 every Board report now includes a section on risks and financial consequences
- the development of a comprehensive business planning process which 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 setting up of departmental risk registers which are also subject to twice-yearly review
- the development of the use of a quality management system
- the reporting of performance against key performance indicators
- periodic reports from the Chair of the Audit Committee to the Board

The following are in the process of further development, which will continue to enhance the level of internal control through 2005–06:

- gaining BS7799 accreditation to demonstrate best practice in information security
- ensuring the quality management system is utilised throughout the organisation

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 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.

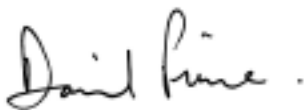
The Audit Committee is the mechanism employed by the organisation to enable detailed scrutiny of the internal control system and offers a forum, independent of management, where both the internal and external auditors can raise matters of concern regarding any weaknesses or failures in the system.

The Board continues to employ Bentley Jennison as internal auditors for the 2003–06 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 which 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 will include the internal auditors' independent opinion on the adequacy and effectiveness of the Standards Board for England's system of internal control during the report period.

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

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

David Prince, Chief Executive
and Accounting Officer

The Standards Board for England
15 July 2005

Independent auditors' report to the Houses of Parliament, the First Secretary of State, and the Board of the Standards Board for England

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 16 to 18 under the *Local Government Act 2000*. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 27-28.

Respective responsibilities of the Accounting Officer/Chief Executive and auditor

As described on page 17, the Accounting Officer/Chief Executive is responsible for the preparation of the financial statements in accordance with the *Local Government Act 2000* and Treasury Directions made there under, and for ensuring the regularity of financial transactions. The Accounting Officer/Chief Executive is also responsible for the preparation of the foreword and other contents of the Annual Report. In discharging my responsibilities as independent auditor, established by statute, I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the *Local Government Act 2000* and Treasury Directions made there under, and 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. I also report if, in my opinion, the foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 18 to 20 reflects the compliance with Treasury's guidance on the statement on internal control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Chief Executive/Accounting Officer's statement

on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer/Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Standards Board For England at 31 March 2005 and of the surplus, total recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the *Local Government Act 2000* and directions made there under by Treasury; and
- 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

I have no observations to make on these financial statements.

John Bourn, Comptroller
and Auditor General

National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

15 July 2005

Income and expenditure account

year ended 31 March 2005

	Notes	2004–05 £'000	2003–04 £'000
Grant-in-aid	2	9,358	7,932
Other income		233	149
Total income		9,591	8,081
Administrative expenditure	3	9,534	7,921
Total operating expenditure		9,534	7,921
Operating surplus/(deficit)		57	160
Interest receivable	6	31	14
Notional cost of capital	7	(4)	(19)
Other finance charges	14	(30)	
Surplus/(deficit) on ordinary activities before taxation		54	155
Taxation	8	(5)	(1)
Surplus/(deficit) on ordinary activities after taxation		49	154
Add back notional cost of capital		4	19
Surplus/(deficit) carried forward		53	173

All amounts relate to continuing operations.

Statement of total recognised gains and losses	2004–05 £'000	2003–04 £'000
		Restated
Surplus/(deficit) for period	53	173
Actuarial gain from staff pension fund	109	
Surplus/(deficit for period)	126	173
Prior year adjustment	(652)	(22)
Total recognised gains and losses for the period	(490)	(151)

The notes on pages 17 to 41 form an integral part of these annual accounts.

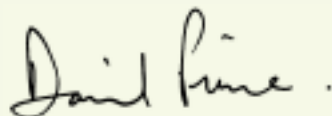
Balance sheet

as at 31 March 2005

In addition to the results for the year, the Board has received grant-in-aid of £107,000 (2003–04: £1,176,000) which has been used to purchase tangible fixed assets (notes 2 and 13).

	Notes	2004–05 £'000	2003–04 £'000
			Restated
Fixed assets			
Tangible assets	9	1,182	1,600
Current assets			
Debtors	10	443	417
Cash at bank and in hand		800	748
Total assets		2,425	2,765
Creditors			
Amounts payable within one year	11	1,199	1,116
Total assets less total liabilities		1,226	1,649
Long-term liabilities			
Pension		(485)	(652)
Total assets less liabilities		741	997
Government grant reserve	12	1,173	1,591
General reserve	13/14	(432)	58
		741	997

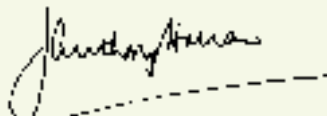
Signed by



David Prince, Chief Executive
and Accounting Officer

15 July 2005

and on behalf of the Board



Sir Anthony Holland, Chair

The notes on pages 17 to 41 form an integral part of these annual accounts.

Cash flow statement

year ended 31 March 2005

	Notes	2004–05 £'000	2003–04 £'000
			Restated
Net cash inflow from operating activities	1	129	1,388
Taxation		(1)	(–)
Returns on investments and servicing of finance			
Interest received		31	14
		159	1,402
Capital expenditure			
Payments to acquire tangible fixed assets		(107)	(1,176)
(Decrease)/increase in cash in the year	2	52	226

Notes to the cash flow statement

year ended 31 March 2005

1. Reconciliation of operating deficit to net cash inflow from operating activities	Notes	2004–05 £'000	2003–04 £'000
			Restated
Operating surplus/(deficit)		53	173
Depreciation charges		525	163
(Increase) in debtors		(26)	(268)
Increase in amounts payable within one year		83	321
Increase in government grant reserve		(418)	1,013
		217	1,402
Less interest receivable		(31)	(14)
Add finance charge (pensions)		30	–
Corporation tax		1	–
FRS17 pension adjustment		(88)	–
Net cash inflow from operating activities		129	1,388
2. Reconciliation of net cash flow to movement in net funds			
Cash at bank and in hand carried forward		800	748
Less: cash at bank and in hand brought forward		748	522
Increase/(decrease) in cash in the year		52	226

The notes on pages 27 to 41 form an integral part of these annual accounts.

Notes to the annual accounts

1. Accounting policies

The accounting policies of the Standards Board for England follow advice issued by HM Treasury.

Accounting convention

The annual accounts have been prepared under the historical cost convention. Without limiting the information given, the annual accounts meet the accounting and disclosure requirements of the *Companies Act 1985* and best commercial accounting practice, including Statements of Standard Accounting Practice and Financial Reporting Standards as far as those requirements are appropriate, unless specifically adapted to meet the requirements of the Accounts Direction, a copy of which is included on page 35.

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 expenditure heading in the income and expenditure account.

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

Government grants

Grant-in-aid is receivable by the Board in order to discharge its functions. Grant of a revenue nature is credited to income in the year to which it relates. Grant utilised for the purchase of tangible fixed assets is credited to a grant reserve and released to the income and expenditure account over the expected useful lives of the relevant assets. On the disposal of a fixed asset paid for wholly or in part by government grant, an amount equal to the profit or loss on disposal, or such proportion thereof as is appropriate, is transferred from the grant reserve to the income and expenditure account.

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.

Deferred tax assets and liabilities have not been discounted.

Value added tax

The Board registered for VAT on 21 March 2003 under special registration, which limits the Board to account for VAT only on conference activity and publication sales. As agreed with HM Customs and Excise, other activities of the 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.

Operating leases

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

Pension

Contributions to the occupational pension scheme are made in accordance with actuarial recommendations and are charged to the income and expenditure account as they are incurred.

Notional cost of capital

In order to disclose the full cost of the 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.

2. Grant-in-aid

Grant-in-aid is receivable from the Office of the Deputy Prime Minister to fund revenue expenditure, the purchase of tangible fixed assets and capital projects.

	2004–05	2003–04
	£'000	£'000
Amounts receivable and received	8,940	8,945
Amount used to acquire tangible fixed assets	(107)	(1,176)
Movement in government grant reserve (note 12)	525	163
Grant-in-aid released to the income and expenditure account	9,358	7,932

Other income is in respect of conference revenue and publication sales.

3. Operating expenditure

	2004–05 £'000	2003–04 £'000
Administrative expenditure which comprises:		
Board Members' costs (note 4)	125	146
Staff costs (note 5)	4,702	3,460
Contracted staff (note 5)	736	1,415
Recruitment costs	317	361
Training	87	59
Professional fees	332	164
Conferences	406	232
External auditors' fee	35	39
Internal auditors' fee	47	63
Rent and rates	1,016	650
Office equipment	32	28
Refurbishment	5	59
Communications	232	247
Office supplies	68	8
Computer expenses	263	61
Miscellaneous costs	20	70
Depreciation	525	163
Other administration costs	376	481
Subscriptions	35	44
Travel and subsistence	175	171
	9,534	7,921

4. Board Members' costs

	2004–05 £'000	2003–04 £'000
Fees and other remuneration	116	134
Social security costs	9	12
Total Board costs	125	146

The Board consists of 10 members including the Chair. Members are appointed by the First Secretary of State on renewable contracts lasting up to 36 months. Details of the Board Members' emoluments for the year, were as follows.

Member	Appointed	Reappointed	Fees and other remuneration £'s	NI £'s
Sir Anthony Holland (Chair)	7/2/01	7/2/04	46,200	5,306
P Hughes (Deputy Chair)	22/3/01	22/3/04	11,522	868
L Bloom	6/9/04	n/a	4,077	167
J Bowers	22/3/01	22/3/05	7,130	304
C Cameron	3/5/01	3/5/04	7,130	304
P Chalke	3/5/01	3/5/04	7,130	304
A Doig	22/3/01	22/3/05	7,130	304
M Pratt	22/3/01	22/3/04	7,666	373
P Sabapathy	22/3/01	22/3/04	7,130	304
R Taylor	22/3/01	22/3/04	10,707	762
			115,822	8,996

No pension contributions are payable for Board Members.

Member	Full agenda Board meetings 2004–05		Time commitment in days per month
	Maximum possible	Actual attendance	
Sir Anthony Holland	9	9	8.7
P Hughes	9	7	2.5
L Bloom	5	4	2.0
J Bowers	9	5	2.0
C Cameron	9	8	2.0
P Chalke	9	8	2.0
A Doig	9	7	2.0
M Pratt	9	8	2.0
P Sabapathy	9	6	2.0
R Taylor	9	8	2.0

These figures are excluding attendance at other meetings, inside and outside the Standards Board for England. All Board Members have attended their committed days either through full Board meetings, limited-agenda Board meetings or in the many conferences, seminars and roadshows held around the country. Sir Anthony Holland's attendance was reduced from 10.8 to 8.7 days per month from 1 September 2004.

5. Staff costs

	2004–05 £'000	2003–04 £'000
Permanent staff costs, including the Chief Executive were:		
Wages and salaries, including performance related pay	4,084	2,954
Social security costs	391	281
Pension fund contribution costs	227	225
	4,702	3,460
Temporary staff costs	599	1,351
Staff on secondment	137	64
Total staff costs, including the Chief Executive	5,438	4,875
Emoluments of the Chief Executive were:		
Salary	106	89
Pension fund contribution costs	14	13
Social security costs	12	13
Contracted interim Chief Executive fees	–	105
	132	220

The emoluments of David Prince, who commenced as Chief Executive on a full-time basis from 1 April 2004, were as in the table.

The employer's contribution shown above is calculated at the rate of 12.8% recommended for all the Board'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 Board contributed at the appropriate rate, during his employment on a full-time basis.

The Standards Board for England has an annual performance related pay scheme. Performance related pay is payable in the current year once approved by the Board and the First Secretary of State. It is based on the achievement of objectives during 2004–05, subject to a maximum payment of 10% of salary during the period.

Details of the Board's pension scheme are shown in notes 14 and 15.

Benefits accrue at the rate of 1/80 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 2005–06. Pensionable salary includes performance related pay.

Number of persons employed during the year

Department	2004–05 year end	2004–05 average	2003–04 year end	2003–04 average
Policy and Guidance and Communications	18	18	14	14
Legal	9	7	5	6
Corporate Services and Chief Executive	19	16	8	13
Referrals	8	8	3	6
Adjudication Panel	4	4	4	4
Investigations	59	61	35	25
Board	10	10	9	9
	127	124	78	77
Contract staff	6	10	44	36
Seconded staff	1	1	–	–
Total number of staff	134	135	122	113

Emoluments of senior managers reporting to the Chief Executive

Name	Position	Emoluments £'s	Social Security £'s	Pension £'s
A Duncan	Head of Corporate Services	68,224	7,159	8,733
C Boothman	Head of Legal Services	71,375	7,562	9,136
L Klein	Head of Investigation	79,235	8,568	10,142
P Hoey	Head of Policy and Guidance	61,994	6,361	7,935
K Farrand	Head of Referrals	44,035	4,063	5,637
T Bogan	Head of Communications	54,708	5,429	7,003
		379,571	39,142	48,586

The Head of Referrals has been acting up in this role since 5 July 2004. The Head of Referrals and Head of Communications became senior management roles on 1 January 2005.

No senior manager enjoyed any benefit in kind during the 2004–05 financial year.

The following disclosures relating to senior managers could not be made due to the information not being available at the time this report was produced:

1. cash equivalent transfer values as at 31 March 2004 and 31 March 2005
2. real increase in pension, related pension and related lump sum at the age 60
3. total accrued and related lump sum pension at the age 60 as at 31 March 2005
4. real increase in cash equivalent transfer values after adjustments for inflation and changes in market investment factors

The number of staff, including the Chief Executive, whose annual rate of remuneration as at 31 March 2005 exceeded £40,000, excluding pension contribution but including any benefits in kind, was:

Remuneration band	2004–05	2003–04
£40,000–£44,999	9	9
£45,000–£49,999	3	2
£50,000–£54,999	8	1
£55,000–£59,999	1	1
£60,000–£64,999	1	4
£65,000–£69,999	4	1
£70,000–£74,999	1	0
£75,000–£79,999	2	2
£80,000–£84,999	0	0
£85,000–£89,000	0	0
£90,000–£94,999	0	0
£95,000–£99,999	0	0
£100,000–£104,999	0	0
£105,000–£109,000	1	1
	30	21

6. Interest receivable

	2004–05	2003–04
	£'000	£'000
Interest receivable	31	14

7. Notional cost of capital

	2004–05 £'000	2003–04 £'000
At 3.5% on the average of net assets during the year	4	19

8. Taxation

Corporation tax is charged on interest receivable. The tax charge is £4,950 for 2004–05 and is current tax only. The tax charge for 2003–04 was £861. In comparison to the amount charged for 2003–04, there has been an increase in interest receivable which resulted in a higher tax charge for 2004–05.

9. Tangible fixed assets

	Assets under construction £'000	Computer equipment £'000	Office equipment, furniture and fittings £'000	Total £'000
Cost				
At 1 April 2004	802	692	385	1,879
Additions	26	53	28	107
Completed and fully utilised				
Assets transferred	(714)	54	660	–
At 31 March 2005	114	799	1,073	1,986
Depreciation				
At 1 April 2004	–	142	137	279
Charge for the period	–	242	283	525
At 31 March 2005	–	384	420	804
Net book amounts				
At 31 March 2004	802	550	248	1,600
At 31 March 2005	114	415	653	1,182

“Assets under construction” refers to capital expenditure of £87,613 incurred in respect of offsite business continuity and £26,343 incurred in respect of CMS software. Assets valued at £714,136 were transferred from “assets under construction” to respective fixed assets accounts, as these assets were completed and thus brought into use within the financial year. There is no material difference between historical costs and current value.

10. Debtors	2004–05 £'000	2003–04 £'000
Prepayments	419	364
Other debtors	24	53
	443	417

11. Creditors – amounts falling due within one year	2004–05 £'000	2003–04 £'000
		Restated
Amounts falling due within one year		
Creditors	426	594
Accruals	465	336
Deferred income	199	84
Corporation tax	5	2
National insurance	104	100
Total creditors	1,199	1,116

12. Government grant reserve	2004–05 £'000	2003–04 £'000
Brought forward	1,591	578
Amount used to acquire fixed assets	107	1,176
Less: movement on grant reserve	(525)	(163)
Carried forward	1,173	1,591

13. General reserve	2004–05 £'000	2003–04 £'000
		Restated
Brought forward	58	(93)
Prior year adjustment*		(22)
	58	(115)
Income and expenditure account this period	53	173
Pension reserve	(485)	(652)
	(432)	(594)

Notes 11 and 13 were restated by £22,000 which was the prior year adjustment relating to 2003–04. This was in the form of a government grant disclosed in the income and expenditure reserve.

14. Pension reserve

	2004–05 £'000	2003–04 £'000
		Restated
Balance brought forward	(652)	(–)
Prior year adjustment*	–	(652)
	(652)	
Actuarial gain	109	–
Current service cost	(227)	
Employer contributions	315	
Net return on assets	(30)	
Carried forward	(485)	(652)

*The prior year adjustment relates to the liabilities of £652,000 on pensions. This in turn shows the liabilities of £485,000, as shown in the balance sheet.

15. Pension

The Board 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 2005 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 2005. The actuarial valuation was carried out by Hymans Robertson on 31 March 2005, for the purposes of FRS17. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The Board also pays pensions direct to ex-employees who were awarded additional benefits under the 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 liabilities as at 31 March 2005 is estimated to be £485,000.

The revenue account costs for the year ended 31 March 2005 are shown on page 38, along with an analysis of the amount recognised in the statement of total recognised gains and losses. Also shown is the movement of the surplus/deficit over the year and the history of experience gains and losses, expressed as a percentage of assets and/or liabilities.

Estimates of the revenue account costs for 2005–06 are shown on pages 38. Note that no allowance has been made for the costs of any early retirements or augmentations which may occur over 2005–06 and whose additional capitalised costs would be included in the liabilities. The service cost in this table is calculated based on the regulations as they currently stand — i.e. it allows for the abolition of the Rule of 85.

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

Balance sheet disclosure as at 31 March 2005

Assumptions as at	31/3/05 % p.a.	31/3/04 % p.a.
Price increases	2.9%	2.9%
Salary increases	4.4%	4.4%
Pension increases	2.9%	2.9%
Discount rate	6.5%	6.5%

Assets (Employer)	Long term return at 31/3/05 % p.a.	Assets at 31/3/05 £'000	Long term return at 31/3/04 % p.a.	Assets at 31/3/04 £'000
Equities	7.7%	1,785	7.7%	1,261
Bonds	4.8%	371	5.1%	296
Property	5.7%	267	6.5%	191
Cash	4.8%	214	4.0%	116
Total	6.9%	2,637	6.9%	1,864

Net pension asset as at	31/3/05 £'000	31/3/04 £'000
Estimated employer assets (A)	2,637	1,864
Present value of scheme liabilities	3,122	2,516
Present value of unfunded liabilities	–	–
Total value of liabilities (B)	3,122	2,516
Net pension asset (A)-(B)	(485)	(652)

Revenue account costs for the year to 31 March 2005

Analysis of amount charged to operating profit	Year to 31/3/05	
	£'000	(% of payroll)
Service cost	227	9.0%
Part service costs	–	–
Curtailment and settlements	–	–
Decrease in irrecoverable surplus	–	–
Total operating charge (A)	227	9.0%

Amount credited to other finance income	Year to 31/3/05	
	£'000	(% of payroll)
Expected return on employer assets	147	5.8%
Interest on pension scheme liabilities	(177)	(7.0%)
Net return (B)	(30)	(1.2%)
Net revenue account cost (A)-(B)	257	10.2%

Analysis of amount recognised in statement of total recognised gains and losses	Year to 31/3/05	
	£'000	
Actual return less expected return on pension scheme assets	109	
Experience gains and losses arising on the scheme liabilities	0	
Changes in financial assumptions underlying the present value of the scheme liabilities	–	
Actual gain/(loss) in pension plan	109	
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	–	
Actual gain/(loss) recognised	109	

Movement in surplus/deficit during the year	Year to 31/3/05 £'000
Surplus/(deficit) at beginning of the year	(652)
Current service cost	(227)
Employer contributions	315
Contributions in respect of unfunded benefits	–
Other income	–
Other outgoing (e.g. expenses etc.)	–
Past service costs	–
Impact of settlements and curtailments	–
Net return on assets	(30)
Actual gains/(losses)	109
Surplus/(deficit) at end of year	(485)

History of experience gains and losses	Year to 31/3/05 £'000
Difference between the expected and actual return on assets	109
Value of assets	2,637
Percentage of assets	4.1%
Experience gains/(losses) on liabilities	0
Total present value of liabilities	3,122
Percentage of the total present value of liabilities	0.0%
Actuarial gains/losses recognised	109
Total present value of liabilities	3,122
Percentage of the total present value of liabilities	3.5%

Projected pension expense for the year to 31 March 2006

These figures have been calculated assuming no change to the basis adopted for non-departmental bodies for the 2005–06 financial year.

Analysis of projected amount to be charged to operating profit	Year to 31/3/06	
	£'000	(% of payroll)
Estimated current service cost	207	6.9%
Part service costs	–	–
Curtailment and settlements	–	–
Decrease in irrecoverable surplus	–	–
Total operating charge (A)	207	6.9%
Projected amount credited to other finance income	Year to 31/3/06	
	£'000	(% of payroll)
Expected return on employer assets	201	6.7%
Interest on pension scheme liabilities	(217)	(7.3%)
Net return (B)	(16)	(0.6%)
Estimated net revenue account cost (A)-(B)	223	7.5%

16. Lease commitments

Annual commitments under operating leases	2004–05	2003–04
	£'000	£'000
		Restated
Land and buildings on leases expiring:		
Within two to five years		
After five years	787	787
Other operating leases on leases expiring:		
Within two to five years		
After five years	5	5
Total	792	792

This amount was restated to include service charges that were previously excluded from the disclosure.

17. Financial instruments

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

18. Related party transactions

The Standards Board for England is a non-departmental public body sponsored by the Office of the Deputy Prime Minister. The Office of the Deputy Prime Minister is regarded as a related party, as are other entities that it sponsors.

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

19. Capital commitments

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

20. Key performance indicators

A number of key performance indicators were introduced and monitored during 2004–05. These are shown on page 4 of the Annual Report.

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

1. The annual accounts of the Standards Board for England (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 2002–03 and subsequent years shall be prepared in accordance with:

- (a) the accounting and disclosure requirements given in *Government Accounting* and in the Treasury guidance *Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance*, as amended or augmented from time to time, and subject to Schedule 1 to this direction;
- (b) any other relevant guidance that HM Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the First 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 First Secretary of State and HM 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 the accounting standards and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the First 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 that dated 23 April 2002.

Signed by authority of the First Secretary of State

Paul Rowsell, An officer in the
Office of the Deputy Prime Minister

21 March 2003

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. Central government grants used to pay for fixed assets, stocks or work in progress shall be credited to a grant reserve. This is different from the requirement in accounting standards that such grants must be credited to deferred income.
3. Revaluation gains on fixed assets, stocks or work in progress, to the extent that the assets were financed by central government grants, shall be taken to the grant reserve in the balance sheet, without passing through the income and expenditure account. To the extent that the assets were financed by funds from other sources, revaluation gains shall be taken to the revaluation reserve in the balance sheet. This is different to the requirement of the *Companies Act* that all revaluation gains must be taken to one separate reserve.
4. On the disposal of fixed assets, stock or work in progress, any amount in the grant reserve relating to the assets shall be transferred directly to the general reserve in the balance sheet, without passing through the income and expenditure account.
5. On the disposal of a fixed asset financed wholly by central government grants, the profit or loss on disposal shall be offset in the income and expenditure account by an equal and opposite amount transferred to or from the general reserve. Where central government grants were only used to finance a part of the cost of the asset, the amount of the transfer to or from the general reserve shall be reduced in proportion.
6. The foreword and balance sheet shall each be signed and dated by the Chair 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 foreword

A statement on the Board's policy for conserving energy, reducing waste and minimising the release of greenhouse gases.

2. 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 Office of the Deputy Prime Minister, 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 sheet

and 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) a report on the emoluments of each individual Board Member and key manager during the year (with separate disclosure where more than one person occupied an office). The report shall include full details of all elements in the remuneration package of each person, such as fees, salary, annual bonuses, payment on termination of office, other taxable benefits, pension contributions, and the performance related elements of these (for which the basis on which the performance is measured shall be explained). For this purpose, a key manager means the Chief Executive, members of the management Board and all employees reporting direct to the Chief Executive. For each Board Member, the report shall also show the time commitment in terms of days per month;

* (e) if a member of the Board, the Chief Executive or a senior manager has been appointed for a fixed term or is on a fixed-term service contract, the term shall be stated together with details of any predetermined compensation on termination of office;

* (f) a statement of the pension entitlements earned by the Chief Executive and by each individual member of the Board and senior manager during the year, disclosed on a basis recommended for non-departmental public bodies by HM Treasury, or recommended for listed companies by the Faculty of Actuaries and the Institute of Actuaries;

(g) 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);

- (h) an analysis of liquid resources, as defined by accounting standards;
- (i) in the note on debtors, prepayments and payments on account shall each be identified separately;
- (j) a statement of debts written off and movements in provisions for bad and doubtful debts;
- (k) 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 £100,000, with separate disclosure and particulars of any individual amounts in excess of £100,000. Disclosure shall also be made of any loss or special payment of £100,000 and below if it is considered material in the context of the Board's operations;
- * (l) 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) pensions 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 of a Board Member or of a key 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 Office of the Deputy Prime Minister, as the sponsor department for the Board.

For the purposes of this sub-paragraph:

- (i) A key manager is as defined in sub-paragraph 2(d), above.
- (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.

* 2(d), 2(e), 2(f) and 2(l). Under the *Data Protection Act 1998* and the *Human Rights Act 1998*, the Board needs to obtain consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, or if for any other reason information is not available, this shall be stated in the note.

The Standards Board for England was established as an independent public body under the *Local Government Act 2000*. We are responsible for promoting high standards of conduct and investigating allegations of misconduct.

What we do

We oversee and promote the Code of Conduct — a set of rules that all members of local authorities must follow when elected or appointed.

We assess allegations of misconduct and refer appropriate ones for investigation, focusing on fair, effective treatment of the most serious cases.

We expect cases to be dealt with at a local level wherever appropriate, and provide guidance and support to standards committees and monitoring officers in order to achieve this.

About the Code of Conduct

The Code of Conduct is a set of rules defined by parliament that members of local authorities must adhere to. It details how members should behave, relating specifically to issues such as the misuse of authority resources, and the recording of interests on a public register. It is compulsory for all members to sign up to the Code.

Who we cover

Over 100,000 elected and co-opted members of:

- 8,500 parish councils
- 386 district, borough, unitary, metropolitan, county and London borough councils
- 43 police authorities
- 31 fire and civil defence authorities
- 7 national park authorities
- 6 passenger transport authorities
- the Broads Authority
- the Greater London Authority
- the Council of the Isles of Scilly
- the Common Council of the City of London





Sir Antony Holland, *Chair*

Our Chair's commitment, fairness and balance, along with his background in law and a practical approach to resolving disputes, reflect the core values of the Standards Board for England. Admitted with honours as a solicitor to the Supreme Court in 1962, Tony's career has taken in many noteworthy positions including President of the Law Society from 1990–1991, Chair of the BBC South Western Regional Advisory Council from 1984–1987, Chair of the Executive Board of JUSTICE from 1996–1999 and member of the Council of the Howard League for Penal Reform from 1992–2002. He was a first instance Chair of the Securities and Futures Authority from 1993–2001 and Principal Ombudsman to the Personal Investment Authority Ombudsman Bureau from 1997–2000. His most recent appointments are as Chair of the Northern Ireland Parades Commission, and as the Independent Complaints Commissioner to the Financial Services Authority.



Patrica Hughes CBE, *Deputy Chair*

With experience of working at a high level in local government and relevant legal expertise, Patricia offers important insight into and knowledge of the council system. Awarded the CBE in 2001 for services to local government, Patricia worked as a secondary school teacher before qualifying as a solicitor in 1978 and went on to hold legal posts in the Inner London Education Authority and the London Borough of Lambeth. She was Chief Executive of the London Borough of Sutton from 1990–2001, Deputy Chief Executive and Borough Solicitor to the London Borough of Islington from 1987–1990 and a member of the Board of the National Disability Council from 1998–2000.

Board Members



Councillor Louise Bloom

Through her significant experience as a parish councillor, as well as her service in other tiers of local government, Louise brings to the Board a well-rounded and indispensable insight into the needs of our biggest stakeholder group. Louise is the Cabinet Member for the Environment on Eastleigh Borough Council and a member of Hedge End Town Council. She is also an executive member of the South East England Regional Assembly and a member of the Local Government Association Regeneration Executive. Between May 2000 and February 2002 she was a Greater London Assembly member, Vice Chair of the Environment Scrutiny Committee and a member of the London Fire and Emergency Planning Authority. Professionally, she manages an advocacy project for Solent Mind, based in Southampton.



John Bowers QC

Expertise in employment law and human rights and extensive experience of mediation make John a valued member of our Board. Practising from Littleton Chambers, John is an expert in a relevant range of legal issues. He has published books on whistleblowing, human rights and employment law and is the author of *Bowers on Employment Law*. He has lectured on human rights for the Judicial Studies Board and is an accredited Centre for Dispute Resolution mediator. A former Chair of the Employment Law Bar Association, he is a Recorder on the Midlands Circuit and a member of the Bar Disciplinary Tribunal. John is currently a member of the SOLACE Commission on Managing in a Political Environment.



Celia Cameron CBE

A notable and long-standing career within local government gives Celia a thorough knowledge of the issues faced by councillors and local authorities. Celia was leader of the Labour Group on Norfolk County Council from 1990–2005 and a county councillor for 24 years, as well as a member of her local health authority for eight years. She chaired Norfolk County Council's Policy and Resources Committee from 1993–99, the Cabinet from 1999–01, and the Scrutiny Committee from 2001–05. She was a member of the East of England Regional Assembly from 1998–05, and is now a member

of the East of England Regional Development Agency, where her special interests as social inclusion and broad participation in the regional economy, regeneration and transport. She also has a background in the Women's Aid Movement, and her wider interests include the environment and sustainability.



Peter Chalke CBE

With experience of the commercial, political, educational and local authority environments, Peter brings a wide span of knowledge and expertise to bear in his contribution to our work. Peter was a county councillor from 1982 until 2005, Leader of the Conservative Group in Wiltshire from 1996 to 2003 Leader of the Local Government Association Conservative Group from 2003 to 2005, and is a past Leader of Wiltshire County Council. He is now Leader of the Local Government Association Conservative Group. He was a Board Member of the South West Regional Development Agency and Wiltshire and Swindon Learning and Skills Council.



Professor Alan Doig

Alan's academic and professional career reflects many of the core ethical issues that the Board has to deal with on a regular basis. Professor of Public Services Management and Head of the Fraud Management Studies Unit at Teesside Business School, University of Teesside, Alan is also the author of numerous publications on the very relevant subjects of ethics, conflict of interest, fraud and corruption. He has worked with a number of bodies involved with ethics and public office, both in the UK and overseas, including the Council of Europe.



Margaret Pratt

Margaret's background includes regulation of professional conduct and management consultancy at all levels of government, and is a key factor in helping us to achieve our aims of fairness and thoroughness. She is Non-Executive Chair of the Mental Health Committee of the South Warwickshire Primary Care Trust and also sits on the organisation's assurance and audit committees. She is a Governor of University College, Northampton, is Vice-Chair of the university's Audit Committee and sits on its Equality and Diversity Committee. She is a past President Governor of the Chartered Institute of Public Finance and

Accountancy and in this capacity was involved with developing self-regulation in the accountancy profession. Margaret has previously worked as director of finance in health authorities and trusts and as a management consultant in local and central government and district, metropolitan and county councils.



Paul Sabapthy CBE

Experience of governance in a range of organisations, including serving as an independent member, gives Paul a valuable insight into the needs of some of our most important stakeholders. Currently Pro-Chancellor and Chair of the University of Central England, Paul is also Deputy Chair of the Committee of University Chairmen and serves on the Leadership, Governance and Management Committee for the Higher Education Funding Council. Paul held senior management positions at the multinational engineering company IMI plc. Paul was Chief Executive of North Birmingham Community Trust and currently serves as Chairman of Eastern Birmingham Primary Care Trust and as a Non-Executive Director of the National Blood Authority. He was awarded the OBE in 1995 for his contribution to urban regeneration, and the CBE in 2004 for services to education and business in the West Midlands. He is a member of the Chartered Institute of Management Accountants. He also served until recently as one of the two independent members of the Standards Committee of Birmingham City Council.



Roger Taylor

Roger's experience in local government, his extensive knowledge of the sector both as a lawyer and a top executive, and his experience of working within the private sector on local government issues support our work in many ways. Roger was Chief Executive of Manchester City Council from 1984–1988, and Chief Executive of Birmingham City Council from 1988–1994. Following this, he joined public sector management consultants Newchurch and Company and then established Pinnacle Consulting as a subsidiary of the Pinnacle Public Service Group. He is an Honorary Fellow of the Institute of Local Government Studies.

Chief Executive

David Prince

Principal office

First floor

Cottons Centre

Cottons Lane

London SE1 2QG

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National Audit Office

157–197 Buckingham Palace Road

Victoria

London SW1W 9SP

Internal

Bentley Jennison

Unit 3

Hampstead Gate

1A Frognal

London NW3 6AL

The Board considers whether the allegation is within its jurisdiction and is appropriate to refer for investigation.

If it is not, the case is rejected. The relevant parties are informed.

If it is, the case is passed to an ethical standards officer. The relevant parties are informed.

An ethical standards officer refers the case to a local level. The relevant parties are informed.

An ethical standards officer oversees an investigation.

The ethical standards officer prepares a draft report. This is sent to all relevant parties, who have an opportunity to comment.

A final report is prepared following any further investigation needed. There are four possible outcomes.

A.

There is no evidence of a breach of the Code of Conduct. The relevant parties are informed.

B.

An ethical standards officer concludes that on the balance of probabilities: (i) there is no breach of the Code of Conduct or (ii) there is a breach but no further action is necessary. The relevant parties are informed.

C.

An ethical standards officer refers the case to be determined by a standards committee at local level. The relevant parties are informed.

D.

An ethical standards officer refers the case to The Adjudication Panel for England. The relevant parties are informed.

The standards committee holds a hearing. The standards committee can impose sanctions including suspension or partial suspension from office for up to three months.

The Adjudication Panel for England holds a hearing. The Adjudication Panel for England can impose sanctions including suspension for up to one year and disqualification for up to five years.

The process of handling allegations

For more information on the Standards Board for England, please go to www.standardsboard.co.uk

If you would like a copy of our Annual Review 2004–05, please contact us at:

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Contact us



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