



the
Standards Board
for England

focusing on what's important

**Annual Report and
Accounts 2003/04**

Confidence in local democracy

Over the past two years, the Code of Conduct has become established as an essential tool in promoting high standards of conduct amongst members. Our next challenge is to enhance its impact by nurturing a strong, ethical local government culture, supported by effective local leadership.

in 2004 we

- › handled over 3,500 allegations and referred 1,105 for investigation
- › raised our assessment threshold to focus on more serious cases
- › brought cases to tribunals which imposed sanctions on over 160 members who had breached the Code of Conduct
- › increased the number of our staff with local government experience
- › supported the work of standards committees in the first 43 local hearings
- › advised government on draft regulations for the conduct of local investigations
- › appointed a new Chief Executive and welcomed the reappointment of our Board

in 2005 we will

- › focus on concluding cases more quickly
- › ensure that local issues are dealt with at a local level, wherever appropriate
- › issue guidance for local investigations
- › support councils as they begin local investigations
- › consolidate links with the leaders of local democracy
- › implement what we have learnt from research
- › continue to treat those involved in investigations with respect and keep them informed
- › consult on possible revisions to the Code of Conduct

We are focusing on what is important, by dealing with significant allegations, improving efficiency and building partnerships within local government.

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The Standards Board for England was established as an independent public body under the Local Government Act 2000. Our team is led by a board of nine members, appointed by the Secretary of State for their mix of experience and skills.

what we do

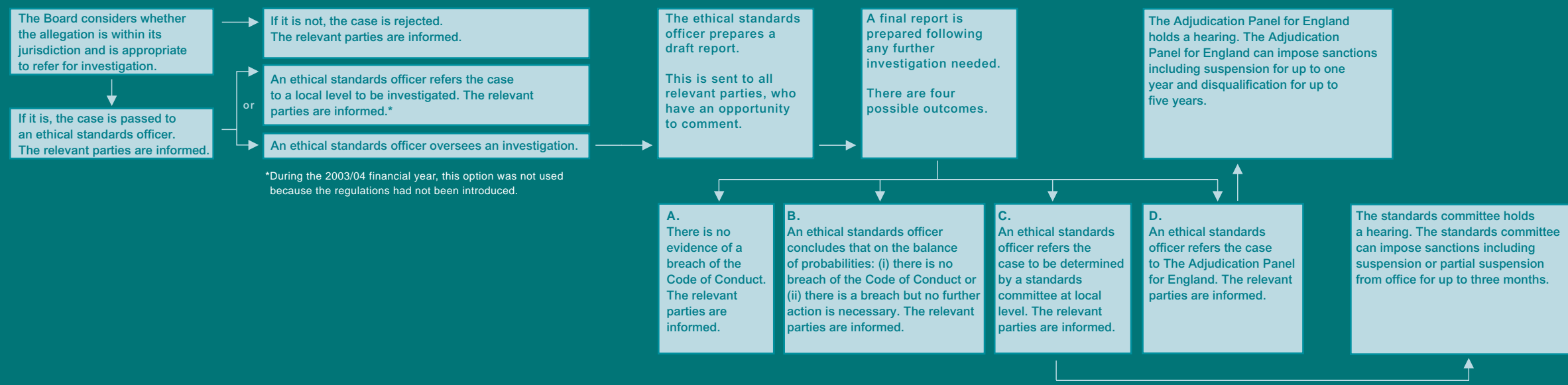
We oversee and promote the Code of Conduct — a set of rules that all members must follow when elected or appointed. We assess allegations of misconduct and refer those that are appropriate for further investigation, focusing on fair, effective treatment of the most serious cases. We expect local issues to be dealt with at a local level wherever appropriate, and offer guidance to standards committees and monitoring officers as they do this.

who we cover

- The Code of Conduct applies to over 100,000 members of:
- > 386 local authorities
 - > over 8,000 parish councils
 - > seven national park authorities
 - > the Broads Authority
 - > 31 fire and civil defence authorities
 - > 43 police authorities
 - > six passenger transport authorities
 - > the Greater London Authority
 - > the Council of the Isles of Scilly
 - > the Common Council of the City of London

the process

when we receive an allegation



letter from our

Chair and Chief Executive

Good services and good conduct go hand in hand. A virtuous spiral of awareness of, and support for, ethical behaviour reinforces the principles behind the Code of Conduct, encouraging self-regulation and decreasing the need for enforcement.

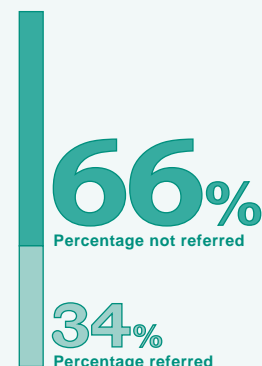


David Prince, Chief Executive, Sir Anthony Holland, Chair

focusing on what's important

This year we have concentrated on the most serious allegations, which have the potential to damage public confidence in the actions of local government. We referred just 34% of the allegations that we received for investigation by ethical standards officers, and we expect that proportion to reduce further.

Raising our thresholds in October 2003 helped us to focus on what's important. We are not interested in refereeing personal squabbles or indulging attempts to use the Code of Conduct as a means of gaining political advantage. At the same time, our experience of assessing allegations over the past year has continued to highlight that some of the issues the Code of Conduct raises are not clear-cut. As a result, we are considering what The Standards Board for England can do to help local government address conduct issues that fall below the referrals thresholds, particularly those that relate to corporate governance.



PERCENTAGE OF ALLEGATIONS REFERRED FOR INVESTIGATION

taking a more proportionate approach

We are determined to remain consistently fair and even-handed, while improving the speed with which we investigate cases. This year, ethical standards officers have developed tighter parameters for their work, based on an assessment of the seriousness of the issue and of the public interest, and have been moving towards a more proportionate approach to investigations.

We have streamlined our processes, introducing our new case management system and other improvements, and have comprehensively reassessed and refocused our resources. We have actively recruited investigators with local government experience, and will soon reach full staffing capacity in this area. The fact that we have not been able to do this until now has been a source of concern for us. These changes have not delivered instant results, but we expect to see significant improvements in case turnover in the coming year.

making the most of local expertise

The Standards Board for England is committed to the principle that local issues should be dealt with at a local level wherever possible. We want to help local government play a bigger role in improving its own conduct. We were able to make a start on this in June 2003 when the first set of the Section 66 regulations came into effect, enabling ethical standards officers to refer selected cases for local determination.

Consultation on the second set of regulations, which will enable local investigations, ended in May 2004 and we are actively supporting the Office of the Deputy Prime Minister in finalising them as quickly as possible. We will then be able to refer appropriate cases for local investigation and hearings.

Our consultation on the guidance to these regulations ended at the same time as consultation on the regulations. This, and the needs-based research programme that we have undertaken over the course of the year, will help us address how to support monitoring officers and standards committees as they face the opportunities and challenges that the regulations are already providing.

building confidence through partnership

We want the public to have confidence in local democracy, and local democracy to have confidence in itself. We know that for this to happen, our stakeholders need to have confidence in us.

Over the past year we have continued to lay the foundations for this confidence. We have strengthened our relationships with opinion formers and the leaders of local democracy. Positive results include our collaboration with the Audit Commission to strengthen the ethical components of the Comprehensive Performance Assessment, and with the Improvement and Development Agency (IDeA) to include information about the ethical environment and the Code of Conduct in a guide for new members.

Our research supports our assertion that the Code of Conduct is now an accepted part of the local government infrastructure. The independent Adjudication Panel for England has used its full range of sanctions in very serious cases, setting positive examples for the public and members alike, and standards committees have heard 43 cases since September 2004.

We have made good progress in many areas but remain conscious that there is still a lot of work to be done to increase awareness of, and support for, the Code of Conduct. As we begin to deliver results at a local level, we must all focus on the long-term goal of ensuring that good services and good conduct go hand in hand.

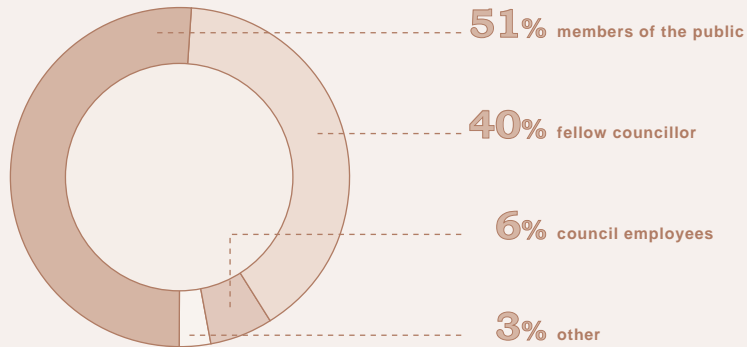
We would like to thank both the Board and staff for setting up and steering The Standards Board for England through its crucial founding phase. We are now looking forward to building on the good work that has already been done.

David Prince, Chief Executive

Sir Anthony Holland, Chair

statistics

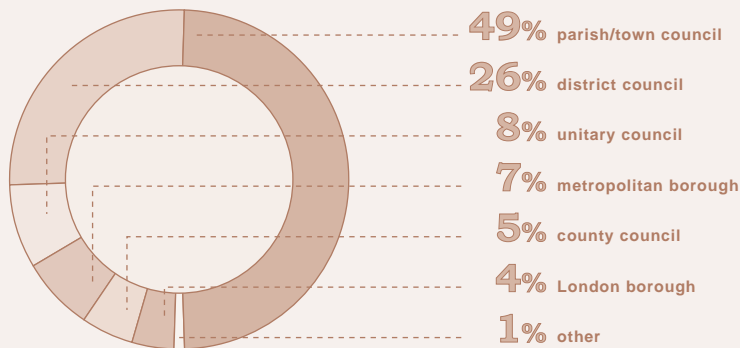
1 May 2003 to 30 April 2004



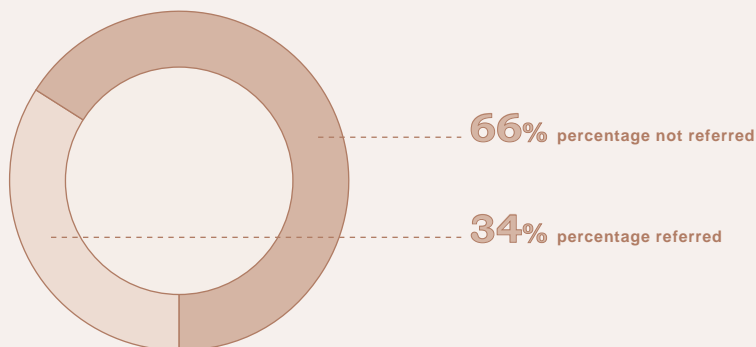
SOURCE OF ALLEGATIONS

3,566

TOTAL NUMBER OF ALLEGATIONS
RECEIVED FOR 2003/04 FINANCIAL YEAR

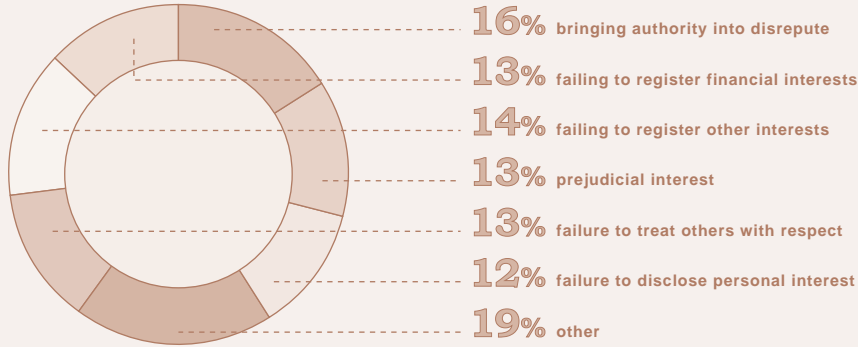


ALLEGATIONS RECEIVED
BY TYPE OF AUTHORITY

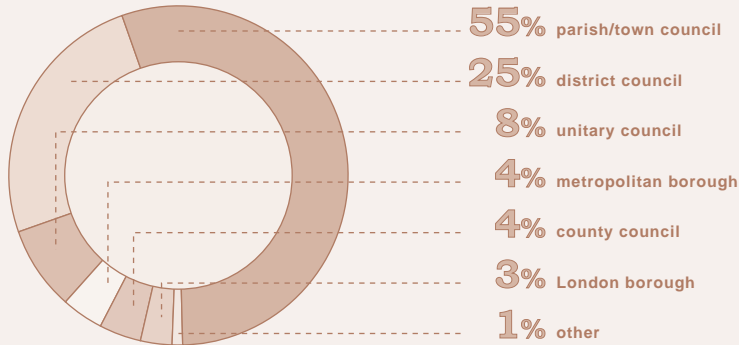


PERCENTAGE OF ALLEGATIONS
REFERRED FOR INVESTIGATION

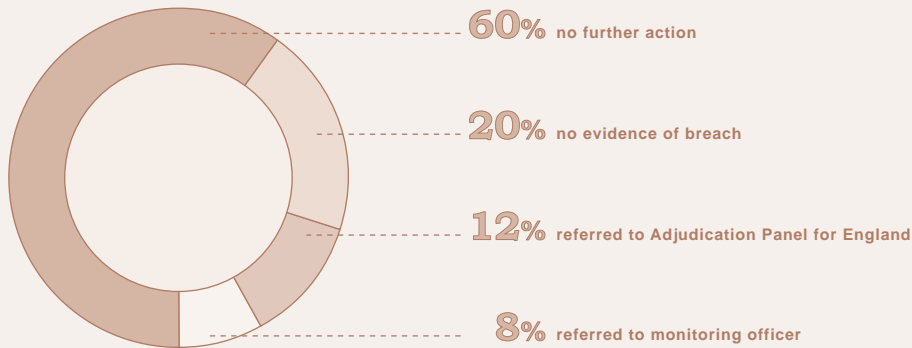
statistics 1 May 2003 to 30 April 2004



NATURE OF ALLEGATIONS REFERRED FOR INVESTIGATION



ALLEGATIONS REFERRED FOR INVESTIGATION BY TYPE OF AUTHORITY



COMPLETED CASES BY FINAL FINDINGS

key performance indicators

We measure our performance against a number of key performance indicators (KPIs).

A summary of the results for the year 2003/04 is presented below.

KPI	TARGET	ACHIEVED	COMMENTS
Percentage of correspondence receiving an initial response within five working days of receipt. Includes faxes and e-mails but excludes case related correspondence.	90%	66%	Our practice is to send substantive responses to enquiries, rather than an initial response. An increase in the number and complexity of enquiries has increased turn-around times. Target to be reviewed in the next financial year.
Percentage of telephone enquiries (other than case related enquiries) to receive a substantive response within two working days.	90%	99%	
Percentage of allegations acknowledged within two working days.	90%	59%	Affected by an increasing number of allegations, and by staff turnover. Measurements have been put in place to improve performance in this area.
Percentage of allegations dealt with within 10 working days.	90%	4%	Affected by a number of factors, including inability to delegate decisions from Board until November, embedding of a new case management system and staff turnover. Target to be reviewed in the next financial year.
Percentage of complainants to be contacted by an investigator, either by letter or telephone, within 10 working days of receipt of referral.	95%	50%	Procedural changes and additional future resources will help to improve performance against this target. Target to be reviewed in the next financial year.
Percentage of cases referred for investigation to be completed within four months.	40%	15%	Procedural changes and additional future resources will help to improve performance against this target. 59% of all allegations received by the Board were completed within six months. This, and the following KPI only apply to allegations referred for investigation.
Percentage of cases referred for investigation to be completed within six months.	90%	38%	Procedural changes and additional future resources will help to improve performance against this target.
Percentage of invoices paid within terms.	90%	94%	
Average sickness absence rate.	<3.5%	1.6%	
Percentage of staff to be drawn from ethnic minorities.	7.2%	11.9%	
Percentage of councillors rating guidance as satisfactory or above (research project).	65%	40%	Achievement measured by MORI research: <i>Satisfaction with The Standards Board's Support and Guidance to Key Stakeholders (2004)</i> . Just 18% of respondents were dissatisfied, 27% neither satisfied nor dissatisfied, 14% didn't know and 1% not stated.
Percentage of complainants and members complained against to be satisfied with the process by which the case was handled (research project).	35%	59%	Figures from in-house telephone survey on a selected sample of completed cases.

foreword to the accounts

year ended 31 March 2004

FORMAT OF ANNUAL ACCOUNTS

The annual accounts have been prepared in a form directed by the First Secretary of State with the consent of the 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*.

RESULTS

The operating surplus for the year 2003/04 before interest receivable, the notional cost of capital and taxation amounted to £160,000. Corporation tax is payable on interest receivable of £861.

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

2003/04 was The Standards Board for England's third year in existence and second full year of operation. Learning and developing continued to be key themes for the organisation. Internally, better processes were put in place, and the growing knowledge of how the Code of Conduct was operating in practice shaped how we work. Externally, enhancing our links with key stakeholders was aimed at making the Board's role an integral part of the local government ethical agenda, and the provision of guidance and advice continued to be well received.

Knowledge of, and the consequent impact of, the Code of Conduct continued to grow throughout the year. The Board received a total of 3,566 complaints, an increase of just over 20% compared to the year before. The proportion of complaints received from the general public continued to rise, reaching over 50% overall, significantly up on the 40% of the previous year. The Board's development of clearer criteria of what constitutes a complaint requiring examination contributed to a reduction of the percentage of cases referred for investigation, which fell from 43% to 34%.

The Adjudication Panel for England, which is an independent organisation based in Harrogate, completed its first full year of operation, acting independently of the Board in providing open, fair and impartial hearings. A total of 129 cases were heard during the year, resulting in 122 members being given sanctions ranging from suspensions to disqualifications.

CASE MANAGEMENT SYSTEM

The Standards Board for England's case management system was put into operation in 2003/04. It continued to be developed throughout the year as hands-on operational

use highlighted further requirements and refinements. Staff continue to have access to ongoing training as the functionality of the system moves towards the desired state.

The total cost to date in respect of software, design and development of the system is £562,539. This has been capitalised: £508,181 as computer equipment and £54,358 as an asset under construction as a report program is being written and should be received in the first quarter of 2004/05.

The benefit is a single system containing all case information without the need to rely on paper documentation. Every case is being tracked from the time of receipt of the initial allegation by the investigations team and, if appropriate, on to The Adjudication Panel for England tribunal. The system will also be able to provide considerably better and more comprehensive management information that will, in turn, support improvement in the Board's performance.

INDICATION OF LIKELY DEVELOPMENTS

The completion of Section 66 regulations, enabling local investigations of potential breaches of the Code of Conduct, remains the thing likely to have the biggest impact on how the Board works, with an expectation that the regulations will become effective during 2004/05. It is likely that these new powers for local authorities will enable the Board to further focus its resources on cases considered to be important whilst proving the opportunity for the provision of advice and guidance to those involved locally in the ethical framework.

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 2004, 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.

The Board agreed that the Chief Executive leave the employment of The Standards Board for England, effective 16 October 2003. The Head of Corporate Services was appointed Accounting Officer on a temporary basis on 27 August 2003.

The Board appointed an interim Chief Executive on 29 September 2003 for the remainder of 2003/04 and the role of Accounting Officer was passed to him on 27 November 2003. A new, permanent, Chief Executive was appointed by the Board and took up the post in April 2004.

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.

BOARD DELEGATION OF REFERRAL DECISIONS

Following advice from leading counsel, Board Members continued to take responsibility for referral decisions until an amendment to the *Local Government Act 2000* came in to effect from November 2003. Following this change in legislation, the Board agreed to delegate the responsibility for referral decisions to officers.

EMPLOYMENT ISSUES

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

- › the formulation 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;
- › 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 an annual staff attitude survey aimed at highlighting the critical success factors for ensuring staff are valued, developed and resourced to succeed;
- › The Standards Board for England enjoys good employee relations and achieves this through a team briefing process and a full and comprehensive set of human resource policies. The performance review process has now been linked-in to a revised pay structure to enhance the rewarding of effective performance. A comprehensive review of benefits will be undertaken in 2004/05.
- › 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, religious or political beliefs.

ENVIRONMENTAL ISSUES

The Board is committed to adopting policies to promote the conservation of energy, reducing waste and minimising the reliance on greenhouse gases.

BETTER PAYMENT PRACTICE CODE

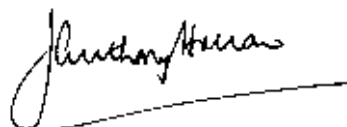
The Board complies with the *British Standard for Achieving Good Payment in Commerce Transactions* (BS7890) in its treatment of all its suppliers. The Board also complies with the *Late Payment of Commercial Debts (Interest) Act 1998*. Excluding disputed items, 90% of suppliers' invoices were paid within 30 days of the suppliers' invoice dates.

Signed by

and on behalf of the Board



David Prince, Chief Executive
and Accounting Officer



Sir Anthony Holland, Chair

statement on internal control

year ended 31 March 2004

As Accounting Officer, I have responsibility for ensuring that a sound system of internal control has been developed and is operated by The Standards Board for England.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The Standards Board for England has now completed its third full year, having been set up in March 2001. The core funding of the organisation in relation to the responsibilities of the Board has been explored with the Office of the Deputy Prime Minister during the year and resulted in additional funding being provided in the last quarter of the financial year. 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 through 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.

A formal budget management system has been agreed and will come in to operation during 2004/05. This will include rules governing the powers of virement and the formal review of the overall budget position by the senior management team on a quarterly basis.

The Board has now agreed 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.

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 financial consequences and risks;
- 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 2004/05:

- embedding risk identification and assessment in existing management processes;
- gaining BS7799 accreditation to demonstrate best practice in information security;
- ensuring the quality management system is utilised throughout the organisation;
- reviewing and updating the structure and format of the departmental and corporate risk registers;
- receiving regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- reviewing and revising all policies and procedures relating to procurement.

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 auditor's 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, including the interim Chief Executive. The content of the management letter and regulatory compliance report provided by the external auditors also played a vital role.

Signed by



David Prince, Accounting Officer
and Chief Executive

The Standards Board for England
23 June 2004

statement of the Board's and the 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 the 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 for the period 1 April to 27 August 2003. From this date the Head of Corporate Services was appointed as Accounting Officer and held this position until 27 November 2003. From this date, until the end of the financial year, the interim Chief Executive became the Accounting Officer.

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*.

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 drawing up 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.

independent auditor's report

to the Houses of Parliament,
the First Secretary of State
and the Board of The Standards
Board for England

We have audited the Annual Accounts of The Standards Board For England for the year ended 31 March 2004, which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the Statement of Total Recognised Gains and Losses and the related notes.

These Annual Accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Houses of Parliament, to the First Secretary of State and to the Board of The Standards Board For England in accordance with the terms of our appointment. Our audit work has been undertaken so that we might state to the Houses of Parliament, to the First Secretary of State and to the Board of The Standards Board For England those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Houses of Parliament, the First Secretary of State and the Board of The Standards Board For England for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS AND THE CHIEF EXECUTIVE AND AUDITORS

The responsibilities of Board Members and the Chief Executive for preparing the Annual Report and Accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of the Board's and Chief Executive's Responsibilities.

Our responsibility is to audit the Annual Accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Annual Accounts give a true and fair view and are properly prepared in accordance with the Accounts Direction issued to the Board of The Standards Board For England by the First Secretary of State, whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and whether the financial transactions conform to the authorities that govern them. We also report to you if, in our opinion, the Foreword to the Annual Accounts is not consistent with those Annual Accounts, if the Board has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or other guidance is not disclosed.

In addition to our audit of the Annual Accounts we review whether the Statement on Internal Control complies with the latest Treasury requirement for such statements and we report if the Statement does not meet the Treasury's requirements, is misleading, or is inconsistent with the information we are aware of as a result of our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Annual Accounts. This other information comprises only the information set out in the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Annual Accounts. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis on evidence relevant to the amounts and disclosures in the Annual Accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the Annual Accounts, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Annual Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Accounts.

OPINION

In our opinion, the Annual Accounts give a true and fair view of the state of The Standards Board For England's affairs as at 31 March 2004 and of its result for the year then ended, and have been properly prepared in accordance with the Accounts Direction issued to the Board by the First Secretary of State 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 that govern them.

Littlejohn Frazer

Chartered Accountants and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

23 June 2004

the accounts

INCOME AND EXPENDITURE ACCOUNT

year ended 31 March 2004

	notes	2003/04 £'000	2002/03 £'000
Grant-in-aid	2	7,932	6,159
Other income	2	149	–
Total income		8,081	6,159
Administrative expenditure	3	7,921	6,266
Total operating expenditure		7,921	6,266
Operating surplus/(deficit)		160	(107)
Interest receivable	6	14	14
Notional cost of capital	7	(19)	(24)
Surplus/(deficit) on ordinary activities before taxation		155	(117)
Taxation	8	(1)	–
Surplus/(deficit) on ordinary activities after taxation		154	(117)
Add back notional cost of capital		19	24
Surplus/(deficit) carried forward		173	(93)

All amounts relate to continuing operations.

Statement of Total Recognised Gains and Losses

In addition to the results for the year, the Board has received grant-in-aid of £1,176 million (2002/03: £670,000) which has been used to purchase tangible fixed assets (notes 2 and 13).

BALANCE SHEET

as at 31 March 2004

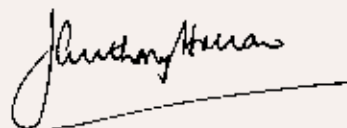
	notes	2003/04 £'000	2002/03 £'000
Fixed assets			
Tangible assets	9	1,600	587
Current assets			
Debtors	10	417	149
Cash at bank and in hand		748	522
Total assets		2,765	1,258
Creditors			
Amounts payable within one year	11	1,094	773
Deferred grant-in-aid income	12	–	–
Total liabilities	2	1,094	773
Total assets less total liabilities	2	1,671	485
Government grant reserve			
	13	1,498	578
Income and expenditure account		173	(93)
		1,671	485

Signed by


David Prince, Chief Executive
and Accounting Officer

23 June 2004

and on behalf of the Board



Sir Anthony Holland, Chair

23 June 2004

CASH FLOW STATEMENT

year ended 31 March 2004

	notes	2003/04 £'000	2002/03 £'000
Cash receipts		8,081	6,514
Other cash payments		6,692	5,881
Net cash inflow from operating activities	1	1,389	633
Taxation		(1)	–
Returns on investments and servicing of finance			
Interest received		14	14
		1,402	647
Capital expenditure			
Payments to acquire tangible fixed assets		1,176	670
(Decrease)/increase in cash in the year	2	226	(23)

NOTES TO THE CASH FLOW STATEMENT

year ended 31 March 2004

1 Reconciliation of operating deficit to net cash inflow from operating activities	2003/04 £'000	2002/03 £'000
Operating surplus/(deficit)	160	(107)
Depreciation charges	163	114
(Increase) in debtors	(268)	(120)
Increase in amounts payable within one year	321	391
Increase in government grant reserve	920	556
Deficit c/f 2002/03 transferred to grant reserve	93	–
(Decrease)/increase in deferred grant-in-aid income	–	(201)
Net cash inflow from operating activities	1,389	633
2 Reconciliation of net cash flow to movement in net funds	2003/04 £'000	2002/03 £'000
Cash at bank and in hand carried forward	748	522
Less: cash at bank and in hand brought forward	522	545
Increase/(decrease) in cash in the year	226	(23)

The notes on pages 21–30 form an integral part of these annual accounts.

notes to the accounts

year ended 31 March 2004

1 ACCOUNTING POLICIES

The accounting policies of The Standards Board for England follow advice issued by H M 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 Accounting 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 from page 31.

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 is 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.

1 ACCOUNTING POLICIES (continued)

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 has 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 H M 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, the Board has included an amount 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 AND OTHER INCOME

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.

	2003/04 £'000	2002/03 £'000
Amounts receivable and received	8,945	6,514
Movement in deferred grant-in-aid income (note 12)	–	201
Amount used to acquire tangible fixed assets	(1,176)	(670)
Movement in government grant reserve (note 13)	163	114
Grant-in-aid released to the income and expenditure account	7,932	6,159

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

3 OPERATING EXPENDITURE

	2003/04 £'000	2002/03 £'000
Administrative expenditure which comprises:		
Board Members' costs (note 4)	146	127
Staff costs (note 5)	3,460	1,802
Contracted staff (note 5)	1,415	1,137
Recruitment costs	361	166
Training	59	121
Professional fees	164	234
Conferences	232	100
External auditor's fee	39	29
Internal auditor's fee	63	–
Rent and rates	650	546
Office equipment	28	80
Refurbishment	59	47
Communications	247	569
Office supplies	8	108
Computer expenses	61	402
Miscellaneous costs	70	150
Depreciation	163	114
Other administration costs	481	390
Subscriptions	44	34
Travel and subsistence	171	110
	7,921	6,266

4 BOARD MEMBERS' COSTS

	2003/04 £'000	2002/03 £'000
Fees and other remuneration	134	118
Social security costs	12	9
Total Board costs	146	127

4 BOARD MEMBERS' COSTS (continued)

Board Members are appointed by the First Secretary of State on contracts lasting up to 36 months, which are renewable. The Chair is appointed on contract lasting up to 36 months, which was renewed on 7 February 2004. Details of the Board Members' emoluments for the year, were as follows:

Name	Position	Fees and other remuneration £'s	NI £'s
Sir Anthony Holland	Chair	52,400	6,114
P Hughes	Deputy Chair	18,335	1,755
J Bowers		7,129	323
C Cameron		10,338	733
P Chalke		7,130	323
A Doig		9,237	593
M Pratt		9,450	620
P Sabapathy		9,291	599
R Taylor		10,211	717
		133,521	11,777

No pension contributions are payable for Board Members.

Members	Full agenda Board meetings 2003/04		Limited agenda Board meetings* April 03/Nov 04		Time commitment in terms of days per month
	Maximum possible	Actual attendance	Maximum possible	Actual attendance	
Sir Anthony Holland	10	10	33	10	10.8
P Hughes	10	9	33	19	2.5
J Bowers	10	6	33	7	2.0
C Cameron	10	7	33	11	2.0
P Chalke	10	6	33	8	2.0
A Doig	10	7	33	7	2.0
M Pratt	10	8	33	6	2.0
P Sabapathy	10	9	33	11	2.0
R Taylor	10	7	33	6	2.0

* Limited agenda Board meetings were used almost exclusively for the consideration of referrals.

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 road shows held around the country.

5 STAFF COSTS

	2003/04 £'000	2002/03 £'000
Permanent staff costs, including the Chief Executive were:		
Wages and salaries, including performance related pay	2,954	1,545
Social security costs	281	114
Pension fund contribution costs	225	143
	3,460	1,802
Temporary staff costs	1,415	1,137
Total staff costs, including the Chief Executive	4,875	2,939
Emoluments of the Chief Executive		
Chief Executive to October 2003 (Inclusive of six months' final pay)		
Salary	89	96
Social security costs	13	9
Pension fund contribution costs	13	11
Contracted interim Chief Executive (September 2003 – March 2004)		
Contracted fees	105	–
	220	116

Emoluments of senior managers reporting to the Chief Executive

Name	Position	Emoluments £'s	Social Security £'s	Pension £'s
Allister Duncan	Head of Corporate Services	44,882	4,722	5,745
Chris Boothman	Head of Legal Services	68,895	7,284	8,819
Lisa Klein	Head of Investigations	76,179	8,216	9,751
Paul Hoey	Head of Policy and Guidance	58,481	5,951	7,486
		248,437	26,173	31,801

The Head of Corporate Services was in post from 21 July 2003 and the remaining three senior managers for the entire year 2003/04. The Chief Executive was the highest paid employee during the period. He was appointed on 17 April 2001 under a service contract, lasting up to three years, which is renewable. As at 16 October 2003, he ceased to be an employee of The Standards Board for England and received six months' salary and pension contribution. An interim Chief Executive was appointed on contract on 29 September 2003 and served in this position until April 2004.

5 STAFF COSTS (continued)

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 2003/04, subject to a maximum payment of 10% of salary during the period.

Details of the Board's pension scheme are shown in note 14.

Benefits accrue at the rate of $\frac{1}{80}$ th of pensionable salary for each year of service. In calculating the real increase in accrued pension, inflation has been assumed to run at 1.7% throughout 2003/04. Pensionable salary includes performance related pay.

Number of persons employed during the year	2003/04	2003/04	2002/03	2002/03
	Year end No.	Average No.	Year end No.	Average No.
Policy and Guidance	14	14	9	6
Legal	5	6	6	3
Corporate Services and Chief Executive	8	13	14	9
Referrals	3	6	–	–
APE	4	4	–	–
Investigations	35	25	35	21
Board	9	9	9	–
	78	77	73	39
Contract staff	44	36	32	29
Total number of staff	122	113	105	68

6 INTEREST RECEIVABLE

	2003/04 £'000	2002/03 £'000
Interest receivable	14	14

7 NOTIONAL COST OF CAPITAL

	2003/04 £'000	2002/03 £'000
At 3.5% on the average of net assets during the year	19	24

8 TAXATION

Corporation tax is charged on interest receivable. The tax charge is £861 and is current tax only (2002/03: £400).

9 TANGIBLE FIXED ASSETS

	Assets under construction £'000	Computer equipment £'000	Office equipment and furniture and fittings £'000	Total £'000
Cost				
At 1 April 2003	246	72	385	703
Additions	802	374		1,176
Completed and fully utilised assets transferred	(246)	246	–	–
At 31 March 2004	802	692	385	1,879
Depreciation				
At 1 April 2003	–	16	100	116
Charge for the period	–	126	37	163
At 31 March 2004	–	142	137	279
Net book amounts				
At 31 March 2003	246	56	285	587
At 31 March 2004	802	550	248	1,600

'Assets under construction' refers to capital expenditure incurred in respect of office expansion £659,576, offsite business continuity £87,613 and case management system software £54,358. (See the foreword to the annual accounts.)

There is no material difference between historical costs and current value.

10 DEBTORS	2003/04 £'000	2002/03 £'000
Prepayments	364	129
Other debtors	53	20
	417	149

11 CREDITORS — AMOUNTS FALLING DUE WITHIN ONE YEAR	2003/04 £'000	2002/03 £'000
Purchase creditors	672	181
Accruals	336	490
Deferred income	84	91
Other creditors	2	11
	1,094	773

12 DEFERRED GRANT-IN-AID INCOME	2003/04 £'000	2002/03 £'000
Brought forward	–	201
(Decrease)/increase in grant-in-aid (note 2)	–	(201)
Carried forward	–	–

13 GOVERNMENT GRANT RESERVE	2003/04 £'000	2002/03 £'000
Brought forward	578	22
Deficit 2002/03 transferred to grant reserve	(93)	–
Amount used to acquire fixed assets	1,176	670
Less: movement on grant reserve	(163)	(114)
Carried forward	1,498	578

14 PENSION

The Board is an admitted body of the Greater Manchester Pension Funds Authority (GMPF), and the Board's employees are able to opt to join the retirement benefit scheme operated by the GMPF. The scheme is a defined benefit scheme, which operates under the conditions of *the Local Government Pension Regulations 1997* and subsequent amendments.

The employees' standard contribution is 6% of superannuable pay. In the period ended 31 March 2004, the employer's contributions amounted to £225,000 (2002/03: £143,000). The employer's rate of contribution is 12.8%.

Actuarial valuations take place at least once every three years and after the next one, the level of employer's contributions will be reviewed. A valuation is presently being completed for a valuation as at 31 March 2004, however the results will not be available until November 2004 and thus were not available when this report was produced.

The information to allow the Board to make the disclosure otherwise required by Financial Reporting Standard 17, Retirement Benefits, in respect of its proportion of the scheme, is not available at the date of approving the accounts.

15 LEASE COMMITMENTS

	2003/04 £'000	2002/03 £'000
Annual commitments under operating leases		
Land and buildings on leases expiring:		
Within two to five years	–	–
After five years	449	449
Other operating leases on leases expiring:		
Within two to five years	5	5
After five years	2	2
Total	456	456

16 FINANCIAL INSTRUMENTS

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.

17 DISCLOSURE OF REGISTERED INTERESTS BY BOARD MEMBERS AND HIGHER PAID EMPLOYEES

The Board maintains a comprehensive register of Board Members' interests, 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. The Board has also established an equivalent register for higher paid employees.

18 RELATED PARTY TRANSACTIONS

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

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

19 FINANCIAL KEY PERFORMANCE INDICATORS

Financial key performance indicators have not been developed during The Standard Board for England's start-up phase. They will be developed during 2004/05. Other key performance indicators are shown in the Annual Report.

accounts direction

year ended 31 march 2004

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 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 the 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 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 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 the 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 3(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.

* 3(d), 3(e), 3(f) and 3(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.

Board information

BOARD

Sir Anthony Holland (Chair)
Patricia Hughes CBE (Deputy Chair)
John Bowers QC
Councillor Celia Cameron CBE
Councillor Peter Chalke CBE
Professor Alan Doig
Margaret Pratt
Paul Sabapathy CBE
Roger Taylor

CHIEF EXECUTIVE

David Prince

PRINCIPAL OFFICE

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AUDITORS

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Internal

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For more information on The Standards Board for England,
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