



Gangmasters  
Licensing Authority

# Gangmasters Licensing Authority Annual Report and Accounts

1 April 2008 to 31 March 2009





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Presented to Parliament pursuant to section 23  
of the Gangmasters (Licensing) Act 2004

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# Gangmasters Licensing Authority Annual Report and Accounts 2008-09

## Contents

Mission Statement .....	3
Foreword .....	4
Directors' Report.....	8
Management Commentary.....	10
Performance Against Targets 2008-09 .....	10
Enforcement, Inspections and Compliance .....	10
Policy and Communications .....	13
Financial Performance.....	15
People .....	17
Strategic Management .....	18
Authority's Objectives 2009-10.....	19
Enforcement, Inspections and Compliance .....	19
Policy and Communications .....	20
Financial Performance.....	21
People .....	21
Strategic Management .....	21
Remuneration Report.....	22
Contract Information .....	22
Salary Information (Subject to Audit) .....	22
Pension Information .....	23
CETV Information (Subject to Audit).....	24
Declarations of Interest .....	25
Authority Board Composition .....	26
Statement of Accounting Officer's Responsibilities.....	28
Statement on Internal Control .....	29
The Certificate and Report of the Comptroller and Auditor General to the House of Parliament....	31
Financial Statements.....	34
Income and Expenditure Account for the year ended 31 March 2009.....	34
Balance Sheet as at 31 March 2009.....	35
Cash Flow Statement for the year ended 31 March 2009 .....	36
Notes to the Accounts .....	37
Glossary .....	48

## Mission Statement

The mission of the Gangmasters Licensing Authority ("GLA") is to safeguard the welfare and interests of workers as defined by the Gangmasters (Licensing) Act 2004 ("the Act"), whilst ensuring labour providers operate within the law. The mission will be achieved by:

- introducing and operating a system to license labour providers, including a publicly accessible register;
- effective communication of the legal requirement for labour providers to become licensed, and to operate and remain within the formal economy;
- imposing the least possible burden on labour providers and labour users through efficient and effective processes and procedures;
- developing and promoting standards for best practice in the supply and use of temporary labour, in collaboration with stakeholders;
- checking licence holders for continued compliance with the licence conditions;
- taking enforcement action against those who operate illegally or who for other reasons are judged unfit to hold a licence;
- supporting enforcement of the law, by or in conjunction with the enforcement authorities of other government departments, and others as appropriate through shared information and joint working;
- maintaining a continuous review of the activities of gangmasters and the effects of the Act and the Authority on them.



## **Foreword**

### **History and Statutory Background**

The GLA came into being formally on 1 April 2005 following the implementation of the Act. This is our fourth Annual Report and Accounts. This is therefore the third year of significant operational activity which has seen the Authority move from the initial phase of drawing as many gangmasters as possible into the formal economy, to the current phase of protecting the integrity of the licensing system through inspections and catching unlicensed illegal gangmasters through strong and unflinching enforcement.

### **Basis of Accounts**

These accounts have been prepared in the form directed by the Department for Environment, Food and Rural Affairs (Defra), with the approval of HM Treasury in accordance with Section 23 of the Gangmasters (Licensing) Act 2004.

The Financial Statements are prepared in accordance with regulation 13 (2) of the Gangmasters (Licensing) Authority Regulations 2005 and directions made thereunder by the Secretary of State, reporting the state of the Gangmasters Licensing Authority's affairs as at 31 March 2009 and of its deficit for the year.

### **Management**

The second independent report by the Universities of Liverpool and Sheffield on the performance of the GLA was published in February 2009. Its conclusions showed that the type of tough enforcement action taken by the GLA made for effective regulation. The report's conclusions also confirmed that licensing has been an appropriate tool in regulating labour providers. It commented that vulnerable workers are now better protected and it concluded that the GLA is not only effective but efficient. Moreover, a significant majority of gangmasters surveyed in the research were in favour of licensing and felt the GLA was doing a good job. Most gangmasters felt that we have had a positive effect on reducing worker exploitation and business fraud. It is encouraging to see that our approach and activities are delivering what was expected; however we are not complacent and recognise that more needs to be done in some areas, for example, fish processing, forestry, shellfish amongst others. We will be turning our attention to these important areas in the coming year.

These findings were underlined later in the year when a review was carried out by BERR/BRE and external experts (Hampton Implementation Board) to assess the GLA's adherence to the principles of good regulation. Early indications are that with an increased focus on intelligence led enforcement operations, the GLA would be in a strong position to demonstrate Hampton compliance to a high standard. This was a satisfying endorsement of our approach.

We are in no doubt that good regulation is about the effective use of information and not demanding irrelevant details. It is also about setting standards and coming down hard on those who step out of line in order to send out a strong message to the rest of the industry that non-compliance will not be tolerated.

Internally, during the year, we have continued to flatten the management structure, focussing resources away from overheads and towards direct enforcement capacity. Our objective is to create a nimble enforcement body with the focus on the front line rather than the back office. We believe that it is right to retrain and retain staff who can make a valuable contribution in the future.

Further information on Board composition and declarations of interest can be found within the Remuneration Report on pages 22 - 25.

### **External Factors**

There has been an increase in the number of serious matters we have had to deal with. In the year, we were a major partner in Operation Ruby, the first major operation to stop human trafficking for purposes of labour exploitation. We have seen a number of our operations reveal cases of physical abuse against vulnerable workers. We simply will not stand for this. Working with our enforcement agency partners – notably all the UK police forces, the Border Agency and others, including SOCA, HMRC and UKHTC – we will stamp down hard on this outrageous abuse of vulnerable workers.

The credit crunch has had an impact by increasing pressure in the food supply chain on prices and costs while unemployment has increased the likelihood of worker exploitation (and indeed taxpayer fraud).

### **Employees**

Employees are kept informed on a regular basis about the Authority's performance and advising them of future plans. Additionally, consultations take place with employees and their representatives so that their views may be taken into account in making decisions that are likely to affect their interests.

### **Disabled Persons**

In line with its standard practice towards applications for employment, the Authority considers applications from disabled people on the basis of the qualifications and abilities of each individual. Should an employee become disabled during the course of employment, every practical effort would be made to allow him/her to continue in his/her employment.

### **Diversity and Equality**

The Authority follows an equal opportunities policy for fair and open recruitment of permanent staff regardless of age, disability, sex or ethnic origin.

Employment and promotion is solely on merit. Precisely the same standards apply in the assessment of women and men regardless of marital status, domestic responsibilities, ethnic or national origin. Employees who work reduced hours are assessed on exactly the same basis as those working full-time and without regard to part-time status, subsequent availability or availability of posts.

## **Employee Involvement**

The Authority recognises the very large part that its staff has to play in the development of the organisation, and encourages staff involvement in the day-to-day running of its activities. This is done via normal line management contacts and team meetings are also used to disseminate information.

Supported by effective leadership, staff actively seek better ways to deliver the Authority's outputs and develop, focus and utilise their skills to make maximum impact on the achievement of the Authority's priorities.

## **Complaints Procedure**

The Authority, through the Chairman, is available to any member of the public who wishes to pursue any complaint. If not satisfied, the complainant can then refer the matter to the Parliamentary Ombudsman, who investigates complaints about maladministration or service failure on the part of the Authority.

Enquiries should be made directly to the Office of the Parliamentary Commissioner for Administration, Millbank Tower, Millbank, London, SW1P 4QP. Tel: 0845 015 4033. Complaints must be made within 12 months of the date on which you first had notice of the matter complained of.

## **Freedom of Information Act**

Under the Freedom of Information Act 2000, which came into force on 1st January 2005, anybody may request information from a public authority which has functions in England, Wales and/or Northern Ireland. The Act requires that all requests are in writing (this does include emails), stating clearly what information is required, the name of the applicant with an address for correspondence.

## **Information Security**

Following several high profile incidents across the public sector throughout the year the GLA and Defra undertook an internal review regarding risks associated with data transfer. This resulted in the formal appointment of an Information Asset Owner for the Authority, a reminder to all staff of their data security responsibilities and the introduction of quarterly returns to the Department in respect of data loss incidents. Our review considered that the relevant checks were in place to manage information security risks effectively. There have been no incidents of loss of personal data during the year (2007-08: none)

## **Pension Arrangements**

Pension arrangements for the Authority are covered by the Superannuation Act 1972 and reflect benefits for members of the Principal Civil Service Pension Scheme. Further details can be found within the Remuneration Report on pages 22 to 25 and in note 11 on page 44.



## Sickness Absence

During the year an absence level of 5.4% was recorded. However, this included 2 employees on long term sickness absence with conditions covered under the Disability Discrimination Act and therefore the net figure was 2.3%.

## Payment Policy

The Authority has a payment policy for all goods, services, works and contracts. Where there is no contractual provision or accepted practice governing the time of payment, the Authority's policy is to pay within 30 days of receipt of the goods or service, or within 30 days of a valid invoice, whichever is the later. This is in accordance with the Government's Better Payments Code, the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), the parliamentary control of expenditure and the need to protect the Exchequer's interest. This policy was followed from April to December 2008, at which time the Authority accepted the challenge as set by the Prime Minister in his statement to the House of Commons, to work towards ensuring payment of all suppliers' invoices as soon as possible within the agreed terms, with the aim of bringing forward all payments to within 10 days of receipt of invoice. This policy was adopted from January 2009.

Overall 2008-09 has been an excellent year which has demonstrated the Authority's ability to regulate and enforce our sector. The focus remains firmly in the coming year to build on this success.



**Paul Whitehouse**

*Chairman*

3 July 2009



**Ian Livsey**

*Accounting Officer*

3 July 2009

## Directors' Report

In the Foreword to this Annual Report comment has been made on the effectiveness of the Authority's approach in reducing exploitation of vulnerable workers.

In last year's Annual Report we set out the objectives for 2008-09 that would enable the Authority to meet its mission statement aims. The management commentary that follows indicates that most of the objectives were met or exceeded. Due to resource limitations the Authority was unable to achieve all of its objectives and competing priorities meant that some objectives were suspended or changed. The Authority continues to receive enthusiastic support from Defra and discussions will be held in 2009-10 to explore the possibility of additional operational resources to ensure that the groundwork laid to date can be complemented by even more effective operational enforcement against those labour providers who have yet to recognise that worker exploitation will not be tolerated in the regulated sector.

This year has been characterised by a significant number of high profile operations, and the associated media coverage has undoubtedly raised the profile of the Authority.

The Authority continues to evaluate on a regular basis the management of risk within the organisation. It is the Authority's intention to operate boldly but not recklessly in the pursuit of its mission statement. We will not retreat from taking difficult decisions to ensure vulnerable workers are treated with the respect that they deserve. The Statement on Internal Control (pages 29 to 30) details the Authority's risk and control framework in more depth.

The financial statements and notes are set out on pages 34 to 47.

For 2008-09 income increased by 8.3% to £3,578,000 whilst underlying expenditure increased by 6.9% to £3,498,000. In addition, the Authority settled a claim from a third party resulting from a revocation of licence as reflected as a Post Balance Sheet Event in Note 20 to the accounts. The claim was settled through mediation at a figure of £600,000 which meant that total expenditure was recorded at £4,098,000. Therefore a deficit of £520,000 is recorded for the year. It is important to point out that Defra have agreed to fund the £600,000 expenditure to be paid in 2009-10 and consequently the Authority's reserves position will be increased accordingly. It should be noted that during the fees consultation process for 2009-10 the levels of licence fees were significantly reduced. Following tripartite discussions between the GLA, HM Treasury and Defra and in accordance with *Managing Public Money*, a revised business model for fee calculation was devised and subsequently accepted following public consultation. Whilst this reduces the financial burden on licence holders, it reduces the Authority's licensing income and expenditure thus making the breakeven point on licensing operations unachievable from 2009-10 onwards. The Authority will, however, continue to receive sufficient funds from Defra through grant-in-aid payments to ensure that corporate and business plan objectives can be met. Other than the effect of the claim settlement referred to above, for the year under review the Authority has managed to operate successfully within all of its budgeted financial targets.

The Authority has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. During the year there were no charitable donations (2007-08 nil).

The Directors are confident that the Authority's financial position remains sound and that it is ready to deliver its objectives for the coming year.

This year, as can be seen in the management commentary, the Authority has taken specific measures to ensure that staff are reminded of their responsibility to operate in an environmentally friendly manner. To this end changes to the Authority's travel and subsistence arrangements have not only saved public money but have reduced the Authority's carbon footprint significantly.

As Accounting Officer, I am also able to confirm that:

- As far as I am aware, there is no relevant audit information which the Authority's auditors are unaware; and
- I have taken all necessary steps to make myself aware of any relevant audit information, and also to ensure that the Authority's auditors are aware of that information.

Signed



Ian Livsey  
*Accounting Officer*  
3 July 2009

## Management Commentary

### Performance Against Targets 2008-09

<b>Enforcement, Inspections and Compliance</b>			
<b>Objective</b>	<b>Measure</b>	<b>Objective Achieved</b>	<b>Commentary</b>
To carry out a series of high profile operational projects and planned enforcement activity which will disrupt and deter non-compliant labour providers. Enforcement activities throughout the year will include road stops, unannounced labour user visits and planned operations.	12 projects to be carried out during 2008-09	Yes	During the year 12 projects were undertaken.
The Authority will make licensing decisions promptly based on evidence from inspections.	80% of applications requiring a licence decision to be completed within 3 days of receipt of the inspection report.	Yes	During the year 465 licence decisions were made within 3 working days representing 82.6% of all licence decisions.
A projected number of new licence inspections will be completed.	150 application inspections to be completed.	Yes	2008-09 saw an unprecedented rise in new business applications, which required the deployment of substantial operational resources. 317 application inspections were undertaken.
To inspect licence holders which have previously not been inspected by the Authority.	Carry out inspections on 80% of TLWG inspected licence holders.	Target suspended	For the first six months of the year this target was achieved. However, due to competing priorities on inspection resources (see new inspection volumes above) the target was suspended in November 2008.

<b>Enforcement, Inspections and Compliance</b>			
<b>Objective</b>	<b>Measure</b>	<b>Objective Achieved</b>	<b>Commentary</b>
To inspect those licence holders that have Additional Licensing Conditions (ALCs) at 31 March 2008 which cannot be cleared by a desk based assessment. It is estimated that this is about 80 inspections in 2008-09.	Conduct inspections on 80 licence holders with ALCs.	Target suspended	34 inspections were carried out by November 2008. However, due to competing priorities on inspection resources (see new inspection volumes above) the target was suspended after six months.
To inspect licence holders classed as new businesses - those LPs that have the "new business" tag on the public register suggesting that they are not currently trading in the regulated sector.	Conduct inspections on 80% of new business applications.	Yes	This target represented 152 inspections (being 80% of 190 new business).  During the year 173 businesses were inspected (91% achieved).
To meet inspection timescales (time from scheduling to inspection report input).	At least 80% of application and compliance inspections to be carried out within 18 working days.	No	As previously mentioned the significant rise in new business applications caused a major resource problem. The actual performance against the 18 day target was: Application inspections 59.8% Compliance inspections 49.8%
To ensure that inspections are carried out consistently and accurately.	Conduct a review of 10% of inspection reports picked at random.	Yes	During the year the percentage of reports that were reviewed ranged from 10% (February 2009) to 100% (November 2008 – January 2009).
	100% review of inspections where a concern has been raised.	Yes	During the year seven reports were reviewed under this target (100% in total)

<b>Enforcement, Inspections and Compliance</b>			
<b>Objective</b>	<b>Measure</b>	<b>Objective Achieved</b>	<b>Commentary</b>
Effective use of intelligence analysis to support field operations.	80% of intelligence systems checks to be entered into the Authority's licensing system within 10 days.	Yes	During the year 287 intelligence reports were input into the licensing system within 10 days representing 91.4% of the total.
To meet investigation timescales (from initiation to appropriate conclusion – e.g. appropriate sanction, if offences are proven).	All investigations requiring sanction are referred to the appropriate agency within timescales stipulated in the relevant service level agreement.	No	With the exception of one case, which was time-barred, all other investigations were concluded within the targeted timescales.
To more effectively deploy staff to reduce time off in lieu (TOIL). Under normal circumstances it is anticipated that all operational staff will not exceed 37 hours accumulated flexi-time or untaken TOIL.	Manage TOIL throughout the year at acceptable levels.	Yes	During the year the Authority introduced a trial of flexi-time which negated the build up of TOIL. However, at the time of suspension of TOIL the total hours owed to staff were significantly below acceptable budgeted levels.
To review the Authority's licensing standards (as recommended by the Authority's Annual Review 2007).	Revised licensing standards to be completed by the end of 2008.	Yes	The new licensing standards were agreed following public consultation ending October 2008. The new standards will be introduced on 6 April 2009.

<b>Policy and Communications</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
Secure high level media coverage for the Authority's operations.	Produce a media plan for each operational project.	Yes	A media plan was produced for each operational project and the GLA received high level media coverage on a local, national and international level.
	Issue press releases for revocations and refusals as part of the "naming and shaming" campaign.	Yes	Press releases were issued on a monthly basis.
	Post-operation monitoring and media follow up identifying take-up by different types of media.	Yes	All operations were followed up with the media to assess effectiveness.
Raise awareness of how to report worker exploitation.	Increase intelligence reports from workers by 10% following campaigns to contact workers or operational projects.	Target unproven	A significant amount of effort has gone into this area and anecdotally the feedback from workers and other stakeholders has been very positive. However, the GLA has been unable to quantify the results of campaigns on the number of intelligence reports received and continues to work internally on this area.

<b>Policy and Communications</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
Compliance with Application Submission Strategy: applicants chose the web as their preferred option due to ease of use, speed and accessibility as evidenced through feedback.	75% of applications for a gangmasters licence to be made online.	No	During the year the following was achieved:  New applications      56% on line Renewals                68% on line  These figures represent a failure to achieve target. The predominance of overseas labour providers requiring assistance from the helpline has contributed significantly to this change.
Hold quarterly meetings with the Labour User Group.	Per target	Yes	Labour user group meetings were held during July 2008, December 2008 and February 2009.
Provide information to labour providers and labour users.	Produce Licensing News and Labour User Newsletters on a quarterly basis.	No	Licensing News was issued in June 2008 and March 2009. A Labour User Newsletter was published in June 2008. The Authority decided to issue such publications when information was essential, rather than quarterly regardless of need.
Conduct a survey of effectiveness of the Authority's communications.	Survey on customer and stakeholder views of the Authority's performances to be completed by 31 March 2009.	Yes	This survey was included in the University of Liverpool/Sheffield report which was published in February 2009.
Meet response times for public correspondence.	To respond to correspondence within agreed timescales.	No	The Cabinet Office sets down criteria for the timescales within which correspondence should be replied to. During the year the GLA failed to hit the timescale on two occasions (out of 91 enquiries).



<b>Financial Performance</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
Determine and implement financial measures to ensure on-going performance management and value for money, including potential economies of scale and other efficiency savings that can be achieved beyond 2008/09 when the organisation has completed its set-up phase.	Review the structure of the organisation during 2008/9 to ensure that licence payers are receiving value for money.	Yes	Discussions were completed with staff and unions to effect a substantial reorganisation leading to improved enforcement led operational activity. It is anticipated that this reorganisation will be substantially completed during 2009-10.  In addition, following detailed discussions with colleagues at Defra and HM Treasury, it has been agreed that licence fees for 2009-10 will be substantially reduced from previous levels. For example the largest labour providers by turnover (category A) will see their licence fee reduced from £10,000 in 2008-09 to £2,600 in 2009-10.
	Establish year-on-year efficiency targets for 2009/10 and beyond.	Yes	The baseline has been set in 2008-09 by the establishment of a unit cost per licence approach.
Meet government target for payment of invoices.	90% of invoices to be paid within 30 days or suppliers' normal terms of trading April to December, and 100% of invoices to be paid within 10 days or suppliers' normal terms of trading January to March.	Partially achieved	For the period April 2008 to December 2008 the Authority achieved 100% of payments within 30 days, a substantial overachievement. From January to March 2009 the Authority averaged 91.3% within 10 days. (Systems have been put in place to improve this performance in 2009-10.)
Meet target for production of management accounts.	Management accounts to be produced within 10 working days of the end of the month.	Yes	Management accounts produced within 10 working days.

<b>Financial Performance</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
To increase the volumes of waste paper and toner cartridges sent for recycling and monitor the CO <sub>2</sub> emissions of GLA business related travel.	Produce a monthly report on the volume of waste paper recycled, numbers of toner cartridges recycled and CO <sub>2</sub> emissions, using 2007-08 as a benchmark.	Yes	All of the above are now reported on a monthly basis. On CO <sub>2</sub> emissions it is particularly encouraging to note that despite an increase in travel claims for the GLA, the total of CO <sub>2</sub> emissions (excluding the use of hire cars) has dropped from 63.77 tonnes in 2007/08 to 54.17 tonnes in 2008/09.

<b>People</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
To retain appropriate levels of staff.	Produce a monthly report, by directorate, which identifies (by headcount) budgeted staff numbers, actual staff numbers, variances and comments regarding variances (where appropriate).	Yes	A monthly report, by directorate, showing budgeted and actual staff numbers is presented in the Summary Performance Report.  Throughout the year the GLA has managed to retain all key members of staff and achieved overall a very low staff turnover percentage.
To work towards achieving Investors in People (IiP) status in June 2009.	Provide a quarterly progress report to the Executive Management Board.	No	As a result of internal staff reorganisation it was decided to defer the IiP programme until 2009/10. The programme was rebranded under 'Business Review and Improvement' with a greater focus on staff involvement. The programme is currently on course for completion in 2009-10.
The Authority will continue to communicate effectively with staff at all levels within the organisation.	Implement the internal communications strategy by 31 March 2009 and seek staff views on whether this meets their needs.	Yes	The strategy was presented to the Executive Management Board in January 2009 and is being further developed.
To put diversity training in place for all appropriate staff.	Provide training in equal opportunities and valuing diversity for all interviewing staff by 31 March 2009.	Yes	All relevant staff were trained by 17 March 2009.
The Authority will seek to deal with 100% of complaints regarding Authority personnel or processes within the agreed timetable.	100% of all written complaints to be responded to fully, within either 5 working days or 15 working days (if a full investigation is required).	No	During 2008-09 the GLA received 11 written complaints of which 81.8% were concluded within the target timescales.

<b>Strategic Management</b>			
<b>Target</b>	<b>Measure</b>	<b>Target Achieved</b>	<b>Commentary</b>
Possible merger of HSE and the GLA.	To contribute constructively to the process of the possible merger of the GLA and the HSE.	Yes	The GLA has had significant input into the cost benefit analysis produced by Defra. A decision is currently awaited regarding the Minister's preferred option.
Completion of Annual Review of the GLA.	To procure the services of the University of Sheffield and the University of Liverpool to complete the second annual review by 31 January 2009.	No	The University of Sheffield's second annual review of the GLA was published in February 2009.

**Authority's Objectives 2009-10**

<b>Enforcement, Inspections and Compliance</b>	
<b>Target</b>	<b>Measure</b>
To carry out a series of high profile operational projects and planned enforcement activity which will disrupt and deter non-compliant labour providers. Enforcement activities throughout the year will include road stops, labour user visits and planned operations.	12 projects in 2009/10
The GLA will make licensing decisions promptly based on evidence from inspections.	80% of applications requiring a licence decision completed within 3 days of receipt of the inspection report.
A projected number of new licence inspections will be completed. It is budgeted that 150 new applications will be received during the year.	150 application inspections completed.
To inspect licence holders classed as new businesses – those LPs that have the "new business" tag on the public register suggesting that they are not currently trading in the regulated sector.	Consideration of 80% of new business inspections.
To meet inspection timescales (time from scheduling to inspection report input).	At least 80% of application and compliance inspections carried out within 30 working days.
To ensure that inspections are carried out consistently and accurately.	10% random review of inspection reports. 100% review of inspections where a concern has been raised.
Effective use of intelligence analysis to support field operations	95% of intelligence systems checks entered into the GLA licensing system within 10 days.
To meet investigation timescales (from initiation to appropriate conclusion eg. appropriate sanction, if offences are proven).	All referrals to the prosecuting authority are completed within the timescales outlined in the relevant service level agreements.
To ensure inspections and operations are intelligence led.	80% of tasked inspections results in the identification of serious non-compliance/unlicensed activity that is sanctionable (ALCs, revocation, warning or prosecution).

<b>Policy and Communications</b>	
<b>Target</b>	<b>Measure</b>
Securing positive high level media coverage for GLA operations.	Media plan produced for each operational project. Press releases issued for revocations and refusals as part of the "naming and shaming" campaign.  Post-operation monitoring and media follow up identifying take-up by types of media.
Compliance with Application Submission Strategy: applicants chose the web as their preferred option due to ease of use, speed and accessibility as evidenced through feedback.	75% of renewals for a gangmasters licence made online.
Providing information to labour providers and labour users.	Production of Licensing News – quarterly  Production of Labour Users Newsletter - quarterly
Meeting response times for public correspondence.	Draft responses to written PQs within 3 working days.  Draft responses to oral PQs within agreed deadlines.  Correspondence to ministers and members of the public within 5 working days and a full response within 15 working days. If this is impractical, a letter will be sent within 5 working days setting out the response timeframe.  Freedom of Information and Data Protection enquiries responded to within 20 working days.  Initial response to appeals sent within 5 working days and a full response within 20 working days.  No more than 5% of enquiries result in further correspondence.

<b>Financial Performance</b>	
<b>Target</b>	<b>Measure</b>
Operate on an effective and efficient basis to ensure that no undue financial burden is imposed on licence payers. Reduce the unit cost of issued licences.	5% reduction over the 2008/9 costs of processing licences.
To increase the volume of waste paper and toner cartridges sent for recycling and monitor the CO <sub>2</sub> emissions of GLA business related travel.	Monthly report on the volume of waste paper recycled, numbers of toner cartridges recycled and CO <sub>2</sub> emissions.

<b>People</b>	
<b>Target</b>	<b>Measure</b>
To work towards achieving IiP status in June 2009.	IiP Status to be achieved.
The GLA will seek to deal with complaints about GLA staff or processes within the agreed timetable.	90% of all written complaints responded to fully, within either 5 working days or 15 working days (if a full investigation is required).
We will continually review our staffing and structure to ensure that the organisation remains fit for purpose as its operations evolve.	Analysis of future HR needs to meet business and skills requirements is used to recruit, retain, retrain or deploy staff. This may include geographical mapping of activity to enable efficient deployment of resources.

<b>Strategic Management</b>	
<b>Target</b>	<b>Measure</b>
Completion of Annual Review of GLA Worker Survey.	A survey of workers will be completed by 31 March 2010 as proposed in the Annual Review of 2008 carried out by the University of Liverpool and the University of Sheffield.

## Remuneration Report

### Contract Information

#### Policy on the Remuneration of Senior Managers

The salary packages for all senior managers were set by Defra using a benchmarking process to define comparable packages for the area and the specialist skills required. All positions were advertised nationally. Salary information is recorded in the table below.

The Chairman of the Authority is employed on a contract basis. Payments made during the financial year total £30,000 (£30,000 2007-08) which are included in the staff costs total of £2,071,000 (£1,991,000 2007-08) in note 10 to the financial statements. Payments of £12,000 (£10,000 2007-08) have also been made to the Chairman in regard to travel and subsistence.

The Chief Executive, Ian Livsey is employed on a three year contract which commenced on 1 November 2007.

#### Policy on the Duration of Contracts and Notice Periods

All senior managers' contracts within the organisation contain a three month notice period which would be an appropriate time to allow for a handover period.

### Salary Information (Subject to Audit)

#### Policy on Performance Related Pay

All Authority staff members, other than casual staff, may qualify for performance related pay (PRP) in addition to basic salaries. The remuneration for senior managers is set by the Remuneration Committee consisting of the Executive Management Board and the Chairman (where appropriate) who also consider recommendations from all employees regarding bonuses. Bonuses will be awarded subject to individuals meeting agreed objectives in line with the Authority's corporate objectives. All individual performance objectives are determined by a departmental analysis of the Authority's corporate objectives.

Payments for performance related pay amounting to £7,000 (£8,000 2007-08) have been paid to senior managers during 2008-09.

The Chief Executive's PRP is determined by existing arrangements for senior civil servants and is again dependent upon meeting agreed personal objectives.

Senior Manager	Title	2008-09 Salary & Performance Related Bonus (in bands of £5,000)	2007-08 Salary & Performance Related Bonus (in bands of £5,000)
Ian Livsey	Chief Executive	80-85	75-80**
Ray Dawson	Deputy Chief Executive and Director of Finance	70-75	55-60
Darryl Dixon	Director of Strategy	60-65	55-60
Nicola Ray	Director of Projects	30 – 35 *	50-55

\* Part-time in 2008-09 \*\* Full time equivalent.



**Benefits in Kind**

No other benefits in kind or compensation were paid. No compensation is payable to any former senior managers.

The Authority does not offer any remuneration package which is not in the form of cash.

**Pension Information****The real increase in the value of the Cash Equivalent Transfer Value (CETV)**

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the member and is calculated using common market valuation factors for the start and end of the period.

**CETV**

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service, not just their current appointment. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Civil Service Pensions**

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension accounts is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

### CETV Information (Subject to Audit)

#### 2008-09

Senior Manager	Increase in pension (Bands of £2,500)	Real increase/ (decrease) in lump sum at age 60 (Bands of £2,500)	Value of accrued pension (Bands of £5,000)	Related lump sum at age 60 (Bands of £5,000)	Cash equivalent transfer value (TV) at 1 April (£1,000)	Cash equivalent transfer value (TV) at 31 March (£1,000)	Real increase in cash equivalent TV in year (£1,000)	Employers contribution to Partnership pension
Ian Livsey	0-2.5	N/A	0-5	N/A	9	32	19	N/A
Ray	0-2.5	N/A	15-20	N/A	247	293	24	N/A
Dawson								
Darryl Dixon	0-2.5	2.5-5	15-20	55-60	266	308	21	N/A
Nicola Ray	0-2.5	(0-2.5)	10-15	5-10	157	173	1	N/A

#### 2007-08

Senior Manager	Increase in pension (Bands of £2,500)	Real increase in lump sum at age 60 (Bands of £2,500)	Value of accrued pension (Bands of £5,000)	Related lump sum at age 60 (Bands of £5,000)	Cash equivalent transfer value (TV) at 1 April (£1,000)	Cash equivalent transfer value (TV) at 31 March (£1,000)	Real increase in cash equivalent TV in year (£1,000)	Employers contribution to Partnership pension
Ian Livsey	0-2.5	N/A	0-5	N/A	0	25	16	N/A
Ray	0-2.5	N/A	10-15	N/A	212	268	24	N/A
Dawson								
Darryl Dixon	0-2.5	N/A	15-20	50-55	237	287	10	N/A
Nicola Ray	0-2.5	0-2.5	10-15	25-30	148	180	5	N/A

The opening CETV figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (transfer values) (amendment) Regulations 2008.

**Declarations of Interest****Senior Manager****Declaration of Interest**

Paul Whitehouse, Chairman

Directorships:

Sidcot School Limited

Sidcot Leisure Limited

The Dutch Barge Association Ltd

Ian Livsey, Chief Executive

Trusteeships:

Starehe UK

Quakers &amp; Business Group

Chairman, SummitSkills

Ray Dawson, Deputy Chief Executive and  
Director of Finance

None

Darryl Dixon, Director of Strategy

None

Nicola Ray, Director of Projects

None

## Authority Board Composition

The Authority's Board consists of the Chairman, Paul Whitehouse, seventeen representative members with two vacancies currently, nine ex-officio members and one official observer. Meetings are also attended by the Authority's Executive. A public register of interests for Board Members is held, and this may be accessed via the Authority's website, [www.gla.gov.uk](http://www.gla.gov.uk).

Board members have been nominated from organisations across the associated sectors, both industry and government bodies, to represent the full range of views. Their responsibility is to ensure the Authority fulfils its roles and complies with the Gangmasters (Licensing Authority) Regulations 2005.

Board meetings are currently held on a quarterly basis and are open to the public.

### Representative Members

The Association of Labour Providers (ALP)	David Camp and Joanne Young
National Farmers Union (NFU)	Sharon Cross and Phil Hudson
National Farmers Union Scotland (NFUS)	Graham Bruce
The Recruitment and Employment Confederation (REC)	Marshall Evans
Trade Union Congress (TUC)	Hannah Reed and Bill Snell
Unite	Chris Kaufman and Martin Smith
British Retail Consortium	Chris McCann
Fresh Produce Consortium (FPC)	Nigel Jenney
Food and Drink Federation (FDF)	Position currently vacant
National Association of Citizens Advice Bureau (NACAB)	Jane Mordue
Sea Fish Industry Authority (SFIA)	Position currently vacant
Shellfish Association of Great Britain	Gillian Mills
Association of Chief Police Officers (ACPO)	Simon Chesterman
Police Superintendents Association	Russell Hardy
Local Authorities Coordinators of Regulatory Services (LACORS)	Geoffrey Theobald OBE

### Ex-Officio Members

Representatives of:

The Secretary of State for Home Affairs	Jeremy Oppenheim
Department for Business, Enterprise and Regulatory Reform	Carl Cresswell
The Secretary of State for Work and Pensions	Judith Hicks
The Health and Safety Executive	Samantha Peace
The Scottish Ministers	Neil Fleming
The Welsh Assembly for Wales	Gary Haggaty
The Secretary of State for Environment, Food and Rural Affairs	Jeremy Cowper
The Commissioners of Inland Revenue and the Commissioners of Customs and Excise jointly	Robin Wythes
The Minister for Agriculture and Rural Development for Northern Ireland	John Speers

### Official Observer

Ethical Trading Initiative (ETI)	Dan Rees
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Signed on behalf of the Authority

A handwritten signature in black ink that reads "Ian Livsey". The signature is written in a cursive style with a large initial 'I'.

**Ian Livsey**  
*Accounting Officer*  
3 July 2009

## **Statement of Accounting Officer's Responsibilities**

Under the Gangmasters (Licensing) Act 2004, the Secretary of State has directed the Gangmasters Licensing Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

Ian Livsey was appointed Accounting Officer on 1 November 2007. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Gangmasters Licensing Authority's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

## Statement on Internal Control

### Scope of Responsibility

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

The system of internal control in use has been subject to regular review by the executive team. In addition the Audit and Risk Committee meet regularly to review risks both commercial, operational and fraud. I am required to allow the Audit and Risk Committee to have complete access to any information to enable them to report to the Authority's Board.

The Authority is sponsored by Defra and I am obliged to report regularly to satisfy the department of the regulatory and propriety of expenditure relating to enforcement, the responsibility for which has been delegated directly to the Authority by the Secretary of State.

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable but 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 Authority policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### Capacity to Handle Risk

Commercial, operational and fraud risks are identified and reviewed monthly by the Senior Management Team and then the Executive Management Board. In my capacity as Chief Executive I will agree which individual Senior Manager will assume lead responsibility for each risk along with an assessment of its potential impact and effective countermeasure. The Risk Registers are presented to the quarterly Audit and Risk Committee with comment and proposed action.

The Authority strives to facilitate the development and application of self-assessment techniques and ensures, wherever possible, that all critical changes to methodologies are subjected to risk analysis. Staff are trained in risk management which has become embedded in the activity of the Authority.

Due to the nature of the Authority's business and its determination to enforce the rights of exploited workers, it is almost inevitable that revocations of existing licences will be the subject of appeal. This is probably the largest single risk facing the Authority and I take a keen personal interest in this area. The Authority's record in defending appeals has been excellent with a 94% success rate in the current year. However, the nature of the revocation and appeals process means there is an inherent risk that decisions could adversely impact on the Authority as noted elsewhere in these accounts.

## 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 Authority 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 by the Board on the effectiveness of my review of the system of internal control, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit and Risk Committee, on behalf of the Authority's Board, has been diligent in reviewing the effectiveness of the system of internal control. I am pleased to report that our external auditors have, to date, issued management letters which, quite rightly, identify areas of concern and all such issues have been addressed quickly and in detail.

Following a tender process the Authority has recently appointed new internal auditors. As part of their strategic review and in consultation with Senior Managers of the Authority an initial three year programme of internal audit has been agreed. We continue to address issues raised by internal audit as they arise. One piece of work currently outstanding is the finalisation of the Business Continuity Programme, which we expect to complete in 2009-10.

As a result of discussions with the Audit and Risk Committee it has been agreed that the internal audit programme commencing in 2009-10 will encompass operational risks as well as the more common financial and fraud areas.

As a result of the comprehensive review of the system of internal control, I conclude that there are no significant control issues where corrective action has not been taken, or is substantially underway.



**Ian Livsey**  
*Accounting Officer*  
3 July 2009



## **The Certificate and Report of the Comptroller and Auditor General to the House of Parliament**

I certify that I have audited the financial statements of the Gangmasters Licensing Authority for the year ended 31 March 2009 under the Gangmasters (Licensing) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective Responsibilities of the Accounting Officer and Auditor**

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Gangmasters (Licensing) Act 2004 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gangmasters (Licensing) Act 2004 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Foreword, Directors' Report and the Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

## **Basis of Audit Opinions**

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

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

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Gangmasters (Licensing) Act 2004 and directions made thereunder by the Secretary of State, of the state of the Gangmasters Licensing Authority's affairs as at 31 March 2009 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gangmasters (Licensing) Act 2004 and Secretary of State directions made thereunder; and
- information, which comprises the Foreword, Directors' Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

### **Opinion on Regularity**

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

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
*Comptroller and Auditor General*  
*National Audit Office*  
*151 Buckingham Palace Road*  
*Victoria*  
*London*  
*SW1W 9SS*

*11 July 2009*

## Financial Statements

### Income and Expenditure Account for the year ended 31 March 2009

	Note	2008-09 £000's	2007-08 £000's
<b>Income</b>			
Enforcement	3	2,041	1,919
Licence Fees	5	950	707
Application Inspections Fees		579	668
Bank Interest	4	8	10
<b>Total Income</b>		<b>3,578</b>	<b>3,304</b>
<b>Expenditure</b>			
Staff Costs	10	2,071	1,991
Travel and Subsistence	7	252	283
Information Technology	7	199	142
Marketing	7	92	71
Consultancy	7	15	-
Legal Settlement	8	600	-
Other	6	869	784
<b>Total Expenditure</b>		<b>4,098</b>	<b>3,271</b>
<b>Retained (Deficit)/Surplus for the year</b>		<b>(520)</b>	<b>33</b>

All income and expenditure is derived from continuing operations.

The notes on pages 37 to 47 form an integral part of the accounts.

There are no gains and losses other than the deficit for the year.

**Balance Sheet as at 31 March 2009**

	Note	2008-09 £000's	2007-08 £000's
<b>Fixed Assets</b>			
Tangible Assets	13	1,039	1,217
Intangible Assets	12	10	1
<b>Total Fixed Assets</b>		<b>1,049</b>	<b>1,218</b>
<b>Current Assets</b>			
Debtors and Prepayments	14	15	19
Cash at bank and in hand	15	398	316
		<b>413</b>	<b>335</b>
<b>Current Liabilities</b>			
Creditors falling due within one year	16	(1,459)	(822)
Net Current Liabilities		<b>(1,046)</b>	<b>(487)</b>
<b>Total Assets less Current Liabilities</b>		<b>3</b>	<b>731</b>
<b>Capital and Reserves</b>			
General Reserve		3	731
<b>Financed by</b>			
Balance as at 1 April		731	936
(Deficit)/Surplus for the year		(520)	33
		<b>211</b>	<b>969</b>
Financing	2	1,368	1,307
Notional Cost of Capital		21	25
Payment to Consolidated Fund		(1,597)	(1,570)
<b>Total Reserves</b>		<b>3</b>	<b>731</b>

The notes on pages 37 to 47 form an integral part of the accounts.

Signed



**Ian Livsey**  
Accounting Officer  
3 July 2009

**Cash Flow Statement for the year ended 31 March 2009**

	Note	2008-09 £000	2007-08 £000's
<b>Reconciliation of Net Income to Net Cash Inflow from operating activities:</b>			
Net Income		(520)	33
Adjustments for Non Cash Transactions:			
Depreciation	12, 13	174	178
Loss on disposal of Tangible Fixed Assets		25	-
Notional cost of Capital	6	21	25
Decrease/(Increase) in Debtors	14	4	(4)
Increase/(Decrease) in Creditors		705	(2)
<b>Net Cash Inflow from operating activities</b>		<b>409</b>	<b>230</b>
<b>Reconciliation of Capital Expenditure and Financial Investment</b>			
Payments to acquire Intangible Fixed Assets	12	(17)	(1)
Payments to acquire Tangible Fixed Assets	13	(13)	-
<b>Total Capital Expenditure and Financial Investment</b>		<b>(30)</b>	<b>(1)</b>
<b>Payments to the Consolidated Fund which are outside the scope of the Authority's activities</b>			
		<b>(1,665)</b>	<b>(1,589)</b>
<b>Financing</b>			
Capital - Grant-in-aid	2	13	3
Capital - Defra	2	-	3
Revenue - Grant-in-aid	2	1,209	1,168
Revenue - Defra	2	146	133
<b>Total Financing</b>		<b>1,368</b>	<b>1,307</b>
<b>Reconciliation of Net Cash Flow to movement in net funds:</b>			
Increase/(Decrease) in Cash		<b>82</b>	<b>(53)</b>
Net funds at beginning of period		316	369
Net funds at end of period		398	316

The notes on pages 37 to 47 form an integral part of the accounts.

## Notes to the Accounts

### 1. Accounting Policies

#### Basis of Accounting

These accounts have been prepared in the form that the Secretary of State has, with approval of HM Treasury directed under Section 23 of the Gangmasters (Licensing) Act 2004 and are in compliance with the Accounts Direction as received from the Authority's sponsoring body, Defra.

The accounts are prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's *Fees and Charges Guide* and in the *Financial Reporting Manual (FRM)*, insofar as these are appropriate to the Authority. The financial statements are prepared under the modified historical cost convention.

The Authority also has regard to the Accounting Standards Board's Statement of Principles for Financial Reporting for the public sector.

#### Going Concern

The income and expenditure account for the year shows a net deficit of £520,000 and the balance sheet at 31 March 2009 shows net assets of £3,000. This reflects the inclusion of a liability in respect of a legal settlement, which will be met by future grants-in-aid from the Authority's sponsoring department, the Department for Environment Food and Rural Affairs. This is because, under the normal accounting conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need. There is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### Grant-in-aid and Grants

Grant-in-aid utilised for both revenue and capital expenditure is regarded as a finance flow used to support the statutory and other objectives of the Authority and is credited to the income and expenditure reserve in the year to which it relates.

#### Income Recognition

Income has been recognised on an accruals basis with licence fee income scheduled monthly over the annual life cycle according to the date on which the licence was issued.

Income received for both licence fees and application fees are exempt from VAT and are set in accordance with HM Treasury *Fees and Charges Guide*.

#### Financial Assets and Liabilities

The Authority classifies its non derivative financial asset as loans and receivables. Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs).

## Derivative Financial Instruments and Hedging

The Authority does not enter into contracts that use derivative instruments such as interest rate swaps or any other hedging facilities. The Authority seeks to eliminate or minimise its exposure to interest rate and exchange rate risk by not making investments and does not have any contracts denominated in foreign currencies. Trade debtors and creditors are not interest bearing and are stated at their nominal value, which is usually their invoiced amount. Cash at bank and in hand comprises cash in hand and current balances with banks, which are subject to insignificant changes in value. Liquidity risk is managed through the management of Grant-in-Aid funding through Defra.

## Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation. The Authority considers this basis of valuation appropriate in view of the low value of fixed assets, however it considers each year whether this remains appropriate.

## Depreciation

Depreciation is provided against both tangible and intangible fixed assets on a straight-line basis at rates calculated to write off the cost over the expected useful life (EUL) of the asset at the following annual rates:

IT Assets	3-10 Years
Office Equipment	3-5 Years

## Pension Costs

The pension arrangements for the Authority are covered by the Superannuation Act 1972 and reflects benefits for members of the Principal Civil Pension Scheme. The Act provides for defined pension benefits to be met from the Consolidated Fund and no liability rests with the Authority.

Past and present employees of the Authority are covered by the provisions of the Principal Civil Service Pension Scheme. The Scheme is a defined benefit scheme and liability rests with the scheme and not the Authority. Benefits are paid from Civil Superannuation Vote to which the Authority makes contributions calculated to cover accruing pension entitlement for staff employed. Statements of account for the Scheme are provided by the Cabinet Office Civil Superannuation Resource Account, 2008-09.

## Cost of Capital

A notional cost of capital employed during the year is shown on the income and expenditure account, in accordance with the FReM.

The cost of capital represents the opportunity cost to the Exchequer of assets used by the Authority and is calculated at HM Treasury's set rate of 3.5% (2007-08: 3.5%) on averaged net total assets.



## 2. Financing

	2008-09	2007-08
	£000's	£000's
Capital - Grant-in-Aid	13	3
Capital - Defra	-	3
Revenue - Grant-in-Aid	1,209	1,168
Revenue - Defra	146	133
<b>Total</b>	<b>1,368</b>	<b>1,307</b>

## 3. Enforcement Income

	2008-09	2007-08
	£000's	£000's
Enforcement Income for operating activities within Great Britain	1,941	1,852
Income from Defra for Regional Food activity	100	67
<b>Total</b>	<b>2,041</b>	<b>1,919</b>

The Authority has a service level agreement (SLA) with Defra in order to provide enforcement services within Great Britain. This income is applied for and received on a monthly basis.

The Authority has also issued invoices to the Department of Agriculture and Rural Development (DARDNI) for enforcement activities carried out within Northern Ireland.

## 4. Bank Interest

	2008-09	2007-08
	£000's	£000's
Bank Interest	8	10
<b>Total</b>	<b>8</b>	<b>10</b>

The Authority pays all income received from bank interest into the Consolidated Fund as an Extra Receipt via Defra.

## 5. Licence Fees

The following table shows the licensing fee structure for 2008-09 and the previous year.

Annual Turnover	Fee Band	Annual Licence Fee		Application Inspection Fee		Renewal Fee	
		2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
		£000's	£000's	£000's	£000's	£000's	£000's
£10m+	A	12.9	11.5	2.9	2.5	10.0	9.0
£5-10m	B	7.4	6.6	2.4	2.1	5.0	4.5
£1-5m	C	4.1	3.7	2.2	1.9	1.9	1.8
<£1m	D	2.3	2.0	1.9	1.6	0.4	0.4

Under the Gangmasters (Licensing) Act 2004, the Authority is required to establish a whole of UK licensing scheme and create a register for gangmasters who are operating in agriculture, horticulture and shellfish gathering and associated processing and packaging industries. Exclusions to this are set out in the Gangmasters (Exclusions) Regulations 2006.

Following advice from the Board, HM Treasury accepted a change in the way that application fees are charged. Rather than a separate application and licence fee being charged upon application of a new licence, during 2008-09 the applicant labour provider paid an increased initial licence fee only, which is then followed by a reduced annual renewal fee thereafter. Application inspections continue to be carried out for new businesses, but are therefore not charged for separately. No businesses which were holding a licence prior to this process change have been disadvantaged as a result of this change.

The number of licences issued, cancelled and refused were as follows:

As at 31 March 2009	Licences Issued	Licence Applications Cancelled	Licence Applications Refused	Total	Licence Fees £000's
Horticulture, Agriculture and Forestry	1,398	179	18	1,595	950
Shellfish	2	4	-	6	-
<b>Total</b>	<b>1,400</b>	<b>183</b>	<b>18</b>	<b>1,601</b>	<b>950</b>

As at 31 March 2008	Licences Issued	Licence Applications Cancelled	Licence Applications Refused	Total	Licence Fees £000's
Horticulture, Agriculture and Forestry	1,201	14	13	1,228	707
Shellfish	1	1	-	2	-
<b>Total</b>	<b>1,202</b>	<b>15</b>	<b>13</b>	<b>1,230</b>	<b>707</b>

## 6. Other Expenditure

	2008-09	2007-08
	£000's	£000's
Depreciation	174	178
Legal costs – Appeals	208	168
Application Inspection Costs	25	72
Recruitment	10	65
Rent	49	40
Training	52	50
Auditors Remunerations	48	37
Telephone	86	26
Notional Cost of Capital	21	25
Interpreters	32	22
Stationery/Postage	22	20
Board Expenses	10	8
Measuring Outcomes Survey	38	6
Other	94	67
<b>Total</b>	<b>869</b>	<b>784</b>

The remuneration to the National Audit Office (NAO) in respect of external audit work carried out was £27,000 (£27,000 2007-08). In addition, £3,000 was paid to the NAO in respect of audit work supporting the transition to International Financial Reporting Standards. The residual auditors remunerations relate to fees for internal audit work.

## 7. Expenditure Analysis

For the purposes of full costs recovery, expenditure has been analysed by function as well as category as below. All costs are allocated on the basis of management's best estimate of the apportionment of costs between enforcement and licensing activities.

Function	2008-09			2007-08 to March 2008 Re-stated		
	£000's Enforcement	£000's Licensing	£000's Total	£000's Enforcement*	£000's Licensing*	£000's Total
Staff Costs	1,335	736	2,071	1,297	694	1,991
Travel and Subsistence	173	79	252	202	81	283
Information Technology	116	83	199	102	40	142
Marketing	69	23	92	53	18	71
Consultancy	8	7	15	-	-	-
Legal	600	-	600	-	-	-
Settlement	295	574	869	248	536	784
<b>Total</b>	<b>2,596</b>	<b>1,502</b>	<b>4,098</b>	<b>1,902</b>	<b>1,369</b>	<b>3,271</b>

\* See note 10 for details of 2007-08 re-statement

## 8. Settlement of Claim

On 30 June 2009 the Authority resolved an outstanding claim following the revocation of a licence. The full expenditure is included in the Income and Expenditure Account and a compensating payment will be reflected in the Accounts for 2009-10 when the funds are received from Defra.

## 9. Full Cost Recovery

In line with HM Treasury's Fees and Charges Guide 1992, the Authority is required to operate on a full cost recovery basis. The financial objective set for the Authority is that full cost recovery will be achieved on a year on year basis.

This information is provided for fees and charges purposes, not for SSAP 25 purposes.

	2008-09 £000's	2007-08 to March 2008 Re-stated * £000's
<b>Income</b>		
Licence and Application Inspection Fees	1,529	1,375
<b>Expenditure</b>		
Staff Costs	736	* 694
Travel and Subsistence	79	81
Information Technology	83	40
Marketing	23	18
Consultancy	7	-
Other	574	536
<b>Total Expenditure</b>	<b>1,502</b>	<b>1,369</b>
<b>Surplus</b>	<b>27</b>	<b>* 6</b>

\* See note 10 for details of 2007-08 re-statement analysed as below.

Full Cost Recovery Surplus – Re-statement 2007-08	Licensing £000's	Enforcement £000's
Staff Costs	733	1,258
Movement for associated enforcement performance related pay bonus	16	(16)
Movement for associated costs for intelligence	(55)	55
<b>Total re-stated 2007-08</b>	<b>694</b>	<b>1,297</b>
(Deficit)/Surplus as at 31 March 2008	(33)	
Movement for staff costs from licensing to enforcement	39	
<b>Total Surplus re-stated 2007-08</b>	<b>6</b>	

## 10. Staff Costs

	2008-09 £000's			2007-08 Re-stated * £000's		
	Licensing	Enforcement	Total	Licensing	Enforcement	Total
Staff salaries including performance related pay	572	1,059	1,631	557	1,028	1,585
Social security costs	48	75	123	39	82	121
Pension service costs (Note 11)	116	201	317	98	187	285
<b>Total</b>	<b>736</b>	<b>1,335</b>	<b>2,071</b>	<b>694</b>	<b>1,297</b>	<b>1,991</b>

All costs are allocated on the basis of management's best estimate of the apportionment of costs between enforcement and licensing.

We have re-stated the 2007-08 staff costs to show a fairer comparison between licensing and enforcement costs. This restatement gives a fairer view of the comparative costs for each department as a result of staff moving from licensing to enforcement in 2008-09.

2007-08 Re-statement	Licensing £000's	Enforcement £000's
Staff salaries including performance related pay	588	997
Movement for performance related pay bonus accrual	16	(16)
Movement for associated costs for intelligence	(47)	47
<b>Total Staff Salaries Costs Re-stated as at 31 March 2208</b>	<b>557</b>	<b>1,028</b>
Social Security Costs	43	78
Movement for associated costs for intelligence	(4)	4
<b>Total Social Security Costs Re-stated as at 31 March 2208</b>	<b>39</b>	<b>82</b>
Pension Service Costs (Note 11)	102	183
Movement for associated costs for intelligence	(4)	4
<b>Total Pension Costs Re-stated as at 31 March 2208</b>	<b>98</b>	<b>187</b>
<b>Total Re-statement</b>	<b>(55)</b>	<b>55</b>

The Chairman, Paul Whitehouse, received total remuneration of £30,000 (£21,000 2007-08). Full details of the senior staff costs are provided within the Remuneration Report on pages 22 to 25.

Temporary administration staff at a cost of £4,000 (£14,000 2007-08) are included within the licensing staff costs, and £1,000 (nil 2007-08) are included within the enforcement staff costs. However, this did not increase the average number employed.

No employees were employed on a short term basis (4 employees 2007-08).

A total of £64,000 (£59,400 2007-08) was paid for performance related pay during the year, £39,000 (£30,500 2007-08) for licensing staff and £25,000 for enforcement staff (£28,900 2007-08).

<b>Average Number of Employees</b>	<b>2008-09</b>	<b>2007-08 To March 08 Re-stated *</b>
Licensing	29	33
Enforcement	26	20
<b>Total</b>	<b>55</b>	<b>53</b>

<b>Average Number of Employees – Re-statement 2007-08</b>	<b>Licensing</b>	<b>Enforcement</b>
Average number of employees	37	16
Movement for associated costs for intelligence	(4)	4
<b>Total Re-stated 2007-08</b>	<b>33</b>	<b>20</b>

## 11. Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Authority is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details of the latest actuarial valuation can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

To 31<sup>st</sup> March 2009, employers' contributions of £310,000 were payable to the PCSPS (£280,000 for 2007-08) at one of four rates in the range of 17.1 to 25.5 percent of pensionable pay (as per the rates in 2007-08), based on revalorised salary bands on the advice of the scheme actuary.

The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £7,000 (£5,000 2007-08) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer's contributions are age-related and range from 3 to 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer contributions of £480 (£340 2007-08), 0.8 percent of pensionable pay, were payable to the PCSPS in order to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil (nil 2007-08). Contributions prepaid at that date were nil (nil 2007-08).

## 12. Intangible Fixed Assets

	Software Licenses £000's	Total £000's
<b>Cost</b>		
At 1st April 2008	12	12
Additions	17	17
Disposals	-	-
At 31st March 2009	29	29
<b>Depreciation</b>		
At 1st April 2008	11	11
Charge for the period	8	8
Disposals	-	-
At 31st March 2009	19	19
<b>Net Book Value:</b>		
<b>At 31st March 2009</b>	<b>10</b>	<b>10</b>
At 31st March 2008	1	1

## 13. Tangible Fixed Assets

	IT Assets £000's	Office Equipment £000's	Total £000's
<b>Cost</b>			
At 1st April 2008	1,500	3	1,503
Additions	13	-	13
Assets Written Off	(42)	-	(42)
At 31st March 2009	1,471	3	1,474
<b>Depreciation</b>			
At 1st April 2008	284	2	286
Charge for the period	165	1	166
Eliminated on write-off	(17)	-	(17)
At 31st March 2009	432	3	435
<b>Net Book Value:</b>			
<b>At 31st March 2009</b>	<b>1,039</b>	<b>-</b>	<b>1,039</b>
At 31st March 2008	1,216	1	1,217

Fixed assets with a net book value of £25,000 (nil 2007-08) were written off during the year to reflect the fair value of assets carried forward. There were no disposals during the year (£5,000 2007-08).

**14. Debtors**

	2008-09	2007-08
	£000's	£000's
Prepayments and Accrued Income	15	19
<b>Total</b>	<b>15</b>	<b>19</b>

**15. Cash at Bank and in Hand**

	2008-09	2007-08
	£000's	£000's
Cash at Bank	398	316
<b>Total</b>	<b>398</b>	<b>316</b>

**16. Creditors Falling Due Within One Year**

	2008-09	2007-08
	£000's	£000's
VAT	85	85
Other Taxation and Social Security	42	39
Trade Creditors	25	38
Accruals and Deferred Income	1,307	660
<b>Total</b>	<b>1,459</b>	<b>822</b>

Included in this figure is a total amount of £57,900 (£99,000 2007-08) which relates to balances with other government departments which fall within the whole of government accounting (WGA) boundaries.

£85,000 relates to VAT which was reclaimed during the period of 2005 to 2007 along with management's best estimate of the liability due. This liability is associated with the HMRC's decision to de-register the Authority under the provisions of VAT legislation.

There are no amounts falling due after one year.

**17. Capital Commitments**

The Authority had no capital commitments as at 31 March 2009 (nil 2007-08).

**18. Losses and Special Payments**

Managing Public Finances requires disclosure of losses and special payments by category type and value where they exceed £250,000 in total and for any individual items above £250,000. During the year 1 April 2008 – 31 March 2009, as disclosed in Note 8 the Authority incurred a liability with respect to a claim against it for the amount of £600,000 (nil 2007-08).



## 19. Financial Instruments

FRS 25, 26 and 29 require disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. The Authority does not face the degree of exposure to financial risk that commercial businesses do. In addition, financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing the Authority in undertaking its activities. The Authority relies upon Defra for its cash requirements, met through Grant-in-Aid payments, having no power itself to borrow or invest surplus funds and the Authority's main financial assets and liabilities have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5 percent). The short term liquidity and interest rate risks are therefore slight and there is no foreign currency risk as all income and expenditure, and material assets and liabilities, are denominated in sterling. The Authority does not make use of any hedging transactions. The Authority is exposed to credit risk only to a limited extent, as payments from third parties in respect of licence applications are generally received in advance. As permitted by the FRS, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure note.

## 20. Post Balance Sheet Events

As at 30 June 2009, the Authority settled an outstanding claim relating to the revocation of a license. The costs of the settlement have been included in the 2008-09 accounts and are disclosed in Note 8.

The Authority's financial statements are laid before the Houses of Parliament by the Parliamentary Clerk for Defra. FRS 21 requires the Authority to disclose the date on which the accounts are authorised for issue. The authorised date for issue is 11 July 2009. The authorising officer is the Accounting Officer, Ian Livsey.

## 21. Contingent Liabilities

There are no contingent liabilities.

## 22. Related Party Transactions

Body	Relationship	2008-09	2007-08
		£000's	£000's
Defra	Sponsoring Body	3,309	3,024
The Cabinet Office	Manager of PCSPS	310	280
Land Registry	Landlord	49	40
DARDNI	Sponsoring Body Associate	100	67
Ministry of Defence	Authorised Pensions Administration Centre via People, Pay and Pensions Agency	3	2
National College for School Leadership	Conference Venue	1	-

The Authority is a non-departmental public body of Defra and Defra is regarded as a related party. During the year grant in aid has been received from Defra as disclosed in Note 2 along with income for enforcement activities as disclosed in Note 3.

During the year, no Minister, Senior Manager or other related party has undertaken any material transactions with the Authority.

## Glossary

ACPO	Association of Chief Police Officers
ALC	Additional Licensing Condition
ALP	Association of Labour Providers
ARC	Audit and Risk Committee
CETV	Cash Equivalent Transfer Value
DARDNI	Department for Agriculture and Rural Development Northern Ireland
DBERR	Department for Business, Enterprise and Regulatory Reform
Defra	Department For Environment, Food and Rural Affairs
DWP	Department of Work and Pensions
ETI	Ethical Trading Initiative
EUL	Expected Useful Life
FDF	Food and Drink Federation
FFD	Farm Focus Division
FPC	Fresh Produce Consortium
FReM	Financial Reporting Manual
GIA	Grant in Aid
GLA	Gangmasters Licensing Authority
HIA	Head of Internal Audit
HMRC	Her Majesty's Revenue and Customs
HSE	Health and Safety Executive
IiP	Investors in People
LACORS	Local Authorities Coordinators of Regulatory Services
LAWS	Licence Application Workflow System
LP	Labour Provider
LU	Labour User
MOU	Memorandum of Understanding
NACAB	National Association of Citizens Advice Bureau
NAO	National Audit Office
NFU	National Farmers Union
NFUS	National Farmers Union Scotland
NMW	National Minimum Wage
OGD	Other Government Department
PCSPS	Principal Civil Service Pension Scheme
PQ	Parliamentary Question
PRP	Performance Related Pay
REC	The Recruitment and Employment Confederation
RPI	Retail Price Index
SFIA	Sea Fish Industry Association
SI	Statutory Instrument
SLA	Service Level Agreement
SOCA	Serious Organised Crime Agency
TGWU	Transport and General Workers Union
TLWG	Temporary Labour Working Group
TUC	Trade Union Congress
UKBA	United Kingdom Border Agency
UKHTC	United Kingdom Human Trafficking Centre
WGA	Whole of Government Accounts

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