



Gangmasters
Licensing Authority

Gangmasters Licensing Authority Annual Report and Accounts

1 April 2005 to 31 March 2006



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Annual Report and Accounts

1 April 2005 to 31 March 2006

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Contents

Mission Statement	3
Foreword	4
Director's Report	6
Management Commentary	8
Performance against targets 2005/06.....	8
Communications and Marketing Strategy	9
Legislative Timetable.....	10
Operations, Compliance and Enforcement.....	11
Corporate Governance.....	13
Finance	14
Information Technology	15
Human Resources	16
Authority's Objectives 2006/7.....	17
Remuneration Report	18
Contract Information.....	18
Salary Information	18
Declaration of Interest.....	21
Authority Board Composition.....	22
Statement of Accounting Officer's Responsibilities.....	24
Statement on Internal Control.....	25
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.....	31
Financial Statements	33
Income and Expenditure Account for the year ended	33
31 March 2006.....	33
Statement of Total Recognised Gains and Losses.....	33
Balance Sheet as at 31 March 2006	34
Cash Flow Statement for the year ended 31 March 2006	35
Notes to the Accounts	36
1. Form of Accounts	36
2. Accounting Policies.....	36
3. Grant in Aid	37
4. Licence Fees	37
5. Other Income	38
6. Staff Costs.....	38
7. Pension Costs	39
8. Other Expenditure	40
9. Intangible Assets.....	41
10. Tangible Assets.....	41
11. Debtors	42
12. Cash at bank and in hand	42
13. Creditors: Amounts falling due within one year	42
14. Government Grant Reserve	43
15. General Fund	43
16. Net Cash Outflow	43
17. Capital Commitments.....	43
18. Contingent Liabilities.....	43
19. Losses and Special Payments	43
20. Financial Instruments	44
21. Post Balance Sheet Events	44
22. Related Party Transactions.....	44
Glossary	45

Mission Statement

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

- Introducing and operating a system to licence 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

The Gangmasters Licensing Authority (GLA) came formally into being on 1 April 2005. On that day, only a year ago, all 5 members of its staff met in temporary office accommodation at Nottingham. This report covers the period between that initial meeting, and the position as at 31 March 2006. By March there were 35 fully trained staff in place, in refurbished accommodation supported by a modern IT infrastructure and computer applications, ready to invite applications for Authority licences.

It has been a highly successful year, in that the Authority has achieved exactly what it set out to achieve at the start of the year – the setting up of a regulatory authority to begin licensing in April 2006. That success derived from teamwork, and we would be remiss in not paying tribute to at least the main organisations and individuals that made this possible.

- The Temporary Labour Working Group (TLWG). The TLWG was set up in 2002 under the auspices of the Ethical Trading Initiative, with representatives from the major retailers, the TGWU, GMB, NFU, FPC and Defra. The Group produced the excellent TLWG Code of Practice and Audit regime that are the basis of the Authority Licensing Standards and the Authority processes.
- The Defra Project Board. The Authority's executive inherited from Defra a range of sound arrangements and a project management structure that had already been put in place to form the Authority.
- Defra's IT partner, IBM provided invaluable consultancy support to Authority in the design of processes, the identification of IT requirements, and in the delivery of a licensing application system.
- The Authority's Board. Representing a broad range of stakeholder interests, the Board has nonetheless – as individual members and as a whole - given the Authority clear direction and its full support.
- The Authority's staff. The team has come together from a wide variety of backgrounds and organisations. The first year's success owes everything to the expertise and resourcefulness, to the enthusiasm and to the sheer hard work shown by every individual in what is demonstrably a highly effective team.

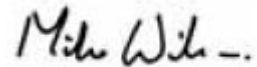
This teamwork has been particularly noticeable at meetings of the Authority. Although there have been some vigorous debates, the determination of all members to maintain the momentum established by those involved before the Authority's formation has meant that agreement has always been reached without the need for a vote.

The Authority recognises very clearly that opening for business on 6 April 2006 is just the start. There is much more to do in the year ahead, to extend licensing into the shellfish sector, and to bed in the process. Also - more importantly - the Authority will begin its Compliance and Enforcement activities, led by the Intelligence function that it has developed during the last year. It is these activities that will allow the Authority to make a difference - by providing a visible presence in the field, by monitoring compliance with the Authority standards, and by successfully prosecuting illegal activity.

The Authority has been set demanding performance targets in 2006/7 and beyond, aimed at improving the efficiency of operations. These targets are based on a very limited knowledge of the full extent and nature of gangmastering in the UK, and the degree to which they are achievable is uncertain. At the same time, the Authority plans an early review of its processes, organisational structure and staffing levels. In addition, it is planned that by 31 March 2009 the Authority will have disbanded as an NDPB and been merged into the Health and Safety Executive. The Authority's first year was undoubtedly difficult, but equally challenging years lie ahead.



Paul Whitehouse
4 July 2006



Mike Wilson
4 July 2006

Director's Report

The principal activity of the Authority during the year under review was to establish the framework to commence licensing of Gangmasters on the 6 April 2006.

The Authority operates an Equal Opportunities Recruitment Policy and is working towards a policy to recruit, retain and develop disabled persons.

The Authority has operated throughout the year with active involvement from all staff members. The Authority has gone to great lengths to engender positive two-way communication channels with all staff.

A list of the persons who served as Members of the Board for the year can be found on page 22. In addition, the Executive Directors of the Authority are named within the Remuneration Report on page 18.

The Authority has a payment policy for all goods, services works and contracts. Where there is no contractual provision the accepted practice is that the Authority should pay within thirty days of receipt of goods or receipt of a valid invoice which ever is the later. This is in accordance with the Government's Better Payments Practice Code, the British Standard for Achieving Good Payment in Commercial Transactions (BS 7890), the Parliamentary control of expenditure and the need to protect the Exchequer's interests. The Authority achieved 88 per cent of payments within the scope of these policies during this financial year.

Business Review

The Management Commentary (pages 8 to 17) sets out the performance of the Authority for the year and the achievement or otherwise of its key objectives.

Risks

The key risks and categories of risk for the Authority can be seen on pages 27 to 29.

Financial Review

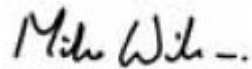
The financial performance of the Authority is set out on pages 33 to 44. The expenditure identified in the reports is consistent with the amounts budgeted to ensure that the Authority was ready to licence on 6 April 2006. The Directors are confident that the Authority's financial position is sound and that operationally it will be ready to deliver its key objectives for the coming year.

As the Authority has not yet received any licence fee income and has not yet completed its capital programme for Information Technology it is difficult to comment on the 'key performance indicators'. Such commentary will be included in next year's report.

As Accounting Officer, I am also able to disclose the following:

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

Signed:



Mike Wilson
Accounting Officer
4 July 2006

Management Commentary

Performance against targets 2005/06

The Authority contributes to the achievement of the aims, objectives, targets and Public Service Agreements of Defra and, as appropriate, those of other Government Departments, as well as to wider Government initiatives such as those which seek to improve the efficiency, economy and effectiveness of public services.

The Authority began work on 1 April 2005. Most of its first year has been spent preparing for licensing by meeting the organisational objectives as set out below:

Communications and Marketing Strategy	Operations, Compliance and Enforcement	Corporate Governance	Information Technology
Develop a communications and marketing strategy and an implementation plan.	Design and develop the licensing, licence holder register, and appeals operating procedures.	Financial Memorandum to be agreed.	Infrastructure to be installed and operational.
Website design to be complete for static application.	Establish agreements with central government partners and others as appropriate, to support licensing and information exchange.	Establish the Audit and Risk Committee.	Inter Departmental Operability issues to be identified and resolved.
Legislative Timetable	Develop the Authority's Audit strategy.	Agree the arrangements for the internal and external audit programmes.	Licence fee software to be designed, tested and operational.
Ensure that the Rules orders for Licence Conditions are laid before Parliament by 30 September 2005.	Develop the enforcement procedures and train investigators.	Produce the three year Corporate Plan.	Human Resources
Respond to Defra consultation on the Exclusions and Appeals regulations by 27 May 2005 and 1 July respectively.	Establish Operations teams (compliance, intelligence, enforcement and licensing).	Identify key risks to the Authority in operation with a risk register.	Staffing structure to be agreed.
	Identify Operations Management Information requirements.	Finance	Recruitment needs to be identified and all staff to be in post with contracts in place.
		Agree the annual budget and system of budgetary control.	Staff handbook to be published.
		Financial accounting software to be installed and operational.	Personnel Management software and systems to be installed and operational.
		Design and implement a financial management information system.	Annual Performance Appraisal to be in place.

Communications and Marketing Strategy

Develop a communications and marketing strategy and an implementation plan which ensures that all stakeholders are informed about and understand the requirements of the Gangmasters (Licensing) Act 2004 by 1 September 2005.

As part of the set up of the Authority, the Communications strategy was prepared and approved by the executive on 19 July 2005. From the strategy, implementation plans were developed for all of the planned communications for 2005 and 2006. As a priority, communication activity has been focused on ensuring that labour providers are aware of the requirements of licensing. This has been achieved by targeting trade press, local and national media and the production of guidance material.

A range of media opportunities arose throughout the year which the Chairman responded to as the spokesperson for the Authority. This media awareness raising was augmented by written materials for different stakeholder groups which included:

- bi-monthly newsletters for different interest groups
- brochures and leaflets for stakeholders; and
- a series of consultation events for labour providers across the UK

Design the website for static application by 31 July 2005.

The static website went live in October 2005 to coincide with the launch of the public consultation on the licensing scheme. Over the last six months, it has been regularly updated with information for labour providers, labour users and workers. It also holds general information about the Authority and details of the Board and its meetings. The online application and public register access points were launched on 6 April 2006 when licensing commenced. Stakeholders and the public are able to subscribe for updates by completing an online form. This has meant that the Authority has been able to send out a range of electronic communications and build up a database of contacts.

Legislative Timetable

Ensure that the Rules orders for Licence Conditions are laid before Parliament by 30 September 2005 so that the statutory instrument comes into force on 1 December 2005 and licensing can commence.

Licensing commenced on 6 April 2006 when the Gangmasters (Licensing Conditions) Rules 2006 came in to force. An early decision was made that licensing could not commence until April 2006, as there was insufficient time to consult and lay the rules in order to meet the deadline of December 2005. A public consultation was held for eight weeks from 17 October 2005 which was supplemented by public meetings in areas of high gangmastering activity. Consultation responses could be submitted electronically or through the usual channels. The Authority received 76 responses and up to 200 individuals attended events. An analysis of the consultation responses is available on the website.

Respond to Defra consultation on the Exclusions and Appeals regulations by 27 May 2005 and 1 July 2005 respectively. Other consultation exercises to be added as necessary.

The Authority has provided responses to all relevant Defra consultation exercises on regulations concerning gangmastering activity. The Authority has been influential in shaping these regulations and ensured that they were operationally viable.

Operations, Compliance and Enforcement

Design and develop the licensing, license holder and appeals operating procedures, including the definition of data requirements, for the application process to support licensing from December 2005.

As stated under Legislation, Licensing commenced on 6 April 2006. During the period from the commencement of the Authority's establishment, and engagement of IBM as the Authority's IT partner, licensing procedures and processes were developed. These reflected the licensing conditions and legislative framework, but also looked at ways in which the burden of such processes on business could be eased, utilising online communication wherever possible. The simplicity of the end process is reflected in the effectiveness of the licensing system to date.

Establish agreement with central government partners and others as appropriate, to support licensing (compliance and enforcement) and information exchange by December 2005.

Information exchange commenced in April 2006 in support of the licensing process. A key element of the Authority's processes is dependant on information exchange with Other Government Departments (OGD) who have historically regulated various aspects of gangmaster activity. Therefore, the procedures developed required that applications for a Gangmasters Licence are checked by the following Government Departments: HM Revenue and Customs; Department for Work and Pensions; Home Office (Immigration and Nationalities Directorate); Department of Trade and Industry; and the Health and Safety Executive. To support the operation of these procedures Memoranda of Agreements were produced. Negotiations on all but two of them concluded before the end of March 2006. Whilst two of the agreements are still to be finalised it has not prevented the operation of the checking procedure which is operational with all Departments. In line with our aim of reducing burdens, the Authority has also introduced a secure electronic information exchange process to minimise the resource burden on those Departments involved in the checking process. The agreements so far cover information exchange protocols. The next stage in their development extends the agreements to establish the processes and liaison arrangements for joint operational activity.

Develop the Authority's Audit strategy (code, training and accreditation) to ensure consistent practice by auditors, by December 2005.

The Authority produced its Licensing Standards against which to assess the compliance of applicants for a Gangmasters' Licence. The Licensing Standards are central to Compliance and Licensing procedures, and ensure a consistent and objective decision making process is maintained. The Licensing Standards were subjected to public scrutiny as a constituent part of the Regulatory Impact Assessment on the Licensing Conditions. Following their agreement Authority staff have been trained in inspecting against those standards, have undertaken initial inspection activity with organisations that have been through the TLWG audit process, and are working towards an accreditation scheme for the use of external auditors by the Authority as a contingency measure in the event of peaks of inspection activity.

Develop the enforcement procedures and train investigators in preparation for the operating of the offences by March 2006.

The change of implementation date for Licensing to April 2006 has had a consequential impact on the implementation date for the criminal offences, and supporting procedures. The revised implementation date is 1 October 2006. Planning milestone dates and recruitment have therefore been revised and tailored to the new implementation date. Nonetheless, the Authority has developed its training and equipment strategies, and is procuring the necessary services and equipment to enable its staff to fulfil their role effectively and safely.

Establish Operations teams (compliances, intelligence, enforcement and licensing) structures, geographical location(s), resource requirements and recruitment timetable by June 2005.

The recruitment of operational staff has been divided into several phases. This approach was taken to bring in the right level of resources with the right skills at the right time to ensure that the set up of operational procedures was completed to set milestones and IT data requirements reflected the operational needs of the constituent sections within the Operations Directorate. Following the appointment of the Section Heads for Compliance, Licensing and Intelligence in April, the Intelligence team staffing was completed later that month. In October the Section Head and first members of the Enforcement team were recruited, as was the Head of Inspection Standards (an internal quality assurance role with responsibility for the use of external inspection staff). By February the Licensing team were brought up to their operational complement. Finally, a further ten Compliance and Enforcement staff commenced work in March 2006. Further recruitment will be undertaken later in 2006.

Identify Operations Management Information Requirements for key operational performance activity: data, frequency of reports and comparison points by November 2005.

Management Information requirements to support reporting of operational activity were completed in October 2005. These requirements will enable the Authority to report on performance against targets, support Line Management and assist in the identification of trends within the data. This will assist in any process improvement reviews.

Corporate Governance

Financial Memorandum to be agreed with the sponsoring body by 30 April 2005.

The Financial Memorandum and Management Statement were agreed with the sponsoring body in May 2005. Both documents were formally signed by Defra on 1 August 2005 and the Authority on 4 August 2005.

Audit and Risk Committee to be established by 30 June 2005.

The Audit and Risk Committee (ARC) was established as a committee of the Authority's Board during October 2005, and its first meeting was held on 11 January 2006. The ARC comprises four board members of the Authority and in attendance are the Chief Executive and representatives of external and internal audit functions. Secretarial support is provided by the Director of Finance. The ARC will meet at least quarterly and will annually provide a written report to the Authority's Board.

Reach agreement in regard to the arrangements for the Internal and External audit programmes by 31 July 2005.

The C&AG was appointed as External Auditor by statute and the NAO provided its audit strategy in November 2005.

For the year 2005/6 the Authority has appointed Defra Internal Audit to provide internal audit facilities. The furtherance or otherwise of this arrangement will be considered following the completion of the year-end procedures.

Produce the three year Corporate Plan in agreement by both the Board of Management and the sponsoring body by December 2005.

The Corporate Plan for the three year period ending 31 March 2009 was agreed by the sponsoring body on 15 March 2006 and subsequently adopted by the Authority's Board at its meeting on the same day.

Copies of the Corporate Plan are available if required from the Director of Policy and Communications at the Nottingham Head Office, or by visiting the Authorities website at www.gla.gov.uk

Identify key risks to the Authority in operation with a risk register. Need to include an indication of the financial risk management of objectives and policies, and exposure to this risk.

As part of the operational functions of the Audit and Risk Committee a Risk Register has been formulated and submitted to the Committee for adoption. The Committee will regularly review the Register and update and amend it where necessary. Further details of this can be found within the Statement on Internal Control. The key risks identified for the Authority as at 31 March 2006 are identified on pages 27 to 29.

Finance

Produce the annual one year budget and agree with the sponsoring body by 31 May 2005.

The Authority's first year operational budget was agreed with the sponsoring body on 31 May 2005.

Design and implement a system of budgetary control in agreement with the sponsoring body by 30 September 2005.

A system of budgetary control was agreed with the sponsoring body.

Install the financial accounting system software (Sage) which is to be fully operational by 31 August 2005.

The financial accounting system software (Sage MMS) was installed in July 2005 and became fully operational later that month.

Design and implement a fully integrated financial management information system identifying variances from the plan on a monthly basis, by 30 September 2005.

A fully integrated financial management information system was introduced in August 2005. The Authority monitors its financial performance at Board and Executive level by significant exception reporting i.e. all positive and adverse variances from budget are highlighted and reported upon.

Information Technology

Infrastructure to be installed and working in line with expectations and requirements by 30 June 2005 (including HR, Accounting and ERDM).

After analysing available options, the Authority decided to procure the following systems for its 'back office' functions:

- Payroll – Sage payroll, installed April 2005
- Accounting – Sage MMS, installed July 2005
- HR – Snowdrop, installed March 2005.

A decision regarding ERDM (Electrical Records Data Management) has been deferred, pending a decision regarding the proposed Enforcement Case Management Software systems which will be decided following full evaluation of available options in the summer of 2006.

Inter Departmental Operability issues to be identified and resolved by 31 March 2006.

In all of the Authority's electronic communications it has been a pre-requisite that industry standards of inter operability with other government departments and internal systems have been consciously incorporated. Therefore the Authority can effectively exchange data securely and efficiently with all government departments. This substantially impacts on the Authority's ability to operate its business processes in an effective and efficient manner.

Licence fee software to be designed, tested and operational in 'test' form by 31 March 2006.

The newly developed LAWS system (License Application Workflow System) was introduced on 6 April 2006 to coincide with the Authority's 'Go-Live' date for licensing. The system has worked successfully since its inception.

Human Resources

Staffing structure for 2005/06 to be agreed by 30 June 2005.

The Authority produced an agreed Human Resources strategy in July 2005 . As part of this strategy the Authority identified the proposed staffing levels for the period ending March 2008, for both operational departments and enforcement activities.

Recruitment need to be identified and all staff to be in post for the first phase of operations, excluding enforcement, by 30 December 2005.

As a result of the agreed strategy (above) the Authority successfully completed the recruitment of all positions as at 30 December 2005.

Contracts to be in place for all staff by May 2005.

All staff employed by the Authority have signed contracts of employment confirming their contractual relationship with the Authority.

Publish the staff handbook by July 2005.

The staff handbook (version 1) was published on the Authority's intranet during August 2005. The handbook will be revised, as appropriate, whenever changed circumstances need to be reflected.

Personnel Management software and systems to be installed and operational by August 2005.

After extensive evaluation of available systems, the Authority procured a Personnel Management system (Snowdrop) during March 2005. The system has been installed and training has been given to key staff members. Due to other operational considerations the system did not become live until May 2006.

Produce an Annual Performance Appraisal system and implement by December 2005.

An annual performance appraisal system has been designed and agreed. It will become fully operational for the year commencing 1 April 2006.

Authority's Objectives 2006/7

The Authority's main objectives and targets for the next financial year as set out as follows, in priority order:

1	<p>Achieving High Level Milestones This objective focuses on the Authority reaching full operating capability and meeting the requirements for Licensing, Compliance and Enforcement.</p>
2	<p>Outcomes This objective will drive the Authority to become more effective in meeting the aims of the Act. The Authority will establish agreed indicators and targets and measure performance against these to show improving effectiveness.</p>
3	<p>Communications Communication sits at the heart of the success of the Authority. Those covered by the licensing scheme and stakeholders need to have a clear understanding of the requirements of licensing.</p>
4	<p>Financial performance This objective concerns the financial performance of the Authority and ensuring that it makes the best use of its resources and strives for efficiency.</p>
5	<p>People. The Authority considers that its staff are its most valuable resource and so will be working towards achieving Investors in People status. To achieve this it will focus on recruitment, development and strategies for rewarding staff.</p>
6	<p>Performance This objective is aimed at improving quality, timeliness and efficiency of licensing, compliance, enforcement and non-operational support.</p>
7	<p>Hampton Implementation. The Hampton review recommended, as part of a series of mergers of small regulators, that the Authority should move from the sponsorship of Defra to the Health and Safety Executive by March 2009.</p>

Remuneration Report

Contract Information

Senior Manager	Title	Date of Contract	Unexpired Term	Notice Period	Compensation for early termination	Other liability details
Mike Wilson	Chief Executive	01/04/05	36 Months	3 Months	Provided under the Civil Service Compensation Scheme and the PCSPS	N/A
Ray Dawson	Deputy Chief Executive and Director of Finance	01/04/05	Permanent Contract	3 Months	PCSPS	N/A
Darryl Dixon	Director of Operations	01/04/05	Permanent Contract	3 Months	PCSPS	N/A
Nicola Ray	Director of Policy and Communications	01/04/05	Permanent Contract	3 Months	PCSPS	N/A

The Chairman of the Authority is employed on a third party basis. Payments made during the financial year total £17.9k which are included in the pay costs total of £880.6k. Payments of £7.3k have also been made to the Chairman in regard to travel and subsistence.

Mike Wilson is Chief Executive of the Authority and was appointed on a fixed term contract with effect from 1 April 2005 to last not longer than four years.

Ray Dawson and Darryl Dixon were initially appointed on fixed term contracts of 3 years, however, these were made permanent with effect from 1 April 2006. This is to ensure stability of the organisation.

Nicola Ray was appointed on a permanent contract.

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

Salary Information

As the Authority is newly formed 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.

All Authority staff members, other than casual staff, may qualify for performance related pay (PRP) in addition to basic salaries. The Remuneration Committee (the Executive Management Board) will decide the qualification criteria and the staff appraisal system will be used to determine the actual PRP that is awarded.

The performance of the Directors is assessed by the Chief Executive and the Chairman.

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

All individual performance objectives are determined by a departmental analysis of the Authority's corporate objectives.

Senior Manager	Title	Salary & Performance Related Bonus (in bands of £5k)
Mike Wilson	Chief Executive	75-80
Ray Dawson	Deputy Chief Executive and Director of Finance	55-60
Darryl Dixon	Director of Operations	50-55
Nicola Ray	Director of Policy and Communications	50-55

No other allowances, benefits in kind or compensation were paid.

Pension Information

Senior Manager	Increase in pension (Bands of £2.5k)	Real increase in lump sum (Bands of £2.5k)	Value of Accrued pension (Bands of £5k)	Related Lump Sum at age 60 (Bands of £5K)	Cash equivalent transfer value (TV) at 1.4.05 (£1k)	Real Increase in cash equivalent TV in year (£1k)	Employers Contribution to Partnership pension
Mike Wilson	0 – 2.5	5 – 7.5	5 – 10	20 – 25	126,000	36,000	N/A
Ray Dawson	0 – 2.5	N/A	10 – 15	N/A	143,000	13,000	N/A
Darryl Dixon	0 – 2.5	2.5 – 5.0	10 – 15	40 – 45	154,000	21,000	N/A
Nicola Ray	0 – 2.5	0 – 2.5	10 – 15	20 – 25	91,000	17,000	N/A

The cash equivalent TV's for Mike Wilson are notional only, due to being part of the 'final after formal' scheme.

No lump sum values are shown for members of the premium scheme.

No awards have been made to past senior managers.

No compensation is payable to any former senior managers.

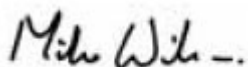
The Authority does not offer any remuneration package which is not in the form of cash and operates a remuneration committee.

The tables within the Remuneration Report form part of the audited accounts.

Declaration of Interest

Senior Manager	Declaration of Interest
Paul Whitehouse, Chairman	Directorships as at 31 March 2006: Ludlow & District Community Association Limited Nacro – the Crime Reduction Charity Starehe UK Association The Dutch Barge Association Limited
Mike Wilson, Chief Executive	None to declare
Ray Dawson, Deputy Chief Executive and Director of Finance	None to declare
Darryl Dixon, Director of Operations	None to declare
Nicola Ray, Director of Policy and Communications	None to declare

Signed:



Mike Wilson
Accounting Officer
4 July 2006

Authority Board Composition

The Authority's Board consists of the Chairman Paul Whitehouse, nineteen representative members, 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

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 role and complies with the Gangmasters (Licensing Authority) Regulations 2005.

Board meetings are currently held each month and are open to the public.

Representative Members

The Association of Labour Providers (ALP)	Roger Burrows and David Camp
National Farmers Union (NFU)	Sharon Cross and Phil Hudson
National Farmers Union Scotland (NFUS)	Lisa Webb
The Recruitment and Employment Confederation (REC)	Marcia Roberts
Trade Union Congress (TUC)	Nick Clark and Bill Snell (USDAW)
Transport and General Workers Union (TGWU)	Chris Kaufman and Martin Smith (GMB)
British Retail Consortium	Chris McCann
Fresh Produce Consortium	Nigel Jenney
Food and Drink Federation (FDF)	Robert Price
National Association of Citizens Advice Bureau (NACAB)	Jane Betts
Sea Fish Industry (SFIA)	Ian MacSween
Shellfish Association of Great Britain	Colin McDonald
Association of Chief Police Officers (ACPO)	Grahame Maxwell
Police Superintendents Association	Russell Hardy
Local Authorities Coordinators of Regulatory Services (LACORS)	Geoffrey Theobald

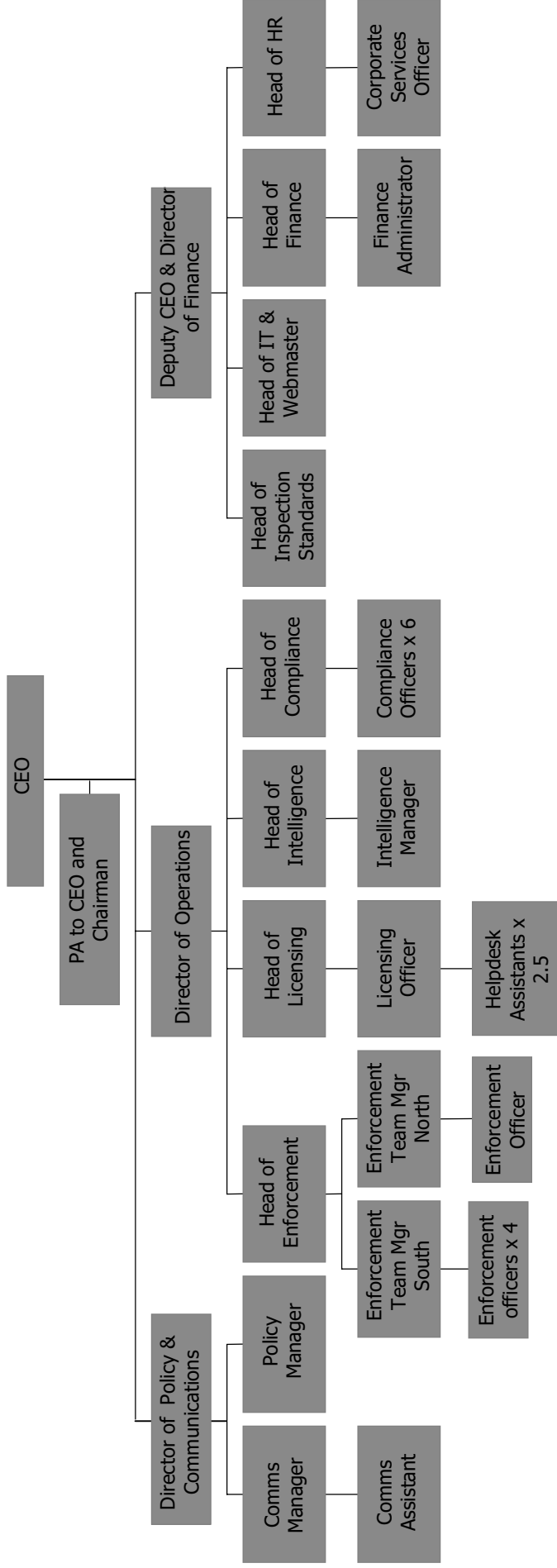
Ex-Officio Members

Representatives of:

The Secretary of State for Home Affairs	Dave Roberts
The Secretary of State for Trade and Industry	Stephen Taylor (replaced by Jolanta Edwards, January 2006)
The Secretary of State for Work and Pensions	John Alpass (replaced by Judith Hicks, March 2006)
The Health and Safety Executive	Graeme Walker
The Scottish Ministers	Derek Muir
The Welsh Assembly for Wales	Mike Dunn
The Secretary of State for Environment, Food and Rural Affairs	Ray Anderson
The Commissioners of Inland Revenue and the Commissioners of Customs and Excise jointly	Andrew Lawrence (replaced by Anne King, November 2005)
The Minister for Agriculture and Rural Development for Northern Ireland	David Small
Official Observer	
Ethical Trading Initiative (ETI)	Dan Rees

Gangmasters Licensing Authority

Organisation Chart as at 31 March 2006



Although an offence cannot be committed before 1 October 2006, a number of enforcement staff have been recruited in order to ensure that procedures exist for a smooth transition to full operations.

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.

The Secretary of State has appointed the Chief Executive, Mike Wilson, as Accounting Officer of the Gangmasters Licensing Authority. 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 Government Accounting.

Statement on Internal Control

Scope of responsibility

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

The Authority's Board is responsible for ensuring that the Authority properly discharges its functions and has delegated this responsibility to its Audit and Risk Committee. I am required to allow the Audit and Risk Committee complete access to any aspect of the Authority's control arrangements, and to provide them with such information as they may require to discharge their duty. I am required to advise the Board directly if any action would infringe upon the requirements of propriety or regularity or upon my wider responsibility for value for money. I am also required to satisfy the Sponsor Department (Defra) of the regularity and propriety of expenditure relating to Enforcement, the responsibility for which has been delegated directly to the Authority by the Secretary of State.

Context

The Gangmasters (Licensing) Act 2004 established the Authority from 1 April 2005 to:

- carry out the functions relating to the licensing of gangmasters in agricultural work, the gathering of shellfish, and related processing or packaging;
- to ensure the carrying out of such inspections as it considers necessary of persons holding licences under the Act;
- to keep under review generally the activities of persons acting as gangmasters;
- to supply information held by it to specified persons in accordance with the provisions of this Act;
- to keep under review the operation of this Act; and
- such other functions as may be prescribed in regulations made by the Secretary of State.

At that time it had five members of staff. It had no assets, and there were no processes or procedures in place for any of its day-to-day activities, let alone for its internal controls. The Authority's Board had not been appointed therefore no Audit and Risk Committee existed.

The first year has seen the organisation designing and implementing its internal controls. The controls follow best practice, but they are still immature and are to a degree untested.

The key milestones for the project are 6 April 2006 for the commencement of licensing and 1 October 2006 for the introduction of offences. The first milestone was met and I am confident that the October milestone will similarly be achieved.

During its first year of operation the Authority has managed the introduction of all of its Standard Operating Procedures as a project identifying the risks and counter measures prior to systems being switched on. This process built on the risks identified by Defra prior to the Authority coming into operation. This process will continue throughout 2006/7 when all procedures become fully operational.

To aid the Authority's setup it was able to benefit from the Defra arrangement with its Information Technology partner, IBM. As a consequence of the existing enabling contract Defra was able to facilitate the provision of significant computer based systems for the Authority. This approach was fundamental in reducing the Authority's risk associated with the acquisition of basic systems due to the working arrangements that Defra had previously established.

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 and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been developed during the year ended 31 March 2006 as outlined above and in accordance with HM Treasury guidance.

Capacity to handle risk

The first year has been focussed on setting up the organisation, on designing its processes and on putting in place the enabling Information Technology, Human Resources, Communications and Financial strategies. This has been managed as a formal Implementation Programme following PRINCE methodology, within which the capacity to recognise and manage risk is fundamental. This is characterised by a clear identification of key risks complemented by a regular formal review of counter measures and assignment of risk to named individuals. The programme has been led by me as the Chief Executive. The Directors and other staff have had clear leadership roles in each of the major project strands. Where appropriate the Authority has used professional Project Management staff who have provided training and guidance to Authority staff where required. The programme ran under strict PRINCE management throughout the period of this report and continues into 2006/7.

The risk and control framework

Risk is a key feature of the PRINCE project management methodology. In the Authority, weekly planning meetings were held. At these, amongst other things, risk registers for each of the workstreams were produced and discussed. The registers contained the usual PRINCE content, describing each risk and its consequence, its seriousness and its probability, mitigation measures and residual risk. Importantly, each risk had a single individual (in most cases a Director) personally assigned for its ownership and management. The weekly planning meetings were supported by a Design Authority Board to formally agree and control strategies and change, taking into account the associated risks from the risk registers.

A fortnightly Programme Board with the Senior Responsible Officer as a member provided oversight and steering. Risk registers were an important part of the package used by the Board at each meeting. The following risk register identifies the risks as at 31 March 2006:

Key

L	Low
M	Medium
H	High

Risk No.	Area Affected or Related to	Description	Probability	Impact	Rating	Consequence	Countermeasure	Effectiveness*	Residual risk	Date Reviewed	Owner
1	Finance	Substantially fewer than 1,000 LP's apply for licenses (Agriculture only)	M	H	H	Full cost recovery compromised. Severe consequences for GLA budgets	Overhead cost reduction plan. GLA to apply to Defra for financial support. Substantial increase in license fees required	Red	H	31-Oct-06	Ray Dawson
2	Policy	Legislative delays	M	H	H	ST's not laid in time for GLA to turn on offences etc. Staff recruited with little or nothing to do	GLA to ensure that Sponsor Division/OGD's Fully understand the implications of any delays	Red	H	31-Oct-06	Nicola Ray
3	HR	GLA unable to recruit appropriate staff	L	M	M	GLA unable to conduct compliance and enforcement operations in line with agreed operational plans	Use sub contract labour and suffer cost penalty (Note recent experience of recruitment suggests that this risk is not as critical as first thought)	Amber	L	31-Oct-06	Ray Dawson
4	IT	Loss of facilities	M	H	M	Non availability of systems due to site restrictions	Disaster Recovery Plan currently being developed. Multi site operations and IBM enabling contract minimise total failure	Green	L	31-Dec-06	Ray Dawson
5	Communications	GLA fails to meet the expectations of the public and media	M	L	M	GLA fails to maintain credibility	Effective PR and a demonstration of positive actions	Green	L	31-Mar-07	Nicola Ray
6	HR	Loss of key skills at critical times	M	L	L	Projects stalled, loss of effectiveness and potentially high staff turnover	Best management practices regarding all staff. Moving towards IP accreditation. Avoidance of knowledge gaps by full integration of skills/knowledge transfer	Green	L	31-Mar-07	Ray Dawson

At the highest level, the Authority's Board was briefed every month by me personally on progress of the Implementation Programme. Risks – their nature, seriousness and probability, were a standing item in these presentations. The Audit and Risk Committee takes a particular interest in the way the Executive manages risks to the business (as opposed to risks to the project).

All staff have played their role in the Programme. Components of the various workstreams cascade down to all levels and risk and its management are embedded within the broader project management approach that is standard within the Authority.

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 internal audit 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 also sought the view of the Audit and Risk Committee on the effectiveness of the system of internal control.

As previously explained the Authority has been setting itself up during this first year. Thus, whilst there are internal controls in place and working well (as evidenced by the results of internal audit), various factors beyond the control of the Executive have prevented that Audit and Risk Committee being formed as early as had been planned and getting itself fully operational. This is unfortunate but the controls in place, together with the relatively small (but increasing) clearly bounded and closely managed level of activity within the Authority has allowed the Board full visibility and provided the necessary level of assurance on efficiency, propriety and change and risk management.

During the period covered by this report there have been no significant internal control issues.

In order to facilitate an overview to be taken of issues for the Accounting Officer for Defra the following comments are included in this report:

Project and Performance Management

This Statement covers the first year of the Authority's existence, during which the Authority had a single dominating task - to prepare to become operational by 6 April 2006. This was achieved by running the Authority more or less as a project during its first year, with a project manager and formal project management arrangements. The Authority's top level targets for 2005/6 were represented in the 'GLA High Level Milestone Plan'. Largely because of the rigorous project management approach used, all the milestones were met.

Strategy and Planning

The strategic direction of the Authority was to some extent pre-determined: in the short term by a public commitment by Defra Ministers to begin licensing in April 2006; and in the longer term by the Government's acceptance of the Hampton recommendation that the Authority should be merged into the Health and Safety Executive by 31 March 2009. Within

this framework, the in-year activities of the Authority were underpinned by the Authority's Mission statement, the Corporate Plan, and subordinate strategies. These were agreed by the Authority's Board and by Defra(IBRF) - the Sponsor Division. The strategy was further informed by extensive consultation with other stakeholders.

Governance Structures and Processes

Overall direction of the Authority is provided by the Authority's Board. The Board has 19 stakeholder members and nine ex-officio members. Defra Internal Audit have recently confirmed that the Board has been "performing its duties satisfactorily to date". An Audit Committee of four Board Members (on which the NAO, Defra Internal Audit and the Executive attend) reports to the full Authority Board. 'The project' (ie. establishment of the Authority and provision of its IT) is managed by a Programme Board on which the SRO is the Head of Department IBRF. Within the Authority the Executive Management Board, the Design Authority Board and Weekly Planning Meetings provide on-going management.

Management of Change

In the view of the Internal Auditors "the Chief Executive and Directors are qualified and equipped to manage change and they have ensured that the controls necessary to reduce risk in the change process exist". The Authority is committed to improving its processes constantly and to delivering better value for money year-on-year. In addition, the Authority is due to merge with the Health and Safety Executive by 31 March 2009, with the expectation of organisational change to rationalise the duplication of common functions. This constitutes a major programme of change that will be managed formally by the Authority, building on lessons learned.

Performance Management

The Authority has been held to account against its in-year targets (and in particular the GLA High Level Milestone Plan) by the Authority's Board and by Defra(IBRF). The Authority's Board requested formal performance reports to be given by the Chief Executive at each meeting of the Board. Lower level boards similarly monitored performance across the Authority. In addition, the Authority's performance has been reviewed by the Audit Committee and Defra Internal Audit.



Signed:

Mike Wilson
Accounting Officer
4 July 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Gangmasters Licensing Authority for the year ended 31 March 2006 under the Gangmasters (Licensing) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the 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.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Gangmasters (Licensing) Act 2004 and the direction made thereunder by the Secretary of State 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 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 the direction made thereunder by the Secretary of State. 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 25 to 30 reflects the Gangmasters Licensing Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover 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 only the Foreword, the Director's Report, the unaudited part of the Remuneration Report and the Management Commentary. 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.

The maintenance and integrity of the Gangmasters Licensing Authority's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility

for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the 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 the direction made thereunder by the Secretary of State, of the state of the Gangmasters Licensing Authority's affairs as at 31 March 2006 and of its deficit, total recognised gains and losses and cashflows 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 the direction made thereunder by the 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 which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP
7 July 2006

Financial Statements

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2005/6 £'000
Income		
Grant in Aid	3	2,617.7
Other	4 & 5	1.4
Total Income		2,619.1
Expenditure		
Staff Costs	6 & 7	880.6
Information Technology		806.8
Consultancy		128.9
Marketing		120.3
Travel and Subsistence		52.9
Other	8	697.9
Total Expenditure		2,687.4
(Deficit)		(68.3)

All income and expenditure is derived from continuing operations.

The notes on pages 36 to 44 form part of these accounts.

The Authority was established on 1 April 2005 therefore no comparative figures exist.

Statement of Total Recognised Gains and Losses

	£'000
Deficit for the year	(68.3)
Increase in Government Grant Reserve	602.7
Release from Government Grant Reserve	<u>(7.6)</u>
	<u>526.8</u>

Balance Sheet as at 31 March 2006

	Notes	2005/6 £'000
Fixed Assets		
Intangible Assets	9	40.9
Tangible Assets	10	554.2
Current Assets		
Debtors	11	2.6
Cash at bank and in hand	12	206.2
Creditors: Amounts falling due within one year	13	269.8
Net current liabilities		(61.0)
Total assets less current liabilities		534.1
Capital and Reserves		
Government Grant Reserves	14	595.1
General Reserve	15	(61.0)
Total Reserves		534.1

The notes on pages 36 to 44 form part of these accounts.

The Authority was established on 1 April 2005 therefore no comparative figures exist.

Mike Wilson

Signed: _____

Mike Wilson
Accounting Officer
4 July 2006

Cash Flow Statement for the year ended 31 March 2006

	Notes	2005/6 £'000
Net cash outflow from operating activities	16	(1,306.4)
Capital expenditure and financial investment	22	(40.4)
Receipts due to the Consolidated Fund which are outside the scope of the Authority's activities		1.4
Financing (Grant in Aid)		1,551.6
Increase in cash in the period		206.2

The notes on pages 36 to 44 form part of these accounts.

The Authority was established on 1 April 2005 therefore no comparative figures exist.

Notes to the Accounts

1. Form of Accounts

In order to give a true and fair view of the income and expenditure and cash flows for the financial year, the annual accounts are prepared in accordance with the Accounting Standards as issued by the Accounting Standards Board.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985. The accounts also comply with the Government Financial Reporting Manual (FRoM).

These accounts are also prepared in a 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 Authority also has regard to the Accounting Standards Board's Statement of Principles for Financial Reporting.

2. Accounting Policies

- a) Accounting convention - the financial statements are prepared on the going concern basis and in compliance with the FRoM under the historical cost convention.
- b) Income recognition - income has been recognised on an accruals basis. Grant in Aid utilised for revenue expenditure is credited to income in the year to which it relates. Grant in Aid utilised for the acquisition of fixed assets is credited to the Government Grant Reserve account and released over the useful economic life (UEL) of the asset. Licensing of gangmasters does not commence until April 2006, therefore no licensing income has been received or recognised.
- c) Fixed assets and depreciation - depreciation is provided on fixed assets costing more than £2k or £50k in the case of in-house developed software. It is charged on a straight-line basis at rates calculated to write off the cost over the estimated UEL of the asset, on the following annual rates.

Category (Tangible and Intangible)	Life (years)
IT Assets	3 - 10
Furniture and Fittings	3 - 5
Office Equipment	3 - 5

- d) Pensions - the pension arrangements for the Authority are covered by the Superannuation Act 1972 and reflects benefits for members of the Principal Civil Service 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 the 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, 2005/6.

For further information see the Remuneration Report.

- e) Cost of Capital - a notional average cost of capital employed during the year is shown on the income and expenditure account, in accordance with the FReM. The prescribed rate of interest during the year was 3.5 per cent.
- f) Other policies where applicable are disclosed in the relevant Notes to the Accounts.

These policies shall be reviewed on an annual basis by the Audit and Risk Committee as delegated by the Board of Management in order to ensure that sufficient and appropriate information is disclosed in order to enable user understandability.

3. Grant in Aid

Grant in Aid totalling £1,551.6k was applied for, and issued, in monthly instalments throughout the financial year. Of this, £40.4k was used to purchase capital items and has been recognised in the Government Grant Reserve rather than in Grant in Aid.

In addition, Defra made direct payments on behalf of the Authority totalling £1,661.2k. Of this, £1,098.9k has been recognised as additional Grant in Aid. The remaining £562.3k related to the purchase of capital items and thus has been included in the Government Grant Reserve.

A total of £7.6k has been released to Grant in Aid from the Government Grant Reserve, in line with depreciation (Note 14).

4. Licence Fees

Applicants will be invited to apply for licences from 6 April 2006, therefore there is no income from licence fees for this financial year.

5. Other Income

Other income relates to bank interest.

6. Staff Costs

Directorate	Average Number Employed	Salaries £'000	Social Security Costs £'000	Pension Costs £'000	Total £'000
Chief Executive's Office	2	99.5	8.9	21.1	129.5
Finance and Corporate Services	5	211.8	14.2	32.8	258.8
Licensing and Compliance	6	193.9	16.2	32.9	243.0
Policy and Communications	4	117.7	9.3	22.5	149.5
Enforcement	<u>2</u>	<u>65.7</u>	<u>4.6</u>	<u>11.6</u>	<u>81.9</u>
Total	<u>19</u>	<u>688.6</u>	<u>53.2</u>	<u>120.9</u>	<u>862.7</u>

The Chairman, Paul Whitehouse, received total remuneration of £17.9k. Full details of the senior staff costs are provided in the Remuneration Report on pages 18 to 21.

A Defra secondee was employed within the Policy and Communications Directorate.

Temporary administration staff were employed within the Finance and Corporate Services Directorate through out the year, however this did not increase the average number employed.

No short term staff were employed within the Authority.

Directorate Chief Executive's Office	Departmental Objective To provide strategic guidance and control.
Finance and Corporate Services Directorate	To provide professional support in areas such as Finance, HR and IT.
Licensing and Compliance Directorate	To ensure that licences are granted to those suitably qualified gangmasters, and that licence holders continue to comply with Authority's licensing standards.
Policy and Communications Directorate	To liaise with the sponsor division ensuring the legislative process meets agreed timescales, and to effectively communicate policies and operational requirements to all stakeholders of the Authority.
Enforcement Team	To act on behalf of the Secretary of State and ensure that any party operating outside of the requirements of the Act is brought to justice effectively and efficiently.

7. Pension Costs

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. The Authority is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details may be found in the Resource Accounts of the Cabinet Office, www.civilservice-pensions.gov.uk

For 2005/06, employers' contributions of £113.7k were payable to the PCSPS at one of four rates in the range of 16.2 to 24.6 per cent of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/7, the salary bands will be revised and the rates will be in a range between 17.1 and 25.5 per cent.

The contribution rates are set to meet the cost of benefits accruing during 2005/06 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2.0k were paid to one of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £0.2k, 0.8 per cent of pensionable pay, were payable to the PCSPS 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 £0.2k. Contributions prepaid at that date were zero.

8. Other Expenditure

	£'000
TLWG Transition	235.4
Furniture	89.4
VAT Liability	83.4
Recruitment	69.0
Rent	65.6
Stationery/Postage	20.0
Auditor's Remuneration	18.0
Training	14.5
Board Expenses	14.4
Telephone	9.1
Depreciation	7.6
Cost of Capital	7.3
Other	<u>64.2</u>
Total	<u>697.9</u>

The remuneration to the National Audit Office (NAO) in respect of audit work carried out was £18.0k. No remuneration was paid to auditors in respect of non-audit work.

The Temporary Labour Working Group (TLWG) is an organisation whose initial aim was to establish a national licensing and registrations scheme for labour providers and the group played a lead role in campaigning for the creation of the Authority. The expenditure under this category relates to work which has been carried out by both IMPACTT and the Ethical Trading Initiative on behalf of the Authority to assist with the establishment of the Authority's licensing scheme.

9. Intangible Assets

	Software Licenses £'000
Cost	
Additions	44.8
Disposals	-
31-Mar-06	44.8
Amortisation	
Charged	3.9
Disposals	-
31-Mar-06	3.9
Net Book Value	
31-Mar-06	<u>40.9</u>

Defra made capital payments on the Authority's behalf for the acquisition of intangible fixed assets of £11.2k.

10. Tangible Assets

	IT Assets £'000	Office Equipment £'000	Total £'000
Cost			
Additions	555.4	2.5	557.9
Disposals	-	-	-
Revaluation	-	-	-
31-Mar-06	555.4	2.5	557.9
Depreciation			
Charged	3.4	0.3	3.7
Disposals	-	-	-
Revaluation	-	-	-
31-Mar-06	3.4	0.3	3.7
Net Book Value			
31-Mar-06	<u>552.0</u>	<u>2.2</u>	<u>554.2</u>

Defra made capital payments on the Authority's behalf for the acquisition of tangible fixed assets of £551.1k.

11. Debtors

	£'000
Prepayments and accrued income	2.6

There are no amounts falling due after one year.

12. Cash at bank and in hand

	£'000
Cash at bank	206.0
Petty cash	<u>0.2</u>
	<u>206.2</u>

As the Authority is a non-departmental public body and, therefore, operates outside of central government, it is not restricted to holding funds centrally at the Exchequer. The Authority has, therefore, opted to use a private sector bank, Barclays Bank Plc, which offers corporate banking facilities.

13. Creditors: Amounts falling due within one year

	£'000
VAT	78.8
Other taxation and social security	26.2
Trade creditors	53.0
Accruals and deferred income	<u>111.8</u>
	<u>269.8</u>

Included in this figure is a total amount of £16.4k which relates to balances with Other Government Departments which fall within the whole of government accounting (WGA) boundaries.

There are no amounts falling due after one year.

14. Government Grant Reserve

Defra made direct capital payments to the value of £562.3k on behalf of the Authority. These along with the £40.4k of capital payments made by the Authority have been credited to the Government Grant Reserve account and will be transferred to Grant in Aid over the UEL of the asset, in line with the depreciation charge on a monthly basis.

	£'000
As at 1 April 2005	0.0
Capital grant to procure fixed assets	602.7
Released to income	<u>(7.6)</u>
As at 31 March 2006	<u>595.1</u>

15. General Fund

	£'000
Deficit for the year	(68.3)
Cost of capital	<u>7.3</u>
	<u>(61.0)</u>

HM Treasury rate of 3.5 per cent was used for the notional cost of capital charge, which was calculated on a quarterly basis.

16. Net Cash Outflow

	£'000
Total expenditure for the year	(2,687.4)
Payments made by Defra	1,098.9
Depreciation	7.6
Notional Cost of Capital charge	7.3
Increase in debtors	(2.6)
Increase in creditors	<u>269.8</u>
Net cash outflow from operating activities	<u>(1,306.4)</u>

17. Capital Commitments

The Authority had no capital commitments at 31 March 2006.

18. Contingent Liabilities

The Authority had no contingent liabilities at 31 March 2006.

19. Losses and Special Payments

The Authority had no disclosable losses or special payments during the financial year 1 April 2005 to 31 March 2006.

20. Financial Instruments

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, 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 per cent). 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.

21. Post Balance Sheet Events

There have been no adjusting post balance sheet events.

22. Related Party Transactions

The Authority is a non-departmental public body of Defra. Defra is regarded as a related party. During the year the Authority has had a number of material transactions with Defra along with Other Government Departments as follows:

Body	Relationship	Total Transaction Amount £'000
Defra	Sponsoring Body	3,212.8
Land Registry	Landlord	65.6
The Cabinet Office	Manager of the PCSPS	113.7
ALP	Represented on the Authority's Board	10.5
Ministry of Defence	Authorised pensions administration centre via People, Pay and Pensions Agency	0.6

The Defra payments include those made directly by the Innovation and Better Regulation for Farmers (IBRF) division for which Defra is regarded as the parent department and can be further analysed as follows:

	Capital £'000	Revenue £'000
Grant in Aid for day to day operational costs	40.4	1,511.2
Grant in Aid for set up costs	<u>562.3</u>	<u>1,098.9</u>
Total	<u>602.7</u>	<u>2,610.1</u>

During the year, no Minister, senior manager or other related party has undertaken any material transactions with the Authority. The only Board member who has undertaken material transactions with the Authority is ALP, as listed above.

Glossary

ACPO	Association of Chief Police Officers
ALP	Association of Labour Providers
ARC	Audit and Risk Committee
CETV	Cash Equivalent Transfer Value
Defra	Department For Environment, Food and Rural Affairs
DTI	Department of Trade and Industry
DWP	Department of Work and Pensions
ETI	Ethical Trading Initiative
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
IBRF	Innovation and Better Regulation for Farmers
IND	Immigration Nationality Department
LACORS	Local Authorities Coordinators of Regulatory Services
LAWS	Licence Application Workflow System
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
PRP	Performance Related Pay
REC	The Recruitment and Employment Confederation
SFIA	Sea Fish Industry
SI	Statutory Instrument
TGWU	Transport and General Workers Union
TLWG	Temporary Labour Working Group
TUC	Trade Union Congress
UEL	Useful Economic Life
WGA	Whole of Government Accounts

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