



Gangmasters Licensing Authority Annual Report and Accounts

1 April 2006 to 31 March 2007

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Gangmasters
Licensing Authority

Gangmasters Licensing Authority Annual Report and Accounts

1 April 2006 to 31 March 2007

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

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Gangmasters Licensing Authority

Annual Report and Accounts
for the period 1 April 2006 to 31 March 2007

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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; and
- 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. This is its second Annual Report and Accounts.

The first year of the Authority was spent setting up the organisation. Between April 2005 and April 2006, processes were designed, supporting Regulatory and Enforcement Orders were developed and drafted, IT systems were designed and implemented, and staff were recruited and trained. The Authority was able to open for business (i.e. to receive applications for GLA licences), as planned, on 6 April 2006.

The second year has seen roughly 1,400 licence applications being received and processed and approximately 1,000 licences being issued. This has involved a corresponding number of Application Inspections being carried out. It has also required the introduction of arrangements for refusal, denial and revocation of licences and the associated appeals processes. At the same time, Compliance and Enforcement activities have got under way, tasked through a risk-based approach. It has been another year of concrete achievement, in that the Authority's plan for getting itself fully up and running has been successfully completed.

The Authority's financial performance was broadly in line with expectations as indicated in the detailed financial report herein. The regulatory burden on the industry has been kept to a minimum through a rigorous fee-setting process. And an independent value-for-money study has confirmed that the Authority is fit for purpose and operates in a reasonably efficient way. There are no financial control issues.

In last year's foreword we recognised that getting the Authority up and running was simply a pre-requisite to doing what the Authority is here for – curbing the exploitation of labour by getting labour providers to act legally. To do that, the Authority has to make its mark by being seen to be an effective regulator, and that requires early evidence of successful action in the field against non-compliant and illegal labour providers. It has made a promising start on this, with a number of high profile operations including road stops, site inspections, revocations and enforcement activity. Several operations have been successfully mounted, involving farms, food processing plants and shellfish gathering. It is vitally important that this builds into and through next year.

Last year the Board set the Authority a number of challenging targets for 2006-07. We are glad to report that the majority of these targets have been met and in some cases exceeded. A small number of targets were not achieved. For the most part these were first year targets, and it had been recognised by the Board that they were somewhat experimental. There is now a more thorough understanding of the gangmastering business, and what it is reasonable to expect of the Authority in terms of its performance. These will allow the development of more realistic but equally challenging targets for 2007-08.

The Authority's success to date derives from teamwork. The staff have been a major part of that team, and we take this opportunity to acknowledge their commitment and skills and the contribution they have made. But we would be remiss not to mention at least the main organisations and individuals who have also contributed to the team effort. These include:

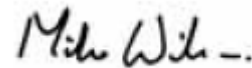
- Defra Legal and Farm Focus Division.

- Defra's IT partner – IBM. Delivered the GLA's IT, including a comprehensive licensing system known as LAWS, on time and within budget to allow the Authority to meet its operational 'go-live' milestones. In addition IT solutions have been developed for compliance, intelligence and enforcement.
- the GLA Board. The Board is large and represents a range of interests. It has nonetheless – as a Board and as individual members – given clear direction and strong support.
- representatives on the GLA User Group. They provided constructive feedback on existing procedures and continue to provide positive suggestions for improvement.

The Authority has again been set demanding performance targets in 2007-08 and beyond. These are aimed at the Authority being able to demonstrate its effectiveness in enforcing the Gangmasters (Licensing) Act 2004, and curbing the exploitation of workers and the public. An unsettling element within the plans for the coming years is the 'Hampton' merger with the Health and Safety Executive (HSE) by 31 March 2009, which will require particularly careful handling to ensure a smooth transition. The Authority has achieved a great deal in a very short time, but even more difficult challenges lie ahead.



Paul Whitehouse
31 May 2007



Mike Wilson
31 May 2007

Directors Report

The principal activity of the Authority during the year under review was to build on the framework of last year and introduce a fully operational licensing regime with the associated compliance and enforcement processes. This has built on the Authority coming formally into being on 1 April 2005, as a result of the 2004 Act. The work of the Authority includes licensing, compliance, intelligence and enforcement, all of these various elements are now operational.

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 pages 22 and 23. In addition, the Executive Directors of the Authority are named within the Remuneration Report on page 17.

A register of interests for both Board members and Directors are retained by the Authority, as reported within the Remuneration Report on page 21.

Pension arrangements for the Authority are covered by the Superannuation Act 1972 and reflects benefits for members of the Principal Civil Service Pension Scheme. Further details can be found within the remuneration report and notes 2e and 8.

The Authority has a payment policy for all goods, services, works and contracts. Where there is no contractual provision or other understanding or accepted practice governing the time of payment, the Authority should pay within 30 days of receipt of the goods and services, or within 30 days of a valid invoice date, whichever is the later. This is in accordance with the Government's Better Payments Practice 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 Exchequers interests.

Any invoices which are not paid either within the agreed contract terms, or within 30 days of a valid invoice date due to a query on the invoice, are resolved as early as possible and paid immediately upon resolution. The Authority achieved 91% of payments (88% 2005-06) within the scope of this policy during this financial year.

The National Audit Office audit the Authority.

Business Review

The Management Commentary sets out the performance of the Authority for the year and the achievement or otherwise of its key objectives.

Risks

The Statement on Internal Control (pages 26 to 28) comments on the risk and control framework. The key risks faced by the Authority are managing the expectations of

stakeholders, maintaining the credibility of the Authority, continuing financial stability and further enhancing operational effectiveness.

The Authority reviews the Risk Register regularly to ensure that all risks are being addressed and appropriate action is taken.

Financial Review

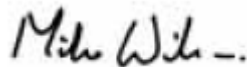
The financial statements of the Authority are set out on pages 32 to 50. The expenditure identified in the reports is consistent with the amounts budgeted to ensure that the Authority was ready to commence licensing on 6 April 2006.

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

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

- 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
31 May 2007

Management Commentary

Performance against targets 2006-07

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.

This financial year has been one of transition, during which the Authority has successfully moved from set up mode to becoming operational.

The completion of the set up of the Authority has been achieved by delivering the Authority's High Level Milestone Plan. This was handled under a rigorous programme management approach which was overseen by the Chief Executive and all Directors, and it was this which was the Authority's key in-year objective.

Objective 1 - Achieving High Level Milestones

This objective sets the framework for the successful introduction of licensing.

Target	Milestone Date	Progress
Policy to support operations is in place	3 April 2006	Achieved 3 April 2006
First licence application is received	6 April 2006	Achieved 6 April 2006
First licence is issued	28 April 2006	Achieved 2 May 2006
GLA Public Register is operational	1 May 2006	Achieved 2 May 2006
First licence appeal is completed	31 July 2006	Achieved 31 July 2006
Compliance Operations commence	1 August 2006	First application inspection 10 May 2006, first compliance visit 19 July 2006
IT to support Operations is in place	15 August 2006	Achieved 1 August 2006
First active check is made	15 November 2006	Achieved 1 December 2006
Communications to support the commencement of the offence of using an unlicensed gangmaster are complete	1 November 2006	Published on the Authority's website, articles issued in the trade press and brochure published. All during October 2006

Objective 2 - Outcomes

This objective sets out how the Authority will become more effective in meeting the aims of the Act. The Authority has established agreed indicators and targets and it is against these which performance will be measured to show improving effectiveness.

Target	Milestone Date	Progress
Measuring Outcomes project to be initiated	1 August 2006	Due to funding moratorium within sponsor department funds were not released until November 2006 at which point the University of Sheffield was commissioned
First report on Measuring Outcomes project received	February 2007	Baseline established by May 2007 with final report due September 2009

Supporting objectives and targets enabled delivery of the High Level Milestone Plan as well as carrying the business through into steady state. These are set out as follows.

Policy and Communications

90% of identified gangmasters should be aware of the legal obligation for licensing by 6 April 2006.

Research by Precision Prospecting indicated approximately 1,000 identified gangmasters. Using such sources as the Temporary Labour Working Group, the Association of Labour Providers, trade associations and other databases the Authority established a contacts database of over 2,000. These were sent newsletters and brochures explaining the need to be licensed.

Similar information was also displayed prominently on the front page of the Authority's website. Articles were written in trade and other publications associated with the sectors covered by the Authority.

40,000 "insert leaflets" explaining the requirements for licensing and compliance were placed in sector related publications. Subsequent market research with GLA commercial radio adverts confirmed that labour providers knew the licence requirements. The steep rise in hits on the Authority's website immediately before and after the key milestone dates also indicated that the messages had reached the targeted audience. The number of subsequent licence applications exceeded the number identified by Precision Prospecting. The target was met.

90% of identified labour providers and labour users should be aware of the legal obligations for licensing by 1 October 2006.

The continued use of the variety of media channels described above and the media event mentioned below resulted in considerable broadcast media coverage. The repeated pattern of hits on the Authority's website and the subsequent take up of licences indicates that this was achieved.

75% of applications for a gangmasters licence should be made online.

The achievement against this target was 70%. The main reason for the shortfall being set up problems associated with the Government Gateway which prevented some applicants gaining access to the system.

90% of identified gangmasters should be aware of the legal obligations for licensing by 1 October 2006.

To achieve this, the Authority continued the use of all the channels mentioned above supplemented by a "launch event" which resulted in radio (news channels and Farming Today) and TV coverage prior to offences being switched on. There was over 2¼ hours of radio and TV coverage on 29th September. Once more the hits on the website increased substantially. Subsequent market research indicates that this target was achieved.

90% of identified labour users should be aware of the legal obligations for licensing by 1 December 2006.

Prominent display of information on the Authority's website, newsletters to the 2,000 listed on the Authority's database and a specific brochure explaining the offences and articles in the trade press were the major publication channels. The Fresh Produce Consortium played a proactive role in disseminating information to its membership. To reinforce the message, the Chairman and Chief Executive spoke at conferences and trade association events. Subsequent market research indicates that this target was met.

90% of identified labour providers and users should be aware of the legal obligations for licensing by 6 April 2007.

This specifically relates to the shellfish gathering legal obligations. The number of operators in this sector is considerably smaller than in the others sectors mentioned above so the methods of disseminating information took a different form. Consultation events in shellfish gathering areas were held and there was a media launch event. Leaflets were distributed via the Sea Fisheries Committees where gathering is undertaken. It is believed that this target has been met, but has not been independently verified.

Corporate Services

Ensure that the Authority operates in the most effective and efficient manner, and continue to operate in this manner, in order to ensure that no undue financial burden is imposed on licence fee payers.

Following the first year of licensing there has been no evidence to suggest that the Authority's processes have placed any undue financial or administrative burdens on the industry. A substantial proportion of licences have been issued at nil cost due to the TLWG discount for successful audits. The fee levels for 2007-08 were agreed by the Secretary of State following a public consultation exercise.

Undertake a formal review of the organisational structure to ensure that licence fee payers are receiving value for money from the Authority.

A formal review of the organisational structure was undertaken during December 2006. The review was undertaken by Defra Internal Audit using specialist consultants from the private sector. A presentation was made to the Authority's Board in January 2007 confirming, inter alia, that the Authority was appropriately staffed to meet its objectives and, in essence, value for money could be demonstrated.

Continue to strive to reduce the cost of issued licences.

In January 2007 a presentation was made to the Authority's Audit and Risk Committee to establish the baseline for future monitoring. It is the intention to monitor the unit cost of operations on a monthly basis from 2007 with a view to meeting any agreed targets for unit cost reduction whether such targets are imposed by the sponsor department or by wider government.

Keep under constant review any areas that are perceived to be appropriate to maximise its miscellaneous income from receipts other than licence fees.

Due to the concentration of all resources on the introduction of the licensing scheme there has been little opportunity to consider other areas of income generation. This aspect will be kept under review.

Contribute to meet the requirements of Defra's sustainability programme.

The Authority continues to actively recycle waste generated from its office based activities. Further measures will be investigated in 2007-08 to promote sustainable activities and more research is being carried out to assess the ability to measure improvements. It is therefore intended to develop a more coherent strategy going forward from 2007-08.

Ensure that the Authority is appropriately staffed to meet its business objectives.

The Authority has operated slightly below its pay budget for 2006-07. There was exceptionally low staff turnover during the year (2.25%) indicating that those staff recruited were suited to their roles. The organisational review conducted during the year concluded that the Authority was appropriately staffed to meet its objectives.

Seek to be a proactive organisation in relation to its HR policies and operations to enable its most important resource (people) to be: effectively recruited (on time); properly rewarded; trained and developed; motivated; multi-skilled (where appropriate); and retained.

All staff recruited during the year have made an effective contribution to the Authority's objectives, evidenced by the achievement of the organisation's high level milestones and objectives. Now that the Authority is fully operational further development of its HR policies and procedures will take place. The HR strategy will be re-visited during the first quarter of 2007-08 and any issues arising from that review will be subsequently addressed.

Continue to communicate effectively with staff at all levels within the organisation.

From its inception the Authority has recognised the value of effective communications within all levels of the organisation. As part of the Investors in People programme several internal work groups have been set up to consider such issues as internal communications, management arrangements and employee contributions. The work groups will continue their work in 2007-08 and substantial benefits are expected from these cross functional teams.

In addition the GLA published its internal communications strategy in March 2007 which will further enhance dialogue within the organisation.

Also in March 2007 the Authority agreed collective bargaining arrangements with the Public and Civil Service Union (PCS) which represents approximately 50% of staff.

To achieve best practice in management and staff co-operation.

It is the Authority's intention to submit their application for Investors in People accreditation by June 2007. To date significant steps have been taken in this area and the examples of best practice that have been identified throughout the process will be built on during 2007-08.

To recruit and employ staff according to diversity and equal opportunities policy.

The Authority operates a transparent policy of diversity and equal opportunities. To date all staff involved in recruitment processes have been given technical skills training. All recruitment during 2006-07 has been conducted on a demonstrably fair and open basis and this will continue for recruitment planned for 2007-08.

It is planned to produce a post evaluation report following the 2007-08 recruitment phase to ensure that policies continue to be seen as fair and equitable.

To contribute to the proposed merger of the Authority and the Health and Safety Executive in order to implement the Hampton Review requirements.

The proposed merger with the Health and Safety Executive (HSE) remains on course for completion no later than 31 March 2009.

To date staff are involved with HSE colleagues in the following work areas:

- Finance – to agree funding arrangements;
- HR – to decide staff terms and conditions;
- IT – to agree and implement arrangements for hardware and software provision; and
- Accommodation – to decide and implement lease arrangements and office layouts.

Operations, Compliance and Enforcement

To meet agreed in-year targets for quality, timeliness and efficiency of licensing, compliance, enforcement and non-operational support.

100% of green light cases to be completed within 10 working days.

Cases that met the "green light" criteria were only received in the period up to October 2006. The majority (314 out of 409) were received in May and June where appropriate cases received a discount. There was therefore a peak of such cases which could not be met within this challenging timescale. For these two months the achieved rate was 33% and 47%, with the year average being 48%, and the figure rising to 83% in October. It is also relevant to state that some "green light" cases nonetheless had exceptions to resolve, delaying licence decisions. The length of time to resolve these exceptions could not be identified and excluded in the calculation of the length of time to make the licence decision.

80% of applications which require inspection to be completed within 30 working days.

The achieved target for year one on average was 58%. There was no benchmark for year one to assess whether the target was realistic. Furthermore, it was envisaged that peaks of work, when the discount was available, and in the final run up to the offence date, would create volumes that would adversely impact performance clearance times. Nonetheless it should be noted that the closest single month (October – 72%) was also the month when the greatest volumes of inspections and decisions were made.

A number of issues have contributed towards the non-achievement of this target. They include:

- incomplete application forms;
- inspection delays, where further information was requested;
- issues raised by other government departments (OGD's) requiring further investigation; and
- early application cases, where an extension of time was granted for operational reasons.

No more than 20% of appeals are upheld.

No appeals have been lost so far.

100% of enquiries from Defra or other government departments to be responded to within the prescribed deadline.

This target was achieved.

90% of Ministerial enquiries to be responded to within 2 working days.

All Ministerial enquiries received a response within the target.

75% of public correspondence to be sent a reply within 5 working days.

This target was achieved.

No more than 5% of enquiries result in further correspondence.

This target was achieved.

95% of intelligence systems checks will be entered into the Authority's licensing system within the 10 day turnaround timeframe.

During the earlier part of the year this was not achieved due to the volume of intelligence being generated, with insufficient resources to process it. An increase in resources in year remedied this position, removed backlogs, and has maintained performance thereafter.

95% of cases accepted by Enforcement or Compliance teams at the Tasking and Co-ordination meeting proceed subject to resource constraints.

No accepted cases have been rejected. Further refinement is being considered to this target in line with the Authority's Strategic Assessment.

80% of application and compliance inspections will be carried out within 10 days.

This target was not achieved and is being fundamentally reconsidered for 2007-08. Problems associated with resources and backlogs led to a situation whereby 63% was achieved within 20 days. It is apparent that a much longer timeframe will be required for this target.

No more than 15% of inspection results will be classed as inaccurate against the licensing standards.

Less than 10% of inspection results were classed as inaccurate.

80% of verification visits will be carried out within 10 days of scheduling.

Following staff training (completed by May 2006) this target was consistently achieved.

No more than 10% of verification results will be classed as inaccurate in determining whether a labour provider should be classed as 'TLWG successful'.

The Authority agreed to accept TLWG audits as evidence towards a licence application in those cases where the labour provider could prove a level of compliance against the Authority's Licensing Standards. It is now clear from our findings within compliance inspections, that there are many differences between the voluntary and statutory processes and this has resulted in action being taken against those labour providers who have been found to be non-compliant against the standards. Action is ongoing in order to identify and address all cases of a similar nature with completion expected shortly.

A minimum of 10% of all scheduled inspections will be quality inspected during year one of the Authority's operations.

Quality inspections commenced during July 2006. From this time quality visits ranged from 3% to 29% depending upon available resources. The overall target was achieved.

90% of labour provider investigations requiring sanction to be referred to Defra legal, DARDNI or the Procurator Fiscal (as appropriate) or their agents, for a decision within 3 months of the date of allocation to an investigating officer.

One case in relation to a labour provider was referred to the Procurator Fiscal within this target period. No other cases dealt with in the year were suitable for such referral.

90% of labour user investigations requiring sanction to be referred to Defra Legal, DARDNI or the Procurator Fiscal (as appropriate) or their agents, for a decision within 6 months of the date of allocation to an investigating officer.

No labour user cases have been identified that have been so far suitable for consideration of a sanction.

90% of all investigations (both labour providers and labour users) that are considered appropriate for prosecution, against the prosecution policy, should be accepted by Defra legal, DARDNI or the Procurator Fiscal (as appropriate) or their agents, on a 'right first time' basis (i.e. the investigation and evidence meet all legal and Statutory Codes of Practice requirements).

At this stage no prosecutions have been concluded.

Authority's Objectives 2007-08

The Authority's main objectives for the next financial year are set out as follows:

1. **Achieving High Level Milestones**
This objective focuses on the Authority meeting the requirements for successful enforcement operations, continuing compliance activity and raising the profile of the Authority within its operational areas.
2. **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, as a result of the imminent measuring outcomes project.
3. **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, and the impact of enforcement.
4. **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, the Authority will seek to implement recommendations contained within the Value For Money study completed by Defra internal audit.
5. **People**
The Authority considers that its staff are its most valuable resource and so will continue to work towards achieving Investors in People status. To achieve this it will focus on recruitment, development and strategies for rewarding staff.
6. **Performance**
This objective is aimed at improving quality, timeliness and efficiency of licensing, compliance, enforcement and non-operational support.
7. **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. On schedule.

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	12 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
Bernard Meakins	Director of Policy and Communications	01/01/07	4 Months	1 Month	N/A	N/A

The Chairman of the Authority is employed on a contract. Payments made during the financial year total £20,400 (£17,900 2005-06) which are included in the staff costs total of £1,662,200 (£880,600) in note 7 to the financial statements. Payments of £8,400 (£7,300 2005-06) have also been made to the Chairman in regard to travel and subsistence.

Mike Wilson, Chief Executive, was appointed on a fixed term contract with effect from 1 April 2005 for three years.

Ray Dawson and Darryl Dixon were initially appointed on fixed term contracts of three years, however, these were made permanent with effect from 1 April 2006.

Nicola Ray was appointed on a permanent contract. For the period 31 December 2006 to 31 March 2007 Nicola Ray's post was covered by Bernard Meakins who was engaged on a commercial consultancy arrangement.

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

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 for senior managers is set by the Remuneration Committee consisting of the Chairman and Chief Executive who also consider

recommendations from line managers 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.

Due to the timing of the Remuneration Committee's deliberations, it is not possible to specify whether any senior manager qualified for a performance related bonus in 2006-07 (£14,200 2005-06). Such payments as may be made will be disclosed in next year's Annual report and Accounts.

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

Senior Manager	Title	2006-07	2005-06
		Salary & Performance Related Bonus (in bands of £5k)	Salary & Performance Related Bonus (in bands of £5k)
Mike Wilson	Chief Executive	75-80	75-80
Ray Dawson	Deputy Chief Executive and Director of Finance	55-60	55-60
Darryl Dixon	Director of Operations	50-55	50-55
Nicola Ray	Director of Policy and Communications	50-55	50-55
Bernard Meakins	Director of Policy and Communications	50-55	N/A

Total salaries and performance related bonus for the above totalled £256,700 (£222,100 2005-06).

No other allowances, 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 and operates a remuneration committee.

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

Pension Information

Senior Manager	Increase in pension (Bands of £2.5k)	Real increase in lump sum at age 60 (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 April (£1k)	Cash equivalent transfer value (TV) at 31 March (£1k)	Real Increase in cash equivalent TV in year (£1k)	Employers Contribution to pension
Mike Wilson	2006-07 0-2.5	2006-07 2.5-5.0	2006-07 0-5	2006-07 5-10	2006-07 20	2006-07 39	2006-07 18	2006-07 N/A
	2005-06 0-2.5	2005-06 5-7.5	2005-06 5-10	2005-06 20-25	2005-06 126	2005-06 175	2005-06 36	2005-06 N/A
Ray Dawson	0-2.5	N/A	10-15	N/A	190	210	12	N/A
	0-2.5	N/A	10-15	N/A	143	190	13	N/A
Darryl Dixon	0-2.5	0-2.5	15-20	45-50	223	236	8	N/A
	0-2.5	2.5-5.0	10-15	10-15	154	223	21	N/A
Nicola Ray	0-2.5	0-2.5	10-15	20-25	139	148	7	N/A
	0-2.5	0-2.5	10-15	20-25	91	139	17	N/A

Due to recent rule changes regarding transferring out of pension benefits, the figures for Mike Wilson for 2006-07 relate only to service whilst employed by the Authority, whilst those quoted for 2005-06 related to all employment service. These figures have been provided by the Cabinet Office calculator.

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

No awards have been made to past senior managers.

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

This is the increase in accrued pension due to the Authority's contributions and excludes increases due to inflation and contributions paid by the Minister 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 ministerial service, not just their current appointment. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes 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. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement 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 and classic plus. 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Declaration of Interest

Senior Manager

Paul Whitehouse, Chairman

Declaration of Interest

Directorships as at 31 March 2007:

Ludlow & District Community Association Limited

Nacro – the Crime Reduction Charity

Starehe UK Association

The Dutch Barge Association Limited

Mike Wilson, Chief Executive

Ray Dawson, Deputy Chief Executive and Director of Finance

Darryl Dixon, Director of Operations

Nicola Ray, Director of Policy and Communications

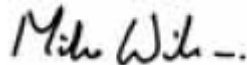
None to declare

None to declare

None to declare

None to declare

Signed:



Mike Wilson

Accounting Officer

31 May 2007

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.

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 on a quarterly basis and are open to the public.

Representative Members

The Association of Labour Providers (ALP)	Roger Burrows replaced by Joanne Young October 2006 and David Camp Sharon Cross and Phil Hudson Lisa Webb
National Farmers Union (NFU)	
National Farmers Union Scotland (NFUS)	
The Recruitment and Employment Confederation (REC)	Marcia Roberts resigned September 2006 and replaced by Belinda Brooke Nick Clark and Bill Snell (USDAW)
Trade Union Congress (TUC)	Chris Kaufman and Martin Smith (GMB)
Transport and General Workers Union (TGWU)	Chris McCann
British Retail Consortium	Nigel Jenney
Fresh Produce Consortium	Robert Price resigned January 2006, position currently vacant
Food and Drink Federation (FDF)	Jane Betts
National Association of Citizens Advice Bureau (NACAB)	Ian MacSween resigned September 2006
Sea Fish Industry (SFIA)	Colin McDonald
Shellfish Association of Great Britain	Grahame Maxwell
Association of Chief Police Officers (ACPO)	Russell Hardy
Police Superintendents Association	Geoffrey Theobald
Local Authorities Coordinators of Regulatory Services (LACORS)	

Ex-Officio Members

Representatives of:

The Secretary of State for Home Affairs

The Secretary of State for Trade and Industry

The Secretary of State for Work and Pensions

The Health and Safety Executive

The Scottish Ministers

The Welsh Assembly for Wales

The Secretary of State for Environment, Food and Rural Affairs

The Commissioners of Inland Revenue and the Commissioners of Customs and Excise jointly

The Minister for Agriculture and Rural Development for Northern Ireland

Dave Roberts resigned March 2006 and replaced by Chris Bailes

Jolanta Edwards

John Alpass resigned March 2006 and replaced by Judith Hicks

Graeme Walker

Derek Muir replaced by Ian Davidson May 2006, Neil Fleming proposed for replacement March 2007

Mike Dunn

Ray Anderson replaced by Heather Peck November 2006, David Jones proposed for replacement March 2007

Anne King

David Small

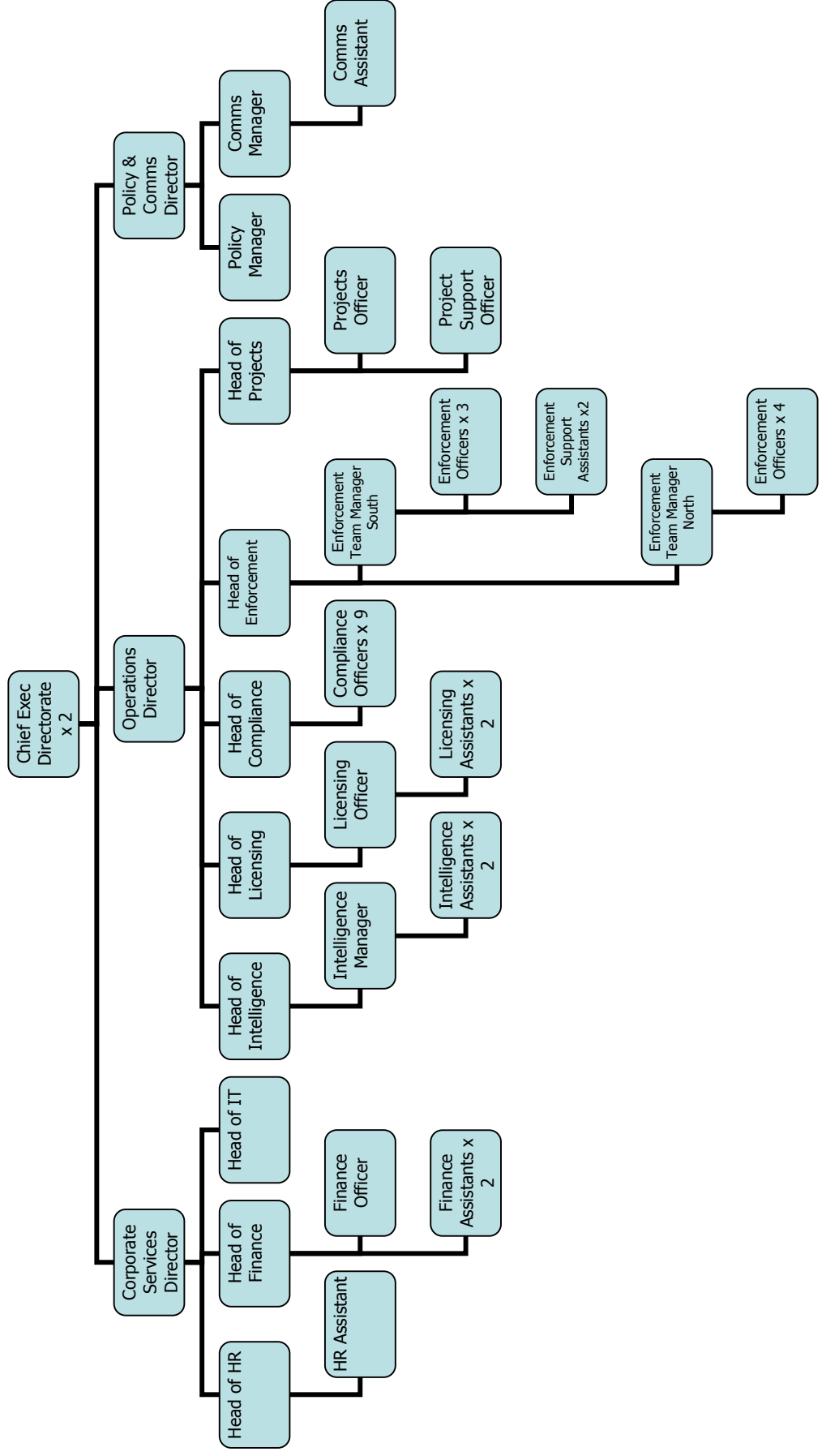
Official Observer

Ethical Trading Initiative (ETI)

Dan Rees

Gangmasters Licensing Authority

Organisation Chart as at 31 March 2007



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 Gangmasters Licensing Authority Board is responsible for ensuring that the Authority discharges its duties properly. This responsibility is delegated to the Audit and Risk Committee of the Board. 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 Defra - the Authority's Sponsor Department - 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.

As planned, it has taken two years for the Authority to become fully operational. The first year (2005-06) saw the Authority getting itself ready to receive licence applications from 6 April 2006. The second year (2006-07) has seen the inspection and licensing of well over 1,000 gangmasters, and a build-up of the intelligence necessary to begin Enforcement. This has all been managed as a project, using PRINCE principles, including regular and frequent Risk Assessments.

During its first year the Authority put in place the Audit and Risk Committee and designed and implemented its system of internal controls. In the second year the Authority has sought to embed fully its internal controls.

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 in place in the Gangmasters Licensing Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The bulk of the Authority's activities during the reporting year have been managed as a formal project following PRINCE methodology. Within this, the capacity to recognise and manage risk is fundamental. The approach 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 project 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.

As activities have become 'business as usual', they have moved from the formal project arrangements to come under line management control. The principles of risk management are nonetheless carried forward, as the same managers are involved. Business Risks are now replacing Project Risks, with risk ownership, mitigation and management delegated to the appropriate Director, and to other managers as appropriate.

The risk and control framework

Risk is a key feature of the PRINCE project management methodology. Until December 2006, 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 Programme Board at each meeting.

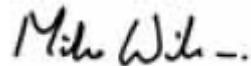
As the Authority moves from project to 'steady state', the Weekly Planning Meeting has been replaced by a Monthly Planning Meeting, and the weekly Design Authority Board has become the monthly Configuration Management Board. The Programme Board was disbanded in January 2007. At the same time, the Executive Management Board has taken responsibility for Business Risks.

The Authority's Board is kept aware of Project and Business Risks through the Audit and Risk Committee.

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

The Board has taken a close interest through the Audit and Risk Committee to satisfy itself that the system of internal control is sound and effective. All recommendations made by Defra and NAO for improvements in the internal control arrangements have been accepted and completed. There are therefore no outstanding significant internal control issues to be dealt with.



Signed:

Mike Wilson
Accounting Officer
31 May 2007

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

I certify that I have audited the financial statements of the Gangmasters Licensing Authority for the year ended 31 March 2007 under the Gangmasters (Licensing) Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow 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 being audited.

Respective responsibilities of the Accounting Officer and auditor

The Chief Executive as 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 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, certain information given in the Annual Report, which comprises of the Directors Report, Management Commentary and Remuneration 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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the 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

Audit Opinion

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 2007 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 given within the Annual Report, which comprises of the Directors Report, Management Commentary and Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

A handwritten signature in cursive script that reads "John Bourn".

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

18 June 2007

Financial Statements

Income and Expenditure Account for the year ended 31 March 2007

	Notes	2006-07 £'000	Re-stated * 2005-06 £'000
Income			
Enforcement	3	1,203.9	117.8
Licence Fees	4	275.8	0
Application Inspection fees	4	1,091.5	0
Other	5	9.5	1.4
Total Income	6	2,580.7	119.2
Expenditure			
Staff Costs	7 & 8	1,662.2	880.6
Marketing		159.4	120.3
Travel and Subsistence		212.6	52.9
Information Technology		95.0	806.8
Consultancy		56.5	128.9
Other	9	724.7	697.9
Total Expenditure	10	2,910.4	2,687.4
(Deficit)	6 & 16 (i)	(329.7)	(2,568.2)

All income and expenditure is derived from continuing operations.

The notes on pages 35 to 50 form part of these accounts.

There are no gains and losses other than the net operating cost.

* Re-stated due to a change in accounting policy (note 16).

Balance Sheet as at 31 March 2007

	Notes	2006-07 £'000	Re-stated * 2005-06 £'000
Fixed Assets			
Intangible Assets	11	6.7	40.9
Tangible Assets	12	<u>1,387.7</u>	<u>554.2</u>
Total Fixed Assets		1394.4	595.1
Current Assets			
Debtors	13	14.1	2.6
Cash at bank and in hand	14	<u>369.3</u>	<u>206.2</u>
Total Current Assets		383.4	208.8
Creditors: Amounts falling due within one year	15	842.1	269.8
Net current liabilities		(458.7)	(61.0)
Total assets less current liabilities		935.7	534.1
Capital and Reserves			
General Reserve	16 (iii) & 17	935.7	534.1
Total Reserves	16 (i) & (iii)	935.7	534.1

The notes on pages 35 to 50 form part of these accounts.

* Restated due to a change in accounting policy (Note 16).

Mike Wilson

Signed:

Mike Wilson
Accounting Officer
31 May 2007

Cash Flow Statement for the year ended 31 March 2007

	Notes	2006-07 £'000	Re-stated * 2005-06 £'000
Net cash inflow/(outflow) from operating activities	18 (i)	245.5	(2,286.1)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		0	(44.8)
Payments to acquire tangible fixed assets		(911.4)	(557.9)
Payments to the Consolidated Fund which are outside the scope of the Authority's activities		(1,406)	0
Financing	18 (ii)	2,235.0	3,095.0
Increase in cash in the period	18 (iii)	163.1	206.2

The notes on pages 35 to 50 form part of these accounts.

* Restated due to a change in accounting policy (Note 16).

Notes to the Accounts

1. Form of Accounts

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 (FReM).

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 in compliance with the FReM under the historical cost convention and on the going concern basis as grant in aid funding has been secured for the foreseeable future.

b) 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 application inspection fees was subject to VAT until March 2007 when the Authority de-registered for VAT as instructed by the HMRC. Income received for licence fees is exempt from VAT.

c) Grant in Aid utilised for both revenue and capital expenditure is regarded as a finance flow and is credited to the income and expenditure reserve in the year to which it relates. This is a change in accounting policy for 2006-07 (note 16).

d) Fixed assets and depreciation - depreciation is provided on fixed assets costing more than £2,000 or £50,000 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. The Authority re-values its assets where material.

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

- e) 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, 2006-07.

For further information see the Remuneration Report.

- f) 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.
- g) Other policies where applicable are disclosed in the relevant Notes to the Accounts.

3. Enforcement Income

The Authority has a service level agreement (SLA) with Defra in order to provide enforcement services within Great Britain. This income of £1,195,500 (£117,800 2005-06) was applied for and received on a monthly basis.

The Authority has also issued an invoice to the Department of Agriculture and Rural Development (DARDNI) for enforcement services carried out within Northern Ireland for £8,400 (nil 2005-06).

4. Licence Fees

Under the Gangmasters (Licensing) Act 2004 the Authority is required to establish a UK wide 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. To provide evidence of compliance to the required licensing standards prior to issue of a licence, application inspections were conducted on those gangmasters who had either not had a TLWG audit or those for whom the TLWG audit was not successful.

Fees for 2006-07 were set as follows:

Annual Turnover	Fee Band	Annual Licence Fee £'000	Application Inspection Fee £'000
£10m+	A	4	2.5
£5-10m	B	2	2.1
£1-5m	C	0.75	1.85
<£1m	D	0.25	1.6

Licensing for agriculture and horticulture commenced on 6 April 2006, however the licensing of shellfish gathering activity was delayed until 1 October 2006. Therefore there is no comparative information for 2005-06. Due to the timing of the shellfish season no licences have been issued as at 31 March 2007.

As at 31 March 2007	Licences issued	Licence Applications Cancelled	Licences Applications Refused	Total	£'000 Recognised in 2006-07
Horticulture and Agriculture	1058	24	29	1005	275.8

5. Other Income

£9,500 (£1,400 2005-06) relates to bank interest which was paid into the Consolidated Fund as an Extra Receipt via Defra.

6. Full Cost Recovery

In line with the HM Treasury's Fees and Charges Guide 1992, the Authority is required to operate on a full cost recovery basis.

The financial objectives set for the Authority is that full cost recovery will be achieved on a year on year basis. During the first year of operation (2006-07), the Authority has made a surplus of £391,100. However, fee income for 2007-08 has been budgeted at a deficit of (£295,600) aiming for full cost recovery over the period of 2006-07 to 2007-08. Note this information is provided for fees and charges purposes, not for SSAP 25 purposes.

	2006-07
	£000
Income	
Licence fees and application inspections	1,367.3
Expenditure	
Staff Costs	560.3
Travel and Subsistence	47.2
Information Technology	28.4
Other	<u>340.3</u>
Total Expenditure	<u>976.2</u>
Surplus/(Deficit)	<u>391.1</u>

There are no comparative figures for 2005-06 as the Authority did not commence the issue of licences and application inspections until 6 April 2006.

Full functional expenditure analysis can be found at notes 9 and 10 along with income analysis at note 4.

7. Staff Costs

Directorate	2006-07			2005-06			Total £'000		
	Average Number Employed	Salaries £'000	Social Security Costs £'000	Pension Costs £'000	Average Number Employed	Salaries £'000		Social Security Costs £'000	Pension Costs £'000
Chief Executive's Office	2	98.0	10.3	22.9	2	99.5	8.9	21.1	129.5
Finance and Corporate Services	9	254.7	20.9	50.5	5	211.8	14.2	32.8	258.8
Licensing and Compliance	17	435.7	34.8	81.3	6	193.9	16.2	32.9	243.0
Policy and Communications	4	139.0	10.7	27.3	4	117.7	9.3	22.5	149.5
Enforcement	<u>12</u>	<u>305.6</u>	<u>23.4</u>	<u>58.7</u>	<u>2</u>	<u>65.7</u>	<u>4.6</u>	<u>11.6</u>	<u>81.9</u>
Total	44	<u>1,233.0</u>	<u>100.1</u>	<u>240.7</u>	19	<u>688.6</u>	<u>53.2</u>	<u>120.9</u>	<u>862.7</u>

The Chairman, Paul Whitehouse, received total remuneration of £20,400 (£17,900 2005-06). Full details of the senior staff costs are provided in the Remuneration Report on pages 18 to 21.

For the period 31 December 2006 to 31 March 2007 Nicola Ray's post was covered by Bernard Meakins who was engaged on a commercial consultancy arrangement.

A Defra secondee was employed within the Policy and Communications Directorate for the period April to June 2006. Temporary administration staff at a cost of £11,600 (£7,100 2005-06 (included in the table above)) were employed within the Finance and Corporate Services throughout the year, however this did not increase the average number employed.

No short term staff were employed within the Authority.

A total of £56,400 (£33,400 2005-06 (included in the table above)) has been accrued for performance related pay which has yet to be awarded for 2006-07. The remuneration committee are due to sit on the 31 May.

Directorate	Departmental Objective
Chief Executive's Office	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 the 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.

8. 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 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £237,500 were payable to the PCSPS (£113,700 2005-06) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2 and 24.6 per cent). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 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 £2,000 (£2,000 2005-06) were paid to one or more 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 £200 (£200 2005-05), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the 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 £200 (£200 2005-06). Contributions prepaid at that date were nil (nil 2005-06).

9. Other Expenditure

	2006-07	2005-06
	£'000	£'000
Depreciation	112.2	7.6
Discounts	86.0	0
Rent	65.6	65.6
Application Inspection Costs	61.9	0
Training	55.9	14.5
TLWG Transition	47.1	235.4
Measuring Outcomes Survey	44.8	0
Auditors Remuneration	34.0	18.0
Cost of Capital	23.5	7.3
VAT Liability (see note 15)	25.6	83.4
Stationery/Postage	24.2	20.0
Interpreters	22.6	0
Telephone	16.1	9.1
Recruitment	14.0	69.0
Legal Costs - Appeals	7.5	0
Board Expenses	6.3	14.4
Furniture	0	89.4
Other	<u>77.4</u>	<u>64.2</u>
Total	<u>724.7</u>	<u>697.9</u>

The remuneration to the National Audit Office (NAO) in respect of audit work carried out was £25,000. The additional £7,000 related to an under accrual for 2005-06. 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.

For the purposes of full cost recovery, expenditure has been analysed by function as well as category as at note 10.

10. Expenditure Analysis

Function	2006-07 £'000			2005-06 £'000		
	Set Up	Enforcement	Licensing	Set Up	Enforcement	Licensing
Staff Costs	273.8	828.1	560.3	168.1	261.0	451.5
Marketing	159.4	0	0	12.3	0	108.0
Travel and Subsistence	11.8	153.6	47.2	4.1	30.6	18.2
Information Technology	15.6	51.0	28.4	804.0	2.2	0.6
Consultancy	56.5	0	0	128.9	0	0
Other	<u>235.1</u>	<u>149.3</u>	<u>340.3</u>	<u>437.4</u>	<u>94.6</u>	<u>165.9</u>
Total	<u>752.2</u>	<u>1,182.0</u>	<u>976.2</u>	<u>1,554.8</u>	<u>388.4</u>	<u>744.2</u>
						<u>2,687.4</u>

All costs are allocated on the basis of management's best estimate of the apportionment of costs between set up, enforcement and licensing in the first two years of operation.

11. Intangible Assets

	Software Licenses
	£'000
Cost	
As at 1 April 2006	44.8
Additions	0.5
Transfers	(33.6)
Disposals	0
As at 31 March 2007	11.7
Amortisation	
As at 1 April 2006	3.9
Charged for the period	2.5
Additions	0.2
Transfers	(1.6)
Disposals	0
As at 31 March 2007	5.0
Net Book Value	
As at 31 March 2006	40.9
As at 31 March 2007	6.7

Transfers are as a result of re-categorisation between intangible and tangible.

12. Tangible Assets

	IT Assets £'000	Office Equipment £'000	Total £'000
Cost			
As at 1 April 2006	555.4	2.5	557.9
Additions	911.4	0	911.4
Transfers	33.6	0	33.6
Disposals	(0.5)	0	(0.5)
As at 31 March 2007	1,499.9	2.5	1,502.4
Amortisation			
As at 1 April 2006	3.4	0.3	3.7
Charged for the period	108.8	0.8	109.6
Transfers	1.6	0	1.6
Disposal	(0.2)	0	(0.2)
As at 31 March 2007	113.6	1.1	114.7
Net Book Value			
As at 31 March 2006	552.0	2.2	554.2
As at 31 March 2007	1,386.3	1.4	1,387.7

Transfers are as a result of re-categorisation between intangible and tangible.
Additions of £911,400 were acquired during 2006-07.

13. Debtors

	2006-07 £'000	2005-06 £'000
Other Debtors	3.4	0.3
Prepayments and accrued income	10.7	2.3
Total	<u>14.1</u>	<u>2.6</u>

There are no amounts falling due after one year.

14. Cash at bank and in hand

	2006-07	2005-06
	£'000	£'000
Cash at bank	369.1	206.0
Petty cash	<u>0.2</u>	<u>0.2</u>
Total	<u>369.3</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.

15. Creditors: Amounts falling due within one year

	2006-07	2005-06
	£'000	£'000
VAT	95.5	78.8
Other taxation and social security	35.4	26.2
Trade creditors	166.8	53.0
Accruals and deferred income	543.1	111.8
Other	<u>1.3</u>	<u>0</u>
Total	<u>842.1</u>	<u>269.8</u>

Included in this figure is a total amount of £176,300 (£95,200 2005-06) which relates to balances with other government departments which fall within the whole of government accounting (WGA) boundaries.

The figure for VAT includes £12,000 liability for 2007-08. £83,500 relates to VAT which was reclaimed during 2005-06 along with managements best estimate of liability due. The total liability of £95,500 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.

16. Change in Accounting Policy

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

(i) Net Surplus/(Deficit) 2005-06 Re-statement

	As at 31 March 2006 (Previously stated) £'000	Impact of adopting the new policy £'000
Net surplus/(deficit) for 2005-06	(68.3)	
Release of revenue:		
Grant in aid		(1,393.4)
Defra		(1,098.9)
Depreciation release		<u>(7.6)</u>
As at 31 March 2006 (re-stated)		<u>(2,568.2)</u>

(ii) Government Grant Reserve 2005-06 Re-Statement

	As at 31 March 2006 (Previously stated) £'000	Impact of adopting the new policy £'000
Government Grant Reserve	595.1	
General Reserve		<u>(595.1)</u>
As at 31 March 2006 (re-stated)		<u>(0)</u>

(iii) General Reserve 2005-06 Re-statement

	As at 31 March 2006 (Previously stated) £'000	Impact of adopting the new policy £'000
General Reserve	(61.0)	
Government Grant Reserve		595.1
As at 31 March 2006 (re-stated)		<u>534.1</u>

17. General Reserve

In line with the change in accounting policy as per note 16 the general reserve balance for 2005-06 has been re-stated from 61.0 to 534.1.

General Reserve	2006-07 £'000	Re-stated 2005-06 £'000
As at 1 April	534.1	0
Net surplus/(deficit)	(329.7)	(2,568.2)
Financing:		
Revenue - Grant in aid	1,298.1	1,393.4
Defra	25.5	1,098.9
Capital - Grant in aid	70.4	40.4
Defra	841.0	562.3
Notional Cost of Capital	23.5	7.3
Payments to the CF Fund	<u>(1,527.2)</u>	<u>0</u>
As at 31 March	<u>935.7</u>	<u>534.1</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.

18. Cash Flow

(i) Net Cash Outflow

	2006-07	Re-stated
	£'000	2005-06
		£'000
Net operating cost/net expenditure for the year	(329.7)	(2,568.2)
Adjustments for non-cash transactions:		
Depreciation	112.2	7.6
Notional Cost of Capital charge	23.5	7.3
(Increase)/Decrease in debtors	(11.5)	(2.6)
Increase/(Decrease) in creditors	<u>451.0</u>	<u>269.8</u>
Net cash inflow/(outflow) from operating activities	<u>245.5</u>	<u>(2,286.1)</u>

(ii) Financing

	2006-07	2005-06
	£'000	£'000
Capital Grant in Aid	911.4	602.7
Revenue Grant in Aid	<u>1,323.6</u>	<u>2,492.3</u>
	<u>2,235.0</u>	<u>3,095.0</u>

(iii) Analysis of changes in net funds

	As at 31.3.07	Cash Flow	As at 31.3.06
	£'000	£'000	£'000
Cash at bank and in hand	369.3	163.1	206.2

19. Capital Commitments

The Authority had no capital commitments at 31 March 2007 (nil 2005-06).

20 Losses and Special Payments

The Authority had no disclosable losses or special payments during the financial year 1 April 2006 to 31 March 2007 (nil 2005-06).

21 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.

22. Post Balance Sheet Events

There have been no adjusting post balance sheet events.

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. This is the date on which the certified accounts are despatched to the Authority to the Parliamentary Clerk for Defra. The authorised date for issue is the 18 July 2007.

The authorising officer is the Accounting Officer, Mike Wilson.

23. 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	
		2006-07	2005-06
		£'000	£'000
Defra	Sponsoring Body	3,340.5	3,212.8
The Cabinet Office	Manager of the PCSPS	237.5	113.7
Land Registry	Landlord	65.6	65.6
DARD	Sponsoring body associate	8.4	0
Ministry of Defence	Authorised pensions administration centre via People, Pay and Pensions Agency	0.6	0.6
ALP	Represented on the Authority's Board	0	10.5

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.

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
DARDNI	Department for Agriculture and Rural Development
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
SLA	Service Level Agreement
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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