



Security Industry Authority

Annual Report and Accounts

2005/06





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ANNUAL REPORT AND ACCOUNTS 2005/06

Presented to Parliament by the Secretary of State for the Home Office and by the Comptroller and Auditor General, in pursuance of Section 16(4)(b) and Section 17(2) of Schedule 1 of the Private Security Industry Act 2001.

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“The Review Team considers that this project to be one of the best seen in its extensive experience... It is clear that the SIA is entering largely uncharted waters. Forethought and preparation have been extremely thorough, but the SIA has recognised that it has its limits and that some of the remaining unknowns can only ever be resolved through real world implementation.”

Office of Government Commerce. 2004.

“The SIA has proved to be a thoughtful, pragmatic and consultative regulator, interested not only in regulation, but the transformation of our industry. We could not ask for a better regulator with which to work.”

David Dickinson, Chief Executive, The British Security Industry Association. 2005.

MINISTER'S STATEMENT: VERNON COAKER



Vernon Coaker
Under Secretary of State
for Policing, Security and
Community Safety

The Home Office recently reasserted its mission by putting the protection of the public at the heart of everything it does. As the regulator of the Private Security Industry, and with its own mission of helping to protect society, the SIA makes an important contribution to key Home Office Objectives.

The private security industry is well placed as a member of the extended police family, to help fulfil the objective in the Home Office's Strategic Plan 2004-2008:- "Confident Communities in a Secure Britain" that people are and feel more secure in their homes and daily lives.

The training and criminal records checks that are required as part of the licensing process, and the guiding principles of the Approved Contractor Scheme, are leading to increased professionalism in the industry, and acting as a catalyst for improving industry standards. This in turn contributes to public safety, crime reduction, and an increase in the recognition and respect afforded to the industry both from the public and from corporate and public sector Britain.

The SIA is to be congratulated for driving forward regulation in partnership with the industry. They have taken forward significant changes that are already helping to change the industry from one driven primarily by price into one driven by quality and standards, and that can quite rightly be proud of its role as a key partner in public protection.

CHAIRMAN'S STATEMENT

The private security industry has an important role to play in improving public safety and reducing crime. As well as making a valuable contribution to protecting people and property, the industry also contributes significantly to Britain's economy.

The industry employs over 250,000 people in the UK and provides services to the value of £4 billion per annum to private and public sector customers. Private security has become an integral and highly visible feature of modern society. Its work has evolved from a predominantly passive role into one that demands wider and more active contact with the public.

The Security Industry Authority was established by Parliament to help protect and reassure the public by preventing unsuitable people from holding positions of trust in this vital industry, and to raise standards throughout the private security sector.

The SIA was established in April 2003 and became operational in April 2004. 2005/06 was the SIA's second year of operation, and we delivered two significant milestones. These were the completion of compulsory licensing of the manned guarding and keyholding sectors and the introduction of the voluntary Approved Contractor Scheme for service providers. We consulted widely on the implementation plans, and we asked our stakeholders to recognise the vital importance of collaboration to ensure the smooth and successful introduction of both programmes.

In the past 12 months, the security guarding, public space surveillance (CCTV), cash and valuables in transit, close protection and the key holder sectors have seen all the planning and debate translated into action.

Although the levels of cooperation and compliance have been significant, we were disappointed that the implementation of licensing did not go as smoothly as planned. We had difficulties processing the huge volume of applications that were received very close to the licensing deadline. We responded quickly to address processing problems and to return to normal processing times as soon as possible.



Robin Dahlberg
SIA Acting Chairman

At the launch of the SIA we stated that, whilst licensing would raise standards, the most powerful mechanism for change would be the Approved Contractor Scheme. The scheme is a hallmark of quality that enables buyers of private security services to distinguish between potential suppliers. It also provides assurance that the accredited company has met a clearly defined and independently assessed set of quality standards. The response from the industry to its introduction has been impressive.

All of this and more has been achieved since the implementation of the Act in 2003. The SIA and the private security industry are continuing to work collaboratively to build on these achievements. For example, Skills for Security was established with a remit to address the future skills requirements of the industry. Significantly, in 2005 it was agreed that the SIA would extend its scope into Scotland and it is hoped that both licensing and the Approved Contractor Scheme will be operational in Scotland during 2007.

Better Regulation

The SIA is fully committed to adhering to the five principles of Better Regulation: proportionality, accountability, consistency, transparency and targeting. These principles have been evidenced in all our work from the outset. The Better Regulation Commission and the Better Regulation Executive have encouraged us to improve our communications to make our commitment to the five principles more explicit and we are doing that. We are grateful to the Better Regulation Commission and the Better Regulation Executive for the work they have done with us.

A note of appreciation

Our successes in 2005/06 were due to the efforts of many people.

On behalf of the Board of the Security Industry Authority, I would like to express our thorough appreciation to all those who contributed to our success.

First, and foremost, to the private security industry. Their support enabled the implementation of regulation to be achieved within a demanding deadline. A great number of people throughout the industry provided their expertise and guidance generously and enthusiastically. This enabled us to devise an effective licensing scheme

and a successful Approved Contractor Scheme. We believe the result has met Parliament's objective of improving public security whilst fully acknowledging and enhancing the industry's ability to manage its business in a highly competitive market.

Second, to Paul Goggins MP. During 2005/06, Paul Goggins was the Home Office's Parliamentary Under Secretary of State responsible for the SIA. We are extremely grateful for the leadership, steadfastness and public support which Paul provided in his capacity as Minister during a very challenging year.

Third, to Peter Hermitage. During 2005/06, Peter was the Chairman of the SIA until 31 January 2006, after which I took over as Acting Chairman. Peter deserves credit for leading the Board and the SIA while we created the foundations upon which our success has been built.

Fourth, to our contracted managed service provider, BT. During a difficult and pressurised year BT have shown flexibility and innovation, working in partnership with us to develop solutions to manage the high volumes of licence applications.

And finally, to the employees of the SIA. These are the people who made all of this happen. They are the ones who worked with the industry, with stakeholders and with our suppliers to help create a private security industry that is now able to deliver quality services, provide real careers and command wide respect. I thank them for their patience, persistence and hard work.

A handwritten signature in black ink that reads "Robin Dahlberg". The signature is written in a cursive style with a large, looping initial 'R'.

Robin Dahlberg
Acting Chairman

A. THE CHIEF EXECUTIVE'S STRATEGIC OVERVIEW



John Saunders OBE
SIA Chief Executive

I. The Security Industry Authority

I.1 The Security Industry Authority (SIA) was established on 1 April 2003 under the Private Security Industry Act 2001 (the Act) to make provision for the regulation of the private security industry.

I.2 Our statutory functions (principle activities) are to:

- license individuals in specific sectors and to approve security companies;
- keep under review the private security industry and the operation of the legislative framework;
- monitor the activities and effectiveness of those working in the industry;
- conduct inspections;
- set and approve standards of conduct, training and supervision within the industry; and,
- make recommendations to improve standards.

I.3 The Act allows us to do those things necessary or helpful in discharging our functions; in particular to make proposals to the Home Secretary to modify any provision contained within it, and to undertake, arrange or support research relating to the provision of security services.

I.4 Clarity of the intention of the Act can be found in the explanatory notes accompanying the legislation which assert that:

- regulation would help to raise standards, and ensure greater consistency, building upon progress that the industry has already achieved over recent years through self-regulation;
- arrangements should be introduced to vet people working in the industry, again to ensure consistency and, in particular, to exclude criminal elements, who abuse positions of trust in which the industry places them by committing offences, and who as a consequence tarnish the image of the industry as a whole; and,

- companies providing a satisfactory service measured against relevant agreed standards should receive recognition, and be able to demonstrate such recognition to customers, through a voluntary inspection scheme.

1.5 The commencement of the 2006/07 financial year marks the conclusion of the third year of our existence. Since establishment as a greenfield organisation on 1 April 2003 we have operated for some 700 working days and during this time have made good progress and built solid foundations for continuing our mission. Achievements as at 1 April 2006 include:

- The creation of the organisation, including systems, processes and people.
- The design, development and implementation of the licensing criteria and the introduction of the Approved Contractor Scheme.
- The establishment of a national compliance and investigation team and compliance partnerships.

1.6 Results as at the end of the 2005/06 financial year include:

- Over 90 SIA Approved companies with 65,000 licensable employees.
- Over 200,000 individuals with SIA recognised qualifications.
- Endorsement of a network of over 1,000 training providers and six awarding bodies.
- Over 90,000 individuals licensed and a further 55,000 applications received.
- Advice and support for companies: compliance team contact with nearly 2,000 businesses.
- Enactment of legislation to support all our activities.
- Amendments to the Private Security Industry Act agreed which extend our scope to Scotland.

Up to date information on SIA statistics is available at:

www.the-sia.org.uk/home/licensing/stats.htm

“There needs to be a significant change in attitudes. The new regulatory regime should not be viewed as a tag-on to the current state of security, it should be viewed as a way of changing the state of security altogether.

The Regulator needs to introduce licensing in a manner that supports the commercial realities of the industry without compromising the aims of the Act.

Some companies were concerned that regulation could stifle commercialism, others felt the enforcement of minimum standards and an improved image would create additional opportunities, not least within the wider police family.

Many felt that the Approved Contractor Scheme would, if rigorous in its standards, provide a key mechanism for improving performance in the industry, for many this is more important than the licensing of individual officers.”

Professor Martin Gill (2003).

STRATEGIC DIRECTION

1.7 Our strategy is to ‘give proportionate and appropriate effect to the Private Security Industry Act 2001’. To understand what that would mean to the business sector we commissioned a comprehensive strategic assessment.¹ The analysis underpinned the development of our strategic analysis, that is, the introduction of the regulation being a catalyst to stimulate productive and long overdue change within the industry – enabling the industry to raise standards and consequently become equipped to contribute to increased public safety and the crime reduction agenda (as a component of the extended police family).

1.8 We extensively consulted our stakeholders and agreed to express our direction through our Mission, Vision and Aims.

OUR MISSION, VISION AND AIMS

Our Mission

To help protect society by collaboratively developing and achieving high standards in the private security industry.

¹ The Impact of Licensing and other changes upon the Security Sector: Prof M. Gill and Dr A. Burns-Howell, June 2003.

Our Vision

To create a Security Industry Authority that is a model of good regulation and internationally recognised as a major contributor to the quality and effectiveness of the private security industry thus helping to reduce crime, disorder and the fear of crime.

Our Aims²

1. Enhanced protection of the public through increased public trust and confidence in the private security industry by reducing criminality, setting and maintaining standards of probity, and improving the professionalism of all who work in the industry.
2. Businesses in the private security industry improving their standards through the creation of a framework for developing, promoting and spreading best practice.
3. A private security industry centre of knowledge and expertise enabled, which supports and encourages effective industry development and investment.
4. A strengthened extended police family by encouraging and supporting further engagement of the private security industry.
5. Recognition, by all our stakeholders, of the SIA as a model of good practice.

In pursuing these aims we will continue to work in partnership with the industry and its customers, the police and the public.

1.9 Regulation is something that most progressive leaders within the private security industry have long sought. Our strategic direction is to collaboratively introduce the regulation as a catalyst to stimulate change and improvement within the industry – continually balancing the public purpose of the regulation with the commercial implications for the industry. Industry leaders see regulation leading to:

- Greater investment in staff in the private security industry and the creation of a stable and more highly valued workforce.
- A stimulus to create innovative services built around people and technology.
- More cooperative relationships between suppliers and buyers where quality, rather than price, form the basis of purchasing decisions.

² We adjusted our Vision and Aims in March 2005 to ensure that our purpose and approach reflects stakeholder needs and the changing environment in which we function. The mission and direction remain unchanged.

1.10 The particular nature of the private security industry means it is difficult to regulate, although the sector is of increasing economic and political importance. Factors contributing to this complexity include:

- An industry that has grown rapidly in the past decade.
- In some sectors a poor image and reputation.
- History of price driven buying and narrow margins.
- In some sectors poor employment practices, high staff turnover and a lack of investment in skills.
- Diverse sectors with differing risk profiles means that licensing criteria and implementation approaches have had to be adapted for each sector.

“Licensing and then the Approved Contractor Scheme must be seen as but the first steps in a very long climb that will eventually take our industry to the pinnacle of excellence.”

Jonathon Levine, Managing Director, First Security (Guards) (May 2006).³

1.11 As an independent Non Departmental Public Body with the sponsorship of the Home Office we contribute to the overall aims and objectives of that department. The Home Office Strategic Plan 2004 – 2008, ‘Confident Communities in a Secure Britain’, published in July 2004, sets out the department’s strategy based on five strategic objectives (see over). We are also aligned with wider Government agendas for skills development, better regulation and innovation.



³ Security Management Today (May 2006). CMP Information Ltd.

Home Office Objectives:

1. People are and feel more secure in their homes and daily lives.
2. More offenders are caught, punished and stop offending and victims are better supported.
3. Fewer people's lives are ruined by drugs and alcohol.
4. Migration is managed to benefit the UK, while preventing abuse of the immigration laws and of the asylum system.
5. Citizens, communities and the voluntary sector are more fully engaged in tackling social problems and there is more equality of opportunity and respect for people of all races and religions.

1.12 We are also mindful of the Home Office action plan for reform published in July 2006 which asserts that the core purpose of the Home Office is protecting the public. Our mission and aims contribute directly to that core purpose. The outcome of our work, a fitter and more trusted private security industry, helps achieve primarily Home Office Objective 1, although it also contributes to Objectives 2, 3 and 5. We interpret 'communities' in Objective 5 to include the business community and thus the buyers and suppliers of private security.

1.13 We believe regulation is enabling the industry to raise standards and consequently become better equipped to contribute to increased public safety and the broader crime reduction agenda (as a component of the extended police family).

Focus on: the Extended Police Family

- Targeted briefing of security staff across the City of London, in Westminster and Canary Wharf, to raise awareness of counterterrorism measures and issues to equip the private security personnel to provide assistance to their clients and the police service on a daily basis and in the event of a major incident. Weekly briefings on updated information via secure, password controlled conference call to security leaders.
- Licensed door supervisors in fluorescent jackets and liaising with police supervising taxi queues. For example, in Oldham and Bedfordshire.
- In Avon and Somerset (Bath) three private security staff – one a trained paramedic – patrol the entertainment area between 10pm and 3am. This initiative is funded by ten entertainment venues in co-operation with the police. The patrols have high visibility clothing and direct radio contact with police and city's CCTV control room.

“We want a Home Office which delivers high performance in meeting its core purpose of protecting the public.”

John Reid and David Normington: Home Office Action Plan (July 2006).⁴

I.14 The Office of Government Commerce Gateway 5 review undertaken in November 2005 concluded:

As at the previous Gateway Review, the SIA continues to impress with the quality of its management, its understanding of the industry it is helping to shape, and its genuine commitment to raising professional standards in accordance with its mission and vision.

⁴ From Implementation to Transformation, An Action Plan to reform the Home Office so it meets public expectations and delivers its core purpose of protecting the public. Home Office (2006).

2. Management Commentary

PERFORMANCE AGAINST OBJECTIVES IN 2005/06

2.1 In 2005/06 our work focused on a combination of the operational delivery of licensing, management of the development programme and the continued improvement and strengthening of our organisation. These three themes shaped the organisation's objectives for the year:

1. Deliver the licensing programme.
2. Achieve compliance with the licensing requirements in conjunction with our partners.
3. Successfully implement the Approved Contractor Scheme.
4. Deliver a development programme that continues to progress the regulation of the private security industry.
5. Achieve stakeholder engagement and support.
6. SIA to be recognised externally and internally as a model of good practice.
7. Achieve SIA objectives whilst achieving revenue projections and operating within budgets (or amended budgets) or better.

Performance indicators were set for each objective.

Objective I – Deliver the Licensing Programme

2.2 We commenced licensing in 2004 with the regional roll out of door supervisor regulation. 2005/06 was the year that tested our systems and teams to the full with the licensing of the remaining manned guarding sectors: our biggest challenge so far. In partnership with BT, our managed service provider, licensing is being achieved by well motivated and effective teams. At times, processing volumes have been impressive. Performance indicators for this objective were as follows:

- I. **80% of licences issued within six weeks of receiving an application suitable for processing.**
- II. **90% of calls to the call centre answered within 20 seconds.**
- III. **Less than 10% of licence refusals successfully challenged.**



Our performance

I. Licence processing

2.3 We met our target of issuing 80% of licences issued within six weeks in only two out of 12 months during 2005/06. 80% of licences were processed within seven weeks in five months during the year.

2.4 The SIA licensing system was built to process 10,000 licences per month with an uplift capacity to 12,000 – 15,000 for short bursts. To achieve a six week service standard it was extremely important to do everything possible to avoid an uneven licence demand which would create ‘traffic jams’ and consequent delays.

“There is now a very high risk that applications submitted after 31 October 2005 may not be processed in time. As a result, a potentially large percentage of the workforce could fail to obtain a licence by the due date.

There is no intention to move the date; after 20 March 2006, it will be a criminal offence for any security guard supplied on a contract for services to operate without a licence.”

SIA Industry Update (September 2005).

2.5 Of the original 129,599 applications forecast during the year, some 90,000 licence applications would be from the security guarding sector. Consequently, we negotiated with the majority of the industry a regular flow of applications throughout the year. Regrettably, the profile was not fully adhered to and 50% of the predicted applications were received in a three month period up to the date it would be an offence to work without a licence (20 March 2006) and a further 30% received in the months following. We were unable to meet our service standards owing to the extraordinary events of the year.

Figure 1: Licence processing times to decision making

Cumulative total % of licence applications processed within time deadlines (once entered onto system)

Month Time	Apr '05	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan '06	Feb	Mar
4 weeks	6	36	71	61	39	71	71	*	*	*	*	*
6 weeks	41	63	76	77	70	87	86	*	*	*	*	*
7 weeks	62	76	81	80	82	90	88	*	*	*	*	*
8 weeks	78	84	84	82	87	91	89	*	*	*	*	*
9 weeks	86	89	86	85	90	93	91	*	*	*	*	*

* from September onwards the accumulation of licence applications meant that it took up to four weeks for applications to be entered onto the system. We are not able to accurately calculate processing times after November 2005.

2.6 The volume of late applications resulted in the average processing time increasing from about six weeks to ten weeks for applications received after September 2005.

2.7 Our response to the high volumes was to take action to improve our productivity and to ease the transition for security companies:

1. We implemented a bulk applications process to enable companies to help their employees apply for licences.
2. We increased the capacity of our licensing system to over 20,000 per month. This involved opening two additional processing centres and doubling the number of processing staff.
3. We adapted our licensing processes, including acknowledging bulk applications and conducting initial processing of licences in advance of receiving overseas criminality certificates. This also had the benefit that applicants working for Approved Contractor companies could work more quickly while their application was being processed.⁵
4. We supported applicants who needed help, and managed to decrease the number of incorrect application forms that initially contributed to the backlog.

II. Contact centre performance

2.8 We set a performance target of 90% of calls to the contact centre being answered within 20 seconds. We did not meet this performance target. We recognise that many callers were not able to reach an operator during the busy period leading up to the offence date and are sorry for the frustration that callers might have felt.

2.9 The contact centre, managed by BT, was set up to answer simple queries about licensing. The centre has a capacity to handle approximately 1,000 calls a day and also responds to simple email and postal enquiries. The number of calls received by the contact centre was considerably higher than forecast (in March 2006 we received approximately 4,500 a day) and the complexity of enquiries and consequently average time per call far exceeded planning expectations. Unfortunately contact centre performance deteriorated significantly during the licensing application flood.

⁵ Applicants must have completed their training, submit their applications and not work with children and vulnerable adults. The individual will receive a licence dispensation notice on such occasions.

III. Licence refusal challenges

2.10 Figure 2, below, shows the number of licence decisions we made during the year and the number of licences refused, as well as those subsequently challenged by applicants. In total, 28% of licence refusals were successfully challenged. This high percentage of challenges won reflects a number of factors, including: lack of experience of the SIA licensing criteria by both the SIA and the courts, the level of criminality within the door supervisor sector and cases conceded by the SIA following the submission of further mitigating evidence.

Figure 2: Table showing the number of licence decisions from commencement of licensing to 31 March 2006 and the proportions of decisions challenged

Sector (includes non-front line)	Number decisions	Number refused a licence	Number of licence decisions ⁶ appealed	Number of licence decision challenges won by appellant*
Door supervisor	44,288	2,637 (6%)	704 (27%)	195 (28%)
Vehicle immobiliser	1,395	85 (6%)	12 (14%)	3 (25%)
Other manned guarding (including key holding)	45,397	676 (1.4%)	2 (0.3%)	1 (50%)
Total	91,080	3,358 (4%)	718 (21%)	199 (28%)

* Not all challenges proceeded to court hearings. This figure includes cases conceded by the SIA before a substantive hearing.

2.11 Of a total of 718 appeals, 449 were heard by the Magistrates' Court and of those 17 were further appealed to the Crown Court. Our appeals process is clearly set out in our guidance material. All applicants receive a copy of our licensing criteria when they request an application form so they can understand how we make decisions. In situations where we need more information⁷ we request that the applicant submits mitigation explaining the circumstances around their case. Magistrates may judge whether we have applied our published

⁶ Also includes challenges to suspensions and revocations

⁷ As described in our published licensing criteria

licensing criteria correctly. In March 2005 we clarified our criteria in relation to mitigation, cautions and warnings and rehabilitation of offenders.

“After years of campaigning and lobbying for regulation of the security industry, the GMB welcome the Private Security Industry Act 2001 and the commitment to raise standards and remove criminality from the industry.”

The General Secretary of GMB (September 2004).

Objective 2 – Achieve compliance with the licensing requirements in conjunction with our partners

2.12 We manage compliance activity through a combination of raising awareness of licensing requirements, support for companies and enforcement activity. Performance indicators for this objective were:

- I. **87% of licences granted against predicted market population of all manned guarding sectors.**
- II. **80% of licences granted against predicted population of vehicle immobilisers.**

Our performance

I. Manned guarding sectors

2.13 The principle compliance target was 87% of licences granted against the predicted licensable population of all five manned guarding sectors (158,000 out of 182,000). In total, since we started licensing we have received 147,000 licence applications up to the 31 March 2006. Processing delays meant that it became more appropriate to measure our progress against ‘attempts to get licensed’, that is correctly submitted applications. On this measure we obtained 81% compliance against the target of 87%.

2.14 Broken down, the compliance levels against predicted licensable populations were lower in some sectors. The public space surveillance (CCTV) and close protection sectors had compliance levels of less than 20%⁸ at the end of the 2005/06 financial year. We believe the compliance levels for the public space surveillance (CCTV) sector was low for the following reasons:

⁸ 14% for public space surveillance (CCTV) and 8% for close protection

1. Application forms for the public space surveillance (CCTV) and close protection sectors were available on 27 June 2005 and 1 September 2005 respectively. Applications were inevitably caught up in the accumulated 'traffic jam'.
2. We are aware that rumours and misunderstanding related to the scope of public space surveillance (CCTV) licensing may have contributed to the delay of some operatives in this sector in returning their application.

2.15 Compliance efforts initially focussed on ensuring that licence applications were received in a timely manner. During the year our regional team had contact with 1,770 companies to assist them getting their employees licensed. We also focussed our communications efforts to ensure that those companies and individuals affected by the legislation were aware of their obligations.

Focus on: the SIA website

The current SIA website was launched on 28 February 2005. The website is the first port of call for the majority of our external customers and stakeholders. In March 2006 there were over 180,000 visits to our website, of which nearly 48,000 of them were unique, averaging 6,000 visits per day.

See: www.the-sia.org.uk

“Last year was undeniably tough but exciting and rewarding too. I'd like to pay tribute to the industry, which for the most part remained professional, helpful and good-humoured under sometimes challenging circumstances.”

Lisa Nazareth, SIA Investigator.



2.16 In relation to the door supervisor sector, there was confusion caused by the uncertainty around the need for certain security guards at sports and events to be licensed. The Home Office undertook to consult widely to clarify the position. We worked closely with the Association of Chief Police Officers⁹ to ensure that security suppliers understood the current boundaries of the legislation in force.

Focus on: the SIA compliance strategy

- **Designing in compliance: making it more attractive in business terms for the security industry, and its purchasers, to comply.**
- **Selective, consistent and proportional enforcement: no routine inspections.**
- **Intelligence-led operations: using the National Intelligence Model to produce strategic and tactical assessments, to prioritise and inform targeted compliance activity and identification of potential criminality.**
- **Engaging partners: seeking to exploit the strengths and specific focus of ourselves and each partner to enable each of us to achieve our goals and avoid duplication of effort.**

2.17 In the run up to the offence date¹⁰ for the remaining manned guarding sectors we published our enforcement policy which intended to be transparent and manage the expectations of those who had made attempts to comply. The policy takes a number of factors into account when deciding what action to take, for example, the time elapsed since the activity became licensable and the progress an individual has made towards getting or renewing a licence such as completing their training and submitting their licence application.

⁹ See: <http://www.acpo.police.uk/>

¹⁰ 20 March 2006

2.18 We know that prosecuting offenders can be expensive and it is not always the most effective way of gaining compliance: we are committed, in line with the Hampton Principles,¹¹ of only prosecuting as a last resort. We will, however, support action when we think the circumstances demand it, and since we commenced licensing have provided 505 witness statements¹² in relation to prosecutions of unlicensed operatives.

2.19 Supporting us are 937 local authority staff and 308 un-sworn police employees who we have authorised to conduct inspections on our behalf; sworn police officers having sufficient powers of their own. Together, we have a range of sanctions available including written warnings and improvement notices. Across all sectors up to 31 March 2006, we and our partners have issued 1,057¹³ warnings to individuals working without a licence.

Focus on: joint working

April 2005 – West Yorkshire police informed us that an applicant had been using a false name. We provided a copy of the applicant's photo, passport, and driving licence. We also provided a recording of his telephone conversations. He was subsequently convicted for obtaining pecuniary advantage by deception (Theft Act 1968, section 16). Sentenced on 07/10/05 at Leeds Crown Court, the applicant received an 18 months Community Rehabilitation Order and ordered to pay £262.50 Costs.

II. Vehicle immobilisation

2.20 The vehicle immobilisation sector is seen as being the most confrontational and has the reputation of attracting a number of people with criminal backgrounds. Since the commencement of licensing we have achieved 82% compliance against the predicted licensable population. We have found that vehicle immobiliser companies want to ensure their staff are licensed and adhere to the conditions of their licence to legitimise their business and gain the confidence of the public.

¹¹ 'Reducing administrative burdens: effective inspection and enforcement' Philip Hampton, March 2005

¹² Up to 31 March 2006

¹³ Since commencement of licensing in 2004

2.21 Our responsibilities under the Act are to license and regulate the private security industry and there are conditions attached to holding an SIA licence. However, there are areas of vehicle immobiliser operations that are outside the powers designated to us under the legislation. Because an SIA licence is issued to the individual operative, he or she may not be in a position to control or influence certain aspects of the vehicle immobiliser company's operating procedures, and because they cannot be held responsible it would be inappropriate for us to intervene. These include:

- the size of the release fee;
- the time taken to release a vehicle; and,
- the adequacy of signage around the site warning that the vehicle may be immobilised.

Objective 3 – Successfully implement the Approved Contractor Scheme

2.22 During 2005, we completed our extensive stakeholder consultation on the form of the voluntary Approved Contractor Scheme. The scheme was available from 17 February 2006, and although this was later than planned, the first approvals were given in time for 20 March 2006. This was operationally crucial for many in the industry given the links between the Approved Contractor Scheme and compulsory licensing for individuals. Performance indicators for this objective were:

- I. By the end of 2005/06, 100 companies with a combined turnover of £1,000m will have applied for Approved Contractor status.**
- II. At least two firms with turnover under £500,000 will have applied for Approved Contractor status successfully.**
- III. By March 2006, evidence that Approved Contractor status has become part of the procurement process for purchasers of security.**



Our performance

I. Number of companies approved

2.23 As a result of the extensive consultation about the scheme during the year, the charging basis was changed from financial turnover to company size in terms of licensable staff. As of 31 March 2006, 490 organisations had registered their interest in the scheme through the SIA website. Of these 193 organisations had submitted their complete application for approval, 93 organisations had been approved; 91 through the Fast Track process and two through the Standard process. Figure 3, below, shows the number of approvals on 31 March 2006.

Figure 3a: SIA Approved Contractors on 31 March 2006 by sector		Figure 3b: SIA Approved Contractors on 31 March 2006 by size	
Approved sectors	Number approved*	Size of company (number of licensable staff)	Number of companies approved
Security guarding	86	Micro (less than 10)	3
Public space surveillance (CCTV)	12	Small (11 – 25)	6
Cash and valuables in transit	5	Medium (26 – 250)	48
Door supervision	6	Large (over 250)	36
Key holding	29	Total	93
Close protection	0		
Vehicle immobilisation	0		

* a company may be approved in more than one sector

II. Turnover of companies

2.24 The purpose of this indicator was to ensure that the scheme was relevant and accessible to companies of all sizes. With the change in charging basis from financial turnover to numbers of licensable staff, a revised measure is necessary. Figure 3b shows the range of company sizes amongst Approved Contractors.

“We are delighted to be awarded this accreditation. Reliance has lobbied many years for the introduction of licensing and we welcome the benefits that it will bring to contractors, employees and customers alike.”

Michael Carre, Managing Director, Reliance Security Services (March 2006).

III. The Approved Contract Scheme and procurement

2.25 In designing the scheme we listened to all the stakeholders and, in particular, the industry's customers. Their messages were clear and consistent. They wanted a scheme which encouraged providers to improve their standards by providing a solid framework for developing, promoting and spreading best practice. We achieved a good level of response during our formal Regulatory Impact Assessment on four broad options; we took all comments into account, finally arriving at a hybrid solution allowing approvals to be made based on existing standards and a new SIA workbook. For all routes, to qualify as an Approved Contractor, a high proportion of staff performing designated activities are required to be licensed.

2.26 As well as managing the scheme, we intend to work with the industry to maximise direct and indirect benefits for approved contractors. An immediate benefit has come from the dispensation to accredited companies to deploy security staff while their individual licence applications are being processed. During 2006/07 we will coordinate an independent review of the standards required to qualify for approval under the scheme.

2.27 Following consultation with the Approved Contractor user group, we have developed a branding and marketing strategy for the scheme. We will be using our influence, including working with the insurance industry and government departments, to ensure that buying from Approved Contractors will become conventional wisdom and best practice. During the Second Reading of the Private Security Industry Act (28 March 2001), the Rt Hon Charles Clarke outlined what he referred to as the 'second main strand of the SIA's functions'



He stated¹⁴

We are aware of arguments that the Government should set a lead by requiring that public contracts for security services will not be awarded to companies failing to meet the standards set by the SIA. I cannot give that absolute guarantee, but I can certainly say that we shall draw the virtues of the approved contractors register to the attention of the procurers of public service security contracts, and that we will make it clear to security companies that we are doing so. We believe that that will further increase the attractiveness of the scheme in the eyes of companies.

Objective 4 – Deliver a development programme that continues to effectively regulate the private security industry

2.28 Important development work continued during 2005/06 focussing on the delivery of the remaining manned guarding sectors. Development and implementation work was managed within tried and tested project and policy management methodologies. The performance indicator for this objective is:

I. Successful delivery against programme timetable.

Deliverable	Date
Further qualifications for 2 additional sectors: <ul style="list-style-type: none">• Public space surveillance (CCTV)• Close protection	June '05 June '05
Open for processing licence applications for: <ul style="list-style-type: none">• Public space surveillance (CCTV)• Close protection• Key holding	June '05 September '05 November '05
Eleven statutory instruments drafted and laid before Parliament	As necessary
Published exemptions framework	September '05
Increased network of endorsed awarding bodies and training providers to deliver 16 qualifications across 6 sectors	November '05
Undertook a formal OGC Gateway 5 review on benefits realisation	November '05

¹⁴ Hansard 28 March 2001: Column 978

Figure 4: The programme timetable (continued)

Deliverable	Date
Commenced licence renewals for vehicle immobilisers	December '05
Scotland 'Competency for Licensing Strategy' published	December '05
Decision to defer development for licensing security consultants in keeping with SIA commitment to proportionate regulation	January '06
Catalyst for the establishment of a sector skills body	January '06
Approved Contractor Scheme launched	February '06
Submitted findings from a consultation on the extended policing family strategy to the Home Office	February '06
Compulsory licensing introduced for security guarding, cash and valuables in transit, public space surveillance (CCTV), close protection and key holding	March '06

Our performance

2.29 We achieved all of our targets against the programme timetable.

Scope of regulation

2.30 We consulted widely and refined some of the definitions of sector scope during the year, reviewing the intention of the Private Security Industry Act (the Act) and ensuring that our regulation was targeted and proportionate. Regulations were laid to ensure that guards already trained and vetted to standards set by the Home Secretary, such as prison custody escort officers, were removed from the scope of licensing. In addition, the Home Office published a Partial Regulatory Impact Assessment on guarding at sports and events venues.

“Behind the scenes much effort has been spent on preparing the necessary legislation to get licensing on the road. We’ve worked closely with the industry and the Home Office in developing sector definitions”.

Nick Smith, Assistant Director, Government and Legal Team, SIA.

2.31 In line with the provisions in the Act we developed and published our exemption framework¹⁵, allowing groups with suitable alternative regulatory arrangements to be exempt from licensing. Certain aviation security personnel regulated and trained to standards set by the Department of Transport were the first to take advantage of this framework.

“Our approach of collaboration and openness will continue and hopefully reflects our rapidly developing organisational personality, style and culture. We certainly don't see ourselves cast as a regulator of yesteryear.

In everything the SIA does we are so very conscious of the implications of our work – both on society that we're seeking to protect and on the security industry where commercial considerations are so critical and fundamental.”

John Saunders, Chief Executive, SIA.

In-house security

2.32 The Act does not require manned guards who are employed in-house to be licensed, unless they operate in relation to (certain) licensed premises. In 2004, we commissioned a review to explore the benefits and implications of extending the legislation to cover in-house manned guards. The results of this review show that many of those consulted believe in-house manned guarding should be regulated. This is because of:

- The variation and absence of enforceable standards of competence and vetting.
- The potential migration of staff away from the licensed contract sector (if they cannot reach the required standards) to an unlicensed in-house sector.
- The increased risk to public safety through confusion as to who is and is not licensed and possible misplaced trust and reliance by the public.

¹⁵ See www.the-sia.org.uk/home/about_sia/publications

2.33 We appreciate the arguments that in-house security should be regulated. However, there are a considerable number of legislative and commercial considerations which must be taken into account, not least of which is the difficulty of defining security functions across many diverse sectors. All of this work will require collaboration between us, the Government, the private security industry and interested stakeholders if it is to develop. The scale of what needs to be done can only be fully understood once the current licensing programme is further progressed.

“ Things are hotting up! To its great credit, the SIA has fuelled so many debates that should have been had years ago. Excellent news! ”

Brian Sims, Editor, *Security Management Today* (July 2005).

Competency and qualifications

2.34 Having developed core competency specifications for the licensable sectors we worked with awarding bodies to develop qualifications to ensure availability of training in time for licensing. Two new SIA endorsed qualifications for the public space surveillance (CCTV) and close protection sectors were launched.

“ It has been very enjoyable working with all our external partners; awarding bodies, sector skills, qualification regulatory authorities, and importantly sector consultation groups – both with the initial roll-out and further work on standardisation and best practice. A real team effort! ”

Sarah Crossfield, Competency Officer, SIA.

2.35 A significant achievement during the year was to help establish Skills for Security which was launched on 1 January 2006. Incorporating SITO,¹⁶ Skills for Security is an employer led body with an aim to raise standards and increase productivity across the security business sector by developing training and qualification systems that are relevant to industry needs. We currently have an advisory role on the Skills for Security Board providing input on regulatory matters. Lord Stevens of Kirkwhelpington accepted the invitation of the Board of Skills for Security to be Chairman, and Linda Sharpe, formally SIA Sector Skills Competency Manager, is interim Chief Executive.

¹⁶ Security Industry Training Organisation – now separated from the British Security Industry Association

“The SIA is to be commended for its thorough and forward looking approach to the recognition of prior experience and learning. From the beginning they involved awarding bodies in the development of competency frameworks and ensured existing qualifications were given due regard as an important strand of the competency strategy within the licensing process.”

Sallyann Baldry, Employer Business Manager, Edexcel.

Scotland

2.36 Following extensive consultation, and at the invitation of the Scottish Executive, the Private Security Industry Act was amended by the Serious Organised Crime and Police Act 2005 so that the SIA is responsible for regulating the private security industry in Scotland. A decision was taken that there should not be a separate licence for Scotland, and a project, initially funded by the Scottish Executive, was commenced in August 2005 with the following milestones:

- Scotland specific training available 1 October 2006
- Licences available 1 February 2007
- Licences required November 2007

As part of our development work, the Scottish Qualification Authority has received approval from the Scottish Executive to extend its remit to accredit vocational related qualifications, including those endorsed by the SIA. Significantly, the Approved Contractor Scheme will be available for companies in Scotland from June 2007.



Focus on: Communications to Scotland

Communication planning for Scotland commenced October 2005; since then the strategy has been developed, the plan has been implemented. Results so far include:

- 46 adverts in 39 publications
- Contact database for Scotland developed and populated
- Direct mail letters to 11,000 corporate and public sector organisations and 700 industry contacts
- 'Update Scotland' sent to key stakeholders
- 13 briefings spanning the mainland and highlands and islands of Scotland, targeting buyers and suppliers of private security services

Private investigators and security consultants

2.37 Between June 2005 and April 2006 we worked on the development of licensing for private investigators. We consulted widely and as a result of this work we were able to identify the core competency requirements necessary to operate as a private investigator. In preparation we also identified headline proposals for the licence conditions, 'fit and proper person' criteria and scope, should licensing be implemented. We were unable to proceed with the implementation of regulation of private investigators because of ongoing delays to the publication of a Regulatory Impact Assessment for licensing that sector. However, to allow stakeholders to benefit from work done to date, we have shared the results of the competency research undertaken and published it as 'best practice' for the sector on our website¹⁷.

“The Association of British Investigators is pleased to have been associated with the SIA in contributing to the many workshops and surveys conducted to formulate the Best Practice document published by the SIA.”

Richard Newman, President, Association of British Investigators (2005).

¹⁷ See www.the-sia.org.uk/home/licensing/private_investigation/training/

2.38 From June to December 2005 we worked on the development of licensing for security consultants. As a result of wide consultation we were able to identify that further research was required to fully determine the scope of the Act in relation to security consultants. Specifically, the range of activities, risk associated with each activity and whether regulation was justified. We therefore suspended work on development of licensing criteria for security consultants until 2007.

Research

2.39 We prepared our first research strategy to measure the impact of licensing on the private security industry and against our published aims.

“ I believe that licensing will prove to be beneficial for both the private security industry and corporate Britain. Security is fundamental to ensuring business continuity. Regulation will lead to greater investment in training, skills and services. It will re-energise the private security industry and enable it to develop the capability needed to meet a growing demand for professional and dependable security services.”

Tony Glover, Chief of Staff for Corporate Security, Deutsche Bank
(November 2005).

Objective 5 – Achieve stakeholder engagement and support

2.40 Supported by a recommendation from the Office of Government Commerce during their Gateway 5 review, we developed a comprehensive stakeholder engagement plan. The performance indicators for this objective are:

- I. Stakeholder commitment and enthusiasm for a private security industry strategic body.
- II. Tangible engagement by selected target stakeholders.
- III. Recognition of the role of the SIA and private security industry regulation within Government plans.

Our performance

I. Stakeholder commitment

2.41 We work on three levels with our stakeholders:

1. The operational level focuses 'in the field' and the mechanics around practical operation of our work.
2. At a sector level we draw on expertise and experience from across the industry to design and develop our policies and services.
3. At a strategic level to consider the long term issues affecting the private security industry, specifically industry competitiveness, growth and opportunity.

2.42 At operational and sector levels there are effective and continuous working arrangements which evidence commitment and engagement of stakeholders. Examples include working with partners to gather and convert information into intelligence and our relationship with our managed service provider: working together to improve performance.

2.43 At a strategic level we commissioned work to devise a model for a private security industry strategic body. During 2005/06 we developed our thinking on such a body which we foresee could be the custodian of the strategic agenda and direction for the industry, leading on issues such as industry transformation, skills, developing new markets, good practice, competitiveness and knowledge. We want the SIA to be a key constituent part of such a body alongside industry leaders and stakeholders, union representatives and other experts. In 2006/07 we will work to support stakeholders in this project.



“Regulation will create a new quality in the marketplace. Contractors are going to be forced into displaying a really professional approach just to meet the terms laid down by the SIA. Those who can make licensing work will be those solutions providers who have the ability to manage change.”

Nick Buckles, Deputy Chief Executive of Group 4 Security Services (UK)
(March 2005).

II. Stakeholder engagement

2.44 We also recognise our responsibility in working with stakeholders, and the security suppliers in particular, to communicate the benefits derived from a regulated private security industry. We have contributed significantly to this agenda by communicating strongly to corporate and public sector Britain. Examples include:

- The publication of a joint SIA/CBI supplement which targeted 100,000 business leaders.
- 23 speaking engagements by our senior management and our Chairman.
- Communications to purchasers of security services outlining the benefits to them of a regulated private security industry, including eight direct mail campaigns, 15 newsletters and three best practice case studies.
- 25 adverts in nine publications. 47 TV and radio interviews and 1,711 news articles in trade, national, regional press and on line.

“The secret to a good working relationship between a quality security company and the client is honesty, mutual respect and understanding of each others' needs.”

Julie Kortens, Head of Facilities Management, Channel 4.

III. Government plans

2.45 We are pleased that our achievements and contribution are acknowledged in the Home Office departmental plan for 2006/07 and will continue to work with Government Departments to support joint aims. We utilise our expertise and proactively respond to Government and industry consultations to influence policies when appropriate.

Objective 6 – SIA to be recognised externally and internally as a model of good practice

2.46 During 2005/06 we maintained and improved our internal processes in line with our aim to be a model of good practice. We welcomed external scrutiny and have tried to be transparent about the decisions we have made. Performance indicators for this objective were:

- I. Reports from Gateway Review 5 and the audit programme.
- II. Implementation of the Investors in Excellence award programme.
- III. Good Regulation and progress of plan for simplification of regulation.

Our performance

I. Reports from Gateway Review 5 and the audit programme.

2.47 As a public body we are committed to being transparent and accountable for the decisions we make and the policies and procedures we pursue. Detail of our successful Office of Government Commerce Gateway 5 review, independent scrutiny and internal and external audit programme are given in Section B, 'About Us'.

II. Implementation of the Investors in Excellence award programme.

2.48 A decision was taken to work towards the Investors in Excellence award in 2006/07. Investors in Excellence is a programme designed to drive improvement in all key areas of an organisation including customer service, governance and employment practices.

2.49 We believe that from our inception we have used good practice including our values and a non-hierarchical and consultative management approach; our flexible IT and remote working arrangements and PRINCE 2 project and programme management. These arrangements will be stepping stones towards achieving the Investors in Excellence award.

2.50 Notably in 2005/06 we developed our staff involvement and engagement with the establishment of a Staff Forum. We also further developed our training, development and diversity policies in order to recruit, motivate and retain talented and committed staff.

III. Good regulation

“The positive financial impact of licensing security officers should start to be reflected in the results of the next 12 months, and as Approved Contractor Scheme members we should obtain a commercial advantage over non-approved members.”

David Marks, Chairman, SectorGuard (June 2006).

2.51 We aim to be a regulator in harmony with the five principles of good regulation set out originally by the Better Regulation Task Force. In 2005 we invited an external independent consultancy team to review our alignment with the principles of 'Better Regulation', in particular mapping the SIA against the recommendations of the Hampton Report¹⁸ and the Better Regulation Task Force report 'Less is more'¹⁹. We were found to meet all the recommendations of the reports in full or part. We continue to adhere to Better Regulation principles.

¹⁸ 'Reducing administrative burdens: effective inspection and enforcement' Philip Hampton, March 2005.

¹⁹ 'Regulation: less is more. Reducing Burdens, Improving Outcomes'. March 2005. Better Regulation Task Force.

Focus on: the SIA and good regulation

The SIA is committed to being a model of good regulation throughout our work.

- We will be **proportionate** by only intervening with regulation where justified to protect the public. Our regulation will be balanced against the extent of the risk posed and, where appropriate, our enforcement approach will support and educate rather than punish.
- We will be **accountable** to our stakeholders by developing logical and justifiable policy through effective consultation. Our policy and service development will be open and consultative, and we will publish clear customer service procedures and standards against which our performance can be measured.
- We shall be **consistent** by working with partners in the delivery of shared initiatives. Our regulation will be applied in a fair manner which avoids duplication with existing or proposed regulations where appropriate.
- We will be **transparent** by consulting clearly on developing policies, services and strategies with stakeholders. Our consultation process will meet key government guidelines and, whilst we will support those affected by regulation through the provision of information and guidance, we will also ensure that the consequences of non compliance are clear.
- We will be **targeted** in our approach by focussing our resource on problem solving. Our regulation will be directed at those areas which pose most risk and will be driven by clear and focussed goals.

2.52 The increased emphasis on 'Better Regulation' and administrative simplification impacted on us this year. The agenda led to debate about the interpretation of the Private Security Industry Act 2001 between stakeholders. In line with our strategic direction our vision is stimulating transformation of the private security industry. Another view was that we should be pursuing the 'absolute minimum' restricted to removing criminality in the industry: we do not support this view.

“The 2001 Private Security Industry Act is already raising the bar in what has become a critical division of the business services sector. Improvements in training and the introduction of accreditation will ensure the availability of the highest level of security services to all British businesses. It will in turn allow private security companies to take on increasingly responsible tasks, playing a wider role in security matters in collaboration with the police.”

Sir Digby Jones, Director General, CBI (November 2005).

2.53 In line with wider Government targets we published in September 2005 our plans for the simplification of our regulation in 2006/07. We are committed to delivering against this plan throughout the coming year and intend to publish an update benchmarking our progress each year. In addition, as part of our simplification planning for subsequent years we have now set up a facility enabling stakeholders to submit simplification proposals directly to the SIA through our website²⁰.

Focus for improvement

2.54 During 2006/07 we intend to improve our benefits realisation plan; establish a Research Forum with key stakeholders and partners and improve our research capabilities. To support the benefits realisation plan we are developing an organisation-wide records and information management system, so that we are better placed to address the questions about the information we hold.

2.55 We support the Hampton Principles and endorse the development by the Better Regulation Executive of a ‘Compliance Code of Conduct for Regulatory Bodies’²¹. We have a published enforcement policy (released early 2004) and service standards which meet the principles outlined in the draft code; however it also identifies areas where, through active management, we could further enhance SIA good regulatory practice.

“This regulatory process is far from easy and I believe that the SIA is proving to be an extremely responsible regulator in its approach to industry matters. Many more challenges lie ahead, but I’m sure you will all agree that at the end of the licensing road lies numerous opportunities for our industry.”

Jim Harrower, Chairman, British Security Industry Association (June 2006).



²⁰ See www.the-sia.org.uk

²¹ See www.cabinetoffice.gov.uk/regulation/index.asp

Objective 7 – Achieve SIA objectives whilst achieving revenue projections and operating within budgets or better

2.57 Performance indicators for this objective were:

- I. Licence applications of 129,000 or better (assuming the predicted implementation of the licensable sectors).
- II. Break-even or better using the Treasury measure of Resource DEL.
- III. Achieve financial self-sufficiency for Approved Contractor Scheme (subject to outcome of Regulatory Impact Assessment).

Our performance

I. Licence applications

2.58 Our budget for the year anticipated we would process approximately 129,600 licences with an even spread throughout the year based on agreement with the private security industry. Licensable populations were based on the then current estimate of licensable operatives drawing on all the information available.

2.59 By September we had received only 32% of licence applications and reforecast our target down to 95,000. This reduction reflected the uncertainty relating to 12,800 individuals providing security at sports and events and the emerging reality that many in the manned guarding sectors were set to apply at the very end of the 2005/06 financial year. We met our amended target and accepted 99,475 licence applications during the financial year.

II. Financial self-sufficiency

2.60 As a result of the amended licensing projections and the deferral of around 25,000 licences into the 2006/07 financial year, we achieved 90% of our self sufficiency target and 10% was provided by Home Office funding.

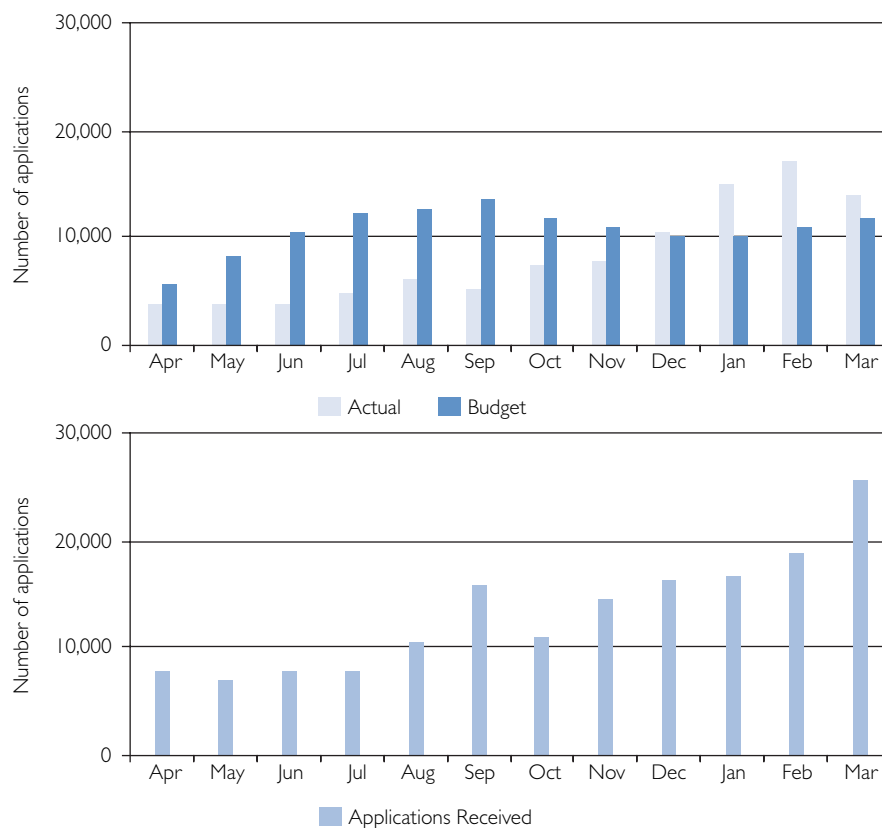
Figure 5: Licence applications expected and received by the SIA during 2005/06

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
B:	5,950	8,450	10,430	12,140	12,920	13,633	12,038	11,007	10,300	9,937	10,873	11,921	129,599
A:	3,240	3,769	4,033	5,047	6,233	5,506	7,361	7,763	10,529	14,965	17,185	13,844	99,475
R:	7,921	6,992	7,746	7,932	10,593	15,866	11,232	14,371	16,214	16,906	18,767	25,665	160,205

B = Budget: correctly completed applications we expected to process each month.

A = Actual: correctly completed applications processed.

R = Applications Received: all applications received correctly and incorrectly completed.



III. The Approved Contractor Scheme

2.61 The Approved Contractor Scheme was launched on 17 February 2006. As set out in the Regulatory Impact Assessment²² the pricing structure of the scheme is designed to break even by recovering all costs.

²² http://www.the-sia.org.uk/home/about_sia/publications/

3. The Future

“The regulation of the private security industry will make a significant contribution to the Government’s Crime Reduction agenda, and I am keen to continue to maximise those benefits by highlighting the contribution that regulation will make towards public safety.

Individuals working within the private security industry make a significant contribution to our everyday lives. Whether as door supervisors making our pubs and clubs safer, as security guards protecting property and businesses, or as operators of city centre CCTV cameras identifying anti-social behaviour, we are all indebted in some way to the services they provide.”

Hazel Blears MP (March 2005).

3.1 In 2006/07 our work will concentrate on a combination of operational delivery of licensing, attracting applicants for the voluntary Approved Contractor Scheme and ensuring compliance with the law and conformance with standards. The management and delivery of our development programme and continued improvement and strengthening of our organisation is also a focus of our objectives.

STABILISATION OF LICENSED SECTORS

3.2 The next year will bring some much needed stability for the private security industry. We are planning our future resource needs to enable us to manage licence renewals. Plans are underway to streamline the licensing process based upon operational experience.

“We recognise that, as a result of developments within the security industry, a greater emphasis will be placed on professionalism of those working alongside the extended policing family. Regulation by the SIA and the enactment of legislation such as the Police Reform Act 2002 have provided both benchmarks for minimum requirements and a signal that future opportunities await a well-regulated, accountable and professional industry.”

Rameses Group, (October 2005).

3.3 We have recently published our updated 'Competency for Licensing' strategy. This strategy sets out our ongoing requirements to maintain standards and raise base level skills in line with new legislation and practices²³. We continue to amass understanding of security regulation and qualifications in other countries and will implement EU Directives on a proportionate basis, allowing the skills of qualified security operatives from other European countries to be recognised in the UK.

3.4 We also intend to continue our research to determine the impact of our work and the benefits accrued. We may measure changes in perception/attitudes towards the private security industry and also work with partners to review changes in the industry, for example, turnover, growth trends and buyer habits and decisions.

THE EXTENDED POLICE FAMILY

3.5 During 2006/07 we would like to see steps recognising the standards that have been set through regulation. In particular we would like to see:

- Recognition in Government plans of the role of private security in relation to community safety.
- In partnership with Skills for Security and Sector Skills Councils, convergence or commonality of competency/qualifications for licensing and community safety accreditation schemes.
- Links finalised between the Approved Contractor Scheme and community safety accreditation schemes under the Police Reform Act 2002.

“Skills for Security will be born on 1st January 2006. That is the day when the private security industry takes its future into its own hands. We will work with everyone to secure that future – and we need everyone to work with us. In 1996, when I was with the HM Inspectorate, I recall saying of the industry that the era of co-operation with the police service was just around the corner! It may have taken a little longer than we all expected, but it is here now and we are ready for the challenges and opportunities that lie ahead.”

Lord Stevens, Chairman Skills for Security (October 2005)

²³ See: www.the-sia.org.uk/home/training/renewal.htm

DEVELOPMENT PROGRAMME

3.6 We have stretched our resources to the limits in 2005/06 in pursuit of our ambitions. We will be careful to balance our aspirations, industry aspirations and our own capacity in the future. We will always consider whether we can fulfil our aims without introducing further regulation, through providing information and education for service providers or consumers or by giving support to those facilitating self regulation.

3.7 We will be reviewing our policy with regard to the regulation of 'in-house' security staff with the industry and its stakeholders in 2006/07.

3.8 The timetable of licensing for Scotland has been agreed with the Scottish Executive and is on schedule for implementation in late 2006/07. We support the consultation paper recently published by the Northern Ireland Office²⁴ which includes regulation by the SIA as one of four options.

3.9 We are content with the outcome of the negotiations on the EU Directive on Services in the Internal Market and will continue to follow discussions on the harmonisation of European standards.

3.10 We are often asked to consider an extension to the sectors we regulate. We will establish a framework to objectively and transparently consider such requests, building on the principles of good policy making and good regulation.

3.11 In addition we have been involved in discussions with those engaged in the self-regulation of private military (security) companies who operate overseas to support their self-regulation proposals and aspirations.

Focus on: SIA Key organisational Objectives for 2006/07

1. Deliver our regulatory activities effectively and efficiently.
2. Deliver a development programme that continues to effectively regulate the private security industry.
3. Strategic stakeholders understand and support the SIA strategic direction and benefits of the work of the SIA.
4. The SIA to be recognised internally and externally as a model of good practice.
5. Achieve SIA objectives whilst achieving revenue projections and operating within budgets or better.

²⁴ See www.nio.gov.uk

CORPORATE RISKS 2006-07

3.12 Our approach and appetite to risk is set out in Section B, 'About us'. Our key challenges for 2006/07 include:

- Achieving strategic agreement and alignment with the Home Office to achieve our aims and objectives.
- Finalising options to continue working with a managed service provider including simplifying and improving our service.
- Maintaining credibility in decision making for licensing and approvals.

“We believe that, up until now, the operations of the best companies have been undermined by the activities of the worst. We believe strongly in the concept of transformation of the industry embraced publicly by the SIA. Once that is achieved there will be few barriers – beyond outdated prejudices – to prevent the wider use of private security”

David Dickinson, Chief Executive, British Security Industry Association.



B. ABOUT US

“Being part of an organisation that is in its infancy is exciting! Even though I arrived after most of the background planning and implementation had been completed, there always seem to be new challenges on the horizon.”

Tom Park Paul Admin Assistant to Chief Executive, SIA (March 2006).

4.1 We are a Home Office Non-Departmental Public Body responsible, and reporting, to the Home Secretary. Our statutory functions are set out in the Private Security Industry Act 2001 (the Act).

4.2 Our values underpin our way of working. As an organisation we are innovative and flexible using the skills and expertise of our staff and Board from both the public and private sectors. We have a robust and delivery orientated approach and are risk aware with strong governance arrangements and a supportive working relationship with our sponsor Department.

GOVERNANCE: OUR BOARD

4.3 The Chairman and members of our Board have governance responsibility for ensuring that we properly discharge our statutory functions and comply with any statutory or administrative requirements for our use of public funds. In particular, the Chairman and Board Members are collectively responsible for:

- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State;
- ensuring that we discharge our functions as laid out in the Act, and achieve our objectives;
- monitoring the delivery of planned results and reporting to the Secretary of State on these in the annual report at the end of each financial year;
- ensuring that high standards of corporate governance are observed at all times;
- ensuring that we operate within the limits of our statutory authority and any delegated authority agreed with the Home Office, and in accordance with any other conditions relating to the use of public funds;

- ensuring that in reaching decisions, we have complied with any directions given by the Secretary of State and acted in accordance with any guidance given by him; and,
- appointing, subject to the Secretary of State's approval, our Chief Executive.

Members of our Board must not give the Chief Executive instructions which conflict with the latter's duties as our Accounting Officer.

4.4 Members are appointed under the Act. Initial contracts were for three or four years and all Board members are subject for reappointment in 2007 under OCPA guidelines.²⁵ During the year ended 31 March 2006 the members were:

- Peter Hermitage (Chairman) until 31 January 2006
- Robin Dahlberg (Acting Chairman) from 1 February 2006
- Robin Dahlberg (Board member) until 31 January 2006
- Peter Dyke
- Brendan O'Friel
- Wendy Towers
- Bruce Warman

4.5 There are also three sub-committees of the Board given delegated responsibility: Audit, Human Resources and Diversity.

4.6 Board members were provided with a copy of the revised Code of Best Practice for Members on appointment which they are required to follow. We keep a register of Board Members' interests which can be inspected by prior arrangement with the Director of Corporate Services.

GOVERNANCE: OUR DIRECTORS

4.7 Our Directors are employed by the SIA on permanent contracts. There were no changes to the senior management team during 2005/06 who maintain their positions as follows:

John Saunders OBE	Chief Executive
Andy Drane	Deputy Chief Executive
Graham Clark	Director Corporate Services
Kaye Law	Director Strategic Development

²⁵ The Office of the Commissioner for Public Appointments: www.ocpa.gov.uk

4.8 We keep a register of Directors' interests which can be inspected by prior arrangement with the Director of Corporate Services.

AUDIT AND CONTROL

4.9 Our systems of internal control have been designed to manage the risks we face; to safeguard our assets against unauthorised use or disposition; to maintain proper accounting records and to communicate reliable information for internal use or publication. Our systems are designed to provide us with reasonable assurance that suitable procedures are in place and are operating effectively.

4.10 We appointed Bentley Jennison to provide internal audit services, extending their contract to 31 March 2006. Arrangements for external audit are provided under Schedule One, paragraph 16 (4) of the Act which require the Comptroller and Auditor General to examine, certify and report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament.

4.11 The Audit Committee meets three times a year to monitor audit activity and our process for assessing and managing risk.

RISK MANAGEMENT

4.12 We have a risk management strategy which details our approach to decision making and the management of our business which is 'risk neutral'. Each project, aim and objective is considered separately and the risks associated with different options assessed. Our attitude to those risks is considered by the Senior Management Team and the Board. The attitude and responses are likely to vary on each occasion, and will be documented accordingly. We have a calculated approach to risk taking and the level of acceptable tolerance varies in different circumstances.

ANTI CORRUPTION

4.13 We have corporate anti-corruption policies and procedures. As part of this policy all staff and consultants must declare their interests in the private security industry and related bodies on an annual basis.



SCRUTINY

“We will never be slavishly uncritical of the regulator if we feel that criticism is appropriate. That said, those of us at the Institute have the utmost regard and respect for the progress that has been made so far at 50 Broadway.”

Bill Wyllie, Chairman, The Security Institute. (March 2005)

4.14 We are accountable to the Home Secretary and provide performance information regularly via Home Office officials. Legislation enabling our existence is scrutinised by Parliament and we regularly provide information to help respond to Parliamentary Questions.

4.15 As part of our start up and procurement of our managed service provider we were subject to a series of Office of Government Commerce (OGC) Gateway reviews. Gateway reviews are carried out at key decision points by a team of experienced people, independent of the programme/project team. The OGC Gateway Process examined the procurement at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage. In November 2005 we were subject to an OGC Gateway 5 Review which considered whether the expected benefits of the project were being delivered.

4.16 The Gateway teams found that the project had delivered substantially on its promises, though significant challenges remained, including the phasing in of the remaining manned guarding sectors.

“The SIA fully recognises the impact of the Private Security Industry Act and subsequent policies (and indeed other legislation) on the private security industry. The SIA displays a strong grasp of its remit and is committed to performing as a ‘modern regulator’.”

Office of Government Commerce (February 2004)

4.17 During 2005/06 there was an application for judicial review of our criminality criteria for licensing. This case did not proceed to a substantive hearing.

4.18 The SIA operates an internal whistle blowing policy in line with the Public Interest Disclosure Act 1998 which was utilised once during 2005/06.

TRANSPARENCY

4.19 We are listed as a public body for the purposes of complying with the Freedom of Information Act 2000²⁶ and publish information routinely in accordance with our publication scheme²⁷. In 2005/06 following 44 requests for information we issued seven section 17 refusal notices (claiming one or more exemptions from disclosure, for either part or all of a request). In three situations an internal review of our exemption decision was requested, however all previous decisions not to disclose were upheld through that process.

4.20 We maintain our annual notification with the Information Commissioner's Office of the types of personal information processed by us in accordance with the Data Protection Act 1998, a copy of which is available on the Office's Notification Register²⁸. During 2005/06 we received 12 subject access requests for personal information about the requester; 100% of which were dealt with within the 40 calendar day statutory timeframe.

4.21 We received no requests for information under the Environmental Information Regulations 2005 during the financial year.

OUR PEOPLE

4.22 We seek to create an environment in which all employees can give of their best and can contribute to our, and to their own, success. We are committed to developing an organisation in which fairness and equality of opportunity are central to our business and our working relationships.

4.23 We have a staff appraisal system which is based on the setting of key objectives to be achieved during the reporting period, linked to corporate performance indicators.

“The past year has been a real challenge for the Licensing team. After a lot of hard work and long hours I think we have achieved excellent results under pressure. We've learnt a lot along the way.”

Heather Priddle, Licensing Manager, SIA.

²⁶ The Act came into force on 1 January 2005, just prior to the beginning of the reporting period.

²⁷ www.the-sia.org.uk/footer/foi

²⁸ www.ico.gov.uk

4.24 As part of the appraisal process the learning and development needs of staff are considered. These enable us to identify organisational wide development needs and specific individual development needs to assist staff in achieving their current objectives or future needs of the organisation.

4.25 The role of the Human Resources Committee is to advise the Board and provide assurances to them that we have the appropriate systems and employment policies in place to effectively support the delivery of our services and activities. Particular roles of the Committee are to maintain oversight of discipline and grievance cases and monitor any cases going to employment tribunal and to review health and safety policy issues. The Committee meets quarterly.

4.26 The Diversity Committee (also advising the Board) monitors our adherence to all relevant anti-discrimination legislation and ensures we meet our statutory responsibilities. The Committee monitors any complaints, internal and external, made against us where there are any issues relating to diversity and equal opportunities. It also reviews performance data on diversity issues including trends. The Diversity Committee meets three times a year.

STAFF APPOINTMENTS

4.27 We grew in line with our plans throughout the year. Our use of consultants decreased as we completed our initial set up. Numbers of temporary staff increased over the year in order to process the increasing numbers of licence applications. Flexible use of temporary staff will continue to manage forecasted peaks in licence applications and renewals.

Figure 6: Staff appointments			
	1 April 05	1 October 05	31 March 06
Permanent staff	83	93	93
Seconded staff	6	4	3
Temporary staff	8	15	26
Total	97	112	122
Consultants	9	9	4

4.28 Based on the permanent staff shown in figure six, the average staff in post for the period 2005/06 was 90. Our turnover rate for permanent staff during the period was 19%.

4.29 We are committed to keeping all our staff informed of performance, development and progress. We encourage staff to contribute to our business plans and objective setting and to understand the industry we are working with.

Focus on: internal communication

A large proportion of our staff operate remotely away from head office. During the year we held two staff away days and conducted an internal values survey for all staff. We also developed our intranet and published seven editions of our internal newsletter. In addition, we developed and implemented an induction programme and brand awareness and internal service standards and procedures. We try to keep processing staff at our managed service provider up to date with news.

4.30 In addition we have a staff forum which considers matters relating to working at the SIA. In particular, members act as representatives for staff in bringing forward matters of broad concern and to identify and propose ideas or recommendations. The forum is also used to consult on changes to terms and conditions and human resources policies and procedures.

DIVERSITY STATISTICS

4.31 This year we published our Race Equality Scheme and Action Plan (2006-09) which sets out how we intend to comply with our statutory duties under the Race Relations (Amendment) Act 2000 in employment and in delivering our statutory functions to:

- eliminate unlawful racial discrimination;
- promote equal opportunities; and,
- promote good relations between people from different racial groups.

The scheme also sets out our commitment to diversity and communicated for the first time our strategic equality and diversity aims.

“We are all individual and different. Our equality and diversity policy sets out how we approach issues that affect different people in different ways and makes sure we, as an organisation, think about respecting individual needs.”

Liz Challans, Government and Legal team, SIA.

4.32 We give full and fair consideration to applications for employment from people with disabilities, having regard to the nature of their employment. We seek to enable members of staff who become disabled to continue their employment. During year 2006/07 we intend to publish a Disability Equality Scheme in line with the Disability Discrimination Act 2005.

4.33 The diversity breakdown for staff (excluding temporary staff and consultants) is as follows:

Figure 7(a): SIA staff by gender

		March 2006	
		Female	Male
		57 60%	39 40%
Total		96	

Figure 7(b): SIA staff by ethnicity

Ethnic Origin	March 2006
Asian	8
Black	7
Mixed Ethnic Background	1
White	79
Any Other Ethnic Background	1
Total	96
% of staff from minority ethnic groups	18%



Figure 7(c): SIA staff by age group

	March 2006	%
16-24	0	0
25-29	25	26
30-34	24	25
35-39	14	15
40-44	16	17
45-49	8	8
50-54	7	7
55-59	2	2
60+	0	0
Staff Total	96	100

ENVIRONMENT AND COMMUNITY PARTICIPATION

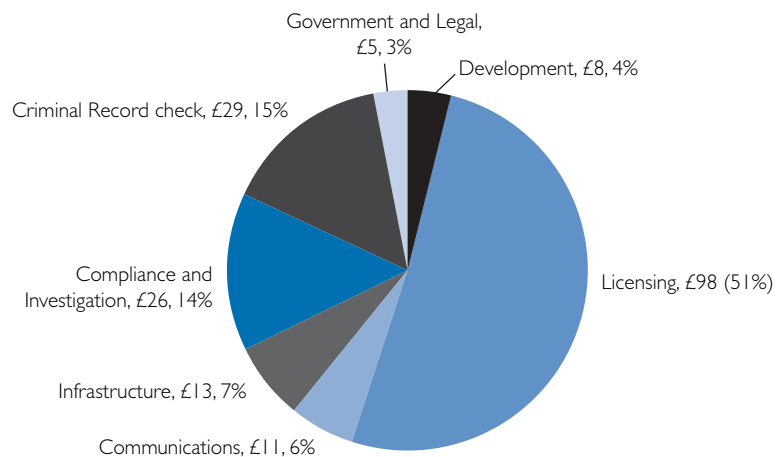
4.34 We seek to minimise the impact of our activities on the environment. We have adopted the Home Office environment policy in as far as it applies to us. We benefit from energy-saving lighting in our office premises and seek to use recycled materials where such alternatives are available and provide value for money. We seek to reduce the use of paper by maximising the use of the intranet and website for the dissemination of information. We will be moving premises in 2006/07, and will ensure we continue to comply with these principles and improve our environmental performance where possible.

4.35 We do not currently have a corporate policy on community participation. Many of our staff are involved in voluntary and community activities which are supported through our flexible working policies. We hold ad-hoc charity collections and events in the SIA office.

C. FINANCIAL OVERVIEW 2005/06

5.1 Our set up and development in 2003/04 was funded by the Home Office through grant in aid. We are required by HM Treasury to operate on the basis of full cost recovery. The licence fee is currently set at £190 and covers a term of three years except for the front line vehicle immobilisation licence, for which the term is one year. Revenue is also recovered from the Approved Contractor Scheme and from specific project/development funding, for example, the costs associated with our extension to Scotland. Figure eight, below, shows how the licence application fee covers all costs in relation to licensing.

Figure 8: where does the licence fee go?



SELF SUFFICIENCY

5.2 Our financial self-sufficiency in relation to our licensing function is reliant upon three fundamental factors:

- The size of the security market (individuals requiring a licence).
- The revenue that can be generated from regulatory activities.
- Our cost base (fixed and variable).

5.3 Introducing regulation across a previously unregulated and fragmented industry has many associated risks. Not least the fragility of licensable population data and the predictability of the pace and take up and compliance levels, which have been factors in the delay of our financial self-sufficiency. Such planning difficulties and risks have been a significant feature of 2004/05 and 2005/06 operations. Our ability to achieve self-sufficiency in the future will depend on increasing the licence fee, no further diminution of the licensable base and our capacity to optimise resource usage and achieve high productivity levels.

5.4 In 2005/06, as a result of reduced licensable numbers, we reduced our business model to operate on approximately 30% less resources. We also undertook to review our strategic direction and approach (the latter driven by both commercial and market needs and the commitment to operate according to the principles of good regulation) and the security industry market. This review led to a further analysis and review of our resources, costs, productivity and effectiveness.

THE ACCOUNTS

5.5 The financial year 2005/06 has been a significant one for the SIA. Licence numbers have finally reached anticipated annual levels although the concentration in the second half of the year and particularly the weeks leading up to the 20 March 2006 offence date created significant operational problems. If the licence applications had been submitted evenly throughout the year, we would have been close to achieving our budget of 129,600 applications. Income generated from licensing and the newly implemented Approved Contractor Scheme was £19.1 million, a four-fold increase on 2004/05.

5.6 Processing costs associated with licensing have increased (£5.2m) as a direct result of the four fold increase in application volumes. The main increases are in application handling charges and Criminal Record Bureau fees.

5.7 Staff numbers and associated costs increased (£0.6m). This increase results from additional staff employed specifically to work with applicants to help to reduce rejection rates, increase application checking capacity and maximise the numbers of licences issued.

5.8 Depreciation costs have increased (£0.7m) as a result of development work for the implementation of the new sectors and also the development of the new 'bulk' application process to allow companies to submit and pay for multiple applications on behalf of their employees.

5.9 Overall financial performance meant we were able to reduce our requirement for Government grant-in-aid from £12.5 million to £2.5 million.

5.10 The summary below presents our financial results for the three years since the formation of the SIA in a simple income and expenditure format.



Figure 9: Table showing SIA income and expenditure 2003–2006

Income	2005/06	2004/05	2003/04
	£	£	£
Licence Fees	18,900,250	4,637,558	1,102
ACS	207,664		
Scotland (project cost recovery from Scottish Executive)	368,897		
Other	74,465	5,185	
Interest Receivable	67,035	41,114	22,406
TOTAL SELF GENERATED INCOME	19,618,311	4,683,857	23,508
Expenditure			
	£	£	£
Employment costs	6,018,245	5,451,628	4,324,248
Accommodation	971,814	853,972	746,034
Advertising and publicity	1,207,328	1,578,565	1,098,652
Licensing costs	10,603,342	5,381,316	275,487
Depreciation	3,442,349	2,719,065	390,161
Other costs	431,237	504,681	374,357
TOTAL EXPENDITURE	22,674,315	16,489,227	7,208,939
Surplus/Deficit (–) before grant	–3,056,004	–11,805,370	–7,185,431
Grant in Aid	2,500,141	12,512,047	7,479,932
Net Surplus/Deficit (–)	–555,863	706,677	294,501

5.11 No charitable donations were made in the period ending 31 March 2006.

FUTURE FINANCING

5.12 With applications numbers expected to reduce significantly in 2006/07 as high volumes of the manned guarding sectors have now been licensed, we anticipate that we will require grant-in-aid funding for 2006/07. The business plan indicates that the requirement will be £4.5 million in resource funding plus £3.4 million capital funding. The capital funding is primarily to enable us to improve business processes and reduce the time taken for an applicant to secure their licence.

5.13 The business plan for 2007/08 onwards relies on a material increase in our licence fee. The current fee of £190 was set in 2003 prior to the commencement of licensing and the known licensable population. This was set based on the best available data of licensable numbers. The information was however severely limited and has proved to be unreliable. Three years on licensing has now been introduced to the largest sectors and the expected number of applications over the next three years can be more reliably predicted.

5.14 The current forecasts for the licensable population for the two years 2007/08-2008/09 are 33% lower than those used to calculate the £190 unit cost for a licence application. The two main reasons for this reduction are the unreliable base data for door supervisor numbers and staff turnover assumptions resulting in additional licences (churn). We cannot achieve self-sufficiency without a licence fee review to reflect the differences between forecast and actual numbers.

5.15 Our income is dependent on the number of licence applications we receive. We now have the benefit of two years of licensing and can base most of our forecasts on actual numbers. There is still an unknown element to our forecasts as future years demands will depend on licence renewal volumes and staff churn.

5.16 It is anticipated that the increase of the licensable population resultant from the extension of our remit to include Scotland will see an estimated 15,000 additional applications over the licensing years 2006/07 and 2007/08. Proposals for us to regulate in Northern Ireland have been also published by the Northern Ireland Office.

5.17 Our costs are reasonably stable, with over 60% directly related to the licensing system. There remains some uncertainty about the cost of compliance post implementation. A particular issue is the potential cost of prosecutions and numbers of appeals against licence decisions.

5.18 The current managed service provider contract with BT is due to expire in June 2007. There is already a provision within the existing contract for an extension of one year which the SIA proposes to take. The experiences of the last twelve months have identified a number of issues with the current system which need to be addressed. It is anticipated that these will help us to reduce future running costs, the time taken to obtain a licence and improve call centre performance.

PAYMENT PRACTICE

Compliance with Public Sector Payment Policy

5.19 We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute.

Figure 10: SIA payment practice – results				
	2005/06		2004/05	
	£	Number	£	Number
Total invoices paid in year	13,471,666	2,292	13,210,190	1,866
Total invoices paid within target	13,029,022	2,255	13,181,036	1,848
Percentage of invoices paid within target	97%		99%	

CONTRACTUAL ARRANGEMENTS

5.20 Figure 11, below shows our major contractual arrangements with expiry dates.

Figure 11: SIA contractual arrangements			
Name	Service	Value of contract (£)	Expiry date
BT	Managed Services	Annual fixed costs of £4.1m plus variable costs	01/06/2007

PAYMENT TO AUDITORS

5.21 The audit fee for 2005/06, payable to the National Audit Office (NAO) has been estimated at £26,000. No further payments have been made to the NAO during the year.

D. Remuneration report

6.1 The remuneration of our directors is based on a strategy which takes account of the Senior Civil Service Pay Bands together with independent job evaluation reports on the posts. Pay awards are performance related: the Chief Executive makes recommendations on the awards for directors which are considered by the Remuneration Committee of the SIA Board. The pay award of the Chief Executive is based on the Senior Civil Service Pay Bands and the recommendations of the Senior Salaries Review Body Report. The Chairman recommends the pay award of the Chief Executive which is submitted to Ministers for approval.

6.2 Non consolidated bonus payments are available to staff and directors based on their performance and the overall success of the organisation and taking account of the recommendations of the Senior Salaries Review Body Report (for Directors).

CIVIL SERVICE PENSIONS

6.3 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 in 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).

6.4 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 in the same way as Classic.

6.5 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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).

6.6 Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pension.gov.uk

Cash Equivalent Values

6.7 A Cash Equivalent Transfer Value (CETV) 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 members accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the scheme, not just their service in a senior capacity to which disclosure applies. The CETV figure, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

6.8 Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.



Real Increase in CETV

6.9 This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions made by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors the start and end of the period.

REMUNERATION

6.10 The remuneration committee comprises of three independent board members, Brendan O’Friel, Bruce Warman and Wendy Towers.

6.11 The salaries of Directors were as follows:

Figure 12: Director Remuneration		
	2005/06 (£)	2004/05 (£)
John Saunders (Chief Executive)	Consent to disclose withheld	
Andy Drane (Deputy Chief Executive)	88,803	78,279
Graham Clark (Director of Corporate Services)	77,424	66,531
Kaye Law (Director of Strategic Development)	68,671	45,774*

* Kaye Law was appointed Director of Strategic Development on July 2004.

6.12 Directors contracts are permanent and open ended until they reach 60. There were no awards in respect of early termination. We pay no compensation to former senior managers. No fees were paid to third parties for the services of a senior manager.

6.13 The remuneration of the Board in the period ending 31 March 2006 is shown in the table below. Fees are determined based on a fee of £262 a day (as per Cabinet Office Guidelines). Robin Dahlberg was appointed Acting Chairman with effect from the 1 February 2006; open recruitment for the post of Chairman has commenced in autumn 2006. Board members have been appointed for a fixed period of three or four years.

Figure 13: Remuneration of SIA Board Members

Board		Age	2005/06 (£)	2004/05 (£)
Peter Hermitage (Chairman) (until 31/01/2006)	Fees	57	46,979	56,707
Peter Hermitage (Chairman)	Travel*		5,473	10,382
	Total		52,452	67,089
Robin Dahlberg (Acting Chairman from 01/02/2006)	Fees	53	16,222	5,228
	Total		16,222	5,228
Peter Dyke	Fees	61	4,589	3,443
Peter Dyke	Travel*		1,238	1,300
	Total		5,827	4,743
Brendan O’Friel	Fees	64	9,329	9,435
Brendan O’Friel	Travel*		4,319	8,502
	Total		13,648	17,937
Wendy Towers	Fees	59	7,572	3,722
Wendy Towers	Travel*		303	460
	Total		7,875	4,182
Bruce Warman	Fees	57	7,898	8,160
Bruce Warman	Travel*		388	537
	Total		8,286	8,697

* Travel shown for Board members is reimbursement of home to work travel and thus a benefit in kind that the SIA has suffered the tax on behalf of the Members.

Figure 14: Pension entitlement of the Chairman and directors

	Accrued pension at age 60 as at 31/03/06 and related lump sum (£)	Real increase in pension at age 60 and related lump sum (£)	CETV at 31/3/06 (£)	CETV at 31/3/05 (£)	Employee Contributions and transfers in (£)	Real increase in CETV (£)
Peter Hermitage (Chairman) (until 31/01/2006)	1,645	938	32,140	11,391	1,973	16,358
Robin Dahlberg (Acting Chairman from 1/02/2006)	152	152	2,488	Nil	318	2,170
Graham Clark (Director of Corporate Services)	2,513	1,435	38,207	12,652	2,713	19,113
Andy Drane (Deputy Chief Executive)	4,645	1,579	79,756	42,038	3,004	24,101
Kaye Law (Director of Strategic Development)	12,297	1,953	152,316	20,592	56,706*	25,261

* During 2005/06 Kaye Law transferred previously earned pension monies into the PCSPS.

Signed on behalf of the Security Industry Authority.



**John Saunders OBE
Chief Executive
December 2006.**



Security Industry Authority

Statement of Accounts
for the period ended 31 March 2006

STATEMENT OF THE AUTHORITY'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 1, paragraph 16 (2) of the Private Security Industry Act 2001, the Authority is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Home Office, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Authority is required to:

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Security Industry Authority will continue in operation.

The Accounting Officer's Responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Security Industry Authority as the Authority's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility under the Authority for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the **Non-Departmental Public Bodies' Accounting Officers' Memorandum** issued by the Treasury and published in **Government Accounting**.

He must also provide all relevant audit information to the auditors. So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are not aware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Signed on behalf of the Security Industry Authority

A handwritten signature in black ink, appearing to read 'John Saunders', with a long horizontal flourish extending to the right.

John Saunders OBE
Chief Executive and Accounting Officer
December 2006

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's objectives and goals and safeguards the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me in **Government Accounting**.

During the year from 1 April 2005, I have met regularly with representatives of our sponsor unit in the Home Office, Crime Reduction and Community Safety Group to discuss matters of interest, including, if appropriate, any issues from the Risk Register. The Home Office provides our annual budget until the Authority is self-financing from licence income and sets targets for the Authority's performance. The Authority reports cash expenditure monthly and annually to the Home Office.

The Authority's system of internal control is designed to manage, rather than eliminate, the risks it faces; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process that seeks to identify the principal risks to the achievement of the Authority's objectives and goals, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The process, which accords with Treasury Guidance, has been in place during the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts.

As Accounting Officer, I also 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 executive managers within the Authority. They have responsibility for the development and maintenance of the internal control framework. Comments made by the internal and external auditors in their management letter and other reports will also inform my review. I have been advised on the implication of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee. A plan to address any weaknesses and ensure continuous improvement of the systems is in place.

The Authority has established the following processes:

- a Board, comprising of non-executive members, one of whom is the Chairman, which meets monthly to consider the plans and strategic direction of the Authority, review the monthly management accounts and consider the high profile risks identified in the risk register;
- a meeting of the senior management team on a monthly basis to review the finance reports, risk register and current progress against targets;

- project Boards which meet as necessary to monitor the progress and associated risks of significant projects e.g. the Approved Contractor Scheme and the implementation of licensing in Scotland;
- periodic reports from the Chairman of the Audit Committee to the Board concerning internal control and its further scrutiny of the whole risk register;
- regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's risk management, control and governance processes to manage the achievement of the Authority's objectives together with recommendations for improvement; during 2005/06 areas covered included core financials, income, network security, cost of enquiries, recruitment, corporate governance and risk;
- monthly reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- a programme of risk awareness training; and
- maintenance of an organisation-wide risk register.

During the year the SIA developed further its risk policy and strategy which has been approved by the Audit Committee and Board.

During the year internal control procedures identified lapses in the adherence to our procurement procedures. This resulted in some expenditure not being correctly put out to tender. Additional checks have been put into this area to ensure that all expenditure is subject to open and fair competition. The overall risk to the organisation was subsequently evaluated as low.

An SIA commissioned internal audit report confirmed financial reconciliation weaknesses in the licence processing system. These weaknesses will be addressed as part of a wider re-engineering exercise currently being undertaken to improve the licensing process.

Directors have taken responsibility during the year to further develop staff awareness of the risk register and to report to them new risks or changes to the status of current risks.



John Saunders OBE
Chief Executive & Accounting Officer
December 2006

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2006 under the Private Security Industry Act 2001. 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.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority's and the 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 Private Security Industry Act 2001 and Treasury directions made thereunder. 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 Security Industry 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 68-69 reflects the Security Industry 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 Security Industry Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual report, which includes the unaudited part of the Remuneration Report and the Management Commentary, 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 Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Security Industry 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 Private Security Industry Act 2001 and directions made thereunder by HM Treasury, of the state of Security Industry Authority's affairs as at 31 March 2006 and of its surplus 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 Private Security Industry Act 2001 and HM Treasury directions made thereunder; 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

January 2007

Income and Expenditure Account for the Period 1 April 2005 to 31 March 2006

	Note	2005/06 £	2004/05 £
Grant in Aid	3	18,274,914	14,476,536
Employment costs	5	5,326,686	4,439,825
Running costs	6	13,905,280	9,330,337
Depreciation	7/8	3,442,349	2,719,065
Total operating costs		22,674,315	16,489,228
Operating deficit		(4,399,401)	(2,012,692)
Licensing	4	18,900,250	4,637,558
Approved Contractor Scheme	4	207,664	
Scotland	4	368,897	
Other income	4	74,465	5,185
Interest receivable	4	67,035	41,114
Less notional cost of capital		(261,860)	(276,129)
Loss on disposal of fixed assets		0	(3,376)
Retained surplus/deficit		14,957,050	2,391,660
Notional cost of capital reversal		261,860	276,129
Grant in Aid Advance repayable to the Home Office		(19,150,087)	(4,642,439)
Interest received and repayable to the Consolidated Fund via the Home Office		(67,035)	(41,114)
Transfer from reserves	12	3,442,349	2,722,441
Retained (deficit)/surplus for the financial year		(555,863)	706,677
Movement on income and expenditure reserve			
Surplus brought forward		1,001,178	294,501
Retained (deficit)/surplus for the year		(555,863)	706,677
Surplus carried forward		445,315	1,001,178

All operations are continuing

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the retained surplus for the period.

The Security Industry Authority
Year Ended 31 March 2006

Balance Sheet as at 31 March 2006

	Note	2006		2005	
		£	£	£	£
<i>Fixed Assets</i>					
Intangible assets	7	5,398,922		7,389,646	
Tangible assets	8	275,875		502,414	
			5,674,797		7,892,060
<i>Current Assets</i>					
Debtors and prepayments	9	2,066,586		903,606	
Bank	11	4,440,638		1,543,197	
		6,507,224		2,446,803	
<i>Creditors</i>					
Amounts due within 1 year	10	(6,061,909)		(1,445,625)	
Net current assets			445,315		1,001,178
Total assets less current liabilities			6,120,112		8,893,238
Capital and Reserves					
Income and expenditure reserve			445,315		1,001,178
Other reserves	12		5,674,797		7,892,060
			6,120,112		8,893,238



John Saunders OBE
Chief Executive and Accounting Officer
December 2006

The Security Industry Authority
Year Ended 31 March 2006

Cash Flow Statement

	Note	2006 £	2005 £
Operating activities			
Net cash inflow from operating activities	13	1,299,225	652,344
Returns on investments and servicing of finance			
Interest received		62,046	36,119
Capital expenditure			
Cash outflow to acquire fixed assets		(1,277,690)	(3,964,866)
Net cash (outflow) before financing		83,581	(3,276,403)
Analysis of Financing			
Grant in Aid for capital expenditure	12	1,225,086	4,023,464
Licence/Other income received		19,524,206	4,166,794
Less amounts appropriated to Home Office		(17,935,432)	(4,194,658)
Increase in cash		<u>2,897,441</u>	<u>719,197</u>

Note I

Accounting Policies

Basis of Accounts

The Statement of Accounts set out on pages 72 to 74 together with the Notes on pages 75 to 87 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State with the consent of Treasury in accordance with Schedule 1 Paragraph 16 (2) of the Private Security Industry Act 2001. The Accounts Direction issued to the Authority is the model Accounts Direction published by the Treasury in Executive Non-Departmental Public Bodies – Annual Reports and Accounts Guidance.

Accounting Conventions

The accounts meet:

- the disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the SIA;
- accounting standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury; and
- the requirements of the Accounts Direction and the Financial Memorandum issued to the SIA by the Secretary of State for the Home Department.

Grant in Aid

Grant in Aid received is credited to income for the period, except that a proportion of the Grant in Aid received, equal to expenditure on fixed assets acquisitions, is transferred to the Capital Expenditure Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

Licence Fee Income

Income is to be recognised at the point when an application is accepted. At this point, the fee paid becomes non-refundable and the SIA is committed to paying BT the full amount for processing the application.

Approved Contractor Scheme Income (ACS)

The ACS is a voluntary scheme for providers of security services. Companies who satisfactorily meet the agreed standards may be registered as approved, and may advertise themselves as such.

Application Fee Income is recognised at the point when a decision is made on the status of that application. Annual registration income is charged to the profit and loss account on a straight line basis over the period covered.

Scotland Income

The Private Security Industry Act 2001 has been amended to include Scotland. The SIA is able to recover the costs of implementing licensing of the private security industry from the Scottish Executive which is expected to take place in 2007/08.

Deferred Income

The SIA will defer ACS income where:

- An application fee has been received but a decision has not been reached on the status of that application.
- Annual registration fees have been received prior to the awarding of approved status.
- The annual registration fee covers a period extending over the financial year end.

Where an application fee is received in advance of an accepted application it is accounted for in creditors. This is a change in policy to 2004/05 when advance income received for a pilot bulk application scheme was deferred. The pilot finished at 31 March 2005 and the change in policy has no financial effect on the accounts.

Fixed Assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual item is £1,000 or more or on a grouped basis, is £5,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office of National Statistics, except in their year of disposal and acquisition when their current and historical costs are not materially different. There was no revaluation of assets for 2005/06 as this was immaterial.

Depreciation and Amortisation

Depreciation and Amortisation is provided on all fixed assets on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated life as follows:

Leasehold improvements	over the remaining term of the lease
IT: Servers (hardware and software)	five years
IT: PCs (hardware and software)	three years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP) Database	over the remaining life of the contract
Approved Contractor Scheme (ACS)	Four years

Provision for Bad Debt

Licensing Debts – the SIA has a small number of licence applicants whose cheques fail to clear. Efforts are made to recover the debt but where it has been outstanding for more than 4 months, it is written off.

A provision has been calculated regarding income due from BT to cover uncleared cheques. The provision has been based on past trends and evidence to date. Additionally, debts due from court costs that are outstanding for more than 12 months will be charged in full to the profit and loss account.

Notional Charges

In accordance with the Government Financial Reporting Manual, a charge reflecting the cost of capital used by the Authority is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5 per cent on the average carrying amount of all assets less liabilities.

Leases

(a) FINANCE LEASES – The SIA has no finance leases.

(b) OPERATING LEASES – Payments made under operating leases on equipment and buildings are charged to expenditure on a straight line basis.

Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

Value Added Tax

The SIA is not eligible to register for VAT and all costs are shown inclusive of VAT.

The Security Industry Authority Year Ended 31 March 2006

Note 2

Financial Targets

Achieve SIA Objectives whilst achieving revenue projections and operating within budgets (or amended budgets) or better:

The SIA was required to revise its annual targets and forecasts part way through the year as the licensing of Security Guarding progressed slower than planned. The new forecasts were exceeded with 99,475 licence applications being accepted against the projected 95,000. The final end of year costs were less than £50,000 above the revised forecast. Without the additional costs associated with the extra 4,475 licences, expenditure would have been below forecast.

The Security Industry Authority
Year Ended 31 March 2006

Note 3

Grant in Aid

	Note	2005/06 £	2004/05 £
Revenue Grant received from the Home Office		18,274,914	14,476,536
Capital Grant received from the Home Office	12	1,225,086	4,023,464
		<u>19,500,000</u>	<u>18,500,000</u>

Note 4

Income

	2005/06 £	2004/05 £
Licensing	18,900,250	4,637,558
Approved Contractors Scheme (ACS)	207,664	0
Scotland	368,897	0
Interest receivable	67,035	41,114
Other Income	74,465	5,185
	<u>19,618,311</u>	<u>4,683,857</u>

At the 31st March 2006 due to the high volume of applications being received during the run up to the 20th March 2006 enforcement date there were 14,237 unopened applications. This represents a further £2,705,030 of potential gross income, which after applying the 24% rejection rate for April 2006 and a net cost of £50 per application would give a net income of £1,514,817 once the application had been accepted in accordance with the accounting policy for income.

The Security Industry Authority
Year Ended 31 March 2006

Note 5

Employment Costs

	2005/06	2004/05
	£	£
Board		
Salaries & Emoluments	92,588	88,750
Social Security Contributions	8,051	9,039
Pension Contributions	9,429	6,806
	110,068	104,595
Staff		
Salaries and Emoluments	3,154,721	2,430,895
Social Security Contributions	268,842	208,599
Pension Contributions	592,586	353,868
	4,016,149	2,993,362
Other		
Salaries & Emoluments	1,143,544	1,291,707
Social Security Contributions	16,874	18,233
Pension Contributions	40,051	31,928
	1,200,469	1,341,868
Total Employment Costs		
Salaries & Emoluments	4,390,853	3,811,352
Social Security Contributions	293,767	235,871
Pension Contributions	642,066	392,602
	5,326,686	4,439,825

In addition £616,710 of consultancy expenditure has been capitalised as part of the Approved Contractor Scheme Projects. £1,076,797 was capitalised in 2004/05 as part of the Approved Contractor Scheme and Managed Service Provider Projects.

At the 31 March 2006 the SIA employed 101 staff including 5 Board Members.

The average number of full time equivalent employees during the period ending 31 March 2006 was:

	Staff		Consultants, Temporary and Seconded Staff	
	2005/06	2004/05	2005/06	2004/05
Executive	4	4	1	0
Compliance & investigation	40	36	2	0
Licensing	13	9	6	0
Development	4	5	2	10
Admin/support staff	29	23	3	10
Approved Contractor Scheme	4	0		
Staff employed on capital projects			4	
	94	77	18	20

Pension

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005/06, employers' contributions of £629,838 were payable to the PCSPS (2004/05 £384,500) at one of four rates in the range 16.2 and 24.6 per cent of pensionable pay, based on salary bands (12 and 18.5 per cent in 2004/05). The Scheme Actuary reviews employer contributions every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £12,228 (£8,052 in 2004/05) 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 £742, (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.

There were no contributions due to the partnership pension providers at the balance sheet date (£795 in 2004/05).

The Security Industry Authority
Year Ended 31 March 2006

Note 6

Running Costs

	Note	2005/06 £	2004/05 £
Accommodation costs		689,282	651,782
Advertising and publicity		1,207,328	1,578,565
Audit fee – external		29,253	26,000
Audit fee – internal		25,136	18,713
Legal costs		56,152	52,309
Recruitment		194,317	462,815
Training		92,239	202,864
Information technology		271,364	370,162
Licensing costs		10,603,342	5,381,316
Office supplies and services		282,532	202,190
Operating lease payments – equipment	15	5,965	5,965
Financial costs		3,652	604
Bad and doubtful debts		17,558	4,797
Travel and subsistence		405,003	346,124
Catering		15,559	14,120
Hospitality		6,598	12,011
		13,905,280	9,330,337

Note 7

Intangible Fixed Assets

	Software Licences	Managed Service Provider Database	Approved Contractors Scheme Costs	Total
	£	£	£	£
Cost at 1 April 2005	92,784	9,468,729	458,606	10,020,119
Additions	77,479	498,241	616,710	1,192,430
Disposals				
Cost at 31 March 2006	170,263	9,966,970	1,075,316	11,212,549
Amortisation at 1 April 2005	33,883	2,596,591		2,630,474
Provided during the year	25,856	3,134,895	22,402	3,183,153
Amortisation at 31 March 2006	59,739	5,731,486	22,402	5,813,627
Net Book Value at 31 March 2006	110,524	4,235,484	1,052,914	5,398,922
Net Book Value at 31 March 2005	58,901	6,872,138	458,606	7,389,645

Note: The Approved Contractors Scheme became operational on 20 March 2006 and development costs have been transferred to Intangible Assets and one month's depreciation has been charged for the month it was operational.

Note 8

Tangible Fixed Assets

	Leasehold improvements	Furniture and office equipment	Computer equipment	Total
	£	£	£	£
Cost at 1 April 2005	381,316	181,147	418,703	981,166
Additions	0	23,989	8,667	32,656
Disposals				
Cost at 31 March 2006	381,316	205,136	427,370	1,013,822
Depreciation at 1 April 2005	207,990	50,764	219,998	478,752
Depreciation provided during the year	103,995	26,181	129,019	259,195
Depreciation at 31 March 2006	311,985	76,945	349,017	737,947
Net Book Value at 31 March 2006	69,331	128,191	78,353	275,875
Net Book Value at 31 March 2005	173,326	130,383	198,705	502,414

Note 9

Debtors (falling due within one year)

	2005/06 £	2004/05 £
Trade debtors	1,355,565	562,974
Accrued Income	387,905	
Other debtors	36,336	13,001
Season ticket loans to staff	17,340	15,137
Prepayments	283,439	317,291
	2,080,585	908,403
Less provision for bad debts	14,000	4,797
Total debtors	2,066,585	903,606

The trade debtors figure includes amounts owed by BT to the SIA for licence applications.

Intra-government balances

There are no intra-governmental balances.

The Security Industry Authority
Year Ended 31 March 2006

Note 10

Creditors (due within one year)

	2005/06	2004/05
	£	£
Trade creditors	901,978	80,785
Other creditors	150	723
Sundry creditors	1,783,445	500,393
Accruals & deferred income	3,262,718	769,568
Taxation & social security	113,618	94,156
	6,061,909	1,445,625
<i>Intra-governmental balances</i>	Amounts falling due within one year	Amounts falling due within one year
Balances with other central government bodies	2,828,880	741,652
Balances with local authorities, NHS Trusts, public corporations and trading funds	NIL	NIL

Note 11

Analysis of changes in cash

	2005/06		2004/05
	£		£
Balance at 31 March 2005	1,543,197	Balance at 1 April 2004	824,000
Increase in cash	2,897,441	Increase in cash	719,197
Balance at 31 March 2006	4,440,638	Balance at 31 March 2005	1,543,197

FRS 13 Derivatives and Other Financial Instruments.

The SIA has no borrowings. Its income is principally generated by the issuing of licences and income from the Approved Contractors Scheme. In addition it receives Grant in Aid from the Home Office and is therefore not exposed to liquidity risks. The SIA has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

The Security Industry Authority
Year Ended 31 March 2006

Note 12

Reserves

		2005/06		2004/05
		Capital		Capital
		Expenditure		Expenditure
		Reserve		Reserve
	Notes	£		£
Balance at 1 April 2005		7,892,060	Balance at 1 April 2004	6,591,037
Capital expenditure	7 & 8	1,225,086	Grant deferred for additions	4,023,464
Transfer to profit and loss			Transfer to profit and loss	
Disposed assets		0	Disposed assets	(3,376)
Release for depreciation to Income and expenditure Account		(3,442,349)	Release for depreciation to Income and expenditure Account	(2,719,065)
As at 31 March 2006		5,674,797	As at 31 March 2005	7,892,060
		Income &		Income &
		Expenditure		Expenditure
		Reserve		Reserve
	Notes	£		£
Balance at 1 April 2005		1,001,178	Balance at 1 April 2004	294,501
(Deficit)/surplus for 2005/06		(555,863)	surplus 2004/05	706,677
Balance at 31 March 2006		445,315	Balance at 31 March 2005	1,001,178

Note 13

Reconciliation of Operating Surplus to Cash Inflow from Operating Activities

	2005/06	2004/05
	£	£
Operating surplus/(deficit)	(4,399,401)	(2,012,692)
Depreciation	3,442,349	2,719,065
(Increase) in debtors relating to operating items	34,127	(641,787)
Increase in creditors relating to operating items	2,209,389	579,585
Increase in bad debt provision	12,761	4,797
Loss on disposal of fixed assets		3,376
Net cash inflow from operating activities	1,299,225	652,344

Note 14

Capital Commitments

As at 31 March 2006 the SIA had not committed to any capital expenditure (£410,300 in 2004/05).

Other Financial Commitments

The SIA's contract with its service provider is due to expire in June 2007 with the option to extend for a further period. The amounts due under this contract are a mix of fixed and variable charges. The annual fixed charges are £4.1 million.

Note 15

Commitments under operating leases

Operating leases which expire:

	2005/06		2004/05	
	Building	Equipment	Building	Equipment
Within one year	386,305			
Within two-five years		5,965	406,344	5,965

Note 16

Contingent Liabilities

There are no contingent liabilities.

The SIA had previously recorded a potential TUPE liability as it was considered possible that local authorities may argue that the replacement of local authority licensing and registration schemes for door supervisors by the national licensing scheme amounted to a transfer of undertaking. Licensing has now been fully rolled out across England and Wales and no claim has been received.

Note 17

Post Balance Sheet Events

There are no post balance sheet events to report.

Note 18

Related Party Transactions

The Home Office is regarded as a related party to the SIA. During the period ended 31 March 2006 the Home Office provided the SIA with Grant in Aid. A small number of transactions were made with other government departments and other central government bodies, including the Criminal Records Bureau, Inland Revenue and the Treasury Solicitor.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Security Industry Authority during the year.

Note 19

Losses and Special Payments

The SIA made no losses or special payments in excess of £250,000 during the year.

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