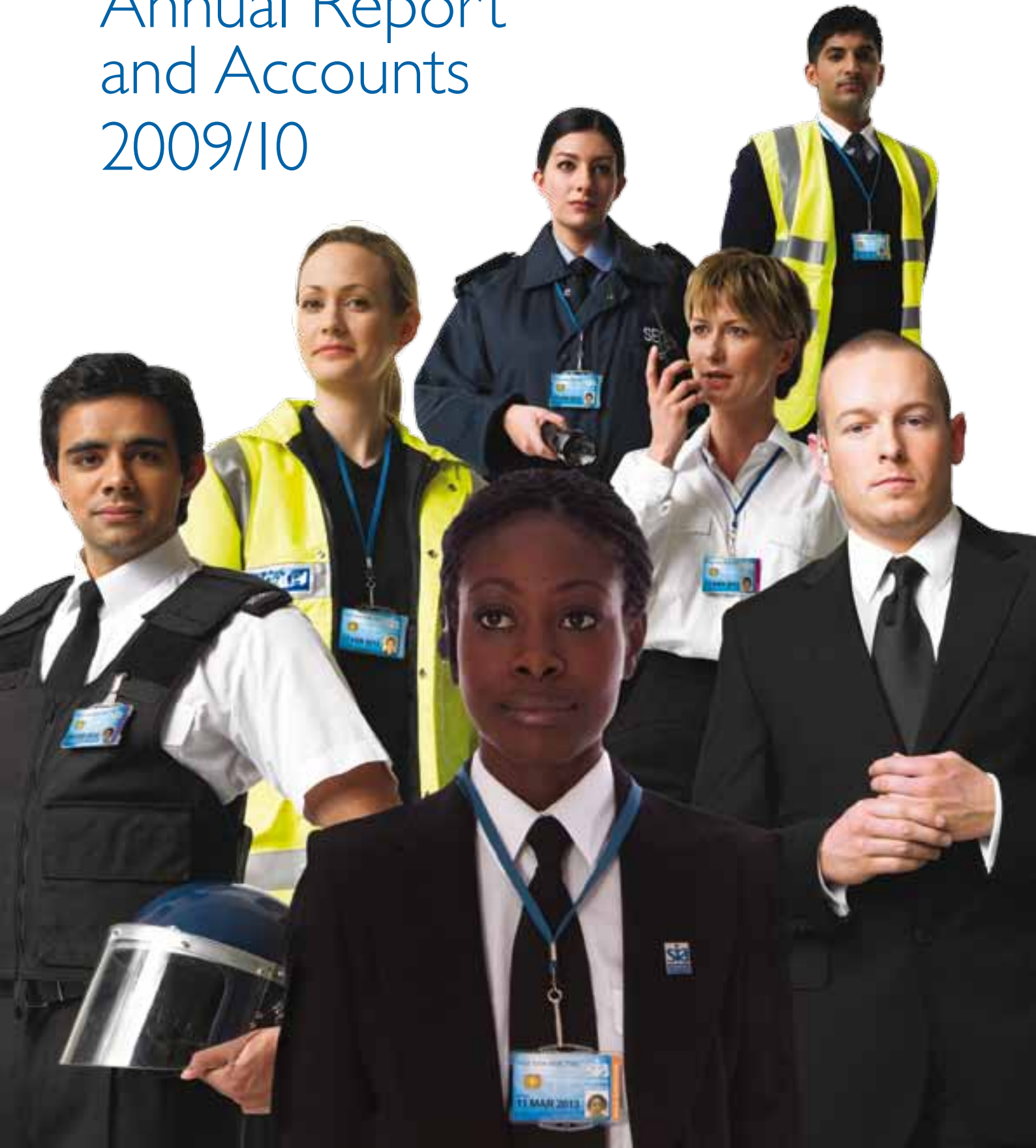




Security Industry Authority

# Annual Report and Accounts 2009/10



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Annual Report and Accounts 2009/10

Annual Report presented to Parliament pursuant to paragraph 17(2) of Schedule 1 to the  
Private Security Industry Act 2001

Accounts presented to Parliament pursuant to paragraph 16(4)(b) of Schedule 1 to the  
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# Introduction



The Security Industry Authority (SIA) is responsible for regulating certain designated sectors of the private security industry in the United Kingdom. We are an independent body reporting to the Home Secretary, under the terms of the Private Security Industry Act 2001. Our mission is to regulate the private security industry effectively; to reduce criminality, raise standards and recognise quality service.

We have two main duties. One is the compulsory licensing of individuals undertaking designated activities within the private security industry; the other is to manage the voluntary Approved Contractor Scheme (ACS).

SIA licensing covers manned guarding (including security guarding, door supervision, close protection, cash and valuables in transit, and public space surveillance using CCTV), key holding and vehicle immobilising. Licensing ensures that private security operatives are 'fit and proper' persons who are properly trained and qualified to do their job.

Those organisations that voluntarily meet our Approved Contractor Scheme operational and performance standards are awarded Approved Contractor status. This accreditation provides purchasers of private security services with independent proof of a contractor's commitment to quality.

Our work supports the Home Office's objective of working together to protect the public. We support the strategic aims and objectives and Public Service Agreements of the Home Office. In particular, we contribute to making communities safer, helping people feel secure, cutting crime, protecting the public from terrorism, controlling immigration and safeguarding identity.

We also contribute to the Scottish Government's National Outcomes 9 (we live our lives safe from crime, disorder and danger) and 11 (we have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others).

## Working with partners

We work with many different organisations in the United Kingdom, sharing information, ideas and knowledge and this helps us and our partners to deliver our responsibilities effectively. Our partners include government departments and agencies, police forces and representative bodies, local authorities, licensing authorities and industry and business organisations..



# Joint statement from the Chairman and Chief Executive

We are pleased to report that this financial year has seen good progress across all areas of the SIA's work. We have continued to improve our regulatory operations and support services and have established a sound platform to support the delivery of an efficient service for our customers and effective regulation to support public safety. We have been particularly pleased that, throughout the year, licences have been issued to those working in the private security industry well within our target times. We also recognise that we need that sound platform to meet the challenges we face over the coming years, both in terms of our successful delivery in new sectors (where decisions are made to proceed), and in supporting the Government's drive to reduce cost.

We have seen significant changes to the Board and senior management team during the year. Ruth Henig was reappointed as our Chairman for a further three years and Robin Dahlberg applied and was reappointed as Vice Chairman, with Wendy Towers, Bill Matthews, and Linda Sharpe remaining on the Board. A new Board member will be joining shortly. Peter Dyke, Brendan O'Friel and Bruce Warman left the Board after their appointments came to an end. All three have played significant roles in shaping the SIA, in the case of Brendan and Bruce from the very beginning and in Peter's case from shortly thereafter. We wish to thank them for their significant contributions. On the senior management team, Bill Butler became Chief Executive, while Andy Drane, our Director of Compliance and Enforcement and Acting Chief Executive, retired. We both wish to extend our thanks to Andy for his leadership of, and commitment to, the organisation during his seven years at the SIA. Stephen McCormick was appointed as Director of Service Delivery, having previously been Director of Strategy and Business Development for Shared Services at the Home Office, and Dave Humphries joined us from HM Revenue and Customs as the Director of Compliance and Enforcement.

During the year, we completed the roll out of our licensing regime for Northern Ireland, so that the whole of the United Kingdom is now subject to consistent licensing and regulatory requirements. The regime was launched by the then Minister of State, Paul Goggins at Stormont House in December 2009. Initial work shows good progress and a number of Northern Ireland firms have joined the ACS scheme. We have also been focussing our efforts on supporting the police forces in Scotland in continued efforts to target organised crime and, in December 2009, Justice Secretary Kenny MacAskill announced that all firms providing private security for the Scottish Government would have to be approved contractors. This year also saw the conclusion of the Sabrewatch Ltd case, which related to that company's deployment of unlicensed guards in 2005 when SIA licensing was first introduced in England. The company and directors received substantial fines and we recovered £1m in costs. The associated court cases made it clear that we have both the power and the will to prosecute where this is necessary.

We held our annual SIA Stakeholder Conference in May 2009. This provided much feedback from the industry on our work and the goals ahead. During the year, we also conducted consultations and surveys in order to gauge views on new initiatives and to help us review our ways of working and the services we provide. The Approved Contractor Scheme (ACS) forums have continued to be well-attended and have taken place throughout the country, giving the opportunity for ACS companies to discuss best



practice and opportunities for development within the industry. This year we have also sought further opportunities to talk to the individuals we license through various meetings and events. The Network Meetings, now organised and run by the industry itself, continue to be well-attended and a valuable forum for discussion within the different security sectors.

Provision for regulation of vehicle immobilisation businesses in England, Wales and Northern Ireland, is contained in the new Crime and Security Act 2010 which enables us to license them. It will be for the new Government to decide whether and when these new powers will be brought into force and implemented. An announcement will be made in due course. Similarly, Ministers will be deciding on plans for future licensing of Enforcement Agents (Bailiffs) in England and Wales and Private Investigations, where preliminary work is already underway. The newly structured training qualification, currently in place for most existing security sectors, is being rolled out for door supervisors. The Home Office will be making an announcement as to whether a 'top-up' to that qualification will be required in the future for door supervisor licence renewals.

We will also be looking at how we can ensure and demonstrate that our costs are managed effectively and that the burden on those affected by our regime is proportionate to the risks to the public. As a part of this, we are considering with the Home Office, Criminal Records Bureau, Disclosure Scotland and the Independent Safeguarding Authority the best ways in which the organisations can work together. We will continue to review our policies, procedures and practices regularly, and we remain committed to continuous improvement and to working in partnership with the industry.



A handwritten signature in black ink, appearing to read 'Ruth Henig', with a long horizontal line underneath.

Ruth Henig  
SIA Chairman



A handwritten signature in black ink, appearing to read 'Bill Butler', with a long horizontal line underneath.

Bill Butler  
SIA Chief Executive



# Our key achievements

## SIA security licensing in Northern Ireland

From May 2009, licence applications from individuals and security suppliers applying for the Approved Contractor Scheme (ACS) in Northern Ireland, were accepted by the SIA and, on 1 December 2009, we introduced compulsory licensing and regulation of the private security industry in Northern Ireland. This created a single consistent licensing scheme throughout the UK. The voluntary ACS was also introduced for private security suppliers in Northern Ireland and 24 businesses became SIA approved contractors.

We worked closely with the Northern Ireland Office, the Police Service of Northern Ireland and those working in the private security industry and other stakeholders, to ensure awareness of the new legislation. This meant that those requiring an SIA licence were ready for the introduction of regulation. The first checks on security guards and CCTV operatives working in Northern Ireland took place in December 2009, ten days after SIA licensing came into effect. Five teams of SIA investigators visited 35 sites across Northern Ireland, including government sites, shopping centres, construction sites, retail stores, commercial and industrial sites, car parks and warehouses. During the operation, 119 operatives were inspected and only three individuals were found to be unlicensed. Further checks will take place in the future as part of our on-going enforcement strategy.

## Successful prosecution outcome

In February 2010, Sabrewatch Ltd and its directors were found guilty on seven of nine sample counts for deploying unlicensed security operatives, despite being well aware of the law. They were ordered by the court to pay fines in excess of £215,000.

Under the Proceeds of Crime Act, a confiscation order of £100,000 was obtained from Sabrewatch Ltd and the company was also ordered to pay our costs of £1 million. Our right to prosecute was endorsed by the Court of Appeal after being challenged by Sabrewatch Ltd and we also won a subsequent challenge that the prosecution was an abuse of process. We successfully concluded this lengthy prosecution and confirmed our right to prosecute those who commit offences under the Private Security Industry Act 2001.

## Licensing framework consultation

In September 2009, we launched a consultation on the licensing framework, asking for views on whether a generic SIA licence should be introduced. This would reduce the need to hold and display multiple licences and might also lower the cost of holding more than one licence.

Although a narrow majority favoured developing a single licence, the responses did not provide clear enough support for developing a non sector-specific licence. We are considering the results of the consultation further.

## Development of new licence-linked qualifications

In October 2009, work began on new licence-linked qualifications, to bring training up to date and introduce a modular structure. This followed an industry-led review of the SIA specifications that drive training content. The new specifications reflect current industry best practice, so that individuals working in the security sectors undergo good basic training for their role.

A new structure, with core and specialist modules, means less overlap and duplication in training content across the sectors; it also makes it easier to gain qualifications for additional sectors, as individuals only have to complete the relevant additional modules. The new qualifications have been developed by the awarding organisations for training providers across the UK.

From January 2010, new qualifications are available for operatives in all sectors (apart from door supervision) in England, Wales and Northern Ireland, and then in Scotland in September 2010. Door supervision new qualifications are available from June 2010. For full details visit [www.sia.homeoffice.gov.uk/Pages/training-changes.aspx](http://www.sia.homeoffice.gov.uk/Pages/training-changes.aspx)

## Enforcement agents

In December 2009, we launched a consultation on training requirements for enforcement agents (bailiffs) in England and Wales. We have been working with the Ministry of Justice and it will be for their ministers to decide on plans for the future licensing of enforcement agents. An announcement will be made in due course.

## New SIA website

In February 2010, we launched our new website at [www.sia.homeoffice.gov.uk](http://www.sia.homeoffice.gov.uk)

Some key improvements to the website include, a site structure that is built around the way our customers use the site, a step-by-step guide to obtaining an SIA licence and a new training provider search tool that can be searched by geographical region and licensable activity.

The website was developed and redesigned following current best practice for websites and the findings of extensive user research. The aim was to make the new site easier and quicker to use. Users can still check the register of licence holders, view the list of approved contractors, report illegal activity and download SIA publications.

## Approved Contractor Scheme review

At the end of March 2010, we published online survey forms as part of the fourth annual ACS review. The reviews are carried out to ensure that the ACS continues to serve the needs of security suppliers and buyers and to identify any ways in which it may be improved. After collating and considering responses, we expect to publish the results in the summer of 2010.

## Better Regulation Executive's Review

In September 2009, a report was published by the Better Regulation Executive (BRE) that concluded that; overall, we had made real progress in improving our performance as a regulator<sup>1</sup>. The BRE report found that the work of the SIA has reduced criminality in the security industry; that communication with stakeholders has improved; and that the ACS has helped raise standards and encouraged exchange of good practice. It also found that we understand the importance of working with businesses to secure compliance with the regulatory requirements and Hampton and McCrory principles.<sup>2</sup>

The report highlighted that the SIA could further improve performance by integrating risk assessment into strategic planning, and improving customer focus and some aspects of communication with stakeholders. We are working to address these issues.

The BRE report concluded that:

“The SIA puts a high priority on regulation in line with the Hampton and McCrory principles. This is reflected in all its key publications, and awareness of the spirit of the principles, notably the importance of working with businesses to secure compliance, runs throughout the organisation. However, the Review Team found that there were a number of areas, notably about integrating feedback from the industry and intelligence more fully into strategic planning, and working with the industry to develop a more effective approach to improving standards, that need some attention before the SIA can be regarded as fully Hampton compliant. We believe that the SIA is in a strong position to make these changes relatively easily”.

## Review of in-house licensing for security guards

In May 2009, following an extensive review and consultation, we recommended that licensing requirements would not be extended to include in-house security guards at present. We made that decision because our review found insufficient substantiated evidence of risk or threat to the public to support in-house licensing.

The assessment took into account that regulation should only be targeted where action is needed and should only intervene where there is a clear case for public protection. The Home Office approved our recommendation, requesting that the subject be revisited in three years time, unless there was substantiated evidence before that that a risk to public protection across the in-house sector had developed. We have invited the industry and any interested parties to make us aware of any such evidence.

<sup>1</sup> [www.bis.gov.uk/files/file52902.pdf](http://www.bis.gov.uk/files/file52902.pdf)

<sup>2</sup> Hampton refers to the Hampton Implementation Review which tests the extent to which we are compliant with the three cross-cutting themes that make up the Hampton vision – risk-based regulation, transparency and accountability, and economic progress. The McCrory Review looked at the sanctioning and penalty powers of 56 national regulators (including the SIA) and 468 local authorities. The aim is to identify a set of fit for purpose sanctioning tools that can be used effectively, fairly and proportionately by regulators and those enforcing regulations in situations of regulatory non-compliance.



Performance  
against our  
objectives

We deliver proportionate regulation of the private security industry to reduce criminality and improve standards in the industry under the Private Security Industry Act 2001.

Our work supports the Public Service Agreements and Home Office objectives – to help people feel secure in their homes and communities, to cut crime, (especially violent offences, and drug and alcohol related crime) and to protect the public from terrorism.

We also contribute to the Scottish Government's National Outcomes 9 (we live our lives safe from crime, disorder and danger) and 11 (we have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others).

During the year we met or exceeded almost all of our key performance indicators. We set and measured a performance target for our staff satisfaction level for the first time this year which we did not meet (see page 23). We are working with staff to address the reasons for this. In all other areas, our performance showed improvements against that in previous years.

We set four objectives for 2009/10, which are supported by key performance indicators. The objectives are:

1. **Protecting the public** – ensuring that only fit and proper people and organisations deliver regulated private security services to protect people, property and premises; applying our criminality and other fit and proper person criteria, applying our Approved Contractor Scheme criteria, and enforcing compliance with the law.
2. **Customer services** – delivering services that meet the needs of our customers; setting and working towards targets that require us to make accurate and timely decisions on applications for licences and company approval, responding accurately and professionally to enquiries and complaints, making our services accessible and ensuring that ACS remains attractive to the industry.
3. **Delivering value** – operating within our means and delivering value for money; making full cost recovery for services, maintaining reliable forecasts of business demand, keeping costs for core services down by making efficiencies to deliver cost reductions over time.
4. **Developing our people and organisation** – ensuring our staff have the competencies and skills to perform effectively and maximising their potential. Developing and maintaining effective policy, performance management, financial management and control, information management, programme and project management, and processes and systems management.

## Objective I

### Protecting the public

This objective is to ensure that only fit and proper people and organisations deliver a regulated private security service. We do this by:

- A. Reducing relevant criminality.
- B. Developing and maintaining compliance and enforcement.
- C. Ensuring/maintaining appropriate industry standards.

The following key performance indicators (KPIs) show our achievement in 2009/10.

#### A. Reducing relevant criminality

<b>IA</b>	<b>KPI</b>	The correct application of licensing criteria at the time of the decision.
	<b>Target</b>	99.5% of sample licence applications.
	<b>Actual</b>	99.6% of sample licence applications.

In 2009, we introduced additional quality processes and checks to ensure the correct application of licensing criteria at the time of the decision. We initiated prompt and regular analysis of performance results that helped us to identify the causes of errors and take corrective action at an early stage. We reviewed and updated our licence decisions training programme so that it covers the full range of application decision types and ensures a set of uniform standards across all licence application decisions.

<b>IAi</b>	<b>KPI</b>	The speed in which a decision is made to take revocation or suspension action upon receipt of relevant information.
	<b>Targets</b>	For revocation requests: 95% of revocation requests in 15 working days For suspension requests: 95% of suspension requests in five working days.
	<b>Actuals</b>	For revocation requests: 100% of revocation requests in 15 working days For suspension requests: 94% of suspension requests in five working days.

Our aim is to ensure that those who breach their licence conditions and who are a threat to public safety are dealt with fairly and promptly. Because the suspension and revocation of licences means that the individuals concerned cannot continue to work in the sector; these decisions have to be made in accordance with high standards of evidence and propriety.

The intelligence we receive, including that from within the industry and from members of the public, allowed us to review and revoke 624 licences. We also suspended a further 382 licences where there was a clear threat to public safety. Over the period, the total number of cases where either revocation or suspension was required increased by 12% from 897 to 1,006. This increase was the result of developing closer working relationships with partner agencies and raising public awareness of our licensing criteria.



We narrowly failed to meet our suspension request target because of the need, in certain cases, to request and obtain additional information that would allow us to process the requests properly and fairly. We are improving our system capability and processes to address this.

We have continued to engage coordinators of the Notifiable Occupation Scheme, raising their awareness of the SIA licensing requirements to ensure that details of all relevant offences are disclosed to the SIA in a timely manner. This has resulted in a 6.5% increase (2,712 to 2,889) in the total number of disclosures being made via this scheme. In all cases, we are required to corroborate details of notifications with either partners or the Court Service prior to any action being taken against an individual. We recognise the need to remove any risks to the public as soon as possible, with all decisions to either revoke or suspend an individual's licence being made within the required timeframes.

## B. Developing and maintaining compliance and enforcement

**IB KPI** Security operatives correctly licensed or deployed under a valid licence dispensation notice.

**Target** 90% of security operatives correctly licensed or deployed.

**Actual** 97% of security operatives correctly licensed or deployed.

During 2009/10, working closely with partners, we carried out random inspections at 770 venues across the UK, and checked 2,387 individuals. Of these 2,319 (97%) were properly licensed. We are reviewing our approach to compliance to ensure that our resources can be increasingly focussed on those few who are not compliant.

## C. Ensuring/maintaining industry standards

**IC KPI** Number of licensable individuals employed by ACS companies.

**Target** 127,000

**Actual** 127,134

We have amended this KPI from the proportion of the total licensable population employed by ACS companies to the number of individuals working for ACS companies. This is the most accurate means of reporting because of the uncertainty that remains around the size of the licensable population.

By March 2010, there were over 127,000 individuals working for 655 approved contractors, up from 119,000 working for 610 approved contractors in the previous year. This is a lower rate of growth than in previous years and there are signs that the number of ACS businesses is likely to stabilise in the range from 650 to 700.

Approved contractor status was withdrawn from 20 organisations during the course of the year, compared to six organisations the previous year. The full list can be seen on our website – [www.sia.homeoffice.gov.uk/Pages/acs-withdrawal.aspx](http://www.sia.homeoffice.gov.uk/Pages/acs-withdrawal.aspx)

## Objective 2

### Customer services

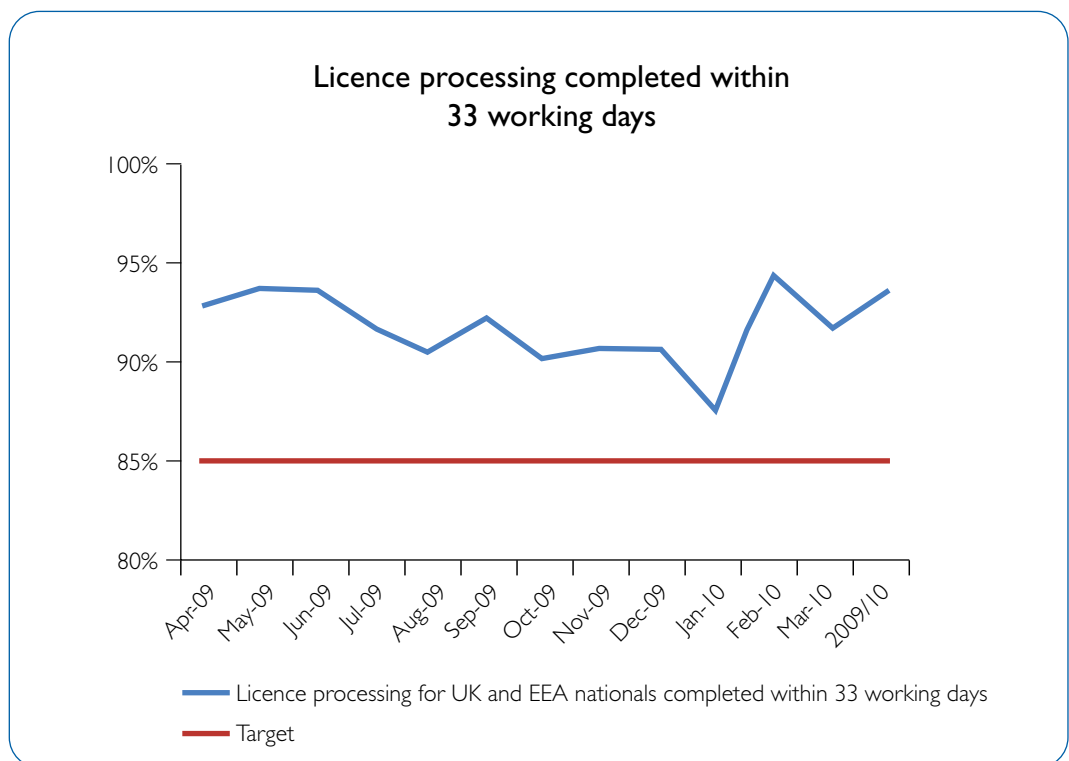
Our second objective is to deliver services which meet the needs of our customers. We do this by:

- A. Processing and deciding upon licence applications and company accreditation in a timely manner.
- B. Responding accurately and professionally to enquiries and comments.
- C. Ensuring ACS remains attractive to members.

The results of the following key performance indicators (KPIs) show our achievement in 2009/10.

#### A. Processing and deciding upon licence applications and company accreditation in a timely manner

<b>2A</b>	<b>KPI</b>	Proportion of licences processed and completed within 33 working days, for applications from UK and EEA nationals.
	<b>Target</b>	85% of licence applications from UK and EEA nationals processed and completed within 33 working days.
	<b>Actual</b>	94% of licence applications from UK and EEA nationals processed and completed within 33 working days.

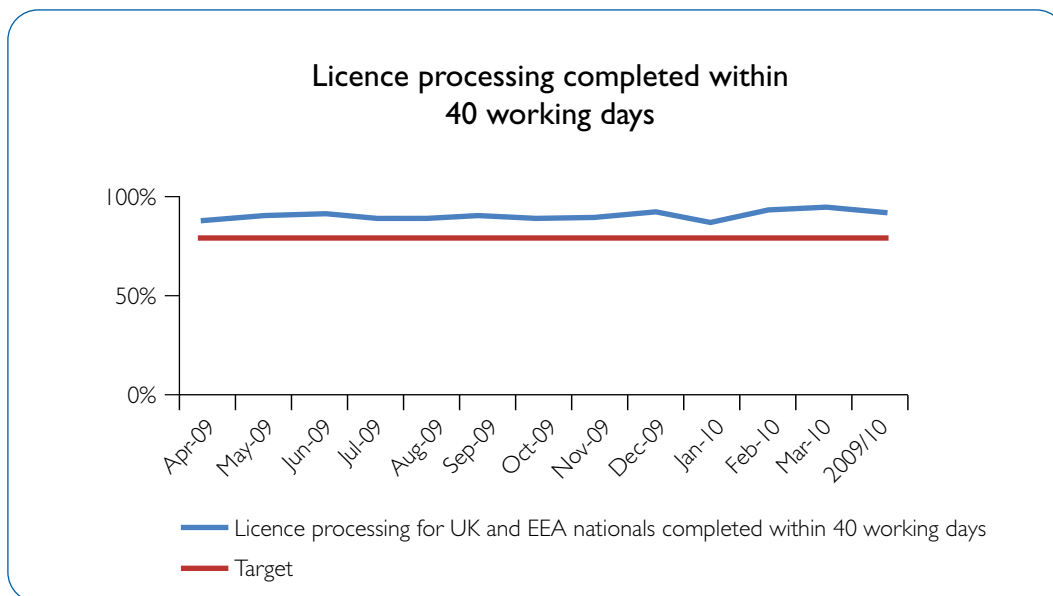


In 2008/2009, results were 82% of all licence applications processed within 40 working days, with 81% of applications from EEA nationals being processed within 33 working days.

**2Ai KPI** Proportion of licences processed and completed within 40 working days for all applications.

**Target** 80% for all applications processed and completed within 40 working days.

**Actual** 95% for all licence applications processed and completed within 40 working days.



The improvements in performance in these areas have been achieved by developing our systems' capacity to accommodate increased levels of data and by upgrading our IT infrastructure to improve performance to better match the levels of applications we receive. We have also improved both the way we monitor our available operational capacity to deal with increased volume of licensing applications, and our internal management of cases which do not have all the relevant information available to make a decision in the first instance.

**2Aii KPI** Proportion of ACS renewal or re-registration applications.

**Target** 90% of correctly submitted applications processed within 15 working days.

**Actual** 96% ACS applications processed within 15 working days.

Approved contractors need to re-register or renew approval of their ACS status every year. We have exceeded our target despite the introduction of additional checks relating to renewals and appraisals, such as County Court Judgements and Companies House submissions on approved contractors.

## **B. Responding accurately and professionally to enquiries and comments**

<b>2B</b>	<b>KPI</b>	Proportion of calls to our contact centre answered within 30 seconds
	<b>Target</b>	95% of calls answered within 30 seconds.
	<b>Actual</b>	98% of calls to our contact centre answered within 30 seconds.

To improve our understanding of the service we provide when answering calls to our contact centre, we appointed an independent market research company to carry out two customer satisfaction surveys on our behalf. Both surveys used qualitative and quantitative research methods to ascertain the level of satisfaction, using a sample of applicants who were in the process of applying for an SIA licence.

The first survey, conducted in August 2009, showed a 76% satisfaction rate. By the second survey in March 2010, the overall satisfaction rate had increased to 80%.

We plan to continue with our customer satisfaction surveys in 2010/11 to help improve our services.

<b>2Bi</b>	<b>KPI</b>	Our response to standard enquiries (letters, email, fax) within three working days.
	<b>Target</b>	95% of standard enquiries responded to within three working days.
	<b>Actual</b>	97% of standard enquiries responded to within three working days.

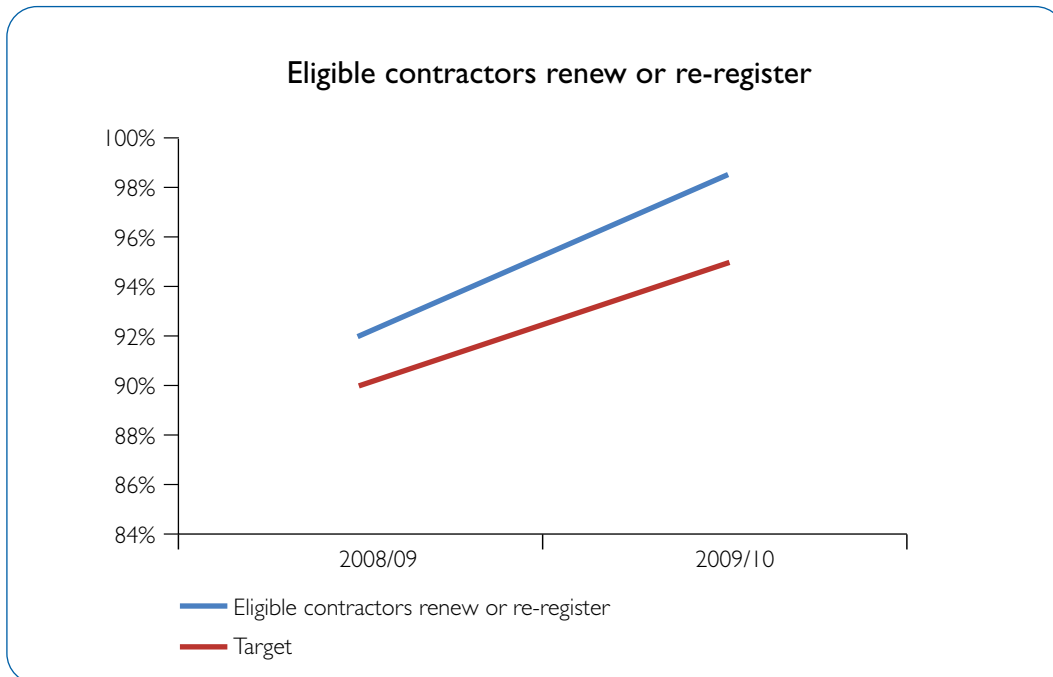
We seek to respond accurately and professionally to correspondence received and handled at our contact centre within three working days. To support this, we have invested in a programme of training and development for our staff to help them deal more effectively with enquiries and to improve our service. This training has contributed to our ability to exceed our target.

<b>2Bii</b>	<b>KPI</b>	Our response to complex enquiries (letters, email, fax) within 12 working days.
	<b>Target</b>	95% of complex enquiries responded to within 12 working days.
	<b>Actual</b>	98% of complex enquiries responded to within 12 working days.

Complex enquiries include correspondence from Parliament (including MP's), councillors and representatives from devolved parliaments and assemblies. We also deal with formal complaints and compensation claims from licensees, licence applicants and their representatives. Again, our investment in appropriate training programmes for our staff has helped us improve the quality of responses and our response times.

## **C. Ensuring ACS remains attractive to members**

<b>2C</b>	<b>KPI</b>	Approved contractors choose to retain ACS status.
	<b>Target</b>	95% of eligible companies re-register/renew during the year.
	<b>Actual</b>	98.5% of eligible companies re-registered/renewed during the year.



The Approved Contractor Scheme is voluntary and businesses may choose to terminate their approval. Retention of approved contractors is therefore another key measure of the attractiveness of the scheme and its added value. 98.5% of eligible businesses chose to renew or to re-register approval – those that did not, had their approval withdrawn by us or had ceased trading.

## Objective 3

### Delivering value

This objective is to ensure we live within our means and obtain and provide best value to our stakeholders. We do this by:

- A. Achieving full cost recovery of services.
- B. Keeping costs for core services at acceptable levels.

The result of the following key performance indicator (KPI) shows our achievement in 2009/10.

#### A. Achieving full cost recovery of services

<b>3A KPI</b>	Extent to which a balanced budget is delivered.
<b>Target</b>	Surplus/deficit variance of no more than 3% of annual turnover.
<b>Actual</b>	Surplus of £962,000 (2.5% of turnover).

## Objective 4

### Developing our people and organisation

This objective is to ensure that staff at the SIA have the required competencies and skills to perform effectively by:

- A. Attracting and selecting the right people for roles within the organisation.
- B. Ensuring our people continue to meet our changing resource requirements.
- C. Ensuring we set the correct roles and responsibilities for the organisation.
- D. Ensuring we endeavour to realise employees' potential and develop them appropriately.

The results of the following key performance indicators (KPIs) show our achievement in 2009/10.

<b>4A</b>	<b>KPI</b>	Proportion of staff in post against the workforce plan.
	<b>Target</b>	95% staff in post against the workforce plan.
	<b>Actual</b>	95% of staff in post against the workforce plan.

The workforce plan covers permanent staff – temporary staff and contractors are an additional resource, or they are covering vacancies until a suitable permanent member of staff can be found for that post. This helps us to measure how we meet our changing resource requirement and the percentage of staff in post compared to planned staffing levels. Having the right staff in post throughout the year supports the effective delivery of our main responsibilities and the delivery of good customer service.

<b>4B</b>	<b>KPI</b>	Proportion of training completed against the training plan.
	<b>Target</b>	80% of training identified in the training plan completed.
	<b>Actual</b>	87% of training identified in the training plan completed.

Our training and development is aligned to our competency framework and organisational KPIs. All our staff are required to complete mandatory training, such as induction courses for new entrants and training programmes on information assurance, equality and diversity, performance and appraisals. Individual training needs are identified within the annual appraisal process.

All our training and development programmes adhere to value for money principles. They are implemented and evaluated with regard to adding value to the individual, and to us as an organisation.

<b>4C</b>	<b>KPI</b>	Staff appraisals completed and objectives set by 31 July 2009.
	<b>Target</b>	98% of appraisals completed by 31 July 2009.
	<b>Actual</b>	98% of appraisals completed by 31 July 2009.

A new appraisal system was introduced during the year and, due to the need for organisation-wide training, the deadline for completion was set for 31 July rather than 31 May, which will apply again for 2010 and future years.

<b>4D</b>	<b>KPI</b>	Rate of overall staff satisfaction.
	<b>Target</b>	75% of staff who completed the survey satisfied.
	<b>Result</b>	61% of staff who completed the survey satisfied.

In February 2010, we carried out a staff survey. The aim of the survey was to measure staff perceptions to help us ensure that staff feel valued and have the necessary development opportunities. There were 21 questions relating to leadership, working environment, support and development, communications and customer service.

The survey has highlighted a number of areas where we need to work with staff to improve the way they feel about how we work as an organisation. We are putting in place arrangements with staff to help us do this. A further survey will be carried out in 2010/11 to check our progress.

## Our diversity approach

We published our Race Equality Scheme in 2006, our Disability Equality Scheme in 2007 and our Gender Equality Scheme in 2008. Our Joint Equality Scheme published in 2009 combines all of these into one document.

The scheme is the foundation of our commitment to meet general and specific race, disability and gender equality duties. Our Joint Equality Scheme sets out the steps we propose to take to meet the general and specific duties outlined in legislation. We have achieved many of the actions outlined in the scheme in relation to race, disability and gender equality, including:

- developing a methodology for assessing the impact of our policies and practices
- gathering information about our performance and using that information for improvements.

In line with the Equality Act 2010, we aim to publish a Single Equality Scheme by April 2011. The Equality Act 2010 creates a single, integrated Equality Duty. This new duty will require us, when carrying out our functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance equality of opportunity; and foster good relations in respect of eight protected characteristics (race, disability, gender, gender reassignment, pregnancy and maternity, age, sexual orientation and religion or belief). The legislation makes clear that advancing equality of opportunity means, in particular, addressing disadvantage, meeting different needs, and encouraging participation; and that fostering good relations means, in particular, tackling prejudice and promoting understanding.

We are an Equal Opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from people regardless of ethnic origin, religious belief, gender, sexual orientation or disability.

# Our Future





## Simplification

We will continue to look critically at all we do to ensure that our costs are commensurate with actual risks to the public, by reducing the burdens on the security industry and those working in it and reducing policy costs. In particular, we plan to do the following:

- Reduce rejection rates for submitted applications
- Facilitate simpler renewals without unnecessary repetition/resubmission of previously requested information
- Increase the proportion of queries resolved with a single call
- Informally consult our stakeholders about reducing SIA regulatory burdens and policy costs
- Identify further opportunities to reduce burdens and policy costs.

## ACS review

We plan to complete the annual ACS Review and report on the findings by August 2010 and to agree the implementation plan for recommended changes by October 2010. We will also complete a review of ACS fees by October 2010. Closure of the fast track approval route, a recommendation from an earlier ACS Review was completed on 1 April 2010.

We also plan to complete implementation of the ACS Differentiation Study recommendations which are as follows:

- Additional information and benchmarks published on ACS assessment scores by June 2010.
- By October 2010, analysis and communication of additional or complementary approvals to ACS and how these approvals may differentiate a supplier.
- By October 2010, an amendment to the SIA Register of Approved Contractors to include reference to services provided but not approved.

## Business Design

Our Business Design project was initiated in late 2009. This project documents how our business works and helps us to understand what we need to do to enable us to deliver against our key objectives – protecting the public, customer service and delivering value.

We have developed a Change Route Map setting out the things we need to do to achieve our objectives. From this, a series of projects will be delivered over the next five years, which should help us to become a more effective regulator of the private security industry.

## Licensing in-house security guards

The PSIA 2001 does not require security guards employed in-house to be licensed. We were charged by Parliament to investigate the implications of extending the legislation to cover in-house security guards, once licensing of the private security industry had been in force for three to four years.

In 2009, we consulted key stakeholders on this issue. Our assessment of the evidence we received and collected took into account that additional regulation should only be targeted where action is demonstrably needed. We concluded that we could not make a case which would justify extending our remit to include licensing of in-house guards on the basis of the evidence available.

The full report can be seen on our website:  
[www.sia.homeoffice.gov.uk/Documents/sia\\_in-house\\_report.pdf](http://www.sia.homeoffice.gov.uk/Documents/sia_in-house_report.pdf)

We will review the situation again in the 2012/13 financial year.

## Business licensing

The PSIA Act 2001 was recently amended to provide us with powers to develop compulsory licensing of businesses. Business licensing aims to control the operational practices of businesses through the licence conditions. The Government included in its Coalition Agreement, published on 12 May 2010, a commitment to tackle rogue private sector vehicle immobilisers. We await Home Office guidance on whether and when the provisions of the Crime and Security Act 2010 relating to vehicle immobilisation (vehicle immobilisation is unlawful in Scotland) will be brought into force and implemented. An announcement will be made in due course.

## Private investigation

In March 2010, we began research into the size of the licensable private investigation sector across the United Kingdom. This research should significantly reduce the uncertainty around the size of this sector and assist with the overall regulatory approach.

It will be for ministers to decide on plans for the future licensing of private investigations and an announcement will be made in due course.

## Our role in the London 2012 Olympics

Our approach to the London 2012 Olympics is to work actively with the organisations responsible for planning and delivering the Games. We want to ensure compliance with our regulatory regime and promote the use of approved contractors to supply private security provision.

We are responsible for enforcing the requirement that licensable security operatives hold a valid licence or exemption which is appropriate to the activities they are undertaking. We are *not* responsible for security arrangements at the Olympics or for supplying licensable operatives.

At a strategic level, we are liaising with the British Security Industry Association's (BSIA) London Organising Committee of the Olympic Games-endorsed 'Bridging the Gap' initiative and part of the Home Office's Olympic and Paralympics Safety and Security Strategy.<sup>3</sup>

Other links have been established by our Compliance & Enforcement, and Intelligence teams with the Olympic Delivery Authority (ODA), Olympic Park Joint Local Authority Regulatory Services and UK Borders Agency to ensure compliance with SIA regulation during the construction phase of the Games.

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<sup>3</sup> Bridging the Gap was conceived by the BSIA (with Bucks New University and North Hertfordshire College) to ensure sufficient numbers of vetted and trained operatives would be available to be deployed at the Olympics.



# Financial overview

## Financial results for 2009/10

The SIA is required by HM Treasury to operate on the basis of full cost recovery. The achievement of full cost recovery should be understood in the context of our three year business cycle, which is driven by the pattern of licensing. The majority of licences have a three year span with the licence fee for those three years paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified enforcement dates from 2006/07 with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. The income is highest in the first of the three years and falls over years two and three before picking up again as the cycle restarts. This year 2009/10, is the middle year of the cycle.

A summary of the last two years results is shown in the table below.

	2009/10	2008/09
Application numbers	138,043	136,240
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Licence fees	33,821	31,728
ACS	2,297	2,135
Northern Ireland	849	624
Other income from activities	670	243
Court costs recovered	1,023	598
<b>Total self generated income</b>	<b>38,660</b>	<b>35,328</b>
<b>Expenditure</b>		
Employment costs*	10,417	8,547
Accommodation	1,506	1,141
Communications	872	995
Licensing costs	19,870	17,211
Depreciation	2,094	2,245
Other costs	2,939	2,199
<b>Total Expenditure</b>	<b>37,698</b>	<b>32,338</b>
<b>Surplus/Deficit</b>	<b>962</b>	<b>2,990</b>

\*Employment costs include staff costs, training and other staff related costs

Note the 2009/10 Statement of Accounts have been prepared under International Financial Reporting Standards (IFRS), and 2008/09 have been restated under IFRS.

## Financial highlights

- The overall financial result for 2009/10 was a surplus of £0.96m against an original budgeted deficit of £0.4m. The £0.96m represents 2.5% of turnover which is within a tolerance of 3%
- Costs have risen against 2008/09 levels by 16.7% to £37.9m (budget £37.7m). This level of costs is in line with the achievement of the planned level of Operational and Establishment capacity. The most significant areas of cost increase were as follows:
  - An 89% increase in recruitment costs in line with a recruitment drive to reach planned capacity, including a number of senior and executive posts.
  - A 62% increase in office supplies and services including research and work on customer satisfaction in relation to door supervision and security guarding.
  - An 89% increase in staff training in line with developing capability and improving customer service
- Income levels at £37.6m are broadly in line with budget, with volumes 1.3% up on 2008/09 levels.

## Other initiatives

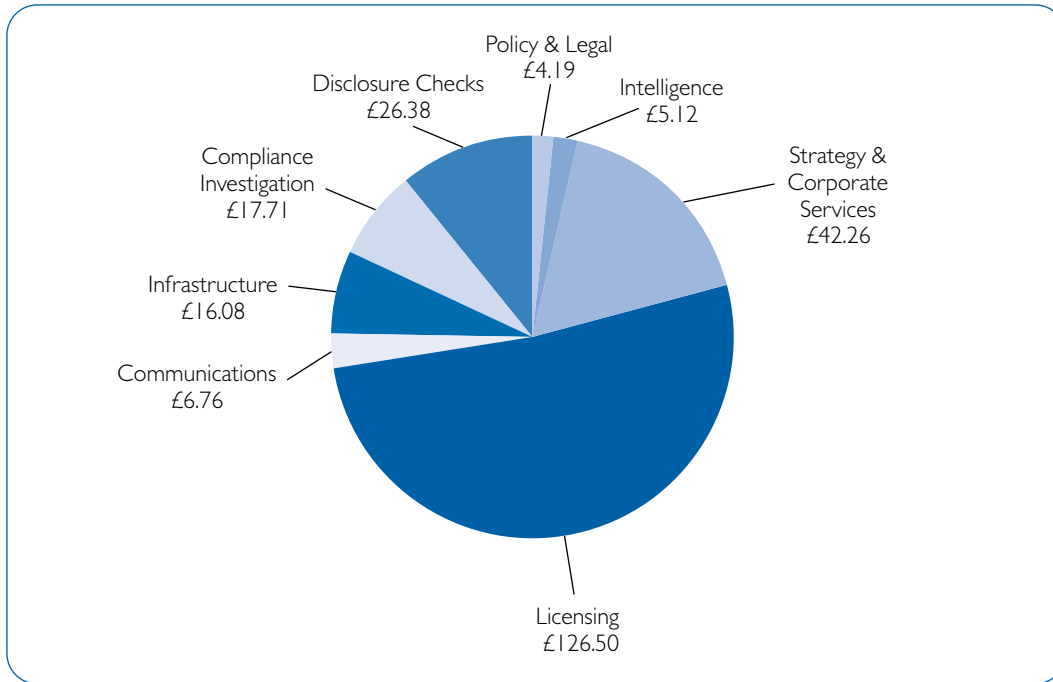
- During 2009/10 a new Head of Finance was appointed. Significant progress has been made in developing the Finance and Business Planning team (which has a wider remit, including procurement) and on improving financial controls and the accuracy, timeliness and accessibility of financial and other performance information.
- A major project was undertaken to design and develop an activity based costing model. This work was largely completed by December 2009 and has increased our ability to manage and control our costs.
- An important requirement for business planning is for the SIA to understand and forecast demand for licences across the three year cycle. This is principally achieved through the use of a comprehensive probability based forecasting model. During the year we have continued to refine and improve the accuracy and ease of use of this model.

## How the licence fee was spent in 2009/10

The licence fee has been maintained at £245, a level that was set in April 2007. The fee is required to ensure that the SIA is self funding into the future and is based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed
- The level of staff turnover within the industry, which generates new licensing applications
- Stability of the SIA and therefore our cost base.

A breakdown of the way the licence fee was spent is set out in the following chart:



## Forecast results for the next three years

We have developed comprehensive business plans covering the next three years. The availability of an improved demand forecasting model and activity based costing model has enabled us to forecast the financial position to a greater level of detail than was previously possible. The major financial factors impacting over the next three years are expected to be:

- The strategic decision of the Board to seek to hold the licence fee at £245 and a resultant need to reduce costs.
- Within the three year business cycle, the demand for licences is forecast to decline to a low point of 11,600 gross applications (approximately 580 per day) in January 2011, followed by a recovery to a high point of 21,300 (approximately 1,060 per day) in March 2012. **The impact of this is a significant fluctuation of income over the next three years.**
- Whilst income fluctuates the regulatory workload of the SIA remains broadly constant. This is evidenced by the activity based analysis that we have undertaken. This shows that two thirds of our costs are related to the ongoing management of the licensed population and enforcement activity against illegal operation, and only a third of costs vary directly with volume. We are not, therefore, able to reduce costs directly in line with falling volumes.

- We are committed to the joint initiative to reduce costs and increase efficiency by identifying and implementing convergence of common areas of operation and processing with the ISA and CRB. The cost of this to the SIA is estimated as £2.9m over the next three years.

The following table takes account of these factors, and summarises the financial forecasts for the next three years:

	Budget			Net result 2010-2013
	2010/11	2011/12	2012/13	
	£'000	£'000	£'000	
<b>Income</b>				
Licence fees	24,654	35,117	35,071	
ACS	2,304	2,304	2,304	
Other (including departmental funding)	1,071	938		
Legal costs recovery				
<b>Total income</b>	<b>28,029</b>	<b>38,359</b>	<b>37,375</b>	
<b>Expenditure</b>				
Operational (including business design/MSR)	33,062	34,569	33,243	
<b>Operational Surplus/ (Deficit)</b>	<b>(5,033)</b>	<b>3,790</b>	<b>4,132</b>	<b>2,889</b>
Convergence support	963	963	963	2,889
<b>Surplus/ (Deficit)</b>	<b>(5,996)</b>	<b>2,827</b>	<b>3,169</b>	<b>0</b>

These forecasts include the impact of a series of initiatives designed to reduce costs from 2009/10 levels. The overall position is that we forecast a surplus of £2.9m over the three year period, which will fund the convergence activities and thereby improve future efficiency.



## Payment practice

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. In 2009/10 we paid 95% of all invoices within terms, which represented 98% by value. We will continue to strive towards improving this position in 2010/11.

	2009/10		2008/09	
	£	Number	£	Number
Total invoices paid in year	29,863,042	2,672	22,277,531	2,456
Total invoices paid within target	29,367,317	2,534	18,757,774	2,335
Percentage of invoices paid within target	95%		95%	

## Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Annual fixed costs of £1.2m plus variable costs	30/09/2010
BT	Managed Services	Licence application processing – variable cost basis	30/09/2012

## Personal data related incidents

There were two incidents where personal data was lost during the year. Both instances were suspected breaches of the Data Protection Act 1998 by individual members of the public and were reported to the SIA by the Information Commissioner's Office (ICO). In both cases the impact was considered to be low. The first incident, involved a misdirection of two licence applications involving two separate parties. In the second incident a complaint was raised about potential access to information held on the Licence Application Tracker by a third party. Both incidents were fully investigated and successfully resolved by the SIA Records Manager in liaison with our delivery partner and Customer Services team.

In the first case, the ICO are satisfied that we have made all reasonable endeavours to contact the affected parties to resolve the issue, and we are satisfied that no compromise of information took place the second case.

To prevent further instances, additional checking procedures to ensure correct address matching have been put in place at our delivery partner's Document Handling Centre. An independent audit of Data Protection Act compliance was carried out on 14 June 2010. The ICO are satisfied that we have completed appropriate follow up action.

We will continue to monitor and assess our information risks to identify and address any weaknesses and ensure continuous improvements to our systems and processes.

### **Staff sickness and absence**

During 2009/10 the average level of sickness and absence was 6.8 days per employee (2008/09: 5.8 days).

### **Payment to auditors**

The audit fee for 2009/10, payable to the National Audit Office has been set at £46,000. This includes costs relating to additional work undertaken to report on compliance with the requirements of International Financial Reporting Standards. No other payments were made to the National Audit Office for non-audit services during the year.



# Remuneration report

## Unaudited information

### Executive

The remuneration of our directors is based on a strategy that 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 our 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.

Non consolidated bonus payments are available to directors based on their performance and the overall success of the organisation and take account of the recommendations of the Senior Salaries Review Body Report.

## Audited

### Remuneration

The role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least once a year. The Remuneration Committee comprised of four independent Board members, Linda Sharpe (Chair), Brendan O'Friel, Bruce Warman and Wendy Towers.

### SIA directors during the year 1 April 2009 to 31 March 2010

Bill Butler	Chief Executive	From 27 July 2009
Andy Drane	Acting Chief Executive (To 27 July 2009) & Director of Compliance and Enforcement (to 30 Sept 2009)	1 April 2009 to 30 September 2009
Hazel Russell	Director of Strategy & Corporate Services	
Stephen McCormick	Director of Service Delivery	
Dianne Tranmer	Interim Director of Compliance and Enforcement	1 October 2009 to 15 February 2010
Dave Humphries	Director of Compliance and Enforcement	From 15 February 2010

## Non-Executive Board members during the year 1 April 2009 to 31 March 2010

Baroness Ruth Henig	Chair	Re-appointed January 2010
Robin Dahlberg	Vice Chair	Re-appointed March 2010
Peter Dyke		To 31 March 2010
Bill Matthews		To 31 March 2011
Brendan O'Friel		To 31 March 2010
Linda Sharpe		To 31 March 2011
Wendy Towers		To 31 March 2011
Bruce Warman		To 31 March 2010

## Salary payments to directors

	2009/10	2008/09
	£'000	£'000
Bill Butler (Chief Executive from 27 July 2009) 120 – 125 Full Time Equivalent	80 – 85	N/A
Bernard Herdan (Chief Executive from 17 November to 31 March 2009)	N/A	55 – 60
Mike Wilson <sup>4</sup> (Chief Executive to 31 January 2009 )	N/A	100 – 105
Andy Drane (Director of Compliance and Enforcement to 30 September 2009 & Acting Chief Executive from 1 April 2009 to 27 July 2009) 90 – 95 Full Time Equivalent	65 – 70	95 – 100
Graham Clark <sup>5</sup> (Director of Corporate Services to 31 March 2009)	N/A	80 – 85
Hazel Russell <sup>6</sup> (Director of Strategy & Corporate Services)	145 – 150	135 – 140
Peter Wheelhouse (Director of Customer Services from 21 April to 23 December 2008)	N/A	55 – 60
Stephen McCormick (Director of Service Delivery)	95 – 100	15 – 20
Dianne Tranmer (Interim Director of Compliance & Enforcement from 1 October 2009 to 15 February 2010) 75 – 80 Full Time Equivalent	25 – 30	N/A
Dave Humphries (Director of Compliance & Enforcement from 15 February 2010) 90 – 95 Full Time Equivalent	5 – 10	N/A

<sup>4</sup> CEO started employment on September 2007 and left on 30 November 2008. A confidentiality clause was agreed as part of the redundancy terms and payments. However, he received a compensation payment in lieu of notice of four months notice of £32,585.

<sup>5</sup> The director left under Voluntary Redundancy on 31 March 2009. The final payment made included a settlement of £65,000 – £70,000.

<sup>6</sup> Hazel Russell has had her secondment extended to 4 February 2012 from the Prison Service. The SIA reimburses the Prison Service for all salary costs, and the payment made to the director represented the full cost of employment including salary plus all employment on costs.

Salary includes gross salary and bonuses. There are no other benefits in kind paid to directors.

Director's contracts are permanent and open ended until they reach 60, with the exception of Bill Butler, who has a three year contract with the option to renew for a further two years.

## The Non Executive Board

The remuneration of the Board in the period ending 31 March 2010 is shown in the table below. Fees are based on Board members being paid £763 per month and the Vice Chairman £1,526 per month.

	Directorship and significant interests		2009/10	2008/09
			£'000	£'000
Ruth Henig (Chairman) Re-Appointed January 2010 – January 2013	Labour Peer	Fees	65 – 70	60 – 65
Robin Dahlberg (Vice Chairman) Re-appointed March 2010 – March 2013	<ul style="list-style-type: none"> <li>– Board member for the Local Better Regulation Office</li> <li>– Non executive member of Health and Safety Executive Boards</li> <li>– Chair of the East End Citizens Advice Bureau</li> <li>– Board member of the Florence Nightingale Museum Trust</li> <li>– Member of the Risk and Security Management Forum</li> </ul>	Fees	15 – 20	15 – 20
Peter Dyke To March 2010		Fees	5 – 10	5 – 10
Brendan O’Friel	<ul style="list-style-type: none"> <li>– Surveillance Commissioner for the Isle of Man</li> <li>– Lay Member of the Employment Tribunal for the Isle of Man and Manchester</li> <li>– Chair of Travelwatch Isle of Man</li> </ul>	Fees	5 – 10	5 – 10
Wendy Towers	<ul style="list-style-type: none"> <li>– Member of the British Transport Police Authority</li> <li>– Assessor for the National Policing Improvement Authority</li> </ul>	Fees	5 – 10	5 – 10
Bruce Warman To March 2010	<ul style="list-style-type: none"> <li>– Member of Senior Salaries Review Body</li> <li>– Member of Employment Appeal Tribunal</li> <li>– Director/part owner AutoXP</li> <li>– Supervisory Board member Union Modernisation Fund</li> <li>– Member of Accountancy and Actuarial Discipline Board</li> </ul>	Fees	5 – 10	5 – 10

	Directorship and significant interests		2009/10	2008/09
			£'000	£'000
Bill Matthews	<ul style="list-style-type: none"> <li>– Director of M2M2 Ltd</li> <li>– Chair NHS National Service Scotland</li> <li>– Member of the Scottish Police Services Authority</li> <li>– Non executive director within the Scottish government</li> <li>– Member of the Institute of Engineering and Technology (Chartered Engineer)</li> <li>– Member of the Chartered Institute of Marketing</li> <li>– Public member of Network Rail</li> </ul>	Fees	5 – 10	5 – 10
Linda Sharpe*	<ul style="list-style-type: none"> <li>– Fellow of the Chartered Institute of Personnel and Development</li> <li>– Trustee of South West YMCA Trust Fund</li> </ul>	Fees	10 – 15	10 – 15

\*Member worked twelve additional days in 2009/10.



## Pension Benefits

	Accrued pension at age 60 as at 31/3/10 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/10	CETV at 31/3/09*	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bill Butler, Chief Executive from 27 July 2009	60 – 65	7.5 – 10	1,052	854	3	162	N/A
Ruth Henig, Chairman	N/A	N/A	43	22	2	N/A	10
Andy Drane, Director of Compliance and Enforcement to 30 September 2009 and Acting Chief Executive from 1 April 2009 to 27 July 2009	10 – 15	0 – 2.5	214	172	2	31	N/A
Hazel Russell, Director of Strategy & Corporate Services	25 – 30 plus 80 – 85 lump sum	2.5 – 5 plus 10 – 12.5 lump sum	460	376	1	57	N/A
Stephen McCormick, Interim Director of Service Delivery	0 – 5	0 – 2.5	15	4	3	8	N/A
Dianne Tranmer, (Interim Director of Compliance & Enforcement from 1 October 2009 to 15 February 2010)	5 – 10	0 – 2.5	97	86	1	6	N/A
Dave Humphries, (Director of Compliance & Enforcement from 15 February 2010)	20 – 25 plus 70 – 75 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	416	409	0	11	N/A

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. This relates to Civil Service Pensions only.

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

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

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

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

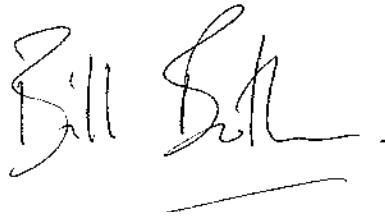
## Cash Equivalent Transfer Values

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 member's 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 a 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 pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath the name.

Bill Butler  
Chief Executive and Accounting Officer  
13 July 2010

# Statement of accounts



## Statement of the Security Industry Authority's and accounting officer's responsibilities

The Security Industry Authority (SIA) is required to prepare a statement of accounts for 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 prepared on an accruals basis and must give a true and fair view of the state of affairs of the SIA and of its income and expenditure, recognised gains and losses and cash flows for the financial year. These accounts have been prepared for the year ended 31 March 2010.

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

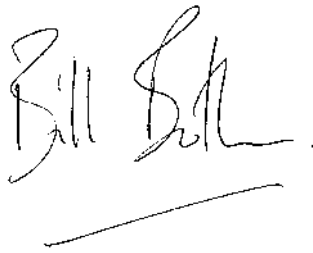
- observe the Accounts Direction issued by the Secretary of State for the Home Office with the approval of the Treasury, in accordance with Schedule 1, paragraph 16(2) of the Private Security Industry Act 2001, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Accounting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Permanent Secretary for the Home Office has designated me as Accounting Officer for the SIA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the SIA's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*. Details may be accessed on line at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

## Statement regarding Disclosure of Information to the Auditors

As Accounting Officer I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the National Audit Office have been made aware of that information in connection with their audit.

Insofar as I am aware, there is no relevant audit information of which the National Audit Office is unaware.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath it.

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
13 July 2010

## Statement on the system of internal control within the Security Industry Authority for the year ended 31 March 2010

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Security Industry Authority's (SIA) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money (Managing Public Money HM Treasury October 2007).

I took up the post of Chief Executive on 27 July 2009. During the financial year and to date there were the following changes in relation to the post of Chief Executive.

Andy Drane – Acting Chief Executive                      1 April 2009 to 27 July 2009

Bill Butler – Chief Executive                                      27 July 2009 onwards

The SIA's system of internal control was in place for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts. It accords with Treasury guidance.

The system of internal control is designed to manage the risk of failure to achieve policies, aims and objectives to a reasonable level, rather than to eliminate all risk; as such it can provide reasonable, but not absolute assurance of effectiveness.

### The risk and control framework

I have overall responsibility for risk management within the SIA and have established and developed a framework of responsibility for risk management which is an integral part of the SIA's management and planning procedures. I publish and maintain a risk management strategy document that lays down the policy and strategy. This is reviewed by the Board (through the Audit Committee) at least annually.

The SIA has continued to develop its capacity to handle risk, led by the work of the Executive Directors and the Senior Management Team and supported by risk coordinators and administrators. A programme of risk management guidance and training, which outlines key aspects of the risk management process and identifies reporting procedures, has been developed and is being rolled out to all staff starting with senior managers.

The risk appetite of the organisation is reflected in this strategy. The SIA will take a pragmatic approach to risk and will assess all relevant factors in deciding courses of action, accepting a calculated level of risk where it is reasonable and necessary in pursuit of our statutory responsibilities to do so.

Staff and managers are required to identify new or increased risks and opportunities as part of the routine performance reporting process. Risk is a standard agenda item in team meetings across the SIA. Workshops, in line with the recommendations of Sir David Omand, have been held with both the Board and Senior Management Team to explore risk issues and assess current and emerging risk and mitigation priorities.

Risks are reviewed and the effectiveness of the way in which they are managed and the level of residual risk is monitored, and any changes are identified and evaluated throughout the year as part of routine management activity. All risks are allocated to owners depending on their type, severity and impact and risk owners report on their handling of operational risks as part of their routine reporting. The key strategic risks are managed by the Executive Directors and are reported to the Board.

## Review of the effectiveness of the Internal Control System

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review includes discussions with the Principal Internal Auditor, the National Audit Office and the Chair of the Audit Committee. The review is informed by the work of the internal auditors and stewardship reports from the executive managers within the Authority, who have responsibility for the day to day monitoring, development and maintenance of the internal control framework, and comments and recommendations made by the external auditors in their management letter and other reports.

During the preparation of the 2008/9 annual accounts, a number of areas of concern were identified which partly led to delays in finalising the accounts. In order to address these issues and with the full support of the Audit Committee, I commissioned a comprehensive programme to review the system of internal control and put in place a number of corrective measures. Actions taken include:

- A review of the SIA's maturity of approach to risk and the subsequent refinement of our Risk Strategy to develop a risk managed environment.
- The appointment of a new Head of Finance who is developing a financial team that are putting in place a regime of controls, which are under continuous review and improvement.
- The review and updating of human resources and ICT policies that have an impact on the proper control and management of the SIA.
- The development of training and control arrangements to support the roll out and embedding of new and changed policies among all staff.
- The commencement of work on a revised comprehensive Business Continuity Plan.
- The commissioning of a procurement study to improve control, effectiveness and value for money across the SIA in our procurement activity.



- The production of an activity based costing model which is allowing the SIA and its stakeholders to develop a better understanding of its finances and manage costs effectively.
- The completion of significant £24m contract procurement for managed services, delivering savings of more than 20% with the direct and express agreement of the Head of the Home Office Commercial Department.

During 2009/10, and building on the areas above, we have continued to develop our control framework, which has been subject to 15 separate areas of internal audit investigation. Based on this the internal auditors have provided the following opinion:

*As the provider of the internal audit service to the SIA, RSM Tenon have undertaken sufficient internal audit work during the year ended 31st March 2010 to provide management with an objective assessment and draw a reasonable conclusion on the adequacy and effectiveness of SIA's arrangements in respect of the organisation's governance, risk management and control arrangements.*

*RSM Tenon's professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors (IIA), which are closely linked to HM Treasury's Government Internal Audit Standards (GIAS).*

*RSM Tenon's Head of Internal Audit Annual Report for 2009/10 concludes that, based on the matters that came to our attention whilst carrying out the audit plan the SIA's systems for governance, risk management and control are all assessed as 'amber' on a scale of red, amber and green.*

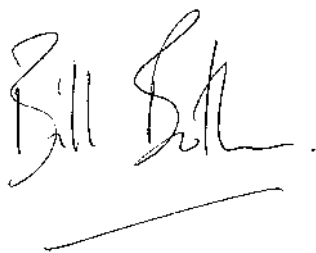
I agree with the Internal Audit assessments and action is being taken to address the audit issues raised during the year.

Following the internal audit review of information assurance and security in 2008/9, action has been taken to ensure that the management of the Authority's information assets, handling of personal data and management of information risks, is being developed to meet current and future business needs and represents good practice.

Hazel Russell, Director of Strategy and Corporate Services is the Security Information Responsible Officer; her report on information risk and security states that;

*During the year the SIA has worked to implement the Cabinet Office guidance on information risk management. The current assessment of information risk performance is that the SIA's information assets held on the SIA's business IT infrastructure are being managed effectively and appropriate risk controls are in place. All staff have received training on information assurance and senior staff responsible for teams that handle personal data have received training in implementing the Cabinet Office guidelines. A programme of work is in place to develop information risk management further in 2010/11.*

As Accounting Officer I am broadly satisfied that the risk and control framework described above and the work done during the year to improve effectiveness, ensure that the SIA has a satisfactory system of internal control in place. Whilst further improvements will continue to be identified and made, I am content that the SIA is alert to risk and that managers understand the process for identifying, managing and mitigating risk along with the procedure for escalating risk as necessary.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath it.

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
13 July 2010

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

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2010 under the Private Security Industry Act 2001. These comprise the Net Income Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Authority, Accounting Officer and auditor

As explained more fully in the Statement of the Security Industry Authority's and Accounting Officer's Responsibilities, the Authority and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Security Industry Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Security Industry Authority; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on Regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Security Industry Authority's affairs as at 31 March 2010 and of its net income, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Industry Act 2001 and directions issued thereunder by the Secretary of State for the Home Office.

## Opinion on other matters

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Private Security Industry Act 2001 and directions issued thereunder by the Secretary of State for the Home Office; and
- the information given in 'Performance Against Our Objectives' and 'Financial Overview' for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

16 July 2010

The Security Industry Authority  
 Net Income Account  
 For the year ended 31 March 2010

		2009/10	Restated 2008/09
	Note	£'000	£'000
<b>Expenditure</b>			
Staff costs	4	(10,417)	(8,547)
Depreciation	5	(2,094)	(2,245)
Other expenditure	5	(25,352)	(21,664)
		<b>(37,863)</b>	<b>(32,456)</b>
<b>Income</b>			
Income from activities	6	37,396	34,487
<b>Other Income</b>			
Other income from activities	6	241	243
Court costs recovered	6	1,023	598
		<b>38,660</b>	<b>35,328</b>
Net income before tax		797	2,872
Corporation tax		(3)	(27)
Net income after tax		794	2,845
Cost of capital reversal	5	165	145
Interest receivable		15	127
Interest repayable to the Consolidated Fund		(12)	(127)
Net income after cost of Capital Charge and interest		<b>962</b>	<b>2,990</b>

The notes on pages 60 to 83 form part of these accounts

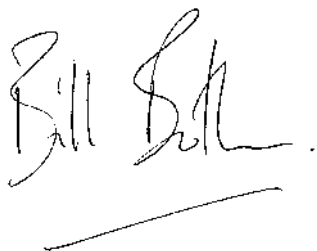
# The Security Industry Authority

## Statement of Financial Position as at 31 March 2010

	Note	2010	Restated 2009	2008
		£'000	£'000	£'000
<b>Non-Current Assets</b>				
Property, plant and equipment	7	480	528	523
Intangible assets	8	1,857	3,349	4,797
<b>Total Non-Current Assets</b>		<b>2,337</b>	<b>3,877</b>	<b>5,320</b>
<b>Current Assets</b>				
Trade and other receivables	10	3,689	3,055	3,898
Cash and cash equivalents	11	5,264	7,074	197
<b>Total Current Assets</b>		<b>8,953</b>	<b>10,129</b>	<b>4,095</b>
<b>Total Assets</b>		<b>11,290</b>	<b>14,006</b>	<b>9,415</b>
<b>Current Liabilities</b>				
Trade and other payables	12	(5,877)	(9,843)	(4,909)
<b>Total current liabilities</b>		<b>(5,877)</b>	<b>(9,843)</b>	<b>(4,909)</b>
Non-current assets plus net current assets		5,413	4,163	4,506
<b>Non current liabilities</b>				
Provisions	13	(93)	(77)	(245)
<b>Total non current liabilities</b>		<b>(93)</b>	<b>(77)</b>	<b>(245)</b>
<b>Assets less liabilities</b>		<b>5,320</b>	<b>4,086</b>	<b>4,261</b>

	Note	2010	Restated 2009	2008
		£'000	£'000	£'000
<b>Taxpayers' Equity</b>				
Capital reserve		543	271	438
General reserve		4,777	3,815	3,823
		<u>5,320</u>	<u>4,086</u>	<u>4,261</u>

The financial statements on pages 55 to 83 were approved by the Board on 21 June 2010 and were signed on its behalf by



Bill Butler  
Financial Representative of the Board  
13 July 2010

The notes on pages 60 to 83 form part of these accounts

# The Security Industry Authority

## Statement of Cash Flows

### For the year ended 31 March 2010

	Note	2009/10	Restated 2008/09
<b>Cash Flows from Operating Activities</b>		£'000	£'000
Net surplus after cost of capital and interest		962	2,990
Profit/(Loss) on sale of assets		0	(2)
(Increase)/Decrease in trade and other receivables	10	(634)	843
Depreciation	5	2,094	2,245
Increase/(Decrease) in provisions	13	16	(168)
Release from reserves		(227)	(167)
(Decrease)/Increase in trade payables	12	(3,929)	1,936
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>		<b>(1,718)</b>	<b>7,677</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	7	(165)	(161)
Purchase of intangible assets	8	(427)	(641)
Proceeds of disposal of property, plant and equipment		0	2
<b>Net Cash Outflow from Investing Activities</b>		<b>(592)</b>	<b>(800)</b>
<b>Cash Flows from Financing Activities</b>			
Increase in Capital Grant		500	0
<b>Net Cash Inflow from Financing Activities</b>		<b>500</b>	<b>0</b>
<b>Net (Decrease)/increase in cash and cash equivalents in the period</b>		<b>(1,810)</b>	<b>6,877</b>
Cash and cash equivalents at the beginning of the period	11	7,074	197
Cash and cash equivalents at the end of the period	11	5,264	7,074

The notes on pages 60 to 83 form part of these accounts



The Security Industry Authority  
Statement of Changes in Taxpayers' Equity  
Year ended 31 March 2010

	Note	Capital Reserve	General Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 31 March 2008		438	3,823	4,261
Changes in accounting policy		0	0	0
Restated balance at 1 April 2008		438	3,823	4,261
Changes in Taxpayers' Equity 2008-09				
Repayment due to Home Office		0	(3,000)	(3,000)
Interest surrendered to the Consolidated Fund		0	(127)	(127)
Release of reserves to the I & E		(167)	0	(167)
Non cash charges - cost of capital	5	0	145	145
Retained Surplus		0	2,974	2,974
<b>Total recognised income and expense for 2008-09</b>		(167)	(8)	(175)
Balance at 31 March 2009		271	3,815	4,086
Changes in Taxpayers' Equity 2009-10				
Interest surrendered to the Consolidated Fund		0	(12)	(12)
Release of reserves to the I & E		(228)	0	(228)
Non cash charges - cost of capital	5	0	165	165
Retained surplus		0	809	809
<b>Total Recognised income and expense for 2009-10</b>		(228)	962	734
Grant from Home Office		500	0	500
Balance at 31 March 2010		543	4,777	5,320

The notes on pages 60 to 83 form part of these accounts

# The Security Industry Authority

## Year ended 31 March 2010

### Note 1

#### Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Security Industry Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Security Industry Authority for the current year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### Grant in Aid

Grant in Aid received and used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because it is regarded as a contribution from a controlling party.

Grant relating to capital expenditure is credited to the capital reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount is released as income from the capital reserve.

#### Licence Fee Income

Income is 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 the managed service provider the full amount for processing the application.

An individual who has more than one application accepted is entitled to a discount of 50% on subsequent accepted applications (but not renewals). This discount is included within licensing costs.

#### Approved Contractor Scheme (ACS) Income

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 is charged to the net income account on a straight line basis over the period covered by the application.

## Northern Ireland Income

The Private Security Industry Act 2001 has been amended to include Northern Ireland. The SIA is able to recover the costs of implementing licensing of the Private Security Industry Act 2001 from the Northern Ireland Office until May 2010.

## Enforcement Agents Income

The Private Security Act 2001 is being amended to include the new sector of Enforcement Agents. The SIA is able to recover the costs of developing this scheme from the Ministry of Justice (MOJ). Development costs are likely to be incurred until April 2012. The MOJ made an advance payment of £904,857 in 2009/10 towards the total cost which is anticipated to be around £1.35m.

## Business Licensing Income

The Private Security Act 2001 has been amended by the Crime & Security Act 2010 to provide powers for the SIA to develop a compulsory business licensing scheme. The SIA is able to recover the costs of developing the business licensing scheme from the Home Office. Development costs are likely to be incurred until April 2012.

## 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.

## Property, Plant and Equipment

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year. Non-current assets are held at cost less accumulated depreciation. There was no revaluation of assets for 2009/10 because there is no suitable index for the bespoke intangible assets and indexation on software and PPE is deemed immaterial.

The SIA entered into a new contract with British Telecommunications plc on the 23 December 2009, which comes into effect from 30 September 2010. The contract includes the implementation of a number of new enhancements to the existing Managed Service Provider database which will improve customer service. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract and all future improvements will also be capitalised.

## Depreciation and Amortisation

Depreciation and Amortisation is provided on all non-current assets on a straight-line basis to write off the cost or valuation evenly over the asset's expected useful 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 to five 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

\* Please see details on change to MSP Contract in Notes 8 and 17

## Provision for Bad Debt

Licensing Debts – the SIA have a 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 three months, it is written off, and the licence is revoked.

In addition, the SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding for more than 12 months will be charged in full to the net income account.

## Capital Charge

A charge, reflecting the cost of capital utilised by the SIA is included in the Net Income Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a. property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
  - depreciation of property, plant and equipment and amortisation of intangible assets;
- b. donated assets and cash balances with the Office of the Paymaster General, where the charge is nil.

## 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 SIA 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 SIA recognises the contributions payable for the year.

## Value Added Tax

The SIA registered for VAT in April 2010. A payable has been recognised for a backdated charge relating to the period between November 2008 and 31 March 2010, being the period from passing the threshold to the end of this accounting period.

## Corporation Tax

The SIA is liable for corporation tax at 21% on interest received on investment income; this relates to the bank interest.

## Note 2

### FIRST-TIME ADOPTION OF IFRS

	Capital Reserve	General Reserve	Total Reserves
	£'000	£'000	£'000
Taxpayers' equity at 31 March 2009 under UK GAAP	271	3,913	4,184
Adjustments for: IAS 19 Holiday Pay Accrual		(98)	(98)
Taxpayers' equity at 1 April 2009 under IFRS	<u>271</u>	<u>3,815</u>	<u>4,086</u>
		£'000	
Net income for 2008-09 under UK GAAP		3,088	
Adjustments for: IAS 19 Holiday Pay Accrual		(98)	
Net income for 2008-09 under IFRS		<u>2,990</u>	

## Note 3

### FEES AND CHARGES

This note is to meet HM Treasury's disclosure requirement for fees and charges. The SIA is required to set fees on a full cost recovery basis.

	2009/10				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non- Current Assets
	£'000	£'000	£'000	£'000	£'000
ACS	2,297	0	(2,154)	143	49
Licensing	33,821	1,023	(34,319)	525	2,288
Other income	241	0	(61)	180	0
Enforcement agents	294	0	(294)	0	0
Northern Ireland	849	0	(900)	(51)	0
Business licensing	135	0	(135)	0	0
<b>Total</b>	<b>37,637</b>	<b>1,023</b>	<b>(37,863)</b>	<b>797</b>	<b>2,337</b>

	2008/09				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non-Current Assets
	£'000	£'000	£'000	£'000	£'000
ACS	2,135	0	(1,968)	167	288
Licensing	31,728	598	(29,859)	2,467	3,589
Other income	243	0	0	243	0
Enforcement agents	0	0	0	0	0
Northern Ireland	624	0	(629)	(5)	0
Business licensing	0	0	0	0	0
<b>Total</b>	<b><u>34,730</u></b>	<b><u>598</u></b>	<b><u>(32,456)</u></b>	<b><u>2,872</u></b>	<b><u>3,877</u></b>

The 2009-10 FReM (paragraph 5.4.25) has been amended and requires all reporting entities to apply IFRS 8 as revised in April 2009. The effective date of the revision to IFRS 8 is 1 January 2010. The SIA have therefore adopted the IFRS early, as of 1 April 2009.



## Note 4

### STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

	2009/10			Restated 2008/09		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	9,022	5,614	3,408	7,439	4,793	2,646
Social security costs	466	452	14	394	364	30
Other pension costs	1,074	1,039	35	870	813	57
Sub total	10,562	7,105	3,457	8,703	5,970	2,733
Less: Recoveries in respect of outward secondments	(145)	(145)	0	(156)	(156)	0
<b>Total net costs</b>	<b>10,417</b>	<b>6,960</b>	<b>3,457</b>	<b>8,547</b>	<b>5,814</b>	<b>2,733</b>

#### 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. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2009/10			2008/09		
	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly employed	171	169	2	135	130	5
Other	41	0	41	34	0	34
<b>Total</b>	<b>212</b>	<b>169</b>	<b>43</b>	<b>169</b>	<b>130</b>	<b>39</b>

## Note 5

### OTHER EXPENDITURE

		2009/10	2008/09
Running Costs	Note	£'000	£'000
Licensing costs		19,870	17,211
Accommodation costs		1,506	1,141
Advertising and publicity		872	995
Travel and subsistence		793	713
Office supplies and services		704	436
Bad and doubtful debts		(224)	301
Recruitment		530	281
Information technology		368	225
Training		415	219
Legal costs		163	95
VAT payable		51	0
Audit fee – external		46	31
Audit fee – internal		41	25
Catering		22	9
Financial costs		4	4
Hospitality		10	3
<b>Non Cash Items</b>			
Depreciation	7	213	156
Amortisation	8	1,881	2,089
Cost of capital charges		165	145
Movement in provisions	13	16	(168)
Loss on disposal of property, plant and equipment	7	0	(2)
		<b>27,446</b>	<b>23,909</b>

## Note 6

### INCOME

	2009/10	2008/09
	£'000	£'000
Licensing	33,821	31,728
Approved Contractors Scheme (ACS)	2,297	2,135
Northern Ireland	849	624
Enforcement agents income	294	–
Business licencing	135	–
	<b>37,396</b>	<b>34,487</b>

<b>Other Income</b>		
Other income from activities	241	243
Court costs recovered*	1,023	598
	<b>38,660</b>	<b>35,328</b>

\*During the year 2009/10 court costs relating to the Sabrewatch Ltd trial were recovered amounting to £1,000,000

## Note 7

### PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2009	326	292	541	1,159
Additions	0	0	165	165
Disposals	0	0	0	0
<b>At 31 March 2010</b>	<b>326</b>	<b>292</b>	<b>706</b>	<b>1,324</b>

<b>Depreciation</b>				
At 1 April 2009	120	165	346	631
Charged in year	52	36	125	213
Disposals	0	0	0	0
<b>At 31 March 2010</b>	<b>172</b>	<b>201</b>	<b>471</b>	<b>844</b>

Net Book Value at 31 March 2010	<b>154</b>	<b>91</b>	<b>235</b>	<b>480</b>
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Net Book Value at 31 March 2009	<b>206</b>	<b>127</b>	<b>195</b>	<b>528</b>
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<b>Asset Financing:</b>				
Owned	154	91	235	480
Finance leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
<b>Net Book Value at 31 March 2010</b>	<b>154</b>	<b>91</b>	<b>235</b>	<b>480</b>

## Note 7 (continued)

## PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2008	326	234	517	1,077
Additions	0	58	103	161
Disposals	0	0	(79)	(79)
<b>At 31 March 2009</b>	<b>326</b>	<b>292</b>	<b>541</b>	<b>1,159</b>
<b>Depreciation</b>				
At 1 April 2008	68	137	349	554
Charged in year	52	28	76	156
Disposals	0	0	(79)	(79)
<b>At 31 March 2009</b>	<b>120</b>	<b>165</b>	<b>346</b>	<b>631</b>
Net Book Value at 31 March 2009	<b>206</b>	<b>127</b>	<b>195</b>	<b>528</b>
Net Book Value at 31 March 2008	<b>258</b>	<b>97</b>	<b>168</b>	<b>523</b>
<b>Asset Financing:</b>				
Owned	206	127	195	528
Finance leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
<b>Net Book Value at 31 March 2009</b>	<b>206</b>	<b>127</b>	<b>195</b>	<b>528</b>

## Note 8

## INTANGIBLE ASSETS

	2009/10				
	Software Licences	Managed Service Provider Database*	Managed Service Provider II Development*	Approved Contractor Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2009	294	9,967	4,259	1,075	15,595
Additions	152	0	275	0	427
Disposals	0	0	0	0	0
Reclassification	(38)	0	0	0	(38)
<b>At 31 March 2010</b>	<b>408</b>	<b>9,967</b>	<b>4,534</b>	<b>1,075</b>	<b>15,984</b>

<b>Amortisation</b>					
At 1 April 2009	183	9,454	1,780	829	12,246
Charged in year	34	316	1,285	246	1,881
Disposals	0	0	0	0	0
<b>At 31 March 2010</b>	<b>217</b>	<b>9,770</b>	<b>3,065</b>	<b>1,075</b>	<b>14,127</b>

<b>Net Book Value at 31 March 2010</b>	<u>191</u>	<u>197</u>	<u>1,469</u>	<u>0</u>	<u>1,857</u>
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## Note 8 (continued)

### INTANGIBLE ASSETS

	2008/09				
	Software Licences	Managed Service Provider Database*	Managed Service Provider II Development*	Approved Contractor Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2008	181	9,967	3,731	1,075	14,954
Additions	113	0	528	0	641
Disposals	0	0	0	0	0
<b>At 31 March 2009</b>	<b>294</b>	<b>9,967</b>	<b>4,259</b>	<b>1,075</b>	<b>15,595</b>

<b>Amortisation</b>					
At 1 April 2008	124	9,138	335	560	10,157
Charged in year	59	316	1,445	269	2,089
Disposals	0	0	0	0	0
<b>At 31 March 2009</b>	<b>183</b>	<b>9,454</b>	<b>1,780</b>	<b>829</b>	<b>12,246</b>

<b>Net Book Value at 31 March 2009</b>	<u>111</u>	<u>513</u>	<u>2,479</u>	<u>246</u>	<u>3,349</u>
----------------------------------------	------------	------------	--------------	------------	--------------

<b>Net Book Value at 31 March 2008</b>	<u>57</u>	<u>829</u>	<u>3,396</u>	<u>515</u>	<u>4,797</u>
----------------------------------------	-----------	------------	--------------	------------	--------------

\*A new contract with British Telecommunications plc was signed on 23 December 2009, which will come into effect from 30 September 2010. As a result of this, the remaining Managed Service Provider II assets at this point were re-lifted to the end of the contract date.



## Note 9

### FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of the activities of the SIA and the way in which it is financed, the organisation is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The SIA has very limited powers to borrow or invest surplus funds, and consequently financial assets and liabilities are generated by day-to-day operational activities and are not deemed to change the risk facing the SIA in undertaking its activities.

#### Liquidity risk

The SIA's net revenue resource requirements are financed by licence fees and its capital expenditure is largely funded by resources which are granted annually by Parliament and National Assemblies. The SIA is not therefore exposed to significant liquidity risk.

#### Interest rate risk

The SIA is not exposed to significant interest rate risk.

#### Foreign currency risk

The SIA is not exposed to significant foreign exchange risk.

#### Credit risk

The SIA is not exposed to significant credit risk.

## Note 10

### TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year			
	2009/10	2008/09	2007/08
	£'000	£'000	£'000
Trade receivables	2,338	2,715	3,545
Other receivables	65	22	21
Court debts	72	201	29
Prepayments and accrued income	1,273	417	333
	<b>3,748</b>	<b>3,355</b>	<b>3,928</b>
Less provision for bad debts	(59)	(300)	(30)
	<b>3,689</b>	<b>3,055</b>	<b>3,898</b>
Amounts falling due after one year			
	NIL	NIL	NIL
Intra-Government Balances			
Balances with other central government bodies	1,070	250	128
Local Authorities, NHS Trusts, Public Corporations	43	35	0
Balances with bodies external to government	2,576	2,770	3,770
	<b>3,689</b>	<b>3,055</b>	<b>3,898</b>

## Note 11

### CASH AND CASH EQUIVALENTS

	2009/10	2008/09	2007/08
	£'000	£'000	£'000
Balance at 1 April	7,074	197	1,023
Net change in cash and cash equivalent balances	(1,810)	6,877	(826)
<b>Balance at 31 March</b>	<b><u>5,264</u></b>	<b><u>7,074</u></b>	<b><u>197</u></b>

The following balances at 31 March 2010 were held at:			
Commercial banks and cash in hand	<b><u>5,264</u></b>	<b><u>7,074</u></b>	<b><u>197</u></b>

## Note 12

### TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year			
	2009/10	Restated 2008/09	2007/08
	£'000	£'000	£'000
Other taxation & social security	224	168	117
Trade payables	189	1,633	81
Monies due to Home Office	0	3,000	0
Other payables	155	272	135
Accruals & deferred income	5,309	4,770	4,576
	<b>5,877</b>	<b>9,843</b>	<b>4,909</b>

Amounts falling due after more than one year	NIL	NIL	NIL
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Intra-Government Balances			
Balances with other central government bodies	1,599	3,881	797
Balances with local authorities, NHS Trusts, public corporations and trading funds	0	1	0
Balances with bodies external to government	4,278	5,961	4,112
	<b>5,877</b>	<b>9,843</b>	<b>4,909</b>

## Note 13

### PROVISIONS FOR LIABILITIES AND CHARGES

	Licence Refunds	Compensation	Total
	£'000	£'000	£'000
Balance at 1 April 2009	24	53	77
Provided in the year	0	72	72
Provisions not required written back	0	(38)	(38)
Provisions utilised in the year	(3)	(15)	(18)
<b>Balance at 31 March 2010</b>	<b>21</b>	<b>72</b>	<b>93</b>

Balance at 1 April 2008	95	150	245
Provided in the year	0	53	53
Provisions not required written back	(71)	0	(71)
Provisions utilised in the year	0	(150)	(150)
<b>Balance at 31 March 2009</b>	<b>24</b>	<b>53</b>	<b>77</b>

The provision for licence refunds is for refunds not yet claimed.

The provision for compensation covers potential claims for losses incurred by applicants due to errors through the licence application process.

## Note 14

### CAPITAL COMMITMENTS

As at 31 March 2010 the SIA has no commitment to capital expenditure (2008/09: None).

## Note 15

### COMMITMENTS UNDER LEASES

#### 15.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2009/10	2008/09
	£'000	£'000
Obligations under operating leases comprise		
<b>Buildings</b>		
Not later than one year	898	620
Later than one year and not later than five years	1,698	1,594
Later than five years	0	0
	<b>2,596</b>	<b>2,214</b>

<b>Office Equipment</b>		
Not later than one year	63	0
Later than one year and not later than five years	95	0
Later than five years	0	0
	<b>158</b>	<b>0</b>

#### 15.2 Finance Leases

The SIA currently does not have any finance leases.

## Note 16

### COMMITMENTS UNDER PFI CONTRACTS

The SIA does not have any PFI contracts (2008/09: None).

## Note 17

### OTHER FINANCIAL COMMITMENTS

The SIA's contract with its managed service provider, BT, is a mixture of fixed and variable service charges. The fixed element of this contract is £538,491 plus VAT (2008/09: £1,238,530), which will expire on 30 September 2010.

The new contract with its managed service provider, BT, will commence on 30 September 2010 and does not contain any fixed charges, with all costs based on a unit charge per licence application. There is, however, a "financial floor" whereby the SIA is contracted to pay any shortfall arising where net applications are below an annually agreed set level.

## Note 18

### CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2010 (2008/09 – Nil).

## Note 19

### RELATED PARTIES

The Home Office is the sponsor department of the SIA.

SIA has had transactions during the year with the following government bodies:

- The Home Office
- Northern Ireland Office
- Serious and Organised Crime Agency
- Treasury Solicitors
- Criminal Records Bureau
- Independent Police Complaints Commission
- HM Prison Service
- Metropolitan Police
- The Scotland Office
- Ministry of Justice
- Competition Commission

No Board member, key manager or other related parties has undertaken any material transactions with the SIA during the year.



## Note 20

### EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting date requiring an adjustment to the accounts.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the SIA provides to employees.

The financial statements were authorised for issue on the same date that the Comptroller and Auditor General certified the annual report and accounts.



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