



Security Industry Authority

Annual Report and Accounts 2017/18



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Presented to Parliament pursuant to paragraphs 16(4)(b) and 17(2) of Schedule 1 to the Private Security Industry Act 2001

Ordered by the House of Commons to be printed on 16 October 2018

Laid before the Scottish Parliament by the Scottish Ministers October 2018

Laid before the Northern Ireland Assembly by the Department of Justice October 2018

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This publication is available at <https://www.gov.uk/government/publications>

ISBN 978-1-5286-0828-2

CCSI018734630 10/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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Foreword from the Chair and Chief Executive



Elizabeth France
Chair
Security Industry
Authority

The Security Industry Authority (SIA) is a non-departmental public body sponsored by the Home Office. We were established under the Private Security Industry Act 2001, which covers England, Wales, Scotland and Northern Ireland, to regulate certain activities within the private security industry. We support the key priorities of the Home Office by contributing to the reduction and prevention of crime, and to public protection. We also have a responsibility to support business growth.

Our principles of protecting the public and improving standards in the private security industry remain central to our work and our existence means that the public is reassured that a regulated private security industry plays an important role in keeping people, property and premises safe.

Our staff at the SIA have again performed to a very high standard with dedication and professionalism. We thank them for this; their commitment, together with the engagement and support of the private security industry, has enabled us to achieve our objectives and to rise to the challenges and opportunities that we have faced.

We have continued to develop our online licensing system while achieving month-on-month improvements in our processing of applications in a timely manner. We have delivered regular system updates and are working with our stakeholders to ensure that the system meets the needs of all users. We now have a solid foundation from which to transform the system in the future and enhance the experience for both individuals and businesses.

The heightened security threats of recent times have brought into sharp focus the need for police, local businesses, local authorities and other agencies to work closely together. This year our regional investigation teams have worked with a wide variety of partner organisations and security businesses to facilitate the roll-out of counter-terrorism awareness training to hundreds of security operatives across the UK.

During 2017/18 we have undertaken a full review of our Approved Contractor Scheme (ACS) for security businesses to ensure that it remains relevant and trusted. In 2018/19, we will implement the findings of the review. Transition from the current scheme to the new version will be done at an appropriate pace to allow businesses plenty of time to prepare for the new scheme and to work with the support of the SIA.

Our Licence Management service gives businesses control over the licensing of their staff. It provides tools that enable a business to manage licence applications online, and it allows businesses to check identity documents – thereby removing duplication and reducing the burden on licence holders. This service is available only to approved contractors who meet an additional set of criteria and conditions.

We will begin a project to review how training and refresher training can be used to improve standards in the private security industry. This will involve looking at the content, delivery and assessment of our licence-linked qualifications.

We seek, and continue to benefit from, the support and cooperation of those working in the private security industry and our many partners in order to provide effective regulation, and to pursue robustly those who choose not to comply. We are grateful for that support and cooperation and look forward to continuing to work with the private security industry and our partners to deliver high quality regulation in the coming year.

Our Annual Report and Accounts 2017/18 sets out our key achievements during the year, delivery against our strategic goals and gives an overview of our financial position. We are committed to ensuring that we continue to be an effective and efficient regulator that plays an important role in raising standards in the private security industry and protecting the public.



Alan Clamp
Chief Executive
Security Industry
Authority

Our role

The Security Industry Authority (SIA) is a non-departmental public body sponsored by the Home Office. We were established under the Private Security Industry Act 2001 – which covers England, Wales, Scotland and Northern Ireland – to regulate certain activities within the private security industry. The regulated private security industry protects people, property and premises and comprises the following sectors:

- manned guarding:
 - cash and valuables in transit
 - close protection
 - door supervision
 - public space surveillance (CCTV)
 - security guarding;
- key holding; and
- vehicle immobilising (Northern Ireland).

We support the key priorities of the Home Office - reducing and preventing crime, and ensuring that people feel safe in their homes and communities.

We have a statutory responsibility to license individual security operatives. We do this by applying approved criminality and other 'fit and proper person' criteria, and we establish the minimum competency requirements that individuals have to meet before applying for a licence.

We work closely with the police, local authorities, other government agencies, training providers, trade associations and industry representatives to ensure that individuals and companies operating within the private security industry comply with the law. Our enforcement operations are part of this work.

We set and approve standards of conduct and training. We do this by specifying the learning and qualifications needed for individual licensing. We require awarding organisations to have robust standards of assessment and appropriate processes for the awarding of qualifications recognised for licensing. The Office of Qualifications and Examinations Regulation is responsible for regulating qualifications in England; the Scottish Qualifications Authority regulates qualifications in Scotland; Qualifications Wales is responsible for regulating qualifications in Wales; and the Council for the Curriculum, Examinations and Assessment regulates all qualifications in Northern Ireland.

We manage the voluntary Approved Contractor Scheme (ACS), which measures private security companies against independently assessed standards. We do this by applying eligibility and other 'fit and proper' criteria and we establish terms and conditions of approval. We specify management and operational requirements in the ACS, and appoint independent assessing bodies to conduct assessments against this standard before awarding approved contractor status.

The Authority – our non-executive Board – is made up of a chair and five members. One member is appointed to represent the interests of Scotland and one to represent the interests of Northern Ireland. The primary role of the Authority is to ensure that we meet our statutory responsibilities. It achieves this by setting our strategic direction and providing both support and challenge to an executive which is responsible for the discharge of these responsibilities on a day-to-day basis.

Our vision and mission

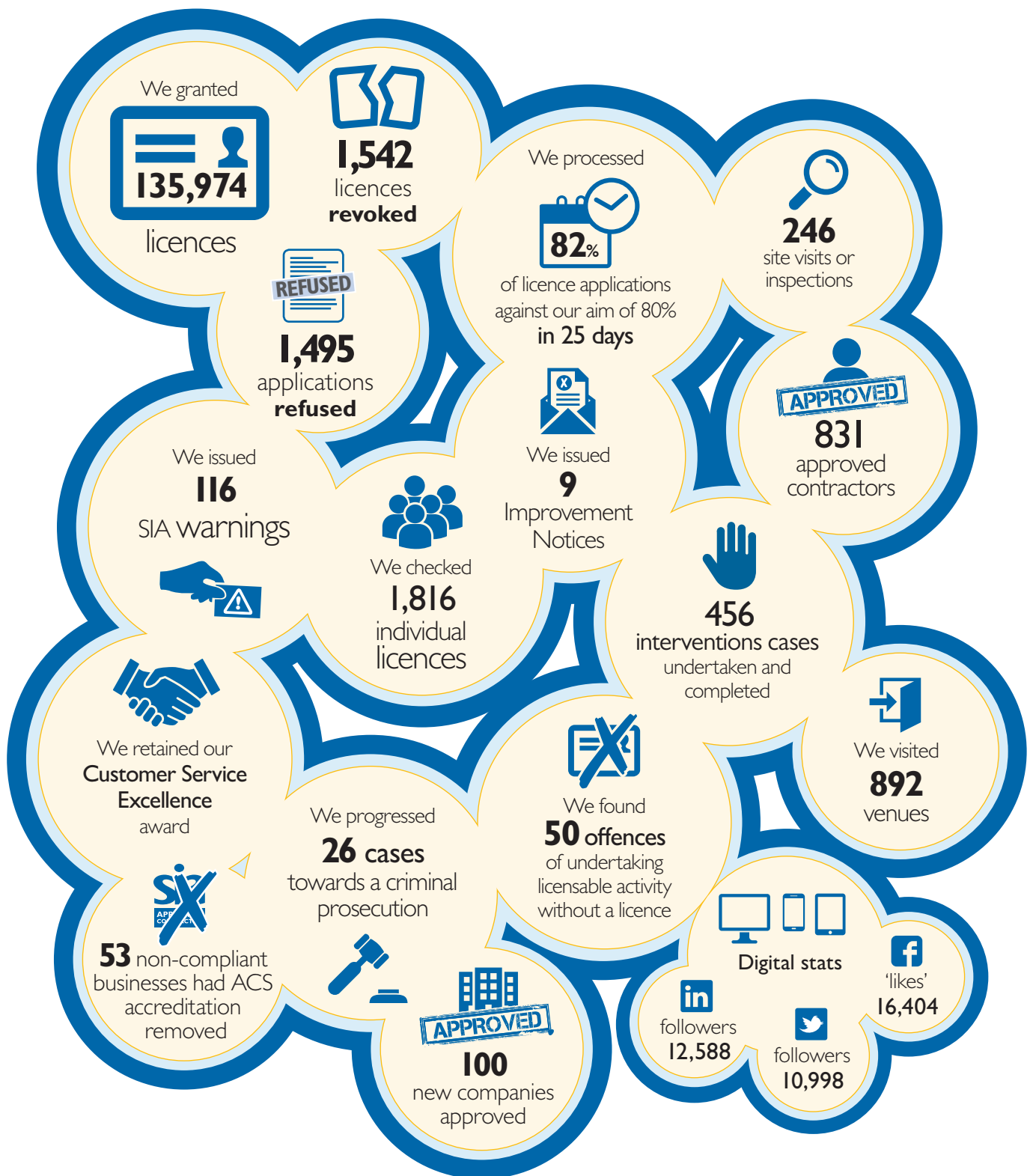
We have developed a distinctive style of principled, proportionate and risk-based regulation, which we refer to as 'right-touch regulation'. This is underpinned by close working relationships with our partner stakeholders and members of the public who come into contact with our regulation or have an interest in it.

Our vision is one of a private security industry so committed to improving standards and protecting the public that it needs minimal regulation.

Our mission is to hold the private security industry to account for continuously improving standards in order to protect the public.

Performance report

SIA: A year in numbers



Performance analysis

We have a well-developed and established system of performance management and reporting, based on the following four strategic aims for the 2017/18 financial year:

1. To protect the public by delivering excellent regulation.
2. To maintain strong relationships with our partners and our stakeholders to improve the quality of our work.
3. To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives.
4. To seek continuous improvement in the way we run the SIA and provide value for money for licence holders, approved contractors and the public.

Our performance management system includes Key Performance Indicators (KPIs) which are linked directly to the achievement of our corporate objectives, and a cascade of performance indicators which, in turn, drive the KPIs. We continue to report on the progress of all KPIs to the Board on a monthly basis.

We have met or exceeded all KPIs with the exception of two:

- **KPI 7:** Percentage of stakeholders surveyed in each quarter that indicate satisfaction with the work of the SIA: target $\geq 70\%$. The average level of satisfaction was 63%; this is due to issues with the new online service for licence applications (STeP) in 2016/17. The survey ceased in April 2017 (following very low response rates from stakeholders) so the data is for one quarter only.
- **KPI 9:** Number of vacant posts as a percentage of headcount: target $\leq 10\%$. The average proportion of vacant posts was 15.6%. This is due to a number of additional posts identified over the course of the financial year and includes 11 part-time posts which equate to 2.27 full-time posts. The impact of the vacancies was minimal as the vacant posts were covered by existing staff through overtime and flexible working arrangements.

To ensure the KPIs that we report on are providing the Board with the relevant assurance, an external organisation has been engaged to undertake a review of our current KPIs.

Achievements against strategic aims

We have continued to perform well against the four strategic aims set in our 2017/18 business plan. We achieved this alongside the development of our licensing system, which has brought significant benefits to the operational aspects of regulation.

Strategic aim 1: To protect the public by delivering excellent regulation

Ref.	Performance Indicator	Target 2017/18	Average 2017/18
KPI 1	Percentage of all correctly completed individual licence applications processed within 25 working days.	≥80%	82%
KPI 2	Percentage of correct decisions to grant an individual licence against the SIA decision-making framework.	≥99%	100%
KPI 3	Percentage of eligible companies that successfully re-register or renew their approved contractor status	≥90%	94%
KPI 4	Percentage of disclosures that indicate a public safety concern dealt with within five working days	100%	100%
KPI 5	Percentage compliance with the licensing requirements, based on random inspections of security operatives	≥98%	100%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

Maintaining effective and efficient operating systems

During 2017/18, we granted 135,974 licence applications. We completed 82% of licensing decisions within 25 working days of receiving a correct and complete application, against a target of 80%.

Our target for measuring the accuracy of our licensing decision-making is to get 99% of our decisions to issue licences correct. During this year we conducted a robust sample of both complex and simple decisions. Of these, we made the correct decisions in 100% of cases.

Our ability to receive, share, accurately process and use intelligence from a variety of sources including industry, the police and the public and other partner agencies, is key to our success as a regulator. We aim to process intelligence within five days for high-risk issues and 20 days for low-risk issues.

Where we have a public safety concern, we aim to take action on this within five days for 100% of cases. In the year 2017/18, we processed this information within the target timeframe for 100% of cases. Intelligence is subject to assessment upon receipt; if an imminent threat is determined, action will be taken immediately.

We aim to have 90% of eligible companies renewing their Approved Contractor Scheme (ACS) status during the year. This year, we achieved 94% of companies re-registering.

Contributing to violence reduction

Violence reduction remains a key priority for us, whether the violence is directed towards security operatives while they are doing their jobs or is committed by the security operatives themselves. The issues that contribute to violence are complex and we cannot provide the solution by ourselves. We continue to play our part alongside our partners, using our influence and powers to support the private security industry to reduce violence.

We have convened a steering group of multi-agency and multi-organisational representatives from across the private, public and voluntary sectors. The group meets to consider progress being made against a series of deliverables in an action plan to reduce violence.

The group is focusing on five key areas, which we consider collectively to deliver the most impact. These are:

1. **Enforcement** – involving police forces, local authorities and the SIA, plus others. This is usually intelligence-led, targeting problem venues, businesses or people.
2. **Kit and equipment** – exploring the success of those who use various practical items to reduce violent behaviour, including for example alcometers, bodycams, CCTV and identity scans.
3. **Communications and guidance** – developing and publicising user-friendly guides to best practice.
4. **Reporting of incidents** – improving the accuracy of the reporting of violent incidents and seeking ways to learn from these incidents.
5. **Training and standards** – this applies not just to SIA mandatory training, but to all training needed for someone deployed to do a job. Standards also apply to businesses, not just individuals.

Regional multi-agency violence reduction workshops

We delivered seven regional violence reduction workshops in Ipswich, Brighton, Manchester, London, Worcester, Belfast and Glasgow. The workshops provided a platform to share best practice. We emphasised the importance of safer restraint in confronting violence and launched a pocket-sized Z-card entitled 'Safer Physical Intervention for Door Supervisors' as well as a 'Guide to Safer Restraint' factsheet focusing on positional asphyxia. The events, attended by police, local authorities, town centre managers, street pastors, security businesses and licensed individuals, encouraged licence holders to report violence against them.

Town centre initiatives

All our regional Partnerships & Interventions (P&I) teams engaged with the police and other agencies and ran a number of city and town centre violence reduction initiatives, mostly aimed at the night-time economy.

The P&I North team undertook compliance checks with the Cleveland Police at venues across Teesside. These checks formed part of a violence reduction initiative in response to a spike in violent incidents. The operation targeted the venues that had experienced the highest number of violent incidents in the preceding six months. This followed engagement with these venues to raise awareness of measures to help reduce levels of violence in the night-time economy. On the night, 24 licences were checked at nine separate premises and full compliance was found. The Cleveland operation represents just one example of initiatives undertaken during the year.

Compliance with the regime and conformance with the ACS

Four ACS assessment bodies provided independent assessment services on our behalf. To further improve consistency of ACS assessments, we have established an assessor risk-rating tool that includes witnessing assessor competence. We are providing additional training for assessing body lead assessors who will share their expertise to help raise standards of competence among ACS assessors.

This year, we deemed that more than 77% of ACS companies met the ACS standard at their first assessment.

During the year we withdrew approval from 53 companies because we found they were no longer meeting ACS requirements (non-compliance or not meeting ACS terms and conditions).

Delivering regulation through innovation

Development of our 'digital by default' licensing system, launched in 2016, is a continuous process in which we involve our stakeholders as much as possible. We are working with industry representatives to develop an improved online tool to allow businesses to more easily check the status of the licences of those that they deploy.

Improving our regulation

In 2017/18, we carried out a comprehensive review of the ACS in partnership with the research company Pye Tait Ltd. This review was designed to ensure that the scheme continues to meet the original objectives of protecting the public, is fit for purpose and continues to drive improvement in the industry.

Pye Tait completed extensive market research with approved contractors and non-approved contractors, buyers and stakeholders. Compared with previous consultations on the ACS, participation was high. More than 650 people engaged with the research which included surveys, in-depth interviews, regional workshops and specialist focus groups.

Pye Tait summarised the main findings and recommendations from the market research and these are available from our website, along with our response to the recommendations, at www.sia.homeoffice.gov.uk/Pages/acs-review.aspx

Using the findings from the research, Pye Tait produced a revised ACS Standard and a Self-Assessment Workbook (SAW). The revised ACS Standard, SAW and other changes to the scheme will be announced in summer 2018.

Strategic aim 2: To maintain strong relationships with our partners and our stakeholders to improve the impact of our work.

Ref.	Performance Indicator	Target 2017/18	Average 2017/18
KPI 6	Percentage of complaints resolved in line with the requirements and timescales of the published SIA policy	≥90%	97%
KPI 7	Percentage of stakeholders surveyed in each quarter that indicate satisfaction with the work of the SIA *	≥70%	63%

*Survey ceased April 2017 due to low response rate. Results are thus for one quarter only.

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

We work with other agencies to tackle businesses and individuals that cause harm to the public.

Her Majesty's Revenue and Customs (HMRC)

Building on a series of successful joint initiatives last year, we worked closely with HMRC to agree an approach to security businesses which operate non-compliant employment models and unlawfully reduce their tax obligation. In July 2017, security businesses attended a joint HMRC–SIA event in London where the new approach was outlined together with guidance on how to comply with HMRC regulation.

Safeguarding

This year we took a more proactive approach to safeguarding (e.g. modern slavery, child sexual exploitation and vulnerability in the night-time economy). Our regional teams were tasked specifically with going out to engage businesses and venues to raise awareness of signs to look out for and reporting procedures.

Serious and organised crime

Our regional teams continued to engage with police forces, the National Crime Agency (NCA), HMRC, Home Office Immigration Enforcement and the Government Agency Intelligence Network to identify and disrupt criminal organisations and networks.

Festivals and events

We have continued to be fully engaged with festival and event owners, security providers, police and safety advisory groups to ensure that security staff are correctly licensed and to minimise the risk of harm at events.

Our regional teams either attended festivals or worked with the police and organisers before the event to ensure staff were correctly licensed at a further 35 events. More than 1,500 licences were checked during the year at events as diverse as Wimbledon, West Ham United Football Club, Glastonbury and Creamfields festivals, the Tour de Yorkshire and the Hull City of Culture 2017 celebrations.

Police and Security Initiative

We are a sponsor of and contributor to the Police and Security Initiative. Its goal is to promote collaboration between police forces and the private security industry in order to prevent crime and to protect the public. We have promoted a wide range of activity in support of this goal, notably in violence reduction, the safeguarding of the vulnerable and in counter-terrorism awareness raising.

ProtectEd initiative

We are a supportive member of the advisory board of the ProtectEd initiative, aimed at raising security standards in higher education settings. The focus is not just on physical security, but rather on a broad spectrum from security through to student well-being. The initiative is being led by the University of Salford, which has established standards for higher education facilities, in part based upon our ACS standards.

Partnership working

We continue to work with existing and some new partner agencies, including the Insolvency Service, to raise standards across the security industry as well as, when appropriate, to support other government agencies to deliver their key aims.

Gangmasters and Labour Abuse Authority

We work with the Gangmasters and Labour Abuse Authority to identify and eradicate rare examples of modern slavery and harmful exploitative work practices in the security industry.

Refugee project

We have worked closely with refugee projects and licence applicants in Leeds, Glasgow and Manchester, providing advice and guidance to improve their experience.

London Night Tsar

We ran a licence application clinic hosted by the Ministry of Sound in London. In excess of 150 applicants attended the event to receive real-time support.

Improving standards for individuals in the sector

Our Quality and Standards team have worked hard over the last year to develop a closer, more quality focused relationship with the eight awarding organisations that are contracted to deliver licence-linked qualifications for the SIA.

This work included a full review of the current quality measures at each awarding organisation in order to identify and standardise good practice. We have introduced a clearer, more streamlined 360-degree process to manage and process intelligence relating to training malpractice.

Strategic aim 3: To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives

Ref.	Performance Indicator	Target 2017/18	Average 2017/18
KPI 8	Average rate of staff turnover	≤20%	15.4%
KPI 9	Number of vacant posts as a percentage of headcount	≤10%	15.6%
KPI 10	Percentage of staff attending training courses agree that the skills and knowledge gained were useful for knowledge, performance or career development	≥80%	95%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

The SIA has an engaged and supported workforce

The staff survey conducted in autumn 2017 had a 71.6% response rate (68% in 2016), with an overall satisfaction rating of 78% (70% in 2016).

The survey results are set against a year of consolidation after a year of significant change in 2016/17, during which we implemented our new online licensing system. We have developed an action plan and are working with staff from across the organisation in response to the feedback we received. We have also developed and partly implemented a two year people strategy.

During 2017/18, staff turnover reduced from 19.5% to 15.4%. We have recognised that to fill as many of our staff vacancies as possible and to ensure we meet our operational demands, we need to offer employment opportunities that are not based on a traditional 'office hours' employment model.

To address this we have introduced a number of initiatives. We have engaged with local universities in London and promoted opportunities for their students to work part-time, primarily in the evening, in our Customer Service team. We have successfully recruited a number of people via this route. We have also offered part-time work opportunities that have been successful in attracting a number of staff who are returning to work and looking to achieve a realistic work-life balance.

Strategic aim 4: To seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public.

Ref.	Performance Indicator	Target 2017/18	Average 2017/18
KPI 11	Percentage of undisputed invoices paid within ten working days	≥90%	94%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

Customer Service Excellence

This year we successfully maintained the Customer Service Excellence award. The external assessor met with representatives from across the organisation and spoke extensively to customers, stakeholders and partners. In his feedback he acknowledged the significant improvement he had seen over the past 12 months – a testament to the hard work, dedication and professionalism of operational teams and beyond.

Quality monitoring

We continue to quality monitor our customer-facing activities. This includes monitoring our responses to customer enquiries and complaints. These measures ensure we continually improve our service, and aid compliance with our regulatory regime.

Other significant achievements

In addition to the work we have carried out to support our four strategic aims and KPI's, the following examples demonstrate our commitment to raising standards and protecting the public

Partnerships & Interventions – Overview

Our Partnerships & Interventions (P&I) function works very closely with law enforcement partners, key government agencies, the private security industry and other key stakeholders in our regulatory regime. P&I largely consists of regionally based teams of investigators. They work collaboratively with other teams in our organisation and are responsible for providing robust and effective regulation across the UK.

Many of our partnerships support compliance. Some additionally identify and disrupt serious and organised crime associated with the private security industry and intervene where there are threats to the regulatory outcomes we are seeking to achieve.

Our investigators work with partners to reduce risk across a wide range of public safety threats. They are increasingly involved in supporting law enforcement partners to identify, disrupt, manage and progress cases escalated from our Intelligence & Risk Management function and ACS decisions and compliance teams.

Criminal investigations

The SIA Criminal Investigation team (CIT) continued to investigate and prosecute criminal allegations associated with Private Security Industry Act 2001 offending, for example, document offences under the Fraud Act 2006 Act offences. The CIT prosecuted people for fraud and other offences associated with improving industry standards and reducing risk to people, places and property. Over the year, the CIT's workload increased exponentially from 27 to 42 investigations.

Working with security buyers

In November 2017, we published a guide to buying private security which highlights the importance of buying security based on quality and not just on price. It is intended for use by SIA-approved contractors when tendering for work and explains the benefits of the scheme.

The publication is part of our buyers strategy, a wider piece of work to influence procurement specialists and budget holders who are involved in the purchase of contracted security services. This includes working with central and local governments, public sector agencies and private sector trade organisations.

Counter-terrorism

The P&I management team and regions worked with the National Counter Terrorism Security Office (NaCTSO) and UK police regions throughout the year to deliver Project Griffin counter-terrorism training to thousands of SIA-licensed operatives.

We have attended and supported a number of significant conferences looking at how the police and the private security industry could work together more effectively.

A further SIA initiative in Scotland was designed to support the inauguration of an industry-led group brought together to corral and galvanise interest across the licensed and unlicensed sectors to work with and support the police to confront terrorism.

Customer service

We understand the importance of benchmarking our performance and learning from other sectors. To contribute to this, we are members of the Call Centre Management Association and participate fully in its development and learning workshops, which often involve visiting other organisations.

Stakeholder and external communications

This year we have continued to engage audiences and stakeholders across the private security industry to keep people informed of the developments that affect them. Key areas covered include the review of the ACS, which received a high level of interest, and a review of the SIA website.

In summer 2017, we organised 20 UK wide events that were specifically designed to enable NaCTSO and Cambridge University to evaluate and improve three models of the Project Griffin counter terrorism training.

Our social media channels have played a vital role in raising awareness and providing ongoing guidance on key public protection issues such as counter-terrorism, responding to acid attacks, and stopping the exploitation of vulnerable people, children and workers.

Our audience across our social media channels increased by 34% this year.

Environmental, social and community performance

Sustainability

We are committed to working to ensure that we take proper account of the impact of our activities on the environment. Performance in relation to greenhouse gas emissions, waste management and finite resource consumption is set out in the following tables.

Table 1: Greenhouse Gas Emissions

	2017/18		2016/17	
	Consumption kWh	Cost £	Consumption kWh	Cost £
Direct Emissions	–	–	–	–
Indirect Emissions				
Electricity: Non-renewable	171,855	26,900	187,540	29,841
Gas	–	–	–	–

Table 2: Official Business Travel

	2017/18		2016/17	
	Consumption CO2	Cost £	Consumption CO2	Cost £
Private Fleet Business Travel	69.39	130,914	61.35	112,380
Rail Business Travel	Not Available	121,487	Not Available	140,945
Other Business Travel	Not Available	55,836	Not Available	62,078
Total Business Travel	69.39	308,237	61.35	315,403

Table 3: Waste Minimisation and Management

	2017/18		2016/17	
	Consumption Kgs	Cost £	Consumption Kgs	Cost £
Hazardous Waste	–	–	–	–
Non-hazardous Waste:				
Landfill	Not Available		Not Available	
Recycled/Reused	6,625	3,528	6,370	3,332
Incinerated	–	–	–	–

Table 4: Finite Resource Consumption

	2017/18		2016/17	
	Consumption M ³	Cost £	Consumption M ³	Cost £
Water Supply*	519	–	562	–

* Based upon data provided by the landlord in relation to the proportion of SIA usage against that of the whole building, the water supply cost is shown as 'Nil' as this cost is included in billed service charges.

Recycling

The use of recycling bins continues to be well supported during 2017/18 with 50% of total wastage recycled in the year.

Charity assistance

Staff continue to support charities chosen by them. The charity group was active during the year, raising £740 for worthy causes (2016/17: £779). Film nights and raffles were held on behalf of the Macmillan Nurses charity.

Procurement

We invite tenders for goods and services through the Official Journal of the European Union process or via 'Buying Solutions' provided by the Government Procurement Service.

Approved Contractor Scheme

In seeking ACS status, companies must comply with a set of corporate and social responsibility standards, which are laid out in the accreditation guidance. In this way we actively promote corporate and social responsibility in the regulated sector.

Equality and diversity

We are an equal opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from everyone regardless of race, sex, disability, sexual orientation, religion or belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity.

We pay regard to the particular aptitudes and abilities of disabled persons. We continue the employment of, and arrange appropriate training for, employees of the SIA who have become disabled persons during the period. We promote the training, career development and promotion of disabled persons employed by the SIA.

We are proud of the diverse nature of our organisation and continue seeking to develop a culture within our organisation that reflects our strong values surrounding the importance of diversity.

Financial review

Overview

The operating surplus of £6.8m for 2017/18 was £4.0m over budget (£2.8m) and £3.1m above the prior year (£3.7m). The key driver was the volume of licence applications, which was higher than anticipated, rising 7% over the prior year and reversing a downwards trend of 18% over the previous two years.

The fee income budget for 2017/18 was set as £25.3m (based on 129,000 applications). In the event, 144,000 applications generated income of £29.7m.

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

Table 5: Summary of financial results, 2015/16 to 2017/18

	2017/18	2016/17	2015/16
Application numbers*	143,894	110,437	132,035
	£'000	£'000	£'000
Licence fees	29,745	22,745	27,248
ACS	2,219	2,094	2,217
Other	109	2,403	121
Total self-generated income	32,073	27,242	29,586
Staff costs	11,692	12,091	12,533
Licensing costs	6,703	5,173	8,334
Amortisation and Depreciation	2,162	1,529	343
Other expenditure	4,757	4,767	4,396
Total operating expenditure	25,314	23,560	25,606
Operating surplus	6,759	3,682	3,980

* Paid for application number differs from number of licences issued.

Funding considerations

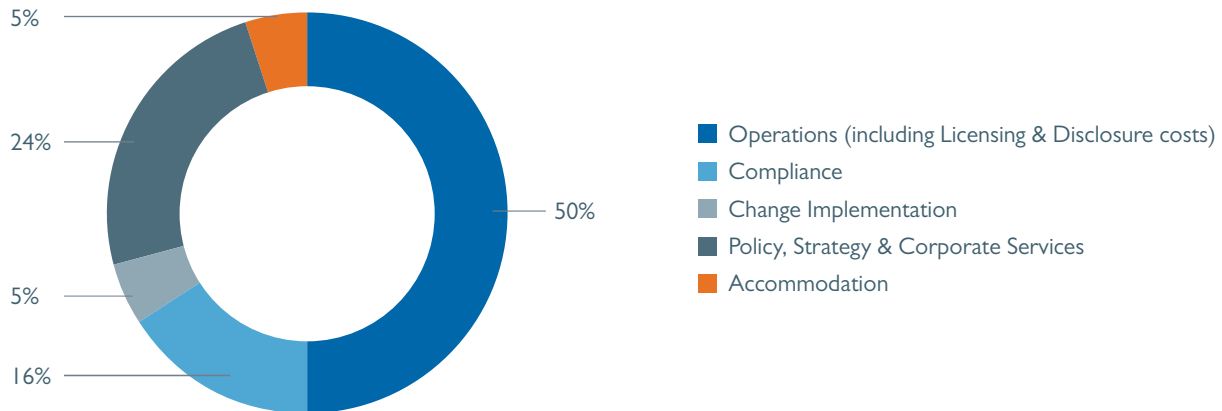
Our operation is funded through licence fees from individuals and ACS subscriptions. We are required by HM Treasury to operate on a full cost recovery basis. Regarding the setting of fee levels, in accordance with government regulations (*Managing Public Money*, section 6.3), HM Treasury consent is required for all proposals to extend or vary charging schemes. ACS is a voluntary scheme by which companies seek accreditation to attain SIA approved contractor status. All licences (excluding vehicle immobilisation) have a three-year lifespan, with the licence application fee paid in full in the first year. Income follows a three-year cycle. In making a decision about fee levels, our Board has to take into account the following factors:

- The fluctuation of income against a largely fixed cost base over the three year licence demand cycle.
- The requirement to provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.
- The requirement in *Managing Public Money* only to recover costs and avoid making a surplus.

How the licence fee was spent

During 2017/18, the fee has been held at £220 for a three-year licence (except for vehicle immobilising in Northern Ireland, which is a one-year licence). The fee has been set at this level since January 2012; if adjusted for inflation over this period using the Consumer Price Index, the licence fee would be £250 at March 2018.

A breakdown of the way the licence fee was spent in 2017/18 is set out in Figure 1.



Going concern

The accounts have been prepared on a going concern basis as indicated by future forecasts.

Please refer to Triennial Review section on page 22.

Payment practice

We follow the principles of the Better Payment Procedure Code in accordance with HM Treasury guidelines. We aim to pay suppliers within ten days of the receipt of a valid invoice, provided that the relevant invoice is properly presented and is not subject to dispute.

Table 6: Summary of payment practice

	2017/18		2016/17	
	Value £000	Number	Value £000	Number
Total invoices paid in year	15,493	2,231	14,934	2,512
Total invoices paid within ten day target	14,254	2,089	14,219	2,405
Percentage of invoices paid within ten day target	92%	94%	95%	96%

The accountability report

Corporate governance report

Directors' report

Composition of the management Board

Directors during the year | April 2017 to 31 March 2018

Dr Alan Clamp	Chief Executive
Dave Humphries	Director of Partnerships & Interventions
Stephen McCormick	Director of Operations
Dianne Tranmer	Director of Corporate Services

Non-executive Board members during the year

| April 2017 to 31 March 2018

Elizabeth France	Chair
Bill Matthews (to January 2018)	Deputy Chair Chair of Audit and Risk Assurance Committee*
Professor Sir Desmond Rea	Chair of Human Resources and Remuneration Committee
Geoffrey Zeidler	Deputy Chair (from January 2018) Member of Audit and Risk Assurance Committee Member of Human Resources and Remuneration Committee
Sir Ian Johnston	Member of Human Resources and Remuneration Committee
David Horncastle	Chair of Audit and Risk Assurance Committee (from January 2018)
Ian MacKay (from January 2018)	Member of Audit and Risk Assurance Committee

* Ian Mackay replaced Bill Matthews on the SIA Board in January 2018.

Pension liabilities

Details of the pension schemes of which our staff are members can be found in The Remuneration Report (page 32).

Register of interests

A register of company directorships and significant interests held by Board members is maintained and refreshed throughout the year.

Significant interests *relevant to the SIA* are as follows:

Board member	Details
Geoffrey Zeidler*	Director of Kings Solutions Group Ltd; Kings Security Services Ltd and subsidiaries. Lead of the Police & Security Initiative on behalf of the British Security Industry Association (BSIA). Partner at Wyvern Partners with Business Services and Technology Advisory focus. Employed by GZC Ltd, an investment and advisory business. Member of the Security Institute. Honorary member of the BSIA. Advisory relationship with Prime Kings Ltd which also covers Cougar Monitoring Ltd and Defence Security Services Ltd.

*Authority members are required to discuss with the SIA Chair any existing or prospective outside roles, which may on occasion present a conflict of interest. In this case we appointed Geoffrey Zeidler as our industry representative; as such, he needs to be aware of industry developments. He is not involved in executive actions and does not have access to SIA information about individual security businesses. The onus is on him to declare an interest and then to absent himself from discussions in which he may be conflicted. The SIA Chair is aware of all declared outside interests and, as such, is satisfied that this takes place.

Statement of Accounting Officer's responsibilities for the SIA

Under the Private Security Industry Act 2001, the Secretary of State for the Home Office has directed the Security Industry Authority to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of our affairs and of our net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State 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 and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the 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 *Managing Public Money* published by the HM Treasury. Details may be accessed online at 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 has been made aware of that information in connection with its audit.

I can confirm that, as far as I am aware, there is no relevant audit information of which the SIA's auditors are unaware.

I can confirm that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the SIA's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Alan Clamp
Chief Executive and Accounting Officer
Security Industry Authority
11 October 2018

Governance statement

Scope of Accounting Officer's responsibility

As Chief Executive and SIA Accounting Officer, I have personal responsibility for managing a budget delegated to me by the Home Office. I am responsible for maintaining a sound system of governance, internal control and risk management to support the SIA's statutory functions and the achievement of the Home Office's policies, aims and objectives, while safeguarding public funds and SIA and departmental assets.

The system of governance, internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness. I confirm that I have reviewed the arrangements in place for 2017/18 and that I am able to provide the following assurances.

SIA Authority – the Board

The SIA is a non-departmental public body, created by the Private Security Industry Act 2001, which gives the 'Authority' responsibility for implementing the regulation of the private security industry. The statute passed by Parliament created the Authority, which is not the SIA but a group of appointed people who interpret the Act, set out strategy and oversee its implementation.

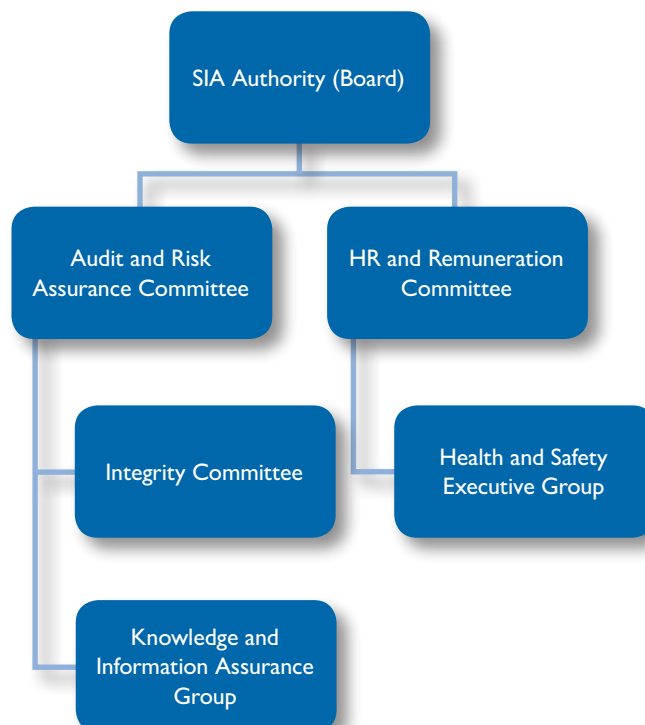
The Authority appoints a Chief Executive and staff to undertake all the work needed to bring the Act into being. The Authority comprises five non-executive directors and the Chair.

The Authority complies with the *Corporate Governance in Central Government Departments: Code of Good Practice*.

The Board and its sub-committees oversee the work of the SIA and provide scrutiny and assurance against controls, to ensure that corporate aims and objectives are met.

Figure 2 provides an illustration of the high level governance arrangements.

Figure 2: SIA governance arrangements



Board effectiveness

The Authority members (non-executive directors) completed a self-assessment questionnaire in autumn 2017 to assist them in looking at their performance as members and at elements of the operational environment which might have affected that performance. We used a tailored version of a questionnaire produced by Mazars, on behalf of the National Audit Office, as a model for public sector bodies.

A summary of members' returns was prepared by the Chair and shared with the Board Secretary who facilitated actions suggested by members' views.

The questionnaire covered eight key areas. These were:

1. Objectives, strategy and remit.
2. Performance measurement.
3. Relationship with key stakeholders.
4. Propriety, fraud and other leakage.
5. Delivery chain and project management.
6. Risk management.
7. Sub-committees, internal audit and corporate reporting.
8. The Authority

In general, members' comments indicated a uniformity of view across the Authority and consistent agreement that the Authority is effective.

A number of actions were taken forward where members' comments indicated that these were required. These included:

1. A confirmation of strategy in light of the recommendations of the Home Office's Tailored Review of the SIA.
2. The establishment of a strategic stakeholder forum to allow a better appreciation of the external environment.
3. Improvements to the identification and management of risks and better engagement of Members to ensure early warning of potential risks.
4. A sustained effort to improve relations with the sponsoring department.

Triennial Review

The Triennial Review of SIA (published in June 2018) concluded that:

- The security industry operates effectively and regulation plays a large part in this. Regulation is still required; it should be retained and improved.
- The SIA has performed to a satisfactory standard as a regulator and should be retained.

SIA sub-committees

Supporting the SIA Board are two sub-committees that have contributed to the work of the Authority over the past year:

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee reports to the Authority.

The committee's main functions are to support the development and maintenance of the SIA's human resources policies and frameworks, to oversee the development of pay and remuneration policies, to make recommendations on the pay and performance of the chief executive and directors, overall strategies for pay and reward, and prepare an annual report on relevant matters. This committee comprises a minimum of three non-executive members of the Authority.

Matters of health and safety are overseen by the health and safety executive group which reports to this committee.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee (ARAC) reports into the Authority.

The committee's main functions are to consider and agree the internal and external audit plans, to review and monitor progress on actions arising from audit reports, to support the accounting officer in respect of his responsibilities for risk and financial propriety, and to consider the annual report and accounts and make recommendations to the Authority. This committee is comprised of three non-executive members of the Authority.

Matters relating to integrity and fraud are overseen by the Integrity Committee which reports to this committee.

Matters relating to information management (including security of our data and information assets) are overseen by the Knowledge and Information Assurance Group, chaired by the Senior Information Risk Owner which reports to this committee.

Attendance

Name of Board member	SIA Board	Audit and Risk Assurance Committee	Human Resources and Remuneration Committee
Elizabeth France	10/10	N/A	N/A
Bill Matthews	6/7*	4/4	3/3
Geoffrey Zeidler	10/10	4/4	N/A
David Horncastle	10/10	4/4	N/A
Professor Sir Desmond Rea	10/10	N/A	2/3
Sir Ian Johnston	10/10	N/A	3/3
Ian McKay*	3/3*	N/A	N/A

*Ian McKay replaced Bill Matthews on the SIA Board in January 2018.

Management assurances for all committees include:

- performance and financial reporting;
- risk reporting;
- committee reports to the Board;
- change portfolio reports to the Board; and
- self-assessment of effectiveness reporting.

Risk management

Our approach to risk management is aligned with the 2017 framework *Management of Risk in Government* and the Home Office's risk management policy.

Risks are identified, with appropriate assessments of threats, and are proactively managed in line with an established risk framework. The framework describes:

The framework describes:




- who is responsible for the management of risks and at what level;
- where our risks are captured;
- where our risks are assured; and
- routes for escalation and overall governance.

Management assurances include:

- assessments against the risk maturity model provided by the Government Internal Audit Agency (GIAA);
- monthly risk reporting to the Board; and
- business continuity plans.

Details of our top-level risks during 2017/18 and which are still current, and the steps we are taking currently to manage them are included below.

Principal risks and key mitigating factors 2017/18

Principal risks	What are we doing about them?
<p>There is a risk of the compromise of confidentiality, integrity and availability of SIA information by SIA staff or SIA ICT systems.</p> <p>Direction of travel over lifetime of risk</p> 	<p>Full reporting structure is in place to provide assurance that monitoring, compliance and policies are effective.</p> <p>Accreditation process and associated controls reviewed with our external accreditor on a quarterly basis and when any changes occur within our structure.</p> <p>Training on information security provided to all staff.</p> <p>Monitoring at application level and a review of network monitoring to improve our threat analysis.</p> <p>Physical security assessment is being completed.</p>
<p>There is a risk that we make a licensing decision that affects public safety or the credibility of the regime.</p> <p>Direction of travel over lifetime of risk</p> 	<p>The Closing the Information Gap project has been completed and the SIA is working on the action plan, including gaining access to the Police National Database.</p> <p>Complex individual licensing decisions are made by a panel to ensure consistency in approach.</p> <p>Analysis into the quality and quantity of relevant disclosure from appropriate agencies – we are working with partners to increase the information flow.</p> <p>Sample checks are made on licensing decisions to ensure the quality of decision-making remains high.</p>
<p>There is a risk that the SIA is unable to deliver our statutory licensing function effectively and efficiently.</p> <p>Direction of travel over lifetime of risk</p> 	<p>Business continuity plans are in place, scenario testing is ongoing. Disaster recovery plans are being written and tests are taking place.</p> <p>Transition plans to the new STeP provider will be robust and monitored effectively.</p> <p>Ongoing management of project risks and development of contingency plans where appropriate.</p>

Financial management – resource allocation, budget and asset management

We have a comprehensive budget and business plan in place that is reviewed and agreed by the Board. Monthly challenge meetings are held with budget holders to discuss any material variances and key trends with corrective action taken as appropriate. A comprehensive finance report is produced on a quarterly basis along with monthly updates at the remaining Board meetings. In addition a compliance pack which looks at key balance sheet accounts and transactions is prepared monthly and reviewed by the deputy director of finance.

Programme and project management

During 2017/18, the change portfolio ran six projects (with a seventh currently on hold). The portfolio has now been in place for almost 12 months. An audit, covering the governance, risk management and internal controls in place for change management, provided moderate assurance.

People management

The senior management team review each team's business and staffing plans every spring when preparing the budget for the coming year. This includes a final sign-off by finance and executive directors. Each January we prepare a recruitment envelope bid for approval by the Home Office Consultancy and Contingent Labour Board.

All new starters receive a thorough induction. The process has been overhauled this year and was updated in readiness for the move to our new office location in June 2018. The induction runs in parallel with our probation process. All permanent and fixed-term contract staff are subject to our appraisal process.

Performance improvement plans are put in place for staff who are rated as 'not met' at appraisal time or who enter performance and capability processes at any point.

Information management

We are an intelligence-led organisation, which means that we direct our enforcement activity in response to the information we receive, according to how it aligns with our operational objectives. We have access to the NCA Joint Asset Recovery Database and it is a strategic aim to gain access to the Police National Database. In March 2018, our infrastructure was migrated from an on-premise deployment to an Infrastructure as a Service model delivered by UKCloud. We will make plans to further outsource our IT requirements. Such a move improves flexibility to respond to future requirements and reduces the cost of IT services. New systems, processes and changes are tested. We undertake a complete range of user acceptance testing to ensure functionality remains stable during migration.

We have implemented the Government Security Classifications policy. The move to a government hub location, which took place in June 2018, enables us to benefit from wider government security policies. All our staff have an appropriate national security vetting level; all staff undergo pre-employment screening to Baseline Personnel Security Standard or higher.

We are compliant with current data protection legislation and with the requirements of the Freedom of Information Act 2000. We are working towards compliance with the Public Records Act – transfers to The National Archives (TNA) of selected historical material will begin in 2023, under the 30/20-year rule.

Extensive work was undertaken prior to the General Data Protection Regulation (GDPR) implementation, recording what personal data we hold, its management and protection relating to data processing activities. A GDPR implementation project has been running for nine months; its progress and preparedness was assessed by the GIAA in February 2018.

Our information security manager and information systems security officer audit user access to our systems and data. Appropriate controls from ISO27001 are implemented across the business. The adequacy of these controls is assessed by an independent accreditor.

All staff are required to take information assurance training.

System patches and upgrades are installed in accordance with patching strategy and an annual IT health check is undertaken to support public service network code of connection certification. Existing back-up arrangements are in place for off-site secure storage of encrypted tapes. In future this will be electronic storage at a replicated site.

Personal data-related incidents

Two security breaches were reported to the Information Commissioners Office (ICO) in 2017/18.

First, a system error resulted in the sharing of the personal data of 22 customers with their employer. This should not have occurred unless the individuals had chosen to disclose it. An immediate workaround was instituted by reverting to a manual process, the individuals affected were informed and a permanent technical fix implemented. The ICO confirmed that it was content with the way in which the incident was handled.

Second, an information security breach was identified via management checks. An email, with an attachment, had been sent by an employee to a previous employee at a non-secure email address. The attachment contained information from within our intelligence database, including sensitive personal data. The breach was investigated and reported to the ICO. The individual no longer works for the SIA and the ICO confirmed that it was content with the way in which the incident was handled.

Internal audit

The internal audit service, provided by the GIAA, operating to the standards set out in Public Sector Internal Audit Standards, draws up its annual audit plans based on an analysis of the risk to which we are exposed and discussions with senior management. The plans are endorsed by the Audit and Risk Assurance Committee. Internal audit issues opinions and assurance ratings for completed audits.

Eight audits were commissioned and completed during the year with the following assurance ratings. The overall opinion of GIAA was *moderate*, meaning that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Audit subject	Assurance rating
Contract management	Moderate
Operations: suspensions and revocations	Moderate
KPIs	Moderate
Integrity	Moderate
Data protection: GDPR readiness	Moderate
Operational: training malpractice and qualifications	Moderate
Change management	Moderate
Key financial controls	Moderate

Disaster and contingency planning

A full refresh of our business continuity plans has taken place and table-top tests have been carried out. Work is ongoing to ensure a separate detailed communications plan is in place and effective.

Provision of information and data to Board

The Authority recognises the need to ensure that the Board and sub-committees receive sound advice and information to enable informed decisions to be made. A standard template is used for committee papers, structured to ensure that risks and resource implications are highlighted and that there will be sufficient engagement and challenge during discussions. The structure and information contained in regular agenda items have been reviewed, improved and updated over the course of the year.

Highlights of Board committee reports

Discussion areas during the year included:

- ACS review
- demand forecasting
- fee reduction
- corporate risks
- STeP
- relocation to new offices.

Fraud

We have internal controls in place to mitigate against risk in relation to fraud, corruption and wrong-doing. No instances of this nature were detected or reported during the year.

Overall assessment

In my opinion, I am able to provide a moderate assurance as the strengths in the control, governance, risk and information management systems in place outweigh weaknesses. Although there is a need for improvement in some areas, systems generally operate effectively.

Alan Clamp
Chief Executive and Accounting Officer
Security Industry Authority
11 October 2018

Remuneration and staff report

Executive

The remuneration of our directors is based on a strategy that takes account of the Senior Civil Service pay bands together with the Senior Salaries Review Body Report. Pay awards are performance related; the Chief Executive makes recommendations on the awards for directors, which are considered by the Human Resources and 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 Chair recommends the pay award of the Chief Executive which is submitted to Ministers for approval.

Remuneration

The role of the Human Resources and Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for us and the remuneration of our directors. The committee also provides advice to the Chair on the pay of the Chief Executive. The committee meets at least three times a year. The Human Resources and Remuneration Committee comprised three independent non-executive Board members: Professor Sir Desmond Rea (Chair), Sir Ian Johnston and Bill Matthews. The Chief Executive and Executive Director of Corporate Services attend the meeting as executives.

Salary payments to directors

(Audited information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of our highest paid director in the financial year 2017/18 was £140k–£145k (2016/17: £135k–£140k). This was 4.2 times (2016/17: 4.3 times) the median remuneration of the workforce, which was £32,586 (2016/17: £31,778). No other staff member was paid more than the highest paid director.

Remuneration ranged from £25k–£30k to £140–£145k (2016/17: £25k–£30k to £135–£140k).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	Salary (£'000)		Performance payment (£'000)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Dr Alan Clamp Chief Executive	130–135	125–130	5–10	5–10	47,000	50,000	185–190	180–185
Dave Humphries Director of Partnerships & Interventions	95–100	95–100	–	–	2,000	20,000	100–105	115–120
Stephen McCormick Director of Operations	95–100	100–105	–	–	22,000	26,000	120–125	125–130
Dianne Tranmer Director of Corporate Services	95–100	95–100	–	–	30,000	38,000	125–130	130–135
Band of highest paid director's total remuneration	140–145	135–140						

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances, recruitment and retention allowances; private office allowances and any other allowance to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the organisation and treated by HMRC as a taxable emolument.

Board members are reimbursed for travel and accommodation costs associated with attendance at meetings and other duties in their role. Where such costs include travel from home to the SIA's office they are taxable as a benefit in kind. There were no benefits in kind for the executive directors; however, 'home to office' expenses reimbursed to non-executive directors constituted a benefit in kind of £1.2k for the year ending 31 March 2018.

Performance payments

Performance payments are based on performance levels attained and are made as a result of the performance appraisal process. They relate to the performance in the year in which they become payable to the individual. The payments reported in 2017/18 relate to performance in 2016/17 and the comparative payments reported for 2016/17 relate to the performance in 2015/16.

The Non-executive Board

(Audited information)

The remuneration of the Board in the period ending 31 March 2018 is shown in the table below.

	Salary (£'000)		Benefits in kind* (to nearest £100)	
	2017/18	2016/17	2017/18	2016/17
	£'000*	£'000*	£*	£*
Elizabeth France (Chair)	50–55	50 – 55	–	3,100
Bill Matthews (to Jan 2018)	10–15 (15 – 20 FTE)	15 – 20	400	400
Sir William Ian Johnston	5–10	5 – 10	–	–
Ian McKay (from Jan 2018)	0–5 (15–20 FTE)	–	–	–
Professor Sir Desmond Rea	5–10	5 – 10	400	600
Geoffrey Zeidler	5–10	5 – 10	400	400
David Horncastle	5–10	5 – 10	–	–

* The 2017/18 and 2016/17 benefits in kind figures relate to all travel and subsistence incurred on journeys to London.

Pension benefits

(Audited information)

	Accrued pension at 31/3/18 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/18	CETV at 31/3/17	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Dr Alan Clamp Chief Executive	15–20	2.5–5	251	208	10	23	N/A
Dave Humphries Director of Partnerships and Interventions	40–45 plus 120–125 lump sum	0–2.5 plus a lump sum of 0–2.5	909	851	7	2	N/A
Stephen McCormick Director of Operations	25–30	0–2.5	529	474	7	20	N/A
Dianne Tranmer Director of Corporate Services	25–30	0–2.5	377	340	7	12	N/A

The non-executive directors do not receive pension benefits from the SIA.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha some time before 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members who joined after October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). For 2017/18, employers' contributions of £1,568k were payable to the PCSPS (2016/17: £1,445k).

Employee contributions are salary related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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' initial 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, members build up a pension based on their 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 the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.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 member 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 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.

Staff report

(Audited information)

Staff costs comprise:

	2017/18			2016/17		
	Permanent staff	Other staff	Total	Permanent staff	Other staff	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	8,575	660	9,235	7,904	1,676	9,580
Social security costs	881	8	889	822	8	830
Other pension costs	1,568	–	1,568	1,445	–	1,445
Redundancy costs	–	–	–	154	82	236
Total costs	11,024	668	11,692	10,325	1,766	12,091

Consultancy costs

Expenditure on consultancy in 2017/18 was £332,000 (2016/17: £81,000). External consultants were commissioned in year to review the ACS, licence demand forecasting, management information and KPIs.

Trade union facility time

Two employees, who were relevant trade union officials during 2017/18, spent 87.25 hours of facility time at a total cost of £2,076, representing 0.02% of the total pay bill.

Number of employees who were relevant union officials during 2018/19	Full-time equivalent employee number
2	2

Percentage of time spent on facility time	Number of employees
0%	-
1-50%	2
51-99%	-
100%	-

Total cost of facility time	£2,076
Total pay bill	£11,691,303
% of pay bill spent on facility time	0.02%

Pension

Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservice-pensions.gov.uk. The PCSPS is now closed to new members.

Civil Servants and Other Pension Scheme

The Civil Servants and Others Pension Scheme, known as alpha, is a new unfunded, defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The alpha scheme started on 1 April 2015. Many PCSPS members transferred into alpha on that date, while others will transfer into it over the next few years. Those members who were less than ten years from retirement on 1 April 2012 are not required to move to alpha.

Further information on the PCSPS is included within the remuneration report.

Average number of persons employed

(Audited information)

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

	2017/18			2016/17		
	Permanent	Other	Total	Permanent	Other	Total
Directly employed	224	–	224	205	6	211
Other	–	6	6	–	11	11
Total	224	6	230	205	17	222

Staff composition at March 2018

(Audited information)

	2017/18		
	Female	Male	Total
Other employees	113	117	230
Senior Civil Servant or equivalent	1	3	4
Board	1	5	6
	115	125	240

Reporting of Civil Service and other compensation schemes – exit packages

(Audited information)

Exit package cost band	2017/18			2016/17		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	–	–	–	53	53
£10,000 – £25,000	–	–	–	–	8	8
£25,000 – £50,000	–	–	–	–	2	2
£50,000 – £100,000	–	–	–	–	1	1
£100,000 – £150,000	–	–	–	–	–	–
£150,000 – £200,000	–	–	–	–	–	–
Total number of exit packages	–	–	–	–	64	64
Total resource cost (£)	–	–	–	–	659k	659k

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirements costs are met by the pension scheme and are not included in the table.

Payment to auditors

The audit fee for 2017/18, payable to the National Audit Office has been set at £40k (2016/17: £33k). No other payments were made to the National Audit Office for non-audit services during the year.

Staff sickness and absence

During the 2017/18 financial year, employees have taken an average of six days of sickness absence, an improvement upon last year's average figure of nine days per employee for the financial year 2016/17. Our target for the year is no more than eight days sickness per employee per annum.

While our management of sickness absence has led to a reduction in the overall number of days lost, we are continuing to work with our occupational health provider to support those on sick leave and with health conditions. We have updated our health management policy and are reducing paid sick leave entitlements for new hires. We are about to launch workshops for managers on implementing the updated health management policy and managing staff with enduring health conditions.

Parliamentary accountability disclosures

(Audited information)

Losses and special payments

There have been no losses or special payments in the year (2016/17 nil).

Fees and charges 2017/18

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing income	29,745	(22,971)	6,774	129	100
ACS income	2,219	(2,343)	(124)	95	100
Total	31,964	(25,314)	6,650		

Fees and charges 2016/17

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing income	22,745	(20,632)	2,113	110	100
ACS income	2,094	(2,289)	(195)	91	100
Total	24,839	(22,921)	1,918		

Notes:

Licensing income is the application fee for an individual SIA licence. Individuals working in specific sectors of the private security industry are required by law to hold an SIA licence.

Demand for licences was higher than expected leading to higher fee recovery than planned or achieved in the prior year.

ACS income is the registration and application fees for companies joining the voluntary scheme for providers of security services. Companies which satisfactorily meet the agreed standards may be registered as approved and advertise themselves as such.

Remote contingent liabilities

We had no remote contingent liabilities as at 31 March 2018 (2016/17: nil).

Alan Clamp
Chief Executive and Accounting Officer
Security Industry Authority
11 October 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2018 under the Private Security Industry Act 2001. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Act 2001 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Security Industry Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Security Industry Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Security Industry Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State's directions made under the Private Security Act 2001 with the approval of HM Treasury; and
- in the light of the knowledge and understanding of the Security Industry and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

12 October 2018

The financial statements

Statement of comprehensive net income for the year ended 31 March 2018

		2017/18	2016/17
	Note	£'000	£'000
Income			
Income from activities	4	31,964	24,839
Other income			
Other income from activities	4	59	2,287
Court costs recovered	4	50	116
Total operating income		32,073	27,242
Expenditure			
Staff costs	2	(11,692)	(12,091)
Depreciation	5	(195)	(182)
Amortisation	6	(1,967)	(1,347)
Other expenditure	3	(11,460)	(9,940)
Total operating expenditure		(25,314)	(23,560)
Net income before tax and interest		6,759	3,682
Interest receivable		21	5
Corporation tax		(4)	(1)
Net income after tax and interest		6,776	3,686
Other comprehensive net expenditure			
Net gain on revaluation of intangible assets		150	0
Comprehensive net income for the year		6,926	3,686

The notes on pages 44 to 56 form part of these accounts.

All income and expenditure relates to continuing operations.

Statement of financial position as at 31 March 2018

	Note	2017/18		2016/17	
		£'000		£'000	
Non-current assets					
Property, plant and equipment	5	474		351	
Intangible assets	6	6,524		8,137	
Trade and other receivables	8	0		986	
Total non-current assets			6,998		9,474
Current assets					
Trade and other receivables	8	1,442		1,749	
Cash and cash equivalents	9	19,217		9,148	
Total current assets			20,659		10,897
Total assets			27,657		20,371
Current liabilities					
Trade and other payables	10	(3,380)		(2,840)	
Provisions	11	(378)		(558)	
Total current liabilities			(3,758)		(3,398)
Total assets less current liabilities			23,899		16,973
Total assets less total liabilities					
			23,899		16,973
Taxpayers' equity					
Revaluation reserve			150		0
General reserve			23,749		16,973
Total equity			23,899		16,973

The notes on pages 44 to 56 form part of these accounts.

Alan Clamp
 Chief Executive and Accounting Officer
 Security Industry Authority
 11 October 2018

Statement of cash flows for the year ended 31 March 2018

	Note	2017/18	2016/17
Cash flows from operating activities		£'000	£'000
Net income before tax and interest		6,759	3,682
Adjustments for non-cash transactions			
Amortisation	6	1,967	1,347
Depreciation	5	195	182
Increase in provisions	11	0	540
(Decrease) in provisions	11	(180)	(431)
Impairment		0	276
Changes in working capital			
Decrease/(increase) in trade and other receivables	8	1,293	(705)
Increase/(decrease) in trade and other payables	10	540	(253)
Corporation tax paid		(4)	(1)
Net cash inflow from operating activities		10,570	4,637
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(318)	(150)
Purchase of intangible assets	6	(204)	(2,063)
Interest received		21	5
Net cash outflow from investing activities		(501)	(2,208)
Cash flows from financing activities			
Capital grant		0	0
Net cash inflow from financing activities		0	0
Net increase in cash and cash equivalents in the period		10,069	2,429
Cash and cash equivalents at the beginning of the year	9	9,148	6,719
Cash and cash equivalents at the end of the year	9	19,217	9,148

The notes on pages 44 to 56 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2018

	Revaluation reserve	General reserve	Taxpayers' equity
	£'000	£'000	£'000
Balance at 31 March 2016	0	13,287	13,287
Changes in taxpayers' equity 2016-17			
Net income after tax and interest		3,686	3,686
Net gain on revaluation of STeP		0	0
Balance at 31 March 2017		<u>16,973</u>	<u>16,973</u>
Changes in taxpayers' equity 2017-18			
Net income after tax and interest		6,776	6,776
Net gain on revaluation of STeP	150	0	150
Balance at 31 March 2018	<u>150</u>	<u>23,749</u>	<u>23,899</u>

The notes on pages 44 to 56 form part of these accounts.

Notes

1. Accounting policies, key accounting estimates and judgements

1.1 Statement of accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the Government Financial Reporting Manual (FRoM) issued by HM Treasury.

The accounting policies adopted by the SIA are described below. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the SIA for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the financial statements.

1.2. Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets. The accounts have been prepared under the direction issued by the Secretary of State under the Private Security Industry Act 2001.

1.3. Significant estimates and judgements

Some judgement was required for the dilapidations provision which represents the sum required to reinstate the High Holborn premises to a state required under the lease following HQ relocation in June 2018. The provision was based on industry standard and the floor space occupied by the SIA.

In prior years, due to the basis of the contract with British Telecommunications PLC, some judgement was taken on the valuation of the STeP asset, based on milestone payments, information from BT and the programme team.

1.4. Impending application of newly issued accounting standards not yet effective

SIA discloses wherever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the financial statements. There are a number of standards which are not yet effective. These include IFRS 9 "Financial Instruments" (effective 2018), which reduces the accounting options available for types of financial instruments; IFRS 15 "Revenue from Contracts with Customers" (effective 2018), which provides more guidance on recognition of revenue; and IFRS 16 "Leases" (effective 2019), which requires all significant leases to be recognised as a financing lease and included in the Statement of Financial Position.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. This was formally adopted by the EU in October 2016 and HM Treasury have confirmed that IFRS 15 will apply as interpreted within the Financial Reporting Manual from 2018–19.

Given the nature of SIA income, IFRS 15 is not expected to have a material impact on the financial statements as SIA considers completeness of performance obligations per IFRS aligns with our existing treatment under IAS 18, as set out in 1.11

1.5. Going concern

The SIA's financial statements have been prepared on a going concern basis.

The Triennial Review of SIA published in June 2018 reaffirmed the continuing need for SIA to regulate the Private Security Industry.

1.6. Financing

SIA covers its expenditure by charging fees for licensing and ACS registration.

Accounting policies for expenditure

1.7. Pensions

a) Principal Civil Service Pension Scheme (PCSPS):

The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

b) Civil Servants and Others Pension Scheme (CSOPS):

CSOPS known as Alpha is a new unfunded, defined benefit scheme which started on 1 April 2015. The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS.

1.8. 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.

1.9. Value Added Tax on purchases

The SIA is not registered for VAT for its statutory functions but is registered for VAT in respect of certain ancillary activities. The amounts involved are immaterial.

1.10. Corporation tax

The SIA is liable for corporation tax at 20% on interest received on investment income, this relates to the bank interest.

Accounting policies for income

1.11. Licence fee income

Income is recognised at the point when payment is made for an application. At this point, the fee paid becomes non-refundable as the SIA is committed to paying third party providers 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 in licensing income.

1.12. 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 the payment is made for an application and is non-refundable.

Annual registration income is charged to the Statement of Comprehensive Net Income on a straight line basis over the period covered by the registration.

Accounting policies for assets and liabilities

1.13. 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 property, plant and equipment assets for 2017/18 because it is deemed immaterial and the depreciated historic cost basis is considered as a proxy for fair value for assets that have short useful lives.

1.14. Intangible assets

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.

STeP is reviewed annually for impairment and is revalued on the basis of depreciated replacement cost using published indices.

Any revaluation surplus is credited to the Revaluation Reserve.

1.15. 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 (to June 2018)
Furniture	five years
IT hardware	three to five years
Software licences	three years
Approved Contractor Scheme (ACS)	ACS (fully amortised at February 2010)
STeP system	five years

1.16. Deferred income

The SIA will defer ACS income where:-

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.

1.17. Provision for bad debt

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 and a provision is made for debt which has been outstanding for more than 12 months.

1.18. Provisions

In accordance with IAS 37, provisions are disclosed in the statement of financial position for legal and constructive obligations in existence at the end of the reporting period if the payment amount to settle the obligation is probable and can be reliably estimated. The amount recognised in provisions takes in to account the resources required to cover future payment obligations. Measurement is based on the settlement amount with the highest probability.

2. Staff Costs

Staff costs comprise:

	2017/18			2016/17		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	8,575	660	9,235	7,904	1,676	9,580
Social security costs	881	8	889	822	8	830
Other pension costs	1,568	0	1,568	1,445	0	1,445
Redundancy costs	0	0	0	154	82	236
Total staff costs	11,024	668	11,692	10,325	1,766	12,091

Further staff disclosures can be found in the Staff Report section of the Annual Report.

3. Other expenditure

	Note	2017/18	2016/17
		£'000	£'000
Running costs			
Licensing costs		6,703	5,173
Accommodation costs		1,192	1,308
Travel and subsistence		524	645
Information technology		872	486
Office supplies and services		716	532
Legal costs		32	69
Training		365	196
Advertising and publicity		168	88
Recruitment		135	205
Audit fee – internal		48	60
Audit fee – external		40	33
Catering		4	4
Financial costs		5	78
Consultancy		332	81
Home Office recharge		308	174
Non cash items			
Impairment		0	252
Increase in provisions	8		540
(Decrease) in provisions	11	(180)	
Bad and doubtful debts		196	16
		11,460	9,940
Amortisation		1,967	1,347
Depreciation		195	182

External audit fees for 2017/18 do not include any non-audit work undertaken by the NAO (2016-17 Nil).

4. Income

	2017/18	2016/17
	£'000	£'000
Operating income		
Licensing	29,745	22,745
Approved Contractors Scheme (ACS)	2,219	2,094
Income from activities	31,964	24,839
Other income		
Other income from activities	59	2,287
Court costs recovered	50	116
Total operating income	32,073	27,242

Other income from activities in 2016/17 included £1.972m from the contractor as compensation for delay in the implementation of the STeP system.

5. Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Information technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	484	283	747	1,514
Additions			318	318
Disposals	0	0		0
At 31 March 2018	484	283	1,065	1,832

Depreciation				
At 1 April 2017	441	221	501	1,163
Charged in year	43	54	98	195
Disposals	0	0		0
At 31 March 2018	484	275	599	1,358

Net book value at 31 March 2018	0	8	466	474
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Net book value at 31 March 2017	43	62	246	351
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Asset financing				
Owned	0	8	466	474
Net book value at 31 March 2018	0	8	466	474

5. Property, plant and equipment (continued)

	Leasehold improvements	Furniture and fittings	Information technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2016	484	283	696	1,463
Additions			150	150
Disposals	0	0	(99)	(99)
At 31 March 2017	484	283	747	1,514
Depreciation				
At 1 April 2016	398	167	515	1,080
Charged in year	43	54	85	182
Disposals	0	0	(99)	(99)
At 31 March 2017	441	221	501	1,163
Net book value at 31 March 2017	43	62	246	351
Net book value at 31 March 2016	86	116	181	383
Asset financing				
Owned	43	62	246	351
Net book value at 31 March 2017	43	62	246	351

6. Intangible assets

	Software Licences	STeP	ACS	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	750	9,404	1,075	11,229
Transfer	0	0	0	0
Impairment	0	0	0	0
Additions	73	131	0	204
Revaluations	0	227	0	227
At 31 March 2018	823	9,762	1,075	11,660

Amortisation				
At 1 April 2017	704	1,313	1,075	3,092
Charged in year	42	1,925	0	1,967
Revaluations	0	77	0	77
At 31 March 2018	746	3,315	1,075	5,136

Net book value at 31 March 2018	77	6,447	0	6,524
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Asset financing:				
Owned	77	6,447	0	6,524
Finance leased	0	0	0	0
On balance sheet PFI contracts	0	0	0	0
Net book value at 31 March 2018	77	6,447	0	6,524

6. Intangible assets (continued)

	Software licences	STeP	ACS	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2016	807	0	1,075	1,882
Transfer	0	8,346	0	8,346
Impairment	0	(252)	0	(252)
Additions	24	1,309	0	1,333
Disposals	(83)	0	0	(83)
At 31 March 2017	748	9,403	1,075	11,226
Amortisation				
At 1 April 2016	750	0	1,075	1,825
Charged in year	34	1,313	0	1,347
Disposals	(83)	0	0	(83)
At 31 March 2017	701	1,313	1,075	3,089
Net book value at 31 March 2017	47	8,090	0	8,137
Asset financing:				
Owned	47	8,090	0	8,137
Finance leased	0	0	0	0
On balance sheet PFI contracts	0	0	0	0
Net book value at 31 March 2017	47	8,090	0	8,137

7. 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 a non-public sector body. 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.

Financial instruments only relate to contracts to buy non-financial items in line with the SIA's expected purchase requirements.

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. 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 any foreign exchange risk.

Credit risk

The SIA is not exposed to significant credit risk, other than the bad debt provision that is identified in note 1.17.

8. Trade receivables and other current assets

	2017/18	2016/17
	£'000	£'000
Amounts falling due within one year		
Trade receivables	1,020	1,040
Other receivables	70	32
Court debts	415	387
Prepayments and accrued income	251	402
	1,756	1,861
Less provision for bad debts	(314)	(112)
	1,442	1,749
Amounts falling due after one year	0	986

The balance falling due after one year in 2016/17 was an agreed sum from the contractor to compensate for delay in implementation of the new STeP system.

9. Cash and cash equivalents

	2017/18	2017/18
	£'000	£'000
Balance at 1 April 2017	9,148	6,719
Net change in cash and cash equivalent balances	10,069	2,429
Balance at 31 March 2018	19,217	9,148
The following balances at 31 March 2018 were held at		
Commercial banks and cash in hand	19,217	9,148

10. Trade payables and other current liabilities

	2017/18	2016/17
	£'000	£'000
Amounts falling due within one year		
Other taxation & social security	249	261
Trade payables	839	473
Other payables	15	32
Accruals & deferred Income	2,277	2,074
	3,380	2,840
Amounts falling due after more than one year	0	0

11. Provisions for liabilities and charges

	Dilapidation	TUPE	Total
	£'000	£'000	£'000
Balance at 1 April 2017	558	0	558
Provided in the year	0	0	0
Provisions utilised in the year	0	0	0
Provisions written back as not required	(180)	0	(180)
Balance at 31 March 2018	378	0	378
Balance at 1 April 2016	18	431	449
Provided in the year	540	0	540
Provisions utilised in the year	0	(431)	(431)
Balance at 31 March 2017	558	0	558

Dilapidation

The SIA makes provision to cover its obligations for the reinstatement of its leasehold buildings to their original state before its occupation. The provision was reduced to reflect the best estimate available of the liability at 31 March 2018, based on a deed of settlement figure received from the lessor.

12. Capital commitments

SIA had no capital commitments at 31 March 2018 (2016/17 – £2m).

13. Commitments under leases

13.1 Operating leases

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

	2017/18	2016/17
	£'000	£'000
Obligations under operating leases comprise		
Buildings		
Not later than one year	761	574
Later than one year and not later than five years	2,085	0
Later than five years	4,811	0
	<u>7,657</u>	<u>574</u>
Office equipment		
Not later than one year	5	11
Later than one year and not later than five years	1	6
	<u>6</u>	<u>17</u>

13.2 Finance leases

The SIA does not have any finance leases.

14. Contingent liabilities disclosed under IAS 37

The SIA had no contingent liabilities as at 31 March 2018. (2016/17 – Nil).

15. Related-party transactions

SIA has had transactions during the period with the following government bodies, and all transactions were conducted at arms length:-

- Disclosure and Barring Service
- Disclosure Scotland
- The Home Office (includes a recharge)

Geoff Zeidler is a director of Kings Security Systems Ltd which is an ACS registered company. During 2017/18 the SIA recognised £4,185 ACS fees from Kings Security Systems Limited (£4,170 2016/17).

No board member, key manager or other related parties has undertaken any material transactions with the SIA during the year. The Remuneration report provides information on key management compensation.

16. Events after the reporting period

There have been no events after the reporting date that are required to be disclosed.

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

