UK Border Agency

Annual Report and Accounts

2009 – 10

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Home Office
UK Border Agency

Annual Report and Accounts

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For the year ended 31 March 2010

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1. MANAGEMENT COMMENTARY

HISTORY

1.1 The UK Border Agency, an executive agency of the Home Office, came into existence on 1 April 2009. The agency brings together the work previously carried out by the Border and Immigration Agency, UK Visa Services and, following Royal Assent to the Borders, Citizenship and Immigration Act in July 2009, customs detection work at the border from Her Majesty's Revenue and Customs (HMRC).

1.2 The creation of the UK Border Agency therefore established a single immigration and customs detection force at the border.

GOVERNANCE

1.3 The agency reports jointly to the Home Secretary and the Chancellor of the Exchequer.

1.4 Phil Woolas MP was the Home Office minister of state with responsibility for immigration in the year to 31 March 2010. Following the general election on 6 May and the subsequent change of government, Damian Green MP is minister of state for immigration. He is the lead minister for all the work of the agency.

1.5 Strategic direction is set by the UK Border Agency Board, which includes me as Chief Executive, the Deputy Chief Executive, and a Director from each of the five operational and the two corporate service Groups. The board is supported by non executive directors including senior officials from the Foreign and Commonwealth Office (FCO), HMRC and a senior police officer representing key operational partners. The corporate governance arrangements are set out in greater detail in the Statement on Internal Control 2009/10, at section 3 below.

1.6 The full details of the Board in place for the financial year 2009/10 are set out in the Remuneration Report for the period ending 31 March 2010, at section 4 below. The details of company directorships and other significant interests held by agency board members are held by the Home Office which seeks bi-annual updates on any potential conflicts of interest. The information is held in a central register. While it is not accessible to the public, it is available for internal inspection.

1.7 The agency submits its work to independent scrutiny, to help secure public confidence in the agency. The Independent Chief Inspector of the UK Border Agency, the HM Inspector of Constabulary, the HM Inspector of Prisons, the Independent Police Complaints Commission, the Office of the Surveillance Commissioner and the Interception of Communication Commissioner's Office all have relevant roles in inspecting what we do. The agency works collaboratively with all of them to respond constructively to their reports and to improve our performance by disseminating and incorporating the lessons learned from their inspections.

LEGAL

1.8 The Immigration Act 1971 is the foundation of the current legal framework. Subsequent legislation has provided vital additions and strengthening measures to respond to changes over the past 40 years. The relevant Acts are:

- Immigration (Carrier's Liability) Act 1987
- Immigration Act 1988
- Asylum and Immigration Appeals Act 1993
- Asylum and Immigration Act 1996
- Special Immigration Appeals Commission Act 1997
- Immigration and Asylum Act 1999
- Nationality, Immigration and Asylum Act 2002
- Asylum and Immigration (Treatment of Claimants, etc) Act 2004
- Immigration, Asylum and Nationality Act 2006
- UK Borders Act 2007
- Border, Citizenship and Immigration Act 2009

ACTIVITIES

1.9 The agency prevents drugs, weapons, terrorists, criminals and would-be illegal immigrants reaching the United Kingdom (UK). It decides on the eligibility of foreign nationals to stay in the UK and enforces immigration law within the UK. At the same time the agency facilitates legitimate travel and trade, helping to protect UK revenue. Overseas, at the border and inland, the agency uses intelligence, technology, a skilled workforce, and a range of UK and international partners to deliver its objectives.

1.10 In 2009/10, the agency operated with three strategic objectives:

1. To protect our borders and our national interests
2. To tackle border tax fraud, smuggling and immigration crime
3. To implement fast and fair decisions

Objective 1: To protect our borders and our national interests

1.11 The agency operates in 135 countries to provide a frontline border control before people ever reach the UK. Over 75% of the world's population require a visa to come to the UK, and all business people, workers and students staying longer than six months in the UK need a visa, regardless of their nationality.

1.12 Overseas, all visa applicants are checked against security, criminal and immigration watch lists. The e Borders system allows the agency to vet passengers and crew bound for the UK before they arrive. The Risk and Liaison Overseas Network (RALON) works internationally with the transport industry and overseas law enforcement agencies to gather intelligence disrupt criminal groups and ensure that illicit goods and people without adequate documentation do not reach the UK.

1.13 At UK ports and airports agency officers, aided by technology, check the identity of new arrivals and confirm their eligibility to enter the UK.

1.14 Intelligence and risk analysis underpins all border and visa operations. The agency is constantly enhancing its watch lists through sharing data internationally and through closer liaison with UK and overseas law enforcement and security agencies.

1.15 Actions during 2009/10 included:

- beginning the verification of biometric visas at the UK border
- tracking around a half (45 - 50%) of passenger journeys through e Borders
- making over 1,200 individual seizures of Class A drugs totalling 3,000 kg
- reducing asylum intake to 20,220 applications, excluding dependents, in 2009/10 from 27,670 in 2008/09

Objective 2: To tackle border tax fraud, smuggling and immigration crime

1.16 The agency deals with fraud, smuggling and immigration crime to ensure that the UK's border and national interests are protected. This includes taking action overseas, at the border and across the UK.

1.17 The full transfer of customs powers, detection staff and physical assets from HMRC took place during the summer of 2009, allowing the agency to examine both people and goods as they cross the border. By preventing and tackling the smuggling of alcohol, tobacco, counterfeit goods and animal products, the agency helps to protect tax revenue, UK businesses and public health and safety.

1.18 Within the UK, the agency protects local communities by targeting foreign criminals for removal from the UK. Immigration rules are enforced through the use of information and intelligence, delivered through Local Immigration Teams working with Immigration Crime Partnerships (ICPs). ICPs operate jointly with the police, targeting people traffickers and other immigration criminals.

1.19 The agency also seizes criminal assets obtained from the proceeds of crime and reports tax and national insurance fraud to enforcement colleagues across government for their action.

1.20 Actions during 2009/10 included:

- increasing enforced removals and voluntary departures from 34,945 in 2008/09 to 37,745 in 2009/10. In addition there were 26,205 removals at ports and juxtaposed controls (31,720 in 2008/09)
- increasing the proportion of "higher harm" enforced and voluntary removals from 22 per cent in 2007/08 to 29 per cent
- seizing 541 million smuggled cigarettes

Objective 3: To implement fast and fair decisions

1.21 Making decisions on applications to travel to or stay in the UK is at the heart of the UK Border Agency's business.

1.22 Despite its focus on protecting the UK from harmful people and goods, the agency also facilitates the smooth passage of legitimate travel and trade which benefits the UK economy. The majority of the over 200 million travellers and 3 million applicants who come into contact with the agency each year are legitimate and comply with the rules.

1.23 Overseas, the agency issues visas to visitors, students, migrants and other people who wish to come to the UK. Within the UK it determines whether those already here are entitled to continue working, studying or to become citizens.

1.24 A Customer Strategy sets out the services and standards that the agency will deliver for customers. Speedy and effective help for legitimate tourism and trade benefits the UK economy, and allows our resources to be focused on public protection.

1.25 Instability in some regions overseas means a continuing need to protect people at risk of persecution. Through the Gateway Protection Programme we are resettling some of the world's most vulnerable people. We seek to provide swift protection to those in need of our help, but not every asylum applicant qualifies as a refugee.

1.26 Actions during 2009/10 included:

- processing nearly 2.5 million visa applications, of which just over 2 million resulted in a visa being issued
- reducing the number of vacancies in shortage occupations from 14,295 in 2007 to 12,811
- introducing automated gates at 10 sites around the UK for EEA citizens holding biometric passports
- concluding 61 per cent of asylum applications within six months

RELATIONSHIPS WITH KEY PARTNERS AND ORGANISATIONS

1.27 The agency works closely with partners and other interested organisations who are key to the delivery of the agency's business to: design policies and services that better meet the needs of customers and the public; deliver services with or through partners; and inform customers and the public, especially those we find it challenging to engage with directly. Our partners are those groups, organisations or representatives who reflect the interests and views of those affected by (or wishing to influence) our activities. We interact with a diverse range of organisations from different sectors of society including:

- national organisations representing for example arts, business, education sector and the aviation industry
- local authorities, port authorities and police in each of our regions
- international stakeholders such as the United Nations' High Commissioner for Refugees
- voluntary organisations in providing advice and support to asylum seekers.

RISK

1.28 Risks are assessed, managed and reported at strategic, regional and local level, and at programme and project level. Over-arching threats to the delivery of the agency's objectives are tracked and managed on a corporate risk register. The agency board formally reviews this risk register on a quarterly basis, and subjects the individual risks that it contains to more detailed scrutiny as part of its monthly risk reviews. Further information on the agency's capacity to handle risk, and its risk and control framework, is provided in the Statement on Internal Control 2009/10 at section 3 below.

Information Management

1.29 The agency continues to work with the Home Office to implement the recommendations in the Hannigan Report for improving data handling procedures across government, and has recently secured compliance with Level 2 of the Cabinet Office's Information Assurance Maturity Model.

1.30 However, for operational and resource reasons, it is unable to comply fully with the recommendations in the Hannigan Report that relate to case file storage, and to the encryption of personal data that is emailed outside of the Government Secure Intranet (GSI). To address this, variation notices have been signed by the agency's Senior Information Risk Owner (SIRO) and have been reviewed by the Home Office SIRO, and alternative information-protection measures have been taken.

1.31 There have been no significant instances of data loss in 2009/10. The Statement on Internal Control 2009/10, at section 3 below, provides information about other issues that have arisen and the remedial action taken.

PEOPLE

Staff Numbers

1.32 The average number of full-time equivalents employed during the year was 23,652 (2008/09 24,311) including external employment agency and temporary staff totalling 695 (2008/09 508). The year 2009/10 was a period of consolidation for the agency. The inward transfer of functions from the FCO and HMRC increased the agency's overall numbers, but the core of former Border and Immigration Agency staff (and outside employment agency workers) nevertheless saw further efficiencies made. In 2010/11 the agency plans to achieve further workforce efficiencies.

Getting the Best from our People

1.33 The agency's staff are highly committed to their role of protecting the public. As an employer we aim to support them by equipping them with the skills and tools to deliver for the public. To help us assess the effectiveness and professionalism of our people objectively, we are accredited by Investors in People.

1.34 We are fully committed to the Home Office Three-Year Diversity Strategy, published in May 2007, and are working to embed the Strategy in our day-to-day business. The Diversity Strategy and Equality Scheme will be revised during 2010 to cover the seven protected characteristics (race, disability, gender, gender identity, sexual orientation, age and faith or belief) and, specifically, to address the public sector duty as set out in the Equality Act 2010.

1.35 As at March 2010:

- 26.49% of staff declared they were black and minority ethnic
- 5.98% of staff declared they had a disability
- 51.02% of staff were female
- 17.97% of staff worked part time

1.36 Building on the success of the Leadership and Management Development Programme the agency will continue to improve the capability and professionalism of leaders and managers in the agency through effective leadership and management development firmly rooted in the experience of real work. In the coming years, the agency will increase the skills of our staff and managers.

1.37 In 2009/10, the agency worked to develop a Capability Planning process to help the business understand its current capabilities and plan to address any capability shortfalls. This has been well received in pilot areas and we aim to roll it out further across the agency. We are also looking to work with the Home Office and other agencies to promote this approach with the aim of it being used more widely.

Communication and Consultation

1.38 The agency is committed to engaging with its workforce. There are four recognised Trade Unions and facility time is provided to allow employee representatives to take part in industrial relations duties. Alongside this, the agency has specific bodies for consulting minority groups. These include: The Network, covering members of staff from black and minority ethnic communities; The Home Office Disability Support Network, representing staff with disabilities; Spectrum, for lesbian, gay, bisexual, and transgender members of staff; and a:gender, for staff who have changed or need to change permanently their perceived gender, or who identify as intersex. The agency provides resources for these and other representative bodies.

1.39 In addition, the agency has a variety of communication channels in place to deliver information on organisation and business developments to staff, and to provide an opportunity for feedback. The channels used range from timely electronic communications to face-to-face briefings.

Sickness Absence

1.40 The agency has a target to reduce sick absence by 1 day per employee each year. The target has not been achieved in 2009/10 but remains a priority. There has been a reduction from 9.72 to 9.16 sick absence days per full-time equivalent in the 12 months up to March 2010.

RESOURCES

Funding

1.41 In 2009/10 the agency's total spend was £2,480 million resource and £191 million capital. The resource budget was funded by:

- £1,726 million of taxpayer funding (a reduction of £73 million compared with 2008/09)
- £753 million of income from fees paid by foreigners wishing to visit, work, study or settle in the UK as well as individuals applying to become British Citizens (an increase of £115 million compared to 2008/09)

1.42 In addition the agency raises fines from civil penalties on employers and hauliers for infringements of immigration law as well as penalty charges on carriers who bring inadequately documented passengers to the UK. This together with other smaller amounts resulted in £34 million of income being surrendered to the Consolidated Fund in 2009/10 (2008/09; £32 million).

1.43 The fees from migrant applicants recover the cost of considering applications and raise additional revenue needed to fund enforcement and other improvements to the immigration system. All fees are set within strict financial limits agreed with Her Majesty's Treasury (HMT) and Parliament.

1.44 In 2009/10 the agency increased its investment in: a programme to conclude 450,000 legacy asylum cases; its visa operations, establishing new visa requirements (in South Africa and Venezuela in particular); the modernisation of its border controls and immigration case-working operations; the roll-out of biometric residence permits; the resources devoted to dealing with time-served foreign national prisoners; and the expansion of capacity at Immigration Removal Centres with the opening of Brook House.

1.45 The agency achieved this while keeping total spending broadly constant in real terms by delivering £101 million of cashable efficiencies on its operating costs.

1.46 In 2010/11, we are targeting further savings of £203 million, including £133 million in operating costs. This will be achieved through streamlining corporate services, rationalising IT and estates infrastructure (e.g. consolidation of the agency's estate in Croydon), as well as improved productivity in frontline operations. The remaining £70 million are savings in the cost of providing support to asylum seekers. As part of Spending Review 2010 we are considering savings that can be made for the period 2011/12 to 2014/15.

Non-Current Assets

1.47 The investment in the modernisation of border controls and caseworking systems has generated an increase in the agency's non-current assets up to a Net Book Value (NBV) of £798 million (2008/09; £690 million). The key components were:

- land and buildings, which were £297 million representing 37% (2008/09; £331 million representing 48%)
- e Borders, which was £231 million spread across live assets, assets under construction and intangibles representing 29% (2008/09; £145 million representing 21%)
- IT systems, which comprise the largest part of the balance are reported within note 6 of the accounts as information technology, assets under construction and intangibles in note 7. Transport assets, plant and machinery and furniture and fittings together represent only 5% of the total

1.48 e Borders is a development of a managed outsourced technology service over 10 years. The e Borders solution will deliver data, information, intelligence and risk assessments to relevant government agencies on all individuals seeking to enter or leave the UK, whether at the stage of visa application or as a result of specific travel arrangements being in place. It will also be used to provide intelligence to enhance operational responses to risks posed to UK interests.

1.49 On 22 July 2010 it was announced that a decision has been made to terminate the contract with the prime supplier for the e Borders programme. Raytheon Systems Limited had been awarded a 10 year contract on 14 November 2007 to lead the development of the e Borders system, however the UK Border Agency has decided not to proceed to the end of the contract. This decision will impact on future valuations of assets recorded in the accounts, on future financial and capital commitments and will have cost implications arising from the termination of contracts. The potential future impact of this decision is disclosed in note 25 to the accounts as an event after the reporting period. The UK Border Agency is proceeding with the e Borders programme, and is working to ensure efficient commercial arrangement to support its delivery.

Current assets and current liabilities

1.50 Trade and other receivables increased from £40 million in 2008/09 to £64 million in 2009/10 because of the significant increase in fines and penalties issued to employers for use of illegal workers. The current liabilities increased from £390 million in 2008/09 to £505 million in 2009/10. This is analysed in note 13 of the accounts. The increase in other payables was because the agency owes HMRC over £22 million for services that it is providing following the transfer of the HMRC detection group into the agency. The accruals of £316 million (2008/09; £273 million) now includes capital accruals on e Borders of £68 million (2008/09; £29 million). There is also £37 million due to the Home Office arising from non-retainable income to be surrendered to the Consolidated Fund.

Estate Management

1.51 The agency's estate management strategy focuses on: improving the management of accommodation used by the agency; generating efficiencies and improving value for money by rationalising use of space; reducing energy consumption; and contributing to cross-government sustainability targets. In particular, in 2009/10 the agency completed the programme to rationalise the estate in Sheffield and started programmes to do the same in Croydon and Liverpool.

1.52 The agency takes its responsibilities to the environment seriously. The agency is currently measured annually on fuel and water consumption, the amount of waste produced (together with the proportion recycled) and on driving environmental awareness with suppliers. The Sustainable Development Commission (SDC) indicated that the agency made an “impressive improvement“ in recycling (based on 2008/09 data), with the total amount of waste being recycled increasing from 34.3% to 77.5% and thereby achieving the 2020 target of 70%. There was also a dramatic reduction in carbon dioxide emissions from offices, 23.8% below the baseline and well beyond the 2010/11 target of a 12.5% reduction. There was an improvement in carbon dioxide emissions from road vehicles to 44% below the baseline. In 2010/11, the agency will “Act on CO2” by pledging to further reduce carbon dioxide emissions by 10% in a single year.

Pension Scheme

1.53 Pension benefits are provided through the Civil Service pension arrangements. The details of the benefit schemes available and information on liabilities are included in the Remuneration Report at section 4 below.

Creditor Payment Policy

1.54 The agency, as part of the Home Office, has signed up to the Confederation of British Industry’s (CBI) prompt payment code and BS7890, the British Standard for payment. The contractual terms and conditions of payment required that supplier’s invoices were paid within 26 days of acceptance of relevant goods and services, or from the receipt of a valid invoice if that was later until January 2010, and 10 days since January 2010. The agency’s performance in 2009/10 was 89.9% (78.8% in 2008/09).

Research and Development

1.55 The agency will continue to invest in research that supports key areas of its policy interest, in line with the Home Office Science and Research Business Plan. We will continue to support the development of our statistical systems, including e Borders and Immigration Casework (ICW) in preparation for their delivery of new data streams, in order to produce timely and relevant statistics for both operational purposes and the improvement of national statistics on migration.

PREPARATION OF ACCOUNTS

Basis of Accounts

1.56 The financial statements cover the period from 1 April 2009 to 31 March 2010 and have been prepared in accordance with a direction issued by HMT under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the government’s Financial Reporting Manual (FReM).

1.57 2009/10 was the first full year that the UK Border Agency existed as an executive agency. The majority of the agency was formerly part of the core Home Office and its results were reported within the Home Office Resource Accounts under UK Generally Accepted Accounting Principles (GAAP). The remainder of the agency was formerly part of HMRC’s Detection Unit. The two formally merged on 1 April 2009.

1.58 As an executive agency of the Home Office, the agency’s financial statements are consolidated within the resource accounts produced and published by the Home Office. These are available online on the Home Office website when published. See www.homeoffice.gov.uk.

Audit Arrangements

1.59 The financial statements are audited by the Comptroller and Auditor General of the National Audit Office (NAO) in accordance with the Government Resources and Accounts Act 2000. For the statutory audit carried out on this report and accounts, the agency paid notional fees to the NAO of £235,000. There were no payments for other non-audit work.

Statement on disclosure of information to auditors

1.60 As the agency's Accounting Officer, I can confirm that, so far as I am aware, there is no relevant audit information of which the agency's auditors are unaware, and I have taken all appropriate steps to ensure that I am aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

International Financial Reporting Standards (IFRS)

1.61 The agency's accounts for 2009/10 are prepared using International Financial Reporting Standards (IFRS). The implementation of IFRS has resulted in the following adjustments on the comparative balances which were previously reported under UK GAAP within the core Home Office:

- additional finance leases, previously accounted for as operating leases but now included within non-current assets. This has added to the gross cost of plant, property and equipment (PPE) by some £627 million, and increased the net book value (NBV) of PPE by £100 million as at 31 March 2009
- some assets formerly classified as IT have now been reclassified as intangible assets. The NBV of this transfer was £15 million
- an additional liability for employees who are owed leave, and an additional asset for employees who have taken leave in advance. The net effect on the statement of financial position is to increase liabilities by £33 million as at 31 March 2009
- the contract with ATOS Origin, which provides IT services in infrastructure, development and support, is now included within the PPE balance. This contract was previously accounted for as an off-balance sheet Private Finance Initiative (PFI) contract. This adjustment has increased the agency's PPE balance by £16 million NBV as at 31 March 2009
- land to the value of £44 million as at 31 March 2009 has now been disclosed separately

Financial Instruments

1.62 The agency monitors financial risks to ensure that they are tolerable. The agency's funding is received from the Home Office. As there are no commercial borrowing facilities the agency is not exposed to liquidity risks or interest rate risks. The agency is subject to some credit risk with the carrying amount of receivables, which is net of impairment losses. This represents the agency's maximum exposure to credit risk.

1.63 There is currency risk arising from transactions in currencies other than Sterling. The agency has a number of properties which are rented overseas. These properties are rented in their local currency, and all bills are paid for in the local currency. The agency also receives grants from the European Union (EU), which funds projects carried out by third parties and the agency. The agency does not hedge and bear the currency risk. Further details, including sensitivity analysis showing exposure to currency risks, can be found in note 8 of the accounts on financial instruments.

Lin Homer

Chief Executive

22 July 2010

2. STATEMENT OF ACCOUNTING OFFICER AND CHIEF EXECUTIVE'S RESPONSIBILITIES

2.1 Under the Government Resources and Accounts Act 2000, Her Majesty's Treasury (HMT) has directed the UK Border Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the UK Border Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

2.2 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 HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

2.3 The Accounting Officer of the Home Office has designated the Chief Executive as Accounting Officer of UK Border Agency. 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 UK Border Agency's assets) are set out in the Accounting Officer Memorandum issued by HMT and published in *Managing Public Money* (available at http://www.hm-treasury.gov.uk/psr_mpm_index.htm).

Lin Homer

Chief Executive

22 July 2010

3. STATEMENT ON INTERNAL CONTROL 2009/10

SCOPE OF RESPONSIBILITY

3.1 As Chief Executive of the UK Border Agency and having been designated as Director of Border Revenue following Royal Assent of the Borders, Citizenship and Immigration Act 2009, I have responsibility for maintaining a sound system of internal control that supports the achievement of the agency's policies, aims and objectives, whilst safeguarding public funds and the agency's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

3.2 The UK Border Agency is a delivery agency of the Home Office and 2008/09 was its first year of operation. The agency attained full executive agency status on 1 April 2009, at which point I was appointed as the Accounting Officer, and formally assumed the above-mentioned responsibilities.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

3.3 The UK Border Agency's system of internal control is designed to manage risk to a reasonable level rather than to eliminate it altogether. The system of internal control can therefore only provide high and not absolute assurance of effectiveness.

3.4 It is based on an ongoing process that is designed to identify and prioritise the risks to the achievement of the agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.5 The system of internal control has been in place in the agency for the year to 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Her Majesty's Treasury (HMT) guidance.

CAPACITY TO HANDLE RISK

3.6 Overall responsibility for the management of risk within the agency lies with me as the Chief Executive, but it is shared with all of the agency's Strategic, Regional and Unit-level Directors. The Strategic Director for Resource Management is the Risk Champion on the UK Border Agency Board and he is also the agency's Senior Information Risk Officer (SIRO).

3.7 The agency uses the framework set out in the Home Office Risk Management Policy and accompanying guidance to identify, assess and manage its risks and has supplemented this with a user guide which is available to all staff via the intranet.

3.8 The Risk Review remains a standing item on the agenda of the monthly UK Border Agency Strategic Board meetings. Discussions during the period covered by this statement have included reviews of individual strategic risks and the agency's progress against the HO Risk Management Maturity Model.

3.9 Risk management handling and capability within the agency has continued to improve during the course of 2009/10. It is supported by the Governance and Risk Improvement Team in the corporate centre, and a network of risk leads and managers across the agency.

THE RISK AND CONTROL FRAMEWORK

3.10 The UK Border Agency Board plays a key part in the risk and control framework. It monitors operational and financial performance, risk and major change programmes through a monthly strategic performance report. This forms the basis for discussion internally, with the Home Office Permanent Secretary at monthly Operating Reviews, and with Ministers.

3.11 The board is assisted by:

- the Management Boards of the agency's individual Strategic Director-led business areas
- the UK Border Agency Audit Committee, which provides independent advice to me, board members and Ministers on the adequacy of arrangements for corporate governance, risk management, internal control and performance
- the Joint Approvals Committee which is the agency's investment approvals process for business cases over £1 million and is a sub-committee of the agency board
- the Home Office Audit and Assurance Unit, which completes a risk-based programme of audits annually and provides independent advice to the Audit Committee
- the Senior Information Risk Owner, who provides an assessment of the agency's information risk exposure and provides assurance on this
- local risk forums, such as International Group's Operations Board

3.12 The agency's broader control framework includes:

- governance arrangements with the Foreign and Commonwealth Office (FCO) and Her Majesty's Revenue and Customs (HMRC) which manage the agency's ongoing relationship with these departments, including clear Memoranda of Understanding and Service Level Agreements across a range of operational and support services
- the Framework Agreement with the Home Office and its ongoing review to improve the effectiveness of the monthly Operating Reviews and other sponsor arrangements
- further strengthening of our relationships with, for example, local authorities, the police and the Ministry of Justice which govern key operational partnerships right across the business; and with a number of other Government Departments

3.13 The risk and control framework has been further developed in 2009/10 by:

- the production of the Chief Inspector of the UK Border Agency's first Inspection and Annual Reports
- the continued scrutiny provided by the National Audit Office (NAO) through its audit work on the agency's accounts
- the development and approval of the UK Border Agency Assurance Framework, and its use as the basis for the introduction of a new in-year Controls Assurance Reporting Exercise (CARE) process. This was established in response to a recommendation from the UK Border Agency Audit Committee

REVIEW OF EFFECTIVENESS

3.14 As accounting officer, I have responsibility for reviewing the effectiveness of the UK Border Agency's system of internal control.

3.15 My review of its effectiveness is informed by the work of the internal auditors and, in particular, the resulting annual opinion document that they have produced and discussed with me; the executive managers within the agency who have responsibility for the development and maintenance of the internal control framework; the evidence produced by the new CARE process; and comments made by the external auditors in their management letter and other reports; and the reports provided by the Chief Inspector of the UK Border Agency.

3.16 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the UK Border Agency Audit Committee. The Committee has sought and received assurance about the existence of plans to address identified weaknesses and to ensure that continuous improvement of the control environment is in place. It has also commended the agency's successful mergers with the former UKvisas and the HMRC Detection Group, and the progress that it has made in clearing the legacy asylum backlog.

SIGNIFICANT INTERNAL CONTROL ISSUES

3.17 Further to the above, the significant internal control issues that have been identified by my review are as follows and are set out in accordance with the relevant pillars of the UK Border Agency Assurance Framework:

Corporate Governance

3.17.1 A member of staff who was charged with two offences of fraud pleaded guilty at Southwark Crown Court on 23 March 2010. He was subsequently sentenced on 10 May 2010 to a total of 18 months' imprisonment for these offences and another fraud offence unrelated to the agency. In addition two members of staff were found guilty of offences related to corruption. One was sentenced to 19 years imprisonment on 2 March 2010 and the other was sentenced to 6 years imprisonment on 16 April 2010. There are six other cases of members of staff who are currently awaiting trial for matters relating to fraud or corruption.

3.17.2 Analysis, including on posts overseas, has indicated that the agency's existing business continuity arrangements should be supported by further testing and clearer guidance about the expected standards. This is being addressed, although the response to the industrial action and the impact of the volcanic ash cloud demonstrates that improvements have already been made.

Policy Development and Legal Compliance

3.17.3 The High Court ruled in December 2008 that the failure to publish and make accessible the then revised detention policy for Foreign National Prisoners was unlawful. A review of events was commissioned by the then Home Secretary, the deficiencies in the previous detention policy were addressed and a new one has since been published. Two cases based on the former policy did, however, proceed to the Court of Appeal and judgement was reached in February 2010. This found that a policy involving a presumption of detention was not in itself necessarily unlawful, that the unlawful policy had not caused the detention in the cases before them, and that the issue of damages did not therefore arise.

3.17.4 Litigation is a significant source of risk for the agency with financial, operational and reputational impacts. To address this, the agency has established a Litigation Board which meets monthly to review and manage current litigation risks, to improve relevant processes and to ensure that there is an increasing focus on litigation risks when new policy is developed.

Delivery Arrangements and Performance Management

3.17.5 The UK Border Agency's Modernising Guidance Programme has a defined scope and senior management leadership, but progress in delivering relevant guidance, and making it available to the staff that require it, has been slower than anticipated and impacted by the changes to the agency over this period. The programme is now making significant progress in publishing modernised guidance. Since February 2010, guidance in the new format has been published on specific aspects of the processing of permanent migration, and protection cases as well as cross cutting guidance on appeals and case management. A rolling schedule for the publication of further new format guidance has been planned until the programme ends in August 2010.

3.17.6 Subject Access Requests need to be responded to within 40 calendar days. The number submitted to the agency has increased substantially in recent years with the result that, as at March 2010, there were around 2,600 overdue cases. Process improvements and streamlining measures are being implemented to ensure that the agency meets the statutory target for responding to these requests and to clear the backlog.

Financial Management

3.17.7 Support cost overpayments to asylum seekers in 2008/09 were £9.6 million. This arose where these payments had been ceased with a delay, or they had not been ceased at all. Some delayed cessations are still occurring but, due to the introduction of additional controls, improvements have been made in 2009/10 for both Section 95 and Section 4 supported cases. There were 30% more cessations in 2009/10 compared to the previous year and overpayments reduced by 65%. The losses of £3.5 million which did occur in 2009/10 are reported in the agency's accounts and further improvement is expected in 2010/11.

3.17.8 Civil Penalties for employers committing immigration offences are a relatively new initiative, but, during 2009/10, the agency did not deliver a satisfactory collection rate. Work is underway to improve the targeting of penalties, raise awareness amongst operational front line staff, and build on existing processes and procedures relating to the invoicing, accounting and enforcement of civil penalties.

3.17.9 The agency has a number of contracts with external contractors who provide accommodation for asylum seekers. The agency's internal control processes, therefore, include continuous review of transactions with accommodation providers. We have identified a number of cases where there appears to be sufficient evidence for us to make a legal claim against certain providers; at the same time, we are also aware of potential claims against the agency by some of these providers. We continue to work to clarify the position and to set in place procedures that will reduce the risk of future disputes.

3.17.10 A recent internal audit highlighted some potential concerns about instances where temporary staff had been involved in the appointment of consultants, some lack of clarity around the relevant procurement processes and some lack of evidence of compliance with those processes. An action plan is being pursued to ensure implementation of the recommendations that were made following the audit and, therefore, to address these issues.

3.17.11 Audits of entry clearance posts overseas have found some weaknesses in the processes for accounting for visa payments and issues relating to the current caseworking system. The results from the overall reconciliation show that there is no material difference between the income anticipated from entry clearance applications and the fee income received. The agency is renegotiating the contract that we have for the service to help address the identified weaknesses and are implementing a new caseworking system.

People Management

3.17.12 The agency has recognised in its accounts salary overpayments of £3.6 million that were made between 2003 and March 2009 to current and ex-employees, and a further £0.7 million of overpayments have been made in 2009/10 as a result of the delays in the notification of some payroll changes. Having recovered £0.55 million in 2009/10, the agency is continuing to take robust action to recover the overpayments and repayment plans are being agreed with the individuals concerned. Whilst there is some uncertainty about the agency's ability to recover about a quarter of the total remaining figure, this reflects the greater difficulty and complexity of the older cases that are being pursued.

Information Management

3.17.13 Although there have been no significant instances of data loss over the last financial year, issues did arise following the publication of two documents which led to the inadvertent disclosure of embedded information. Updated guidance has been issued to avoid a repetition.

3.17.14 Home Office Internal Audit work looking across the Home Office group highlighted that non-compliance by managers could mean that vetting requirements for secondees, consultants, and contingent labour could be by-passed. Action has been taken to improve guidance and tighten arrangements for requests for new IT accounts. Follow-up work has identified a need to strengthen control over user account access and security on a number of sensitive systems. The work has also highlighted the need to improve the quality of user information recorded on key databases. A project has been set up to review and simplify the end-to-end system for recording information on joiners and leavers across the Home Office group. As well as relying on work being done by Home Office Shared Services on corporate systems, the agency is also tightening controls around access to the IT systems that it directly manages.

3.18 My review of the system of internal control has identified some, but fewer weaknesses compared to the previous year. Whilst pleased that the progress we are making has been acknowledged in the annual opinion provided by the internal auditors, my assessment, like theirs, is that further strengthening of the internal controls should be pursued and, where this is not already the case, the improvements need to be completed and embedded into the agency.

Lin Homer
Chief Executive

22 July 2010

4. REMUNERATION REPORT FOR PERIOD ENDED 31 MARCH 2010

REMUNERATION POLICY

4.1 Members of the UK Border Agency hold substantive civil service contracts. Appointments may be terminated in accordance with the Civil Service Management Code.

4.2 The Chief Executive is a senior civil servant and her pay is set through recommendations made by the Review Body on Senior Salaries (SSRB), which provides independent advice to the Prime Minister. The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found at www.ome.uk.com.

4.3 The remaining executive directors have their remuneration determined by a process consistent with Home Office and Cabinet Office rules.

4.4 The Permanent Secretary to the Home Office (referred to as the Permanent Secretary below) has delegated authority to create/abolish posts or change the mix of grades of Home Office Senior Civil Servants (SCS), including those in the agency.

4.5 Performance pay is awarded in line with the procedures laid down and adopted across the Home Office. Additional performance-related pay, via Special Pay Awards and Minor Award schemes, are available to all civil servants. Both schemes are administered in line with Home Office policy.

4.6 All pay awards – consolidated base pay and non-consolidated bonus pay – are subject to satisfactory performance of the duties assigned.

SERVICE CONTRACTS

4.7 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

4.8 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retirement ages. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

4.9 Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

4.10 Independent non-executive members of the UK Border Agency Board are recruited through fair and open competition. All non executive members of the board are appointed by the Permanent Secretary. Non executive members of the board are appointed for an initial period of three years with an option to extend for a further three years. These appointments can be terminated with a notice period of one month.

REMUNERATION COMMITTEE

4.11 The salaries and performance pay of board members are agreed by a series of central Home Office remuneration committees. A performance assessment for each SCS employee and the Chief Executive's recommendations will be submitted for approval to the Home Office Pay Committee. The Chief Executive is a member of the Home Office Pay Committee.

4.12 In previous years departments and agencies were asked to place their SCS into one of three performance tranches. These reflected the skills and competence of the job holder and were directly related to uplift in base pay. Bonus payments were separate to tranches and reflected the performance in year.

4.13 The assessment and review of performance for Senior Civil Servants is based on individual performance. Individuals are ranked in four performance groups in each Pay Band. Groups 1 and 2 will receive a non-consolidated performance payment i.e. 65% of the SCS.

Group 1 – Top 25% of performers

Group 2 – Next 40% of performers

Group 3 – Next 20-30% of performers

Group 4 – Bottom 5-15% of performers

SALARY AND PENSION ENTITLEMENTS

4.14 The following sections provide details of the remuneration and pension interests of the senior management (i.e. board members) of the agency.

Remuneration - Salary

4.15 'Salary' includes: gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances, ex-gratia payments and any other allowance to the extent that it is subject to UK taxation.

4.16 This report is based on payments made by the agency and thus recorded in these accounts.

4.17 The agency's board members are eligible for bonus payments in accordance with the recommendations of the SSRB. The bonus payments relating to the 2008/09 year were paid in August 2009 and the 2009/10 payments will be made in the 2010/11 financial year.

Benefits in kind

4.18 The monetary value of benefits in kind covers any benefits provided by the agency and treated by Her Majesty's Revenue and Customs (HMRC) as a taxable emolument. Benefits reported in 2009/10 are calculated as the taxable value and include the private use of a car, travel and accommodation.

Officials	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Lin Homer *Chief Executive*	225-230	500	225-230	3,500
Jonathan Sedgwick *Deputy Chief Executive*	115-120	0	100-105	0
Brodie Clark *Director Border Force*	145-150	5,700	155-160	200

Officials	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Matthew Coats *Director Immigration Group*	155-160	0	165-170	0
Justin Holliday *Director Resource Management Group*	140-145	0	135-140	0
Joe Dugdale *Director HR and Organisational Development*	145-150	0	135-140	0
Tamara Finkelstein *Director UK Border Agency Programme*	95-100	0	85-90	0
Martin Peach *Director Intelligence Group*	105-110	0	110-115	0
David Wood *Director Criminality and Detention Group*	110-115	0	105-110	0
Barbara Woodward *Director International Group* (from 4 March 2009)	110-115	0	5-10 (105-110 full year equivalent)	0
Mark Sedwill *Director International Group* (until 31 December 2008)	0	0	95- 100 (125-130 full year equivalent)	0
Glyn Williams *Acting Director International Group* (1 January 2009 to 3 March 2009)	0	0	10-15 (75- 80 full year equivalent)	0

Officials	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Robert Yeldham *Director Communications* (From 24 July 2008)	85-90	0	55-60 (85 – 90 full year equivalent)	0
Zilla Bowell *Chief of Staff* (from 3 August 2009)	45-50 (65-70 full year equivalent)	0	0	0
Jonathan Payne *Chief of Staff* (until 28 June 2009)	15-20 (65-70 full year equivalent)	0	55-60	0
Jonathan Lindley *Director of Enforcement* (until 6 April 2008)	0	0	15-20 (130-135 full year equivalent)	0
Paula Higson *Director Managed Migration* (until 30 April 2008)	0	0	10-15 (130-135 full year equivalent)	0
Simon Hayes *Chief of Staff* (until 3 August 2008)	0	0	40-45 (80-85 full year equivalent)	0

Note:

- Barbara Woodward is an employee of the Foreign and Commonwealth Office (FCO), but is seconded to the agency

Non Executive Directors	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mike Hawker	20-25	3,000	25-30	0
Mark Thomson (from 1 December 2009)	1-5 (5-10 full year equivalent)	0	0	0
Graham Sims (from 25 March 2010)	0 (5-10 full year equivalent)	0	0	0
Stephen Taylor (until 31 March 2009)	0	0	15-20	0
Ernie Finch (until 31 March 2009)	0	0	1-5	300

Note:

- James Bevan was a Non Executive Director for the whole of 2009/10
- Melanie Dawes replaced Mike Eland on 1 January 2010
- Martin Baker replaced Roger Baker on the 1 February 2010 as a Non Executive Director
- None of the above named receive any salary or Benefits in Kind

APPOINTMENTS

4.19 Since the beginning of the last reporting year 1 April 2009, the following UK Border Agency Board Members have been appointed/left:

- Jonathan Payne left the post as Chief of Staff on 28 June 2009 and is now seconded to the FCO
- Zilla Bowell was appointed as Chief of Staff on 3 August 2009

PENSION BENEFITS INCLUDING CASH EQUIVALENT TRANSFER VALUE (CETV)

Officials	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Lin Homer *Chief Executive*	90-95	5-7.5	1,574	1,388	104	0
Jonathan Sedgwick *Deputy Chief Executive*	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 5-7.5	329	280	29	0
Brodie Clark *Director Border Force*	60-65 Plus lump sum of 180-185	2.5-5 Plus lump sum of 2.5-15	1,401	1,235	100	0
Matthew Coats *Director Immigration Group*	30-35	2.5-5	389	325	39	0
Justin Holliday *Director Resource Management Group*	25-30	22.5-25	318	38	62	0
Joe Dugdale *Director Human Resources and Organisational Development*	5-10	0-2.5	112	68	36	0
Tamara Finkelstein *Director UK Border Agency Programme*	25-30	0-2.5	339	298	19	0
Martin Peach *Director Intelligence Group*	55-60	0-2.5	1,095	1,030	5	0
David Wood *Director Criminality and Detention Group*	5-10	0-2.5	150	111	30	0

Officials	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Barbara Woodward *Director International Group* (from 4 March 2009)	20-25 Plus lump sum of 70-75	2.5-5 Plus lump sum of 12.5-15	415	312	80	0
Robert Yeldham *Director Communications*	1-5	0-2.5	31	12	16	0
Zilla Bowell *Chief of Staff* (from 3 August 2009)	5-10 Plus lump sum of 20-25	0-2.5 Plus lump sum of 0-2.5	71	65	5	0
Jonathan Payne *Chief of Staff* (until 28 June 2009)	10-15 Plus lump sum of 40-45	0-2.5 Plus lump sum of 0-2.5	214	203	8	0

Note:

The real increase in pension and related lump sum at pension age for Justin Holliday includes transferred in contributions.

All Non Executive Directors who have been board members in 2009/10 (James Bevan, Mike Hawker, Mike Eland, Mark Thomson, Melanie Dawes, Martin Baker, Roger Baker and Graham Sims) do not make pension contributions via the agency, and the agency does not make contributions on their behalf.

CIVIL SERVICE PENSIONS

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

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

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

4.23 The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

The Cash Equivalent Transfer Value

4.25 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.

4.26 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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

4.27 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.

Compensation for loss of office

4.28 No directors were compensated for loss of office.

Lin Homer

Chief Executive

22 July 2010

5. THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

5.1 I certify that I have audited the financial statements of the UK Border Agency for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OPINION ON REGULARITY

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

OPINION ON THE FINANCIAL STATEMENTS

5.6 In my opinion:

- the financial statements give a true and fair view of the state of the UK Border Agency's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and Her Majesty's Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

5.7 In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Her Majesty's Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual 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

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

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

REPORT

5.9 I have no observations to make on these financial statements.

Amyas C E Morse

23 July 2010

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

6. ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

Operating Cost Statement

For the period ended 31 March 2010

	Note		2009/10		2008/09
		Staff Costs	**Other Costs**	**Income**	**Total**
		£000	**£000**	**£000**	**£000**
Administration Costs					
Staff Costs	2	61,773			274,741
Other Administration Costs	3		48,993		121,418
Programme Costs					
Staff Costs	2	857,119			633,251
Programme Costs	4		1,511,988		1,408,819
Retained Income	5			(753,439)	(638,490)
Non Retainable Income	5			(34,096)	(32,334)
Total		**918,892**	**1,560,981**	**(787,535)**	**1,767,405**
Net Operating Cost				**1,692,338**	**1,767,405**

Statement of Financial Position
as at 31 March 2010

	Note		31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Non Current Assets					
Property, Plant and Equipment	6	657,518		666,713	536,599
Intangible Assets	7	140,661		23,731	24,597
Total non-current assets			**798,179**	**690,444**	**561,196**
Current Assets					
Inventories	10	2,813		1,615	1,448
Trade and Other Receivables	11	63,679		40,338	42,934
Cash and Cash Equivalents	12	8,248		7,619	3,627
Total Current Assets			**74,740**	**49,572**	**48,009**
Total Assets			**872,919**	**740,016**	**609,205**
Current Liabilities					
Trade and Other Payables	13	(504,978)		(389,721)	(354,309)
Total Current Liabilities			(504,978)	(389,721)	(354,309)
Non-current assets less net current liabilities			**367,941**	**350,295**	**254,896**
Non Current Liabilities					
Provisions	14	(70,232)		(84,255)	(44,409)
Long Term Trade and Other Payables	13	(62,981)		(65,931)	(30,726)
Total Non Current Liabilities			(133,213)	(150,186)	(75,135)
Assets Less Liabilities			**234,728**	**200,109**	**179,761**
Taxpayers Equity					
General Fund			129,812	76,610	21,325
Revaluation Reserve			104,916	123,499	158,436
Total Taxpayers Equity			**234,728**	**200,109**	**179,761**

Lin Homer
Accounting Officer
22 July 2010

The notes on pages 35 to 74 form part of these accounts.

Statement of Cash Flows
For the period ended 31 March 2010

	Note	2009/10 £000	2008/09 £000
Cash Flows from Operating Activities			
Net Operating Cost		(1,692,338)	(1,767,405)
Less non retainable income		(34,096)	0
Adjustments for non-cash transactions			
Depreciation	3,4	57,718	58,094
Amortisation	3,4	15,431	8,681
Impairment	3,4	9,253	7,315
(Profit)/loss on disposal of fixed assets	3,4	140	(33)
Auditors' remuneration and expenses	3	235	0
Cost of Capital Charges	3,4	6,975	9,455
Provision provided for in year		(1,148)	57,349
Unwinding of discount on Provisions	3,4	960	0
Non retainable income element of bad receivable write off		3,263	0
Notional Income			
Gratis Visas		0	(3,230)
(Increase)/Decrease in trade and other receivables		(23,341)	2,596
(Increase)/Decrease in Inventories		(1,198)	(167)
Increase/(Decrease) in trade payables		112,307	70,617
Less: Amounts not going through the OCS			
(Increase)/Decrease in capital payables		(17,448)	(45,552)
Use of Provisions	14	(13,835)	(17,503)
Net Cash Outflow from Operating Activities		**(1,577,122)**	**(1,619,783)**
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(133,547)	(164,854)
Purchase of intangible assets		(31,597)	(567)
Proceeds of disposal of property, plant and equipment		17	5,521
Proceeds of disposal of intangible assets		0	0
Net Cash Outflow from Investing Activities		**(165,127)**	**(159,900)**
Cash Flows from Financing Activities			
Capital element of payments in respect of finance leases		(3,521)	(2,229)
Capital element of payments in respect of on Balance Sheet PFI contracts - PPE		(4,211)	(13,136)
Capital element of payments in respect of on Balance Sheet PFI contracts - Intangible Assets		(1,024)	(2,254)
Net Cash Inflow from Home Office Resource Account		1,751,634	1,801,294
Net Financing		**1,742,878**	**1,783,675**
Net increase/(decrease) in cash and cash equivalents in the period		**629**	**3,992**
Cash and cash equivalents at the beginning of the period		7,619	3,627
Cash and cash equivalents at the end of the period		8,248	7,619

Statement of Changes of Taxpayers' Equity
For the period ended 31 March 2010

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2008		**(13,319)**	**154,454**	**141,135**
Machinery of Government Changes		34,644	3,982	38,626
Restated Balance at 1 April 2008		**21,325**	**158,436**	**179,761**
Changes in taxpayers' equity for 2008/09				
Net gain/(loss) on revaluation of property, plant and equipment	6	0	(19,766)	(19,766)
Net gain/(loss) on revaluation of intangible assets	7	0	0	0
Non-cash charges - cost of capital	3,4	9,455	0	9,455
Non-cash charges - auditor's remuneration	3	0	0	0
Gratis Income		(3,230)	0	(3,230)
Transfers between reserves		15,171	(15,171)	0
Net operating cost for the year		(1,767,405)	0	(1,767,405)
Total recognised Income and Expense for 2008/09		**(1,746,009)**	**(34,937)**	**(1,780,946)**
Funding from Parent		1,801,294	0	1,801,294
Balance as at 31 March 2009		**76,610**	**123,499**	**200,109**
Changes in taxpayers' equity for 2009/10				
Net gain/(loss) on revaluation of property, plant and equipment	6	0	(3,665)	(3,665)
Net gain/(loss) on revaluation of intangible assets	7	0	2,611	2,611
Non retainable income		(34,096)	0	(34,096)
Non retainable income element of bad receivable write off		3,263	0	3,263
Non cash charges - cost of capital	3,4	6,975	0	6,975
Non cash charges - auditor's remuneration	3	235	0	235
Transfers between reserves		17,529	(17,529)	0
Net operating cost for the year		(1,692,338)	0	(1,692,338)
Total recognised Income and expense for 2009/10		**(1,698,432)**	**(18,583)**	**(1,717,015)**
Funding From Parent		1,751,634	0	1,751,634
Balance at 31 March 2010		**129,812**	**104,916**	**234,728**

The notes of pages 35 to 74 form part of these accounts.

Notes to the Agency's Accounts

1.0 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Border Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UK Border Agency for the 2009/10 financial year are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The agency went live on 1 April 2009, therefore this is the first year in which the accounts have been prepared.

The accounts do not include a reconciliation between the UK GAAP figures and the IFRS figures for the first time adoption of the International Standards as the UK Border Agency has not previously published accounts. The Home Office Resource Accounts include the reconciliation between the two sets of figures.

In common with other government agencies, the future financing of the UK Border Agency's liabilities is accordingly to be met by future funding by the parent Department, the Home Office. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting Convention

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

1.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the year ending 31 March, and for amounts reported for income and expenses during the year.

In the process of applying the agency’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Service concession arrangements

The agency is party to Private Finance Initiatives (PFI). The classification of such arrangements as service concession arrangements requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure.

Leases

The agency is the lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Impairment of assets

The agency assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

1.3 Property, Plant and Equipment

Property, plant and equipment (PPE) is stated at the lower of replacement cost and recoverable amount. Expenditure on PPE of over £5,000 is capitalised, other than furniture, which is capitalised only when it comprises separately identifiable groups costing £25,000 or more. On initial recognition PPE assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

From 2009/10, furniture and fittings are grouped by location, useful economic life and year of acquisition. The effect on the financial statements of this change is minimal, therefore no restatement is necessary.

All PPE assets are restated to current value each year. Land and buildings are restated to current value using professional valuation in accordance with IAS 16 every 5 years (or more frequently if there is evidence of material changes in value, e.g. as a result of impairment). In the intervening years land and buildings are revalued by the use of published indices appropriate to the type of land or building and other PPE assets have been stated at current cost using appropriate indices.

PPE is not revalued in the year of addition or disposal.

1.4 Intangible Assets

Intangible Information Technology assets (e.g. software) and purchased software licences are capitalised as intangible non-current assets where expenditure of £5,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year using the published indices appropriate to the type of intangible asset. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

Any costs relating to consultancy and civil staff working on a capital project (for example, software development) can be capitalised as Intangible non current assets.

Intangible assets are not revalued in the year of addition or disposal.

1.5 Depreciation

Land is not depreciated. Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Lives are in the following ranges:

Buildings	50 years or life of lease
Plant and Machinery	5 - 15 years
IT	3 - 7 years
Transport	5 - 7 years
Furniture and Fittings	5 - 7 years
Intangible Assets	3 - 7 years

Major IT systems which will deliver fundamentally new ways of working and substantial improvements are considered on a case by case basis. Depreciation for IT assets and amortisation for Intangible assets is charged on the basis of the useful economic life of the assets by reference to the business case and the contractual arrangements around their operation, where these are more appropriate than the guidelines above.

1.6 Assets Under Construction

Assets Under Construction includes land and building enhancement, computer software, computer hardware and all new build projects. At the outset a unique identifier is assigned to collate the expenditure and entered onto the non-current asset register as a non-depreciating asset. When completed, AUC are reclassified into the appropriate non-current asset category, and depreciated from the point of being brought into service.

1.7 Inventories

Inventories are valued at the lower of current replacement cost and net realisable value, and comprise blank visa vignettes, other vignettes, travel documents and travel tickets.

1.8 Third Party Assets

Third party assets are classed as such where the agency and Central Government more widely has no rights over or does not receive any financial benefit from the asset that is being held. The agency recognises part of the British Nationality application fee, which as not yet been given to the providers of Citizenship Ceremonies, as a third party asset which will either be forwarded to the Local Authority or returned to the applicant after the decision. See Note 23 for more details.

1.9 Research and Development Costs

Expenditure on research is not capitalised. Expenditure on development in connection with a project or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in IAS 38. Other development expenditure is capitalised if it meets the criteria specified in the FReM which are adapted from IAS 38 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Non-current assets acquired for use in research and development are depreciated over the life of the associated project or according to the asset category if the asset is to be used for subsequent work.

1.10 Cash & Cash Equivalents

The UK Border Agency accounting policy is to disclose all cash and cash equivalents on the Statement of Financial Position. This comprises both local NatWest bank accounts and the balance held at the Paymaster General account.

For most of the income received by UK Border Agency the cash is banked into the local NatWest accounts, which are cleared (or 'swept') into the Home Office Paymaster account on a monthly basis. The income/receivable is recognised in the UK Border Agency accounts, and the cash is recognised in the Home Office books. The movement between the two entities is through the reserves, and is reflected in the cash requirement of UK Border Agency.

The cash balance shown on the Statement of Financial Position comprises the cash held in the local NatWest accounts that were banked too late in the day to be 'swept' into the main Home Office Paymaster account.

The main cash outgoings of UK Border Agency are 'real time' funded through the Home Office Paymaster account. For this reason the UK Border Agency element of the Paymaster account is taken to be zero at any given time, as effectively UK Border Agency is financed to the penny when it is required.

Balances held by the Foreign and Commonwealth Office (FCO) on behalf of UK Border Agency International Group are disclosed within UK Border Agency's accounts as either a receivable from or a payable to the FCO. Income collected by UK Border Agency International Group employees is banked immediately at the location where it is received into a bank account held and controlled by the FCO. The FCO accounts for this income as cash and recognises a sterling payable to UK Border Agency in their accounts. If expenses are paid by UK Border Agency International Group, they are made from bank accounts held and controlled by the FCO. The FCO account for these expenses and recognises a Pound sterling receivable from UK Border Agency in their accounts.

1.11 Income

Income received by the agency covers the following classifications: operating income, non-retainable income and income from the European Union.

Operating income is income which relates directly to the operating activities of the agency, and comprises principally fees and charges for services. Work will not be undertaken on a case until payment has been received.

Some income streams are charged below the cost of delivery where UK Border Agency has to maintain its international competitiveness. To assist this, some fees are set above the cost of delivery. In addition, some fees are set so that a contribution can be made to a Fund which is designed to manage the transitional impacts of migration. The overall aim is to ensure the income contributes to the end-to-end costs of the immigration system.

Non-retainable income includes civil penalties that, when received, are not permitted to be retained by the agency and are surrendered to Her Majesty's Treasury as Consolidated Fund Extra Receipts (CFERs). Civil Penalties are made up of fines imposed for employing people illegally and for illegal transportation across UK borders.

Income from the European Union is described in 1.12 below.

1.12 Grants from the EU

The UK Border Agency receives EU funding for a number of internal and external projects. These projects run on annual cycles, each project having a different start and end date. Expenditure in the Operating Cost Statement is allocated in equal months over the period of the project, and income from the EU is matched to the expenditure. Where income and expenditure do not exactly match, any excess income is paid to HMT and accounted for as non-retainable income. Any excess expenditure is shown as grant expenditure, and the UK Border Agency incurs the cost.

1.13 Capital Charge

A charge, reflecting the cost of capital utilised by the agency, is included in operating costs. The charge is calculated at the real rate set by Her Majesty's Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

a) property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in year:

- i) additions at cost
- ii) disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
- iii) impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
- iv) depreciation of property, plant and equipment and amortisation of intangible assets.

1.14 Audit Fee

The UK Border Agency is charged an audit fee by the National Audit Office. The audit fee in these accounts represents a notional charge to reflect the cost of the service provided.

1.15 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Translation differences are dealt with in the Statement of Operating Costs.

In respect of unsettled transactions or other monetary assets and liabilities as at 31 March 2010, these have been recorded at the spot rate on that date.

1.16 Pensions

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

1.17 Operating Leases

The agency makes rental payments for all operating leases on a straight-line basis. These are charged through the Statement of Operating Costs.

1.18 Finance Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the UK Border Agency, the asset is recorded as a non-current asset and a payable is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Operating Costs over the period of the lease at a constant rate in relation to the balance outstanding.

1.19 Grants

Grants made by the agency are recorded on an accruals basis, with the grant funding attributed to the period in which the activity relates. The grants are paid only for appropriate and measurable activity that truly creates entitlement for the recipient.

1.20 Grant in Aid

The UK Border Agency funds the Office of the Immigration Services Commissioner (OISC), which is a Non Departmental Public Body of the UK Border Agency. The grant in aid supplied is agreed in advance and accounted for on a cash basis. The UK Border Agency receives certain income from OISC, see note 22 for more details.

1.21 Provisions

The agency provides for legal or constructive obligations, which are of uncertain timing or amount at the Statement of Financial Position date, but where it is judged likely that the agency will be required to make a payment, on the basis of a best estimate of the expenditure required to settle the obligation, in accordance with IAS 37. Provisions are charged to the Statement of Operating Costs. Long-term provisions are discounted at current prices by use of Her Majesty's Treasury's Discount Rate, currently 2.2%, where the time value of money is material. The discount is unwound over the remaining life of the provisions and is shown as a charge in the Statement of Operating Costs. Where the probability of payment is not sufficient or the liability cannot be reliably estimated, the item is disclosed as a contingent liability.

1.22 Early Departure Costs

The UK Border Agency currently has an agreement with the Home Office for new early departure schemes. The Home Office will fund the initial lump sum payments and the costs for the first year, and the UK Border Agency will then be responsible for the remaining payments. The provision in the UK Border Agency's books only reflects the UK Border Agency liability and does not include the initial payments funded by the Home Office.

Provisions for early retirement have been discounted at 2.5% as at 1 April 2008, 3.2% as at 31 March 2009 and 1.8% as at 31 March 2010 in accordance with IAS19 and Her Majesty's Treasury guidance.

1.23 Service concessions (PFI/PPP)

The agency accounts for PFI transactions on a control approach based on IFRIC 12 *Service Concession Arrangements.* The agency is considered to control the infrastructure in a public-to-private service concession arrangement if:

- the agency controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- the agency controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, the agency assesses such arrangements under IFRIC 4 *Determining whether an Arrangement contains a Lease.* Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach set out above at section 1.8 Leases.

Where it is determined that arrangements are in scope of IFRIC 12, the agency recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

In determining the interest rate implicit in the contract, the agency applies the risk-free market rate at the time the contract was signed. The rate is not changed unless the infrastructure element or the whole contract is renegotiated. The risk-free rate is determined by reference to the real rate set by Her Majesty's Treasury, currently 3.5%. The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

The agency recognises a liability for the capital value of the contract. The liability does not include the interest charge and service elements, which are expensed annually to the Operating Cost Statement.

On initial recognition of existing PPP arrangements or PFI contracts under IFRS, the agency measures the non-current asset in the same way as other non-current assets of that generic type. A liability is recognised for the capital value of the contract at its fair value at the year ending 31 March, which will normally be the outstanding liability in respect of the property (that is, excluding the interest and service elements), discounted by the interest rate implicit in the contract.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (section 1.3 above) and Intangible assets (section 1.4 above). Liabilities are measured using the appropriate discount rate. Revenue received under any revenue sharing provision in the service concession arrangement is recognised when all the conditions laid down in IAS 18 *Revenue* have been satisfied.

1.24 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is removed, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.25 Reserves

Taxpayers' equity comprises the General Fund and Revaluation Reserve. The General Fund represents the total net assets of the agency to the extent that they are not represented by other reserves. Net funding from HMT and realised gains and losses are reflected in the General Fund. The Revaluation Reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to non-current assets.

1.26 Value Added Tax

For most of the activities of the agency, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.27 Machinery of Government Changes

Machinery of Government changes which involve the transfer of functions or responsibilities between two or more government departments and affect the UK Border Agency are accounted for using merger accounting in accordance with IFRS 3. The prior year comparators have been restated to reflect the Machinery of Government changes. By doing so it appears that the entity always existed in its present form. This enables the user of the accounts to make useful comparisons between the data from the prior year to the current year.

1.28 HMRC Transfer

The Accounting Officer responsibility for HMRC Detection Group was transferred from HMRC to the UK Border Agency on 9 December 2009. Under merger accounting principles, the Detection Group's financial results for 2009/10 and 2008/09, and financial position as at 1 April 2008, 31 March 2009 and 31 March 2010, are included in the UK Border Agency's accounts for the year ended 31 March 2010.

1.29 Financial Instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS 32, IAS 39 and IFRS7. For more details, see note 8.

2 Staff Numbers and Related Costs

Staff costs comprise:	2009/10			2008/09
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	727,914	24,754	752,668	733,282
Social Security Costs	49,140	0	49,140	46,778
Other Pension Costs	118,012	0	118,012	128,832
Subtotal	895,066	24,754	919,820	908,892
Less recoveries in respect of outward secondments	(928)	0	(928)	(900)
Total net costs	**894,138**	**24,754**	**918,892**	**907,992**
Of Which:				
Administration Costs			61,773	274,741
Programme Costs			857,119	633,251

Note(1): The UK Border Agency does not have any costs relating to Ministers or Special Advisors.

Note(2): Included in the 2008/09 figures is £217,616k of staff costs for the former HMRC Detection Group (see note 1.28). The HMRC staff costs were classified as Administration costs under HMRC, and therefore have been included as Administration costs in the prior year comparators. However, the UK Border Agency has reclassified these costs as Programme costs in 2009/10, as this more accurately represents the nature of the costs.

Note(3): The total amount of capitalised staff costs not included in the figures above is £666k.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the UK Border Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009/10, employers' contributions of £88m were payable to the PCSPS (2008/09: £101m) at one of four rates in the range 16.7 to 24.3 per cent (2008/09: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11 the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £181,601 (2008/09: £221,518) were paid to one or more appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,330 (2008/09: £11,778), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due or prepaid to the partnership pension providers at the balance sheet date.

Eight individuals (2008/09: 20) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £15,851 (2008/09: £26,179).

2 Staff Numbers and Related Costs (Continued)

Average number of persons employed

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

	2009/10			2008/09
	Permanent Staff	**Others**	**Total**	**Total**
Directly Employed	22,881	76	22,957	23,803
Other	0	695	695	508
Staff engaged on capital projects	0	0	0	0
Total	22,881	771	23,652	24,311

Included in the figures above are 1,030 (31 March 09: 1,064) non active staff, for example staff on maternity leave, career breaks and outward secondments.

Not included in the figures are staff who work on behalf of the Agency but who are not directly employed. For example, 1,505 (31 March 09: 1,505) staff are locally employed overseas by the Foreign and Commonwealth Office and do some work on behalf of the Agency.

3 Other Administration Costs

	2009/10 £000	2008/09 £000
Office Supplies and Services	23,120	14,857
Professional Fees	5,071	5,925
Travel, Subsistence and Training	6,477	16,868
Consultancy	5,499	7,997
Write Offs	3,334	219
Accommodation and Utilities	314	20,174
Rentals under operating leases	5	32
IT Services	1,642	35,881
Other Administration Costs	0	5,753
Non Cash Items		
Auditors' remuneration and expenses	235	0
Depreciation	0	2,631
Cost of Capital	(84)	(234)
(Profit)/loss on disposal of asset	0	(149)
Movement in Bad Receivable Provision	258	(46)
Movement in Provisions	2,920	11,510
Unwinding of discount on Provisions	202	0
Total	**48,993**	**121,418**

During the year, the agency did not purchase any non-audit services from its auditor, the National Audit Office.

Note: Included in the 2008/09 figures is £59,451k of Administration costs for the former HMRC Detection Group (see note 1.28). The HMRC costs were classified as Administration costs under HMRC, and therefore have been included as Administration costs in the prior year comparators. However, the UK Border Agency has reclassified these costs as Programme costs in 2009/10, as this more accurately represents the nature of the costs.

4 Programme Costs

	2009/10 £000	2008/09 £000
Asylum Support	524,106	511,290
Overseas Visa Operating Costs	216,560	166,431
Detention Costs	210,882	194,224
IT Services	135,369	102,358
Rentals under operating leases	77,987	45,923
Professional Fees	37,509	28,064
Accommodation and Utilities	53,024	68,009
Office Supplies and Services	37,507	26,109
Consultancy	36,017	39,165
Travel, Subsistence and Training	35,182	38,010
Legal Fees	20,133	20,145
Detection Work	17,209	24,463
EU Grants	10,688	7,688
Charges under Finance Leases	6,523	4,189
Grant in Aid to OISC	4,356	4,270
Other Current Expenditure	2,578	1,746
UK Border Agency Expenditure Funded by EU Grants	3,785	11,640
Refunds	1,886	0
PFI Charges	121	236
Non cash items		
Depreciation	57,718	55,463
Amortisation	15,431	8,681
Impairment	9,253	7,315
(Profit)/loss on disposal of asset	140	116
Cost of capital charges	7,059	9,689
Movement in Bad Receivable Provision	8,110	5,259
Movement in Provisions	(17,903)	28,336
Unwinding of discount on provisions	758	0
Total	**1,511,988**	**1,408,819**

Note: Included in the 2009/10 figure for Overseas Visa Operating Costs are £34m of costs for which the costs within 2008/09 are shown within Accommodation and Utilities (£20m), Office Supplies and Services (£7m) and Travel, Subsistence and Training (£7m).

5 Income

	2009/10	2008/09
	£000	£000
Migration and Visa Income	729,168	604,692
EU Income	14,473	19,327
Miscellaneous Income	9,798	14,471
Total Retained Income	**753,439**	**638,490**
Non Retainable Income	34,096	32,334
Total Income	**787,535**	**670,824**

An analysis of income from services provided to external and public sector customers is as follows:

		2009/10	
Objective	**Income**	**Full Cost**	**Surplus/ (Deficit)**
	£000	**£000**	**£000**
Visa Income - Overseas	339,340	322,085	17,255
Temporary Migration	183,857	166,604	17,253
Permanent Migration	205,971	81,548	124,423
	729,168	**570,237**	**158,931**
Border Force Income	2,510	3,763	(1,253)
	731,678	**574,000**	**157,678**

		2008/09	
Objective	**Income**	**Full Cost**	**Surplus/ (Deficit)**
	£000	**£000**	**£000**
Visa Income - Overseas	283,739	300,934	(17,195)
Temporary Migration	161,524	178,694	(17,170)
Permanent Migration	159,429	60,850	98,579
	604,692	**540,478**	**64,214**
Border Force Income	2,156	3,456	(1,300)
	606,848	**543,934**	**62,914**

This analysis of income satisfies the Fees and Charges requirements of Her Majesty's Treasury rather than IFRS 8.

Note (1): All Income is Programme Income

Note (2): Non Retainable Income includes fines and penalties surrendered to the Consolidated Fund

Note (3): Permanent Migration includes income from Indefinite Leave to Remain and Nationality income

Note (4): Temporary Migration includes income from the Points Based system, Work Permits and other Leave to Remain

6 Property, Plant and Equipment

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2009	44,197	863,575	46,363	149,370	73,039	38,832	242,710	1,458,086
Additions	0	6,815	506	16,392	4,517	1,866	128,631	158,727
Disposals	0	(447)	(2,912)	(1,788)	(17,399)	(13,677)	0	(36,223)
Impairments	(70)	(2,293)	(5,414)	(888)	(330)	0	0	(8,995)
Reclassifications	0	(1,214)	(2,736)	(15,040)	5,605	0	(94,062)	(107,447)
Revaluations	(3,213)	(14,571)	279	15,230	(2,255)	144	0	(4,386)
At 31 March 2010	40,914	851,865	36,086	163,276	63,177	27,165	277,279	1,459,762
Depreciation								
At 1 April 2009	0	(576,987)	(25,479)	(108,674)	(52,587)	(27,646)	0	(791,373)
Charged in Year	0	(22,902)	(2,668)	(20,349)	(7,372)	(4,427)	0	(57,718)
Disposals	0	431	2,786	1,789	17,383	13,677	0	36,066
Impairments	0	940	1,617	35	(2,849)	0	0	(257)
Reclassifications	0	98	2,720	10,309	(2,810)	0	0	10,317
Revaluations	0	2,738	(2,080)	(3,145)	3,276	(68)	0	721
At 31 March 2010	0	(595,682)	(23,104)	(120,035)	(44,959)	(18,464)	0	(802,244)
Net Book Value at 31 March 2010	**40,914**	**256,183**	**12,982**	**43,241**	**18,218**	**8,701**	**277,279**	**657,518**
Net Book Value at 31 March 2009	44,197	286,588	20,884	40,696	20,452	11,186	242,710	666,713
Asset financing								
Owned	40,914	168,729	12,982	32,046	18,218	8,701	273,188	554,778
Finance Leased	0	87,454	0	0	0	0	0	87,454
On Balance Sheet PFI contracts	0	0	0	11,195	0	0	4,091	15,286
Net Book Value at 31 March 2010	**40,914**	**256,183**	**12,982**	**43,241**	**18,218**	**8,701**	**277,279**	**657,518**

6 Property, Plant and Equipment (ctd)

The most recent full valuations of the Land and Building assets were completed in March 2006 by Donaldsons LLP, and were completed in accordance with Royal Institution of Chartered Surveyors (RICS) regulations. Other assets are revalued annually based on indices published by the Office of National Statistics.

The Land and Buildings were valued using the Existing Use Value, which is an approximation for the Fair Value. The following assumptions were used in valuing the assets: premises conform to planning, building and fire regulations; that no deleterious materials exist in properties; the valuation did not allow for cost of disposal, tax liability, or mortgage charges; the valuer obtained local authority information; the valuer inspected property but did not undertake a structural survey; and the valuer considered ground conditions.

When valuing the assets, the surveyors also considered the UK economy and property sector.

6 Property, Plant and Equipment (Ctd)

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2008	46,883	819,489	44,485	141,457	64,911	33,295	90,225	1,240,745
Additions	0	39,110	1,866	18,419	6,476	5,157	154,743	225,771
Disposals	0	(5,391)	(138)	(597)	(2)	(245)	(113)	(6,486)
Impairments	0	(4,469)	0	(3,852)	0	0	0	(8,321)
Reclassifications	0	819	0	(6,057)	1,326	0	(2,145)	(6,057)
Revaluations	(2,686)	14,017	150	0	328	625	0	12,434
At 31 March 2009	44,197	863,575	46,363	149,370	73,039	38,832	242,710	1,458,086
Depreciation								
At 1 April 2008	0	(523,138)	(22,101)	(88,687)	(46,419)	(23,801)	0	(704,146)
Charged in Year	0	(22,227)	(3,454)	(22,630)	(5,975)	(3,808)	0	(58,094)
Disposals	0	0	129	574	1	294	0	998
Impairments	0	0	0	1,060	0	0	0	1,060
Reclassifications	0	0	0	1,009	0	0	0	1,009
Revaluations	0	(31,622)	(53)	0	(194)	(331)	0	(32,200)
At 31 March 2009	0	(576,987)	(25,479)	(108,674)	(52,587)	(27,646)	0	(791,373)
Net Book Value at 31 March 2009	**44,197**	**286,588**	**20,884**	**40,696**	**20,452**	**11,186**	**242,710**	**666,713**
Net Book Value at 31 March 2008	46,883	296,351	22,384	52,770	18,492	9,494	90,225	536,599
Asset financing								
Owned	44,197	186,616	20,884	29,612	20,452	11,186	242,710	555,657
Finance Leased	0	99,972	0	0	0	0	0	99,972
On Balance Sheet PFI contracts	0	0	0	11,084	0	0	0	11,084
Net Book Value at 31 March 2009	44,197	286,588	20,884	40,696	20,452	11,186	242,710	666,713

7 Intangible Assets

Intangible assets comprise software licences and software developed in-house or by a third party.

	31-Mar-10 £000	31-Mar-09 £000
Cost or valuation		
At 1 April	42,474	33,672
Additions	32,621	2,821
Disposals	0	0
Impairments	(6)	(76)
Reclassifications	107,447	6,057
Revaluations	3,062	0
At 31 March	185,598	42,474
Amortisation		
At 1 April	(18,743)	(9,075)
Charged in Year	(15,431)	(8,681)
Disposals	0	0
Impairments	5	22
Reclassifications	(10,317)	(1,009)
Revaluations	(451)	0
At 31 March	(44,937)	(18,743)
Net Book Value at 31 March 2010	**140,661**	
Net Book Value as at 31 March 2009	23,731	
Net Book Value as at 31 March 2008	24,597	

Asset financing	
Owned	18,038
On Balance Sheet PFI contracts	5,693
Net Book Value as at 31 March 2009	23,731
Asset financing	
Owned	136,219
On Balance Sheet PFI contracts	4,442
Net Book Value at 31 March 2010	**140,661**

8 Financial Instruments

As the cash requirements of the UK Border Agency are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the agency's expected purchase and usage requirements. The agency is therefore exposed to little liquidity, market or credit risk.

8.1 General Principles

Financial assets are recognised when the UK Border Agency becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets as appropriate. The agency determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are recognised initially they are measured at fair value. Fair value is determined as the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The agency considers whether a contract contains an embedded derivative when the entity first becomes party to it. Embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract.

The subsequent measurement of financial assets depends on their classification. The following classifications are currently applicable:

Financial assets at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in the income statement.

Loans and receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the agency will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Derivatives, including any separated embedded derivatives are classified as held for trading and included in this category. Gains or losses on liabilities held for trading are recognised in profit or loss.

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

8.2 Liquidity Risk

The agency receives funding from the parent department, the Home Office. There are no requirements to maintain commercial borrowing facilities and therefore the agency is not exposed to liquidity risks. The Home Office's resource requirements are noted annually by Parliament.

8.2 Market Risk

Interest Rate Risk

The financial assets held by the UK Border Agency are trade receivables and other current assets (note 11) and cash and cash equivalents (note 12). The assets are not subject to interest rate risk.

The financial liabilities held by the UK Border Agency are trade payables and other current liabilities (note 13). The finance lease liabilities are at a fixed rate of interest until the repayment date, and therefore the interest rate risk is nil. The PFI lease liabilities are fixed as per the contract and, again, the interest rate risk is nil. No other creditors are subject to interest rate risk.

Currency Risk

Foreign currency transactions are undertaken by the agency and are accounted for in accordance with accounting policy Note 1.15. The agency has a number of transactions in currencies other than Sterling, which are explained below.

1) The UK Border Agency's International Group has a large number of foreign currency transactions. Salaries for locally engaged staff and most overseas expenditure is covered by a Service Level Agreement with the Foreign and Commonwealth Office. The rates are agreed annually and adjusted for exchange rate movements. The FCO collect visa fee income on the agency's behalf, and steps are taken to ensure there is no exchange loss.

2) The UK Border Agency's International Group use two large commercial partners to deliver their service around the world. One contract charges the agency a fixed monthly fee, and therefore they hold the risks and rewards of the exchange rate variations. The other contract charges the agency based on the prevailing rate at the time of the transaction, therefore the agency incurs the risks and rewards of the variations.

3) The UK Border Agency's Border Force has a number of properties which are rented overseas. These properties are rented in their local currency, and all bills are paid for in the local currency. The agency bears the currency risk.

4) The UK Border Agency receives grants from the EU, which funds projects carried out by Third Parties as well as projects carried out by the agency. The risk of currency fluctuation is borne by the agency, as the amounts are agreed in Euros and reported back to the EU in Euros.

Sensitivity Analysis

The only items above which are deemed to have a significant currency risk relate to items (2), (3) and (4). A sensitivity analysis has been prepared below to show the net effect on the Operating Cost Statement of changes to the exchange rate.

	Value as per UKBA Accounts	**Value if Exchange Rate Reduced by 1%**	**Value if Exchange Rate Increased by 1%**
(2) One Commercial Partner	23,308	23,075	23,541
(3) Juxtaposed Properties	3,599	3,563	3,635
(4) EU Income	(14,473)	(14,328)	(14,618)
Net Charge to OCS	**12,434**	**12,310**	**12,558**

Valuation

Receivables are held at fair value, which is the same as amortised costs other than items provided for which are explained above.

Payables are held at fair value, which is the same as amortised cost. The only long term payables relate to finance leases, and this is shown on the statement of financial position at carrying value as this is not materially different from the amortised cost.

8.3 Credit Risk

The agency is subject to some credit risk. The carrying amount of receivables, which is net of impairment losses represents the agency's maximum exposure to credit risk. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable and where customers have gone into liquidation. Receivables are written off when the chance of recovery of funds is remote.

The financial assets held by the UK Border Agency are trade receivables and other current assets (note 11) and cash and cash equivalents (note 12). The only items that are subject to credit risk as at the end of the financial year are trade receivables in note 12. Of the £39,160k trade receivables, £25,013k is due after 28 days, £10,937k is due after 30 days, and the remaining £3,210k is due after 60 days.

During the 2009/10 financial year, the agency has written off a total of £3,334k of bad receivables. The significant items have been disclosed in the Note 21 (Losses and Special Payments).

As shown in note 11, the bad receivable provision relating to trade debtors is £16,130k. This provision is calculated taking into account the age of the receivable, the solvency of the customer and any other relevant factors. Of the remaining trade receivable balance of £23,030k, £9,711k relates to receivables that are past due as at 31 March but are not impaired.

2009/10	Receivables	Amortised Cost	Total Book Value	Fair Value
	£000	£000	£000	£000
Financial Assets				
Cash	8,248		8,248	8,248
Trade & other receivables	79,809	(16,130)	63,679	63,679
Financial Liabilities				
Bank Overdraft		669	669	669
Finance Lease		73,412	73,412	73,412
PFI Contract		2,305	2,305	2,305
Trade & other payables		491,573	491,573	491,573

9 Impairments

The UK Border Agency has incurred the following impairments during the financial year:

	2009/10 £000	2008/09 £000
Charged to the OCS	9,253	7,315
Charged to the Revaluation Reserve	16,847	20,291
Total Impairment	26,100	27,606

10 Inventories

	31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Inventories	2,813	1,615	1,448
Total	2,813	1,615	1,448

Inventories include blank visa vignettes, travel documents and travel tickets.

11 Trade receivables and other current assets

11 (a) Analysis by Type	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Amounts falling due within one year			
Trade receivables	39,160	24,871	17,307
Bad receivables provision	(16,130)	(7,762)	(2,549)
Deposits and advances	6,003	1,796	1,625
Prepayments	23,275	7,512	26,163
Accrued Income - EU	7,321	9,654	0
Accrued Income - Other	4,050	4,267	388
Total receivables as at 31 March	63,679	40,338	42,934

All receivables are expected to pay within one year

Included within trade receivables is £30,476k that will be due to the Consolidated Fund once the debts are collected.

11 (b) Intra-Government Balances	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Balances with other central Government Bodies	10,680	4,091	3,205
Balances with local authorities	12	2,013	5,788
	10,692	6,104	8,993
Balances with bodies external to Government	52,987	34,234	33,941
Total receivables as at 31 March	63,679	40,338	42,934

12 Cash and Cash Equivalents

	31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Balance at 1 April	7,619	3,627	0
Net change in cash and cash equivalent balances	629	3,992	3,627
Balance at 31 March	8,248	7,619	3,627
The following balances at 31 March were held at:			
Office of HM Paymaster General	0	0	0
Commercial banks and cash in hand	8,248	7,619	3,627
Balance at 31 March	8,248	7,619	3,627

Note: In addition to the closing value above, cash of £nil (2008/09: £nil) was held in Commercial Banks on behalf of third parties. See Note 23 for more details.

13 Trade Payables and Other Current Liabilities

13 (a) Analysis by Type

Amounts due falling within one year	31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Trade payables	(38,761)	(19,232)	(83,280)
Other payables	(27,426)	(7,229)	(2,830)
Overdraft	(669)	(440)	(254)
Accruals	(315,628)	(273,212)	(221,367)
PFI Contracts	(2,305)	(2,183)	(2,305)
Deferred Income	(73,099)	(77,417)	(37,856)
Current part of finance leases	(10,431)	(10,008)	(6,417)
Amounts due to the Home Office	(36,659)	0	0
	(504,978)	(389,721)	(354,309)
Amounts falling due after more than one year			
Finance leases	(62,981)	(63,626)	(30,338)
PFI Contracts	0	(2,305)	(388)
	(62,981)	(65,931)	(30,726)
Total payables as at 31 March 2010	(567,959)	(455,652)	(385,035)

Note (1): The UK Border Agency does not have an overdrawn bank account, however, some of the local bank accounts are technically overdrawn due to unpresented cheques.

Note (2): Amounts due to the Home Office represent the amount of receivables that are due to the Consolidated Fund when the cash is collected.

13 (b) Intra-Government Balances

	31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Balances with other central Government Bodies	(48,480)	(4,514)	(13,278)
Balances with local authorities	(95,454)	(78,451)	(81,444)
Balances with NHS Trusts	0	(175)	0
Balances with Public Corporations and Trading Funds	(134)	0	(360)
	(144,068)	(83,140)	(95,082)
Balances with bodies external to Government	(423,891)	(372,512)	(289,953)
Total Payables as at 31 March 2010	(567,959)	(455,652)	(385,035)

14 Provisions for liabilities and charges

	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Balance at 1 April 2008	(908)	(15,172)	(28,329)	(44,409)
Provided in the year	(7,570)	(29,341)	(39,462)	(76,373)
Provisions not required written back	0	12,732	6,292	19,024
Provisions utilised in the year	226	1,480	15,797	17,503
Balance at 31 March 2009	**(8,252)**	**(30,301)**	**(45,702)**	**(84,255)**
Provided in the year	(3,773)	(3,017)	(12,164)	(18,954)
Provisions not required written back	74	303	19,725	20,102
Provisions utilised in the year	1,002	484	12,349	13,835
Unwinding of discount	(202)	(643)	(115)	(960)
Balance at 31 March 2010	**(11,151)**	**(33,174)**	**(25,907)**	**(70,232)**

Analysis of expected timing of discounted cash flows	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
In the remainder of the Spending Review to 31 March 2011	1,861	8,808	21,485	32,154
Between 1 April 2011 - 31 March 2016	8,293	18,567	3,142	30,002
Between 1 April 2016 - 31 March 2021	997	5,207	1,280	7,484
Thereafter	0	592	0	592
Balance at 31 March 2010	**11,151**	**33,174**	**25,907**	**70,232**

All provisions are expected to be utilised before the period beginning 2051.

Early Departure Costs

The agency meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8 per cent in real terms.

Building Dilapidations

The UK Border Agency is required to maintain the estate which it occupies. The provision is for the work required at the end of the lease to return the buildings back to their former state.

Other Provisions

Other provisions include the following:

Provisions for onerous contracts, where the UK Border Agency has vacated buildings but is still liable for the rental payments and service charges;

Outstanding compensation claims for various legal claims against the agency. The value reflects all known claims where legal advice indicates that it is probable that the claim will be successful and the amount of claim can be reliably estimated; and

Refunds of fees incorrectly charged.

15 Capital Commitments

Contracted capital commitments at 31 March 2010 not otherwise included in these accounts were as follows:

	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Property, plant and equipment	25,909	26,523	25,726
Intangible assets	424,918	304,363	365,535
	450,827	330,886	391,261

16 Commitments under Leases

16 (a) Operating Leases

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

Obligations under operating leases comprise:	**31-Mar-10**	**31-Mar-09**	**01-Apr-08**
	£000	**£000**	**£000**
Land			
Not later than one year	1,216	812	758
Later than one year and not later than five years	4,518	4,672	2,577
Later than five years	80,172	81,234	73,970
	85,906	86,718	77,305
Buildings			
Not later than one year	38,830	40,005	31,115
Later than one year and not later than five years	105,859	114,469	95,164
Later than five years	110,726	129,302	87,249
	255,415	283,776	213,528
Other			
Not later than one year	1,245	694	1,271
Later than one year and not later than five years	969	460	930
Later than five years	0	2	0
	2,214	1,156	2,201

16 (b) Finance Leases

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

	31-Mar-10	**31-Mar-09**	**01-Apr-08**
	£000	**£000**	**£000**
Buildings			
Not later than one year	10,431	10,008	6,417
Later than one year and not later than five years	35,269	35,377	21,358
Later than five years	127,612	131,148	22,121
	173,312	176,533	49,896

The Present Value of obligations under finance leases are given in the table below for each of the following periods:

	31-Mar-10	**31-Mar-09**	**01-Apr-08**
	£000	**£000**	**£000**
Buildings			
Not later than one year	10,431	10,008	6,417
Later than one year and not later than five years	31,858	32,165	17,635
Later than five years	31,123	31,461	12,703
	73,412	73,634	36,755

17 Commitments Under PFI Contracts

UKBA holds one contract that is classified as a PFI contract.

ATOS Contract

The UK Border Agency has a contract with ATOS Origin to supply IT infrastructure, development and support services. The contract commenced on 1 November 2004 for an initial period of six years. During the current financial year the provision in the contract to extend for a further five years has been utilised giving a final expiry date of 31 January 2016.

This contract has been classified as a "Service concession" and under IFRIC 12 assets within the contract are treated as those of the agency.

The contract has a capital value of £43,746k and a net book value of £23,056k as at 31 March 2010.

Obligations Under PFI Contracts

Total Obligations under on-balance sheet PFI contracts for the following periods comprises:

	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Not later than one year	23,372	36,815	39,296
Later than one year and not later than five years	1,360	19,643	54,055
Later than five years	335	0	0
	25,067	56,458	93,351

The interest element of the total obligations under on-balance sheet PFI contracts is £nil.

The payments the UK Border Agency is committed to make during 2010/11 in respect of on-balance sheet PFI contracts is as follows:

	31-Mar-10	31-Mar-09	01-Apr-08
	£000	£000	£000
Not later than one year	23,032	1,385	5,217
Later than one year and not later than five years	0	35,090	34,079
Later than five years	340	340	0
	23,372	36,815	39,296

The total amount charged in the Operating Cost Statement in respect of the Service Element of on-balance sheet PFI transactions was £30,745k (2008/09: £30,478k).

18 Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of detention services, asylum support costs including accommodation and the facilitation of worldwide Visa Application Centres. The payments to which the agency is committed are as follows.

	31-Mar-10 £000	31-Mar-09 £000	01-Apr-08 £000
Not later than one year	142,368	62,358	51,557
Later than one year and not later than five years	386,962	162,391	156,441
Later than five years	108,990	82,050	59,811
	638,320	306,799	267,809

19 Contingent liabilities disclosed under IAS 37

The agency has the following contingent liabilities:

- The agency has various legal claims which are currently outstanding. The liabilities described below covers all known claims where legal advice indicates that the criteria for recognition of a provision has not been met.

    - There are a number of cases of unlawful detention outstanding. Based on past experience these give rise to an overall contingent liability of £11.5m.

    - There are currently a number of court cases where the UK Border Agency is being challenged on how it manages further submissions. If it is decided against the agency then the agency will be liable for paying court costs in cases where it has refused permission to work. The potential liability is £950k in total.

    - The UK Border Agency has been challenged twice, once overseas and once in the UK, on why it has not used its discretion in charging fees for people coming to settle with relatives when both parties are considered destitute but have an article 8 right to live as a family. The agency won the Judicial Review for the in UK challenge but lost the overseas challenge. This may give rise to further claims against the fees regulations.

- In addition to the legal claims the UK Border Agency is currently in negotiations with various suppliers. The outcome of these negotiations is unknown, but may result in the Agency incurring some costs. In particular Immigration Group has contracts with public and private sector organisations for the provision of accommodation. Accommodation providers are paid on a flat rate per person / per night basis. The agency is in dispute with six accommodation providers who have claimed £12m and the agency has counter claims of £27m.

20 Contingent Liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

The agency has entered into the following contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

20.1 Quantifiable

The UK Border Agency has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- Indemnity provided to BAA in respect of damage or injury caused to third parties from the UK Border Agency in their use of vehicles operating airside while transporting immigration officers between airside locations: £52m

20.2 Unquantifiable

The UK Border Agency has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- **The UK Border Agency New Detection Technology (NDT) in Belgium and Eire** (Minute dated 10 September 2003)

All NDT equipment is loaned by the agency to recipients:
i) Zeebrugge: Further Heartbeat building and One Passive Millimetric Wave Imager Truck.

- **The UK Border Agency New Detection Technology (NDT) in Belgium, the Netherlands and Germany** (Minute dated 18 December 2003)

All NDT equipment is loaned by the UK Border Agency to recipients:
i) Zeebrugge: Further heartbeat building.
ii) Ostend and Zeebrugge: Heartbeat-shelters.
iii) Vlissingen: Heartbeat equipment and shelters.

- **The UK Border Agency New Detection Technology (NDT) in France** (Minute dated 18 December 2003)

All NDT equipment is loaned by the UK Border Agency to recipients:
Action with UK and French Memorandum of Understanding:
i) Calais: heartbeat equipment and building and Passive Millimetric Wave Imager trucks.
ii) Coquelles: heartbeat detection unit at the Euro tunnel operated in the juxtaposed control zone by the UK Border Agency. Passive Millimetric Wave Imager trucks
Action since English/French convention signed 24 November 2003:

i) Calais: Heartbeat equipment and two buildings in juxtaposed control zone commenced Spring 2004.
ii) Dunkerque: Heartbeat-building commenced Summer 2005. Heartbeat equipment and building operated by the UKIS in the juxtaposed control zone and commenced operation in Spring 2004.
iii) St. Malo: CO2 probes to be operated by French operators.

- **The UK Border Agency New Detection Technology France and Austria** (Minute dated 16 March 2004)

All NDT equipment is loaned by the UK Border Agency to recipients:

i) Coquelles: Shelter for and heartbeat detection equipment which is under control of, and operated by, the UK Border Agency in the juxtaposed control zone.

- **The UK Border Agency New Detection Technology in Europe** (Minute dated 2 July 2004)

Indemnity in respect of the deployment and/or demonstration of New Defence Technology by the UK Border Agency in Europe. Within the scope of this indemnity "Europe" is defined as the member states of the Organisation for Security and Co-operation in Europe (OSCE); those North African and Middle Eastern countries with which the OSCE has special relationships (Algeria, Israel, Jordan, Morocco and Tunisia); and those countries which participate in Euro-Mediterranean dialogue with the Council of Europe (Libya, Syria, Lebanon and the Palestinian Authority).

- **The UK Border Agency use of Foreign and Commonwealth Office Premises**

Commitment to conditional support provided to the FCO against all third party claims arising out of, or in connection with, the agency's occupation of the premises.

21 Losses and Special Payments

21 (a) Losses Statement

	2009/10 £000	2008/09 £000
Total: 1822 cases (2008/09: 700 cases)	13,781	11,148
Details of cases over £250,000		
Overpayments		
Overpayments to Asylum Seekers: See note 1 overleaf	3,507	9,600
Fruitless Payments		
Included within the fruitless payments are payments by the UK Border Agency for five empty properties. Unavoidable payments are made to landlords and others for properties after occupation has ended. These payments are integrated within an estate management and rationalisation plan designed to increase the overall long term benefit of the estate to the business	1,163	1,072
European union fine due to Ineligible payments and Technical corrections 2002 - 2003	1,229	0
Loss of Pay		
Overpayments to UK Border Agency Staff: See note 2 overleaf	4,323	0
Claims Waived or Abandoned		
Included within Bad Receivable Write offs is an amount for entities which have entered Administration and therefore the debt cannot be collected (698 cases)	1,216	0
Included within Bad Receivable Write offs is an amount for penalties which could not be enforced due to administrative errors. The penalty was appealed and the agency did not respond within the Statutory deadline, and therefore the court could not enforce the penalty (138 cases)	1,703	0
Included within Bad Receivable Write offs is an amount for claims which can no longer be enforced due to the age of the debt (174 cases)	334	0

21 (b) Special Payments

	2009/10 £000	2008/09 £000
Total: 1703 cases (2008/09: 698 cases)	12,320	3,181
Details of cases over £250,000		
Compensation to a member of the public who was unlawfully detained	361	0
Compensation to a member of the public and their family who were unlawfully detained	364	0
Compensation to a member of the public. The delayed processing of an application resulted in a refugee being treated as an adult and not a minor	332	0
Payments made to minors who were detained as adults (40 cases)	2,105	0

21 Losses and Special Payments (ctd)

21 Note (1) - Overpayments - Full Disclosure

Issue arising
During 2008/09, the UK Border Agency became aware that overpayments were being made on asylum support costs. Upon investigation it was found that we had made payments for accommodation and direct support to asylum seekers, whose eligibility for the support had ceased. The population could be split into two:

1) Individuals whose support should have ceased, but were still receiving benefits; and
2) Individuals whose cessation of support was delayed, therefore they continued to receive benefit after they should have done but the support has now ceased.

Why it happened
The overpayments occurred due to control weaknesses between the casework system and the payment system. When a decision is made for asylum support to be ceased, it is noted on the casework system. A control was created so that the decision on the casework system would trigger the payment system to stop making payments. However, this control was found to be ineffective.

What did the UK Border Agency do to rectify the situation
When this issue was noted, the two populations (items (1) and (2) above) were considered separately.

For item (1), all individuals receiving support were reviewed on the casework system. Using a fixed set of criteria, individuals who had the potential to be receiving benefits incorrectly were identified. These were then reviewed in more detail, and the data from the casework system was compared to the payment system. Any individuals who were incorrectly receiving benefit had their payment stopped immediately.

For item (2), a review of individuals who had had their benefits ceased in year were reviewed. These were looked at in detail, and the delay in cessation of their support payments was calculated.

Financial impact
In 2009/10 the UK Border Agency made overpayments to Asylum Seekers of approximately £3.5m. This is considerably lower than the £9.6m reported in 2008/09 when the issue first came to light and reflects the steps made by the agency in tackling the system for payments to Asylum Seekers.

The £3.5m is broken down as follows: £1.6m relates to families and singles awaiting an asylum decision and £1.9m relates to failed asylum seekers awaiting safe return.

What the UK Border Agency has done to mitigate future occurrences
The agency has introduced a number of controls, which include the following:

i) Sample checks are carried out on conclusions that occur to ensure that payments have stopped for any individual who should not be receiving benefits.

ii) Managers are now required to review local procedures to ensure compliance with documented processes and provide assurance on their adequacy and effectiveness.

iii) Weekly exception reporting has been implemented which identifies potential cases on the casework system that have reached a trigger point but which still have payments made on the payment system.

iv) An assurance team reviews and monitors the overall process and reports to the UK Border Agency Board Members.

21 Losses and Special Payments (ctd)

21 Note (1) - Overpayments - Full Disclosure (ctd)

Recoverability
Taking into consideration the various circumstances, we have decided not to proceed with recoveries for the following reasons:

i) The UK Border Agency will not be able to recover the payments for accommodation as these providers acted in good faith. The UK Border Agency should have notified the providers but did not.

ii) Recovery of the payments of direct support to asylum seekers still in the UK is not possible due to legal and hardship grounds. For individuals removed from the UK, it will be extremely difficult and costly to pursue.

21 Note (2) - Payroll Overpayments - Full Disclosure

Payroll overpayments arise from late notification of pay changes which are not received by the Home Office Payroll Department at the time the payroll is run. Typically these relate to changes in payroll entitlements, such as non-entitlement to allowances or non-registration of unpaid leave, but may also include late notification of staff leaving the agency. The payments were accounted for as normal payroll charges at the time, but subsequently picked up as an overpayment.

As at 31 March 2010 the total amount of outstanding payroll overpayments was £4,321k (2,569 cases), of which £3,601k (1,846 cases) relates to overpayments made on or before 31 March 2009 and £720k (723 cases) which have been made since 1 April 2009.

There are teams in Liverpool, Croydon and Newport, which are actively seeking to recover these overpayments, and a significant number of repayment plans have been agreed. Funds are recovered monthly via payroll deductions or through cheques and standing orders from leavers.

Included in the above amounts, we have identified 605 cases with a value of £1,399k for which recovery is unlikely. We have created a bad receivable provision for the full amount.

Whilst payroll overpayments are a persistent problem, the agency is taking steps to improve notification of changes, including the introduction of an online HR self-service. This has improved the controls and procedures, which is ensuring the level of these overpayments is reducing significantly.

22 Related party transactions

The UK Border Agency is an Executive Agency of the Home Office. The Home Office group also includes:
Identity and Passport Service
Criminal Records Bureau
Forensic Science Service Ltd
Independent Police Complaints Commission
Independent Safeguarding Authority
National Policing Improvement Agency
Office of the Immigration Services Commissioner
Security Industry Authority
Serious and Organised Crime Agency
These bodies are regarded as related parties with which the Agency has had various transactions during the year.

Lin Homer, the Chief Executive of the UK Border Agency, also sits on the Home Office Board. In addition, the UK Border Agency has representatives of the Foreign and Commonwealth Office and Her Majesty's Revenue and Customs on the Board. No board member, key managerial staff or other related parties have undertaken any material transactions with the agency during the reporting period other than those mentioned below.

Foreign and Commonwealth Office

The agency had material transactions with the FCO as a result of the Machinery of Government change. The total income received from the FCO in 2009/10 was £339,340k, and the total expenditure incurred by the FCO on the agency's behalf was £234,192k. The net receivable due from the FCO as at 31 March 10 was £1,739k.

Her Majesty's Revenue and Customs

The agency had material transactions with HMRC as a result of the Machinery of Government change. The total income received from HMRC in 2009/10 was £1,694k, and the total expenditure incurred by HMRC on the agency's behalf was £241,809k. The net payable to HMRC as at 31 March 10 was £22,996k.

Non Departmental Public Bodies

The Office of the Immigration Services Commissioner (OISC) is an executive Non-Departmental Public Body (NDPB) of the UK Border Agency. It is a designated NDPB under the Immigration and Asylum Act 1999 and produces its own annual accounts on an accruals basis and is regarded as a related party.

During the year, OISC had material transactions with the UK Border Agency. The UK Border Agency supplied OISC with Grant in Aid of £4,356,350 (2008-09: £4,270,000), and received income from Advisors and Designated Professional Bodies of £1,008,252 (2008/09: £691,184). During April 09, a receipt of £211,335 was received from OISC which had been accounted for in OISC's books in 2008/09 but was accounted for in the agency's books in 2009/10. The UK Border Agency is not represented on the OISC board.

UK Border Agency Board Members

A number of agency Board Members have received season ticket loans from the UK Border Agency which, in accordance with agreed repayment plans, remain partially outstanding at the 31 March 10. The amounts outstanding are:
Brodie Clark (Director, Border Force): £3,302.
Justin Holliday (Director, Corporate Services): £2,706.
David Wood (Director, Criminality and Detention Group): £2,273.

23 Third Party Assets

The UK Border Agency holds one asset on behalf of third parties.

(a) Citizenship Ceremony Fee

The UK Border Agency receives applications from foreign nationals to obtain British Nationality. The application money includes ceremony fee of £80 (2008/09: £80), and the local authorities who carry out the ceremonies are entitled to the whole of the fee after the ceremony has been completed. The UK Border Agency therefore holds the funds on behalf of the Local Authority until the ceremony has taken place. The money is collected in Commercial Banks and then incorporated into the Home Office Paymaster General Account so that control over the assets can be maintained.

These are not agency assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. They are set out in the table below.

Note that of the balance below, £nil is held in UK Border Agency Commercial Banks (2008/09: £nil), and the balance is held by the Home Office.

	31-Mar-10	**31-Mar-09**
	£000	**£000**
Monetary Assets	4,502	5,997
	4,502	5,997

24 Seized Assets

During the financial year, the agency received £227k of income in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation.

The agency also seized assets at the border. Tobacco and illegal substances are destroyed but the agency did raise £432k (2008/09: £877k) from the sale of seized vehicles with all proceeds going to HM Treasury.

25 Events After the Reporting Period

Post 31 March 2010, the following are disclosed as having an effect on the agency:

1) In accordance with IAS10, the Chief Executive duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.

2) On 22 July 2010 it was announced that a decision has been made to terminate the contract with the prime supplier for the e Borders programme. Raytheon Systems Limited had been awarded a 10 year contract on 14 November 2007 to lead the development of the e Borders system, however the UK Border Agency has decided not to proceed to the end of the contract.

Included within the UK Border Agency accounts are the following as at 31 March 2010:

£107m assets under construction (note 6)
£4m IT assets (note 6)
£3m buildings held under finance leases (note 6)
£117m intangible assets (note 7)
£394m capital commitments (note 15)
£7m finance lease obligations (note 16(b))
£340m other financial commitments (note 18)

The values of these items at 31 March 2010 are not affected by this decision, therefore they have not been adjusted in these accounts. The value of these items will be reviewed as the contract termination is progressed but it is provisionally estimated that there will be a reduction in the value of assets currently reported as under construction of around £100m: £50m of which the supplier has been paid for; and, £50m for which payment has not been made (see note 13 of these accounts).

The cost implications of terminating or amending contracts impacted by this announcement are a matter of commercial negotiation with suppliers to protect the taxpayer's interest. It is therefore not possible to provide an estimate of these implications at this time. The UK Border Agency is proceeding with the e Borders programme, and is working to ensure efficient commercial arrangement to support its delivery. The impact on capital, financial commitments and finance lease obligations will become clearer as negotiations proceed.

26 Segmental Reporting

The primary level of segmentation, which is based on the UK Border Agency's management structure, comprises five segments: four operating areas, plus the Corporate Services. The operating areas are Immigration Group, Criminality and Detention Group, Border Force and International Group.

The Corporate Services segment includes the centralised management of the agency relating to Financial Management, Human Resources, Property Management, Policy, IT Services and Commercial.

The summarised Operating Cost Statement is shown below.

	2009/10					
	Immigration Group	Border Force	Criminality and Detention Group	International Group	Corporate Services	Total
	£000	£000	£000	£000	£000	£000
Migration and Visa Income	(389,828)	0	0	(339,340)	0	(729,168)
Miscellaneous Income	(1,621)	(4,254)	(2,010)	(27)	(1,886)	(9,798)
EU Income	0	0	0	0	(14,473)	(14,473)
Non Retainable Income	(22,100)	(3,059)	(227)	(4,466)	(4,244)	(34,096)
Total Income	**(413,549)**	**(7,313)**	**(2,237)**	**(343,833)**	**(20,603)**	**(787,535)**
Staff Costs	330,067	389,241	39,551	63,920	96,113	918,892
Asylum Support	524,106	0	0	0	0	524,106
Overseas Visa Operating Costs	0	0	0	216,560	0	216,560
Other Programme Expenditure	159,153	86,488	163,385	35,125	327,171	771,322
Administration Expenditure	7,801	1,147	1,517	329	38,199	48,993
Total Expenditure	**1,021,127**	**476,876**	**204,453**	**315,934**	**461,483**	**2,479,873**
Net Operating Costs	**607,578**	**469,563**	**202,216**	**(27,899)**	**440,880**	**1,692,338**

26 Segmental Reporting (Ctd)

	2008/09					
	Immigration Group	Border Force	Criminality and Detention Group	Inter-national Group	Corporate Services	Total
	£000	£000	£000	£000	£000	£000
Migration and Visa income	(320,953)	0	0	(283,739)	0	(604,692)
Miscellaneous Income	(4,821)	(3,863)	(3,938)	0	(1,849)	(14,471)
EU Income	0	0	0	0	(19,327)	(19,327)
Non Retainable Income	(23,101)	(2,376)	(68)	(4,198)	(2,591)	(32,334)
Total Income	**(348,875)**	**(6,239)**	**(4,006)**	**(287,937)**	**(23,767)**	**(670,824)**
Staff Costs	315,950	400,549	35,221	58,928	97,344	907,992
Asylum Support	511,290	0	0	0	0	511,290
Overseas Visa Operating Costs	0	0	0	166,431	0	166,431
Other Programme Expenditure	136,832	79,908	153,442	73,170	287,746	731,098
Administration Expenditure	20,926	60,178	584	177	39,553	121,418
Total Expenditure	**984,998**	**540,635**	**189,247**	**298,706**	**424,643**	**2,438,229**
Net Operating Costs	**636,123**	**534,396**	**185,241**	**10,769**	**400,876**	**1,767,405**

Note: Included in Administration Expenditure for Border Force in 2008/09 is £59,356k which is mapped to Other Programme Expenditure in Corporate Services and Border Force in 2009/10 to reflect the changes in the reporting and management of expenditure due to the Machinery of Government changes.

27 Machinery of Government Changes

2009/10 is the first year of the UK Border Agency existing as an executive agency. The majority of the agency was formerly part of the core Home Office, and the remainder of the agency was formerly part of Her Majesty's Revenue and Customs Detection Group. The two sections formally merged on 1 April 2009. More details regarding the transfer are included in the Annual Report.
The table below shows the constituent parts of the agency for the comparative period.

	2008/09 HMRC DG	2008/09 Section of Core Home Office	2008/09 Consolidated UK Border Agency
Operating Cost Statement	**£000**	**£000**	**£000**
Administration Costs			
Staff Costs	217,616	58,025	275,641
Other Administrative Costs	59,451	61,986	121,437
Programme Costs			
Staff Costs	0	632,351	632,351
Programme Costs	31,763	1,377,037	1,408,800
Retained Income	(1,694)	(636,796)	(638,490)
Non Retainable Income	0	(32,334)	(32,334)
Net Operating Cost	307,136	1,460,269	1,767,405

	31-Mar-09 HMRC DG	31-Mar-09 Section of Core Home Office	31-Mar-09 Consolidated UK Border Agency
Statement of Financial Position	**£000**	**£000**	**£000**
Property, Plant and Equipment	46,393	620,320	666,713
Intangible Assets	0	23,731	23,731
Inventories	0	1,615	1,615
Trade and Other Receivables	993	39,345	40,338
Cash and Cash Equivalents	0	7,619	7,619
Trade and Other Payables	(15,445)	(374,276)	(389,721)
Provisions	(680)	(83,575)	(84,255)
Long Term Trade and Other Payables	0	(65,931)	(65,931)
Total Assets Less Liabilities	31,261	168,848	200,109
General Fund	27,281	49,329	76,610
Revaluation Reserve	3,980	119,519	123,499
Total Taxpayers Equity	31,261	168,848	200,109

Note: A large proportion of the former HMRC DG expenditure was classified as 'Administrative Expenditure'. The agency has reclassified some of this expenditure as 'Programme Expenditure', as the agency feels that this more accurately describes the type of expenditure incurred.

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