



Security Industry Authority

Annual Report and Accounts 2013/14

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Private Security Industry Act 2001

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Joint Statement by the Chairman and Chief Executive

Last year provided us with considerable changes and uncertainties across our responsibilities, our operations and how we are structured. Although the new financial year brings a new challenge and much remains to be done if we are to continue to develop and deliver effective and balanced regulation for the private security industry, we have risen to the challenges and opportunities that have faced us:

- We have maintained or improved our service levels in licensing and compliance and continued to work with ACS member companies to improve standards in the industry.
- With government, the devolved administrations and the industry, we have developed the arrangements for a phased transition to a new regulatory regime.
- We have made significant changes to modernise the licensing process to make getting and renewing a licence easier and cheaper and are phasing out the paper application forms.
- We are changing the way in which we organise ourselves to allow us to have a better focus on our regulatory services and the way we work with businesses in the industry and our other partners.

There is, of course, still a lot to do and significant uncertainties remain as to when the new arrangements for regulating businesses will commence. However, we consider that the organisation's performance in 2013/14 was good and that it shows that we have a robust base from which to deliver our evolving responsibilities.

Our licensed population averaged 379,532 in 2013/14, broadly in line with previous years. However, the pattern of applications and renewals (and consequently our income) varies significantly over a three year cycle and 2013/14 is the lowest year in the current cycle. Over the year, 114,521 (2012/13 – 154,054) net valid licence applications were processed. Of these, 88% were processed within our target time of 25 working days or less (against our commitment of 80%), with 70% of applicants receiving their licence in 15 working days or less.

Membership of the Approved Contractor Scheme (ACS) now stands at 766 (2012/13 – 756) and those in the scheme are very satisfied, with a high percentage of members (96%) continuing or renewing their membership.

Our enforcement team, working with a wide variety of partners, has found compliance levels of 98%. Our work has included supporting significant operations against organised crime, as well as the successful prosecutions of individuals and businesses. In a number of cases, this work has been targeted on the exploitation of those working in the industry.

The quality of our services was improved and simplified. Applications can now be made through the Post Office, saving applicants time and money, and we are phasing out paper applications, reducing the number of applications rejected, and the associated costs and frustrations, from 25% in March 2013 to 19% in March 2014. This has dropped further to 6% in August 2014. Standards achieved were again recognised through the reassessment of our award of the Government Standard for Customer Service Excellence. We are fully compliant across all criteria and we achieved “compliance plus” markings in eight areas of the standard. This means that our organisation remains amongst the elite and contributes to setting the standard that others strive for.

Our staff worked closely with other enforcement partners to support action against organised crime gangs, resulting in a number of convictions and closures of businesses associated with organised crime. This has included work against businesses exploiting workers. In addition, our own formal investigations have resulted in 18 successful prosecutions.

Our income comes directly from the individuals that we license and the members of ACS. As described above, 2013/14 is our lowest income year in the current cycle, with income of £25.6m (2012/13 – £34.1m) and we made a deficit of £0.3m. This compares to a deficit of £0.4m in 2010/11, the last comparable year in the cycle and reflects the continuing reductions we have made to our costs. The average cost to issue a licence was £113 (2012/13 £131) and the operational cost per active licence was £107 (2012/13 £89). This is due to the reduction in the direct licensing costs as a result of the cheaper application channels in use (e.g. E-fill and applications through the Post Office). The year was a low year for licence volumes which means that the fixed costs per application which includes Corporate Services and Accommodation costs are increased.

During the year, the Home Office concluded its consultations on the proposals for business licensing and the response showed a good level of support. With the industry, government and devolved administrations, we have worked to develop an approach to business licensing, publishing an indicative draft of Get Business Licensed that set out detailed proposals for the regime. On 27 February 2014 the Home Office announced that the roll out of the new regime had been postponed, although the commitment to business licensing was re-affirmed. We have therefore suspended work on the rollout until the Home Office confirms its intentions and proposed timescales. We remain of the view that the introduction of business licensing is an important and necessary reform of the regulatory regime and hope that the position can be resolved as soon as possible to allow the industry the certainty it requires.

The Home Secretary announced on 31 July 2013 that the private investigations sector would be brought into regulation. This is an important sector to regulate and the introduction of private investigations and business licensing will allow for an effective regulatory regime for the sector: the absence of business licensing would, we believe, seriously compromise our ability to identify and regulate private investigations effectively. Preparations for this work are well advanced and we are waiting for confirmation from the Home Office as to when the necessary legislation will be in place.

We have improved service levels and reduced costs and this has been made possible through our successful work with our current delivery partner, BT/LDL. However, our contract for business support systems has to be renewed and we are taking the opportunity to further modernise our approach to delivery, in support of the government's digital by default agenda. Following a tendering exercise, a contractor was appointed in August 2013, but this contract was terminated by mutual consent in January 2014. The SIA made no payments under this contract and has no further liability to that contractor. BT have now been appointed under a contract signed in May 2014 and are working with the SIA to develop the new systems which will deliver further service improvements and cost reduction in 2015.

We have completed the reorganisation of arrangements within the SIA to allow a clearer focus on our core responsibilities. We are also committed to working to our values and with staff to equip them with the skills necessary to deliver our roles and the opportunities to contribute to our success. This is challenging in a continuing environment of austerity and it is testimony to their commitment that we continue to deliver and improve our services.



A handwritten signature in black ink that reads "Elizabeth France". The signature is fluid and cursive, with a large loop at the end of the last name.

Elizabeth France
Chair



A handwritten signature in black ink that reads "Bill Butler". The signature is bold and cursive, with a long horizontal line extending from the end of the last name.

Bill Butler
SIA Chief Executive

Management Report

Strategic Report

Principal activities

The Security Industry Authority (SIA) is responsible for regulating the UK private security industry. We are an independent body reporting to the Home Secretary under the Private Security Industry Act 2001. Our remit includes Scotland and Northern Ireland and we consult closely with the Scottish Government and the Northern Ireland Assembly about our regulation. Our regulation of the private security industry supports the objectives of the Home Office and the devolved administrations to protect the public. We make a contribution to making communities safer; helping people feel secure and cutting crime, protecting the public from terrorism, controlling immigration and safeguarding identity.

Intended regulatory outcomes

The SIA contributes to public protection and through its regulatory activities, reduces criminality and sets and approves standards in the security industry. The SIA's work is currently carried out in two ways: the compulsory licensing of individuals undertaking designated activities within the private security industry and the approval, on a voluntary basis, of security suppliers that meet specified quality standards.

For individual licensing, we apply approved criminality and other fit and proper person criteria and we establish the competency requirements. We specify qualifications and endorse awarding bodies, which in turn approve training providers, oversee the standard of assessment and award qualifications recognised for licensing.

For approved security contractors, we apply eligibility and other fit and proper criteria and we establish terms and conditions of approval. We specify management and operational requirements in the Approved Contractor Scheme (ACS) Standard and appoint assessing bodies to conduct assessments against this standard.

Working with partners

In order to achieve our objectives effectively we share information, ideas and knowledge with many different organisations across the United Kingdom. Our partner community includes government departments and other agencies, along with police forces, local authorities and organisations in business and industry.

Review of 2013/14 – our key achievements

Overview

The SIA continues to perform well against its business objectives. In 2013/14 the number of licence applications completed within five weeks was 88% (against a target of 80%) and the performance of all contacts resolved at the point of first contact was 83% (target 80%), this means that we have continued to have a timely and accessible system.

Regulatory activity continues to ensure that the regime is effectively enforced. Operational and service efficiency has continued throughout 2013/14, with the launch of the document checking and payment service through the Post Office introduced in July 2013, which has led to continued savings in costs to the organisation and to those using the service.

There is continued work to support the government's austerity measures with monthly transparency reporting completed for spend over £25,000 and also around procurement reporting.

During the year, the SIA has continued to work with the Home Office and the security industry on the development of regulation for the private security industry.

In particular the development of arrangements for the introduction of mandatory business licensing. This is subject to Ministerial and Parliamentary approval and the approval of the devolved administrations in Scotland and Northern Ireland.

Detail of key achievements in all areas of the business is included below.

Supplier/Contract Performance

Our outsourced service provision, used to receive and process licence applications, has continued to perform well, meeting or exceeding all customer commitments over the last financial year. The output based contract, continues to provide better value for money resulting in an overall 35% saving (£3.9m) over the last financial year compared with the previous commercial arrangement.

The provision of the Post Office application service, which links up with the existing online services and completes the document checks, has also contributed to this overall saving. The combination of the outsourced service provision and service provided by the Post Office delivers a more cost effective service overall.

Approved Contractor Scheme

Additional training requirements

During 2013 the SIA worked with the Home Office, the Police and Crime Commissioner for Northumbria and the industry to enhance the training requirement to ensure door supervisors have an awareness of how to help people that may be vulnerable in the night time economy. At the same time we added content on how to identify and report signs of child sexual exploitation to the training that all new security operatives receive. This has resulted in documented incidents where security staff have alerted police to prevent possible crimes being committed.

Raising standards

Every ACS assessment results in a score based on the number of elements of good practice identified above the basic ACS requirements. Higher scores are an indicator of raised standards.

In 2013/14, half of all approved contractors achieved a score of at least +65, continuing the improvement trend from previous years and including the growing proportion of small and micro businesses in the ACS.

Year	Median score	Upper quartile score	Upper decile score
2008/09	18	47	69
2009/10	30	53	85
2010/11	40	67	95
2011/12	45	75	104
2012/13	56	89	118
2014/15	65	102	133

Assessor performance

To identify and plan improvements in the ACS assessment process, we work with each assessing body to rate its monthly performance against contractual requirements. Every assessing body has demonstrated improved performance in 2013/14 and overall ratings are at an all-time high.

Qualifications uploading performance

We have managed the performance of awarding organisations and have ensured that 95% of successful exam results are uploaded to the SIA licensing system within ten working days, ensuring that licences can be issued without delay.

Review of new qualifications

We have launched the review of the licence-linked qualifications. Drafts of the new requirements have been finalised and are currently the subject of consultation.

Violence reduction strategy

We are working with partners to develop a clear strategy for how the SIA will co-ordinate its activity to help drive down the incidence of violence, particularly in the night time economy.

ACS review

We have conducted a review of how the ACS should operate in the future. The proposals reflect a continuing commitment to the ACS and include a renewed focus on excellent security provision, which will clearly differentiate the voluntary ACS from mandatory business licensing.

Customer service

Customer Service Excellence

In March 2014 we were successfully re-assessed against the Customer Service Excellence standard. This means that our service continues to meet government standards of excellence, and is benchmarked against other high-performing organisations.

The Customer Service Excellence standard tests areas that are most important for customers, such as delivery, timeliness, information, professionalism and staff attitude. It also tests whether the organisation understands the needs of its customers and how satisfied they are with the service they receive.

Gaining the award and maintaining the award is not a one off exercise; an important part of the award is about continuous service improvement. We will be assessed on an annual basis to show how we perform against the Customer Service Excellence standard.

Application channels

This year has seen the successful delivery of 'Digital by Default' application channels for our customers, leading to increased automation and efficiencies of our application processes.

Our Post Office application service is now the primary way for individuals to apply for a new licence. Applicants download an application form and the Post Office check all relevant documentation and take the application fee. The service with the Post Office makes applying for a new SIA licence easier and cheaper; most applicants will no longer need to post valuable documents and supply a photograph, which can be costly and inconvenient and the number of applications which are rejected due to errors in completion has fallen significantly.

Partnerships and Interventions

Partnerships and Interventions

The Partnerships and Interventions function conducts operations and audits to identify and tackle non-compliance, using a range of interventions and sanctions at its disposal, including prosecution of the most serious offences. We work with partners to help identify and disrupt serious and organised crime associated with the industry and intervene where there are threats to the regulatory outcomes we are looking to achieve.

Compliance with the requirements of the Private Security Industry Act (PSIA) 2001 continues to be high. Overall compliance with the requirement to be licensed for 2013/14 was 98%, based on 569 checks spread geographically across the UK and all regulated sectors.

The Partnerships and Interventions team dealt with 662 compliance cases where potential risk had been identified. This can involve working with partners, carrying out inspections and the prevention of offending that is identified through issuing warnings and improvement notices (during the year we issued 424 warnings and 67 improvement notices). In the overwhelming majority of cases, this approach is effective in bringing about compliance. In a small number of cases, including persistent non-compliance and risk to the public, we will undertake a formal investigation with a view to prosecution. During 2013/14, 15 cases were referred for formal investigation.

The SIA completed a number of successful prosecutions against both businesses and individuals during the year. Average fines for PSIA offences are on the rise as well as more serious penalties, indicating the seriousness with which the courts take security licensing offences. Several prosecutions have sought to protect the integrity of the Approved Contractor Scheme (ACS). Offending under the PSIA is at the contractual expense of legitimately run security businesses. In appropriate cases, the Authority is working with partner agencies to identify the benefit of criminal conduct to recover these funds under the Proceeds of Crime Act 2002.

During 2013-14, the SIA carried out a range of operations with partners. These included:

- Work the G8 summit in Northern Ireland to ensure that there was an integrated approach to the checking of security personnel and provide a high level of assurance to the organisers.
- Participation in Operation CONE in September, which formed part of the ACPO initiative In Focus: Alcohol and Harm.
- Playing an active part in disrupting serious and organised crime linked with private security businesses. In one example, Merseyside Police identified that an organised crime group (OCG) was linked to an ACS approved security company. The SIA identified that the business had changed its name and with that change the ACS approval was no longer valid. We advised the company director to ensure that his customers knew that his business no longer held ACS approval and visited customers to advise of the position. We estimate this intervention cost the company in excess of £1m of contracts.

- Contributing to the fight against modern day slavery through work with Home Office. In February, several members of Blue Feathers Guarding Limited were found guilty for a number of immigration and PSIA offences at Woolwich Crown Court, following a prosecution by immigration enforcement. The case gave evidence that Blue Feathers were exploiting unlicensed migrant workers with no right to work: they were paid £3.50 per hour and worked for 24 hour shifts. The company director was found guilty of immigration offences and provision of unlicensed security operatives and sentenced to 4.5 years imprisonment for the immigration offences, and 2 years for the PSIA offence. This was the first time a custodial sentence had been imposed for PSIA offences.

Intelligence

The SIA is a risk-led organisation, using intelligence to prioritise our work based on the risk to the public. From April 2013 to March 2014, the Intelligence Team processed 5,677 intelligence reports received from a variety of sources. Intelligence led referrals during the year resulted in 593 entities being categorised as high risk for compliance activity or formal investigation. The team also continued to develop working relationships with partners during the year. The team shared 1017 pieces of information and responded to 560 requests from partners. A number of analytical products were produced using a combination of SIA and partner data and disseminated to relevant agencies to inform their activity, including the Blue Feathers operation described above.

The introduction of sophisticated risk indicator matrices has improved our ability to make best use of all intelligence received to prioritise individuals and businesses on the basis of risk. Developments in geographical analysis and enhancements to analytical products have supported and directed a large number of both SIA and partner-led investigations.

The SIA is a member of the Government Agency Intelligence Network (GAIN), exchanging information with over 20 public sector enforcement agencies to maximise multi-agency working. Relationships and data sharing agreements with agencies concerned with combating identity fraud have grown. Work with the City of London Police's National Fraud Intelligence Bureau identified a trend in online fraud targeting individuals looking to work in the security industry. Through effective analysis of the method by which this fraud was taking place, crime prevention advice was published by the Stakeholder Engagement team to our contacts and sector groups and through Facebook and Twitter.

Police partners notified the SIA of 1,285 offences that related to SIA licensed individuals. Using this, we were able to make suspension and revocation decisions on these licence holders. Analysis of the nature and extent of the use of forged and counterfeit SIA licences has identified a number of other risks leading to licence suspensions and revocations. The Intelligence team have worked closely with the Operation Amberhill Team (the Metropolitan Police initiative targeting identity-related frauds) to develop an information sharing agreement, permitting the exchange of information relating to the private security industry to ensure new risks are quickly identified and targeted.

Stakeholder Management

During 2013-14, the SIA has continued to meet with private security industry representatives and companies to set out, explain, share and canvass views on its proposals for a new regulatory regime and other matters of interest. We have held a national conference, industry network meetings, ACS forums, and a range of workshops around the UK. In addition, we continue to engage with those who buy security and attend external events to promote our plans.

During the year, our Strategic Consultation Group met regularly with members drawn from private security buyers and suppliers, industry representative organisations, trade unions, the Home Office and devolved administrations.

We held SIA Board meetings in Belfast and Glasgow to enable us to speak to politicians, the industry and other stakeholders locally and address the particular issues of the devolved administrations.

During 2013-14, our corporate website was visited over 2.5 million times, by at least 1.2 million unique visitors who viewed between them over 9.4 million pages of information. Our digital community grew by over 35% to nearly 32,000 subscribers, and comprises a wide range of our stakeholders, including licence holders, security professionals, and enforcement partners. Our Facebook page has over 6,000 followers and, on average, activity on our Facebook page is reached over 20,000 times a month. We have 4,500 followers on Twitter and 3,000 contacts on LinkedIn.

We produce a monthly e-newsletter *SIA Update*, which has over 16,000 direct subscribers, with an estimated monthly audience of 32,000.

Delivery against our business objectives

We set five objectives for 2013/14 which are supported by key performance indicators.

Our objectives

Protecting the public

Ensuring only fit and proper people provide regulated private security services to protect people, property and premises

Customer service

Delivering timely, effective and accessible services which meet the needs of our customers and ensuring that ACS remains attractive to the industry

Delivering proportionate regulation to the Private Security Industry to reduce criminality and improve standards under the Private Security Act 2001

Delivering value

Delivering value for money within the income received from licensing and striving to drive costs down over time

Developing our people and organisation

Helping our staff to develop their skills and competencies so that they can realise their full potential

Delivering a phased transition to a new regulatory regime

Working with stakeholders to gain their support and engagement to deliver the new regime in the agreed timescales

Protecting the Public

We have established two success factors which focus on reducing criminality, developing and maintaining compliance and enforcement. These success factors help us to measure our progress against this objective.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
Reducing relevant criminality	The correct application of licensing criteria at the time of the decision.	99.5%	99.5%	
Developing and Maintaining Compliance and Enforcement	Security operatives correctly licensed or deployed under a valid Licence Dispensation Notice.	90%	98%	Random checking and joint partner operations have shown that compliance has remained strong during the year.
	Assessment or initial action taken on disclosures received from partners that indicate public safety concerns, completed within five working days.	90%	87%	Whilst we missed our target, we maintained a strong focus on high risk cases.
	Assessment or initial action taken on disclosures received from partners that do not indicate public safety concerns completed within ten working days.	90%	99%	We exceeded our target in completing disclosures that did not indicate public safety concerns.

The KPI relating to assessment of disclosures was not met; however a strong focus was maintained on high risk cases. It should be noted that this is not significant as the volumes of disclosures are very low. For the full year position to 31 March 2014 a total of 31 disclosures were received and of these four were not actioned within the agreed timescale due to staff absence, human error and some technical errors related to the workflow in CRM. The technical errors have been corrected.

Customer service

During 2013/14 the main focus has been on the timeliness and accessibility of the service we provide.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
Timely service	Proportion of end to end licence applications processed within five weeks.	80%	88%	Licence applications were processed 10% faster than the agreed timeframe.
Accessible service	All contacts (calls, letters, faxes and emails) resolved at the point of first contact.	80%	83%	Result of all contacts resolved at the point of first contact was above target.

Delivering Value

The SIA is self-financing and is required to manage its costs effectively to balance against the licence fee income it receives and ensure value to those paying the licence fee. The ACS remains a voluntary scheme and the retention of contractors within the scheme is a key measure of delivering value. The SIA is self-financing and is required to manage its costs effectively to balance against the licence fee income it receives.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
ACS valued by industry	Eligible companies re-registering or renewing their ACS status during the year.	95%	96%	Performance remains good despite the economic situation and the proposed transition to a new regulatory regime.
Achieving full cost recovery	To balance the budget within a variance of no more than 3% of turnover.	+/- 3%	-1%	This was a low year in the licensing cycle, however costs were kept to a minimum and a deficit within the tolerance was achieved.

The tolerance target of achieving a budget surplus of +/- 3% of turnover was achieved in the year. This was the low year in the licence cycle, but costs were kept to a minimum, partly due to the operational savings, ensuring that the deficit level remained low.

Developing our people and organisation

Our key performance measures in this area concentrate on ensuring the effectiveness of our staff and on their engagement with the SIA as an employer.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
Staffing Effectively	Mandatory training completed by eligible employees during the financial year.	90%	96%	
	Percentage of permanent and fixed term contract employees achieving their agreed objectives.	85%	99%	
Staff Satisfaction	Rate of overall staff satisfaction.	61%	N/A	Staff survey deferred for the year.

A staff survey was not carried out during the year due to the organisational restructuring, but a series of staff groups were run by an independent consultant to allow us to assess and respond to staff concerns and issues. A survey and further staff groups will take place during autumn 2014 to allow assessment of staff views, including the organisational changes.

Delivering a phased transition to a new regulatory regime

Our key performance measures in this area concentrate on meeting our key transition milestones and ensuring that we engage stakeholders with our transition to a new regulatory regime

Success Factor	Key Performance Indicator	Target	Achieved	Comments
Transition key milestones	Percentage of high level programme key milestones achieved within agreed timeframe.	90% within 20 working day period.	N/A	This related to milestones within a contract to deliver future licensing services. We have been unable to measure against this KPI as this contract did not proceed.
Stakeholder support and engagement	Percentage of positive feedback from stakeholders in relation to their support and engagement on the transition to a new regulatory regime.	80%	95%	

The transition key milestones target was not measured because the original contract did not proceed and was terminated by mutual consent. No payments were made by the SIA under that contract and no other liabilities remain. Notwithstanding this, the SIA continued to make considerable progress towards its new systems. A contract with BT was signed in May 2014 and the system change is planned for the first half of 2015, which will deliver further service improvements and cost reduction in 2015.

Environmental, social and community performance

The SIA is committed to working to ensure that it takes proper account of the impact of its activities on the environment. Performance in relation to greenhouse gas emissions, waste management and finite resource consumption is set out in the following table.

Sustainability

Greenhouse Gas Emissions

	2013/14		2012/13	
	Consumption kWh	Cost £	Consumption kWh	Cost £
Direct Emissions	-	-	-	-
Indirect Emissions				
Electricity: Non-renewable	163,937 kWh	32,846	183,542 kWh	46,930
Gas	7,218 kWh	-	8,278 kWh	-

Official Business Travel

	2013/14		2012/13	
	Consumption CO ₂	Cost £	Consumption CO ₂	Cost £
Private Fleet Business Travel	89.11	142,863	95.10	153,878
Rail Business Travel	<i>Not Available</i>	136,325	<i>Not Available</i>	131,409
Other Business Travel	<i>Not Available</i>	91,651	<i>Not Available</i>	78,925
Total Business Travel		370,839		364,212

Waste Minimisation and Management *

	2013/14		2012/13	
	Consumption Kgs	Cost £	Consumption Kgs	Cost £
Hazardous Waste	-	-	-	-
Non-hazardous Waste:				
Landfill	130	-	130	-
Recycled/Reused	9,993	1,681	7,884	1,072
Incinerated	-	-	-	-

Finite Resource Consumption

	2013/14		2012/13	
	Consumption M ³	Cost £	Consumption M ³	Cost £
Water Supply*	710	-	687	-

* based upon calculations supplied by the landlord in relation to the proportion of SIA usage against that of the whole building.

Environmental, Social and Community matters

Green Group

The Green Group, a staff and management group responsible for supporting our approach to environmental matters, has continued to promote sustainable activities including cycle and walk to work weeks. It has continued to promote the 'turn off' campaign which encourages staff to switch off lights, monitors and computers. During the year the policy of not replacing spotlights adjacent to windows has been continued.

Recycling

The use of recycling bins continues to be well supported during 2013/14. In February 2014, the SIA procured a contract with a new recycling company to provide on-site secure shredding and in March 2014 2.3 tons of paper was recycled in an office wide clear-out.

Charity assistance

SIA staff continues to support charities selected by staff. The charity group has been active during the year and has raised and distributed a total of £398 to worthy causes (2012/13 £332).

Procurement

The SIA invites tenders for goods and services through the OJEU process or via 'Buying solutions' provided by the Government Procurement Service (replaced by Crown Commercial Service on 1 April 2014).

Approved Contractor Scheme (ACS).

As part of achieving ACS status, companies must comply with a set of corporate and social responsibility standards that are laid out in the accreditation guidance. In this way the SIA actively promotes corporate and social responsibility in the regulated sector.

Equality and diversity

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

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

Our workplace diversity approach underpins our human resource management strategies with attention paid to particular areas such as selection and recruitment, performance appraisal, training and development, and workplace relations which are all integrated into our diversity approach with continued success.

We have developed an Equality and Diversity Policy to promote and support these areas, and where applicable, undertake an Equality Impact Assessment for each new policy that is drafted. We carry out regular monitoring to ensure that our equality processes are working effectively and no group is adversely affected.

We work continuously to address discrimination and recognise that this requires us not only to make a commitment, but to deliver that commitment by embedding equality and diversity principles and ethos in all our work within the SIA.

Our vision for the future

Following the Public Bodies Review, published in October 2010, the Government announced its intention that regulation of the private security industry would no longer lie with a NDPB and that there would be a “phased transition to a new regulatory regime”.

The Government’s preferred option is that there is a phased transition to a business regulation regime guided by the following principles:

- The regulator would own and maintain a public register for regulated businesses and licensed individuals. Each register would enable businesses and individuals to show they have met regulatory standards, as well as provide assurance for private security buyers and employers that the registers are maintained in a common, consistent and credible manner. The regulator would also have appropriate powers to ensure compliance with the new regulatory regime.
- The intended outcome of this reform is that there would be some deregulation of the private security industry leading to more efficient and cost effective regulation, which continues to reduce criminality, protect the public and improve standards within the industry.
- The new regime will deliver regulation at no greater aggregate cost in real terms than the current regime. Fees will be set at levels in line with the cost of regulation and recognise the need for businesses and individuals equitably sharing the costs.

At the request of ministers, the SIA has led work to develop a framework for the new regime, working closely with the industry through a Strategic Consultation Group, conferences and forums and with other stakeholders and officials in the Home Office and the devolved administrations of Scotland and Northern Ireland.

The SIA’s view remains that the introduction of business regulation would have a significant impact on positive public safety and improving industry standards.

The Government published a consultation document setting out proposals for a new regulatory regime in November 2012 and the consultation ended in January 2013. There were over 750 responses to the consultation and, overall, support for the proposed changes.

These changes will require the introduction of new legislation. Discussions on how this legislation will be delivered continue within government.

The SIA recognises that the achievement of such a shift will require the continued support and engagement of the industry and other stakeholders and partners and the establishment of effective arrangements to deliver the new regulatory regime. Key elements of this will be effective communication to the industry of the changes and what will be required and the introduction of proportionate and relevant powers to allow the proper enforcement of the new regime. We are working with the Home Office and the devolved administrations to achieve these things.

The SIA’s Corporate and Business Plan for 2015/16 will be published in early 2015, outlining our vision for the future. A draft will be available for stakeholder comment in December 2014.

Financial Review

Results for 2013/14

The SIA is required by HM Treasury to operate on the basis of full cost recovery. The achievement of full cost recovery should be considered in the context of our three year business cycle, which is driven by the pattern of licensing. The majority of licences have a three-year span with the licence fee paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified 'enforcement dates' from 2006/07, with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. This cycle is highest in the year reflecting the anniversary of inception of the licence regime. 2013/14 is the lowest year of the cycle.

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

	2013/14	2012/13	2011/12
Application numbers (net)	114,521	154,054	138,450
	£'000	£'000	£'000
Income			
Licence fees	23,422	31,890	31,378
ACS	2,117	2,122	2,271
Other income from activities	14	13	23
Court costs recovered	93	61	32
Total self generated income	25,646	34,086	33,704
Expenditure			
Employment costs*	10,432	10,419	9,668
Accommodation	1,235	1,368	1,390
Advertising and publicity	227	207	283
Licensing costs	11,143	15,456	14,169
Depreciation	733	544	930
Other costs	2,150	2,406	1,908
Total expenditure	25,920	30,400	28,348
Operating (deficit)/surplus	(274)	3,686	5,356

* Employment costs include staff costs and other staff related costs.

Overview

The overall financial result for 2013/14 was an operating deficit of £0.3m against an original budgeted deficit of £0.5m. This deficit represents 1.1% of turnover, which is within the agreed tolerance of 3%. Licence fee income was £23.4m, which reflects the low level of applications in this year in the cycle. During 2013/14, demand for licences was 2.2% higher than the level budgeted.

Financial highlights

- Total Income of £25.6m this was exactly in line with the budgeted income for the year.
- While licensing volumes have decreased by 25.7%, the associated licensing costs have decreased by 28% reflecting the continued savings due to the continuing improvements in operational efficiencies in the licensing system.
- Cash balances remain high, but will reduce when the 2012/13 surplus is surrendered to the Consolidated Fund. A further review of cash balances will be completed in autumn 2014.

Funding considerations

The SIA's operation is funded through licence fees from individuals and ACS subscriptions. In making its decision to hold fees at a stable level, the Board has had to take into account the following factors:

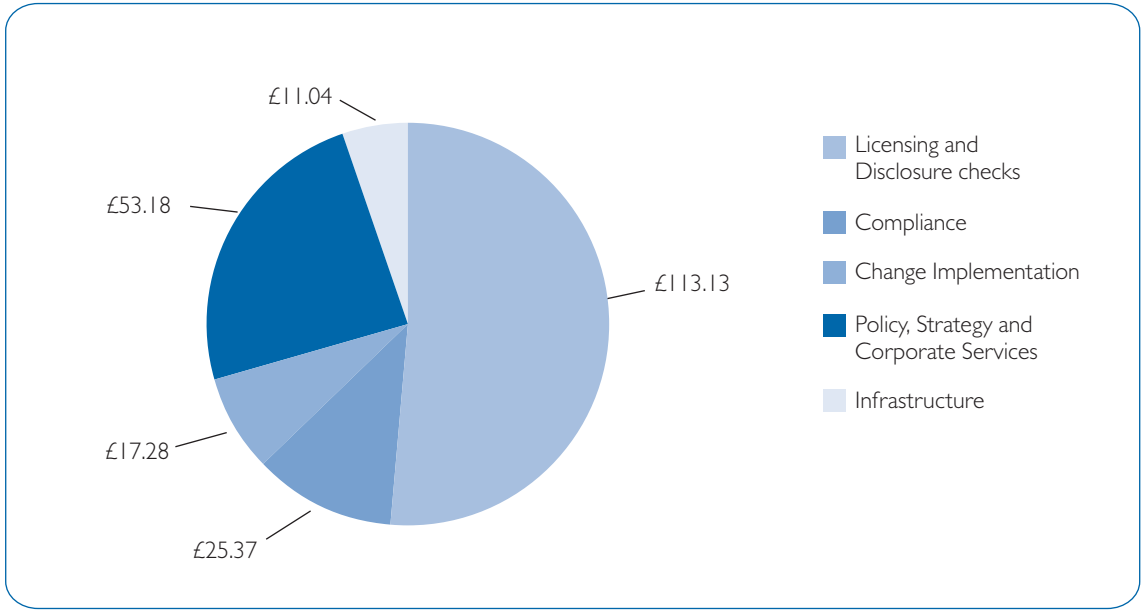
- The fluctuation of income against a largely fixed cost base over the three year licence demand cycle.
- The requirement to surrender any annual surpluses to the Consolidated Fund as an extra receipt (CFER).
- To provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.
- The costs associated with the transition to a new regulatory regime.

How the licence fee was spent in 2013/14

During 2013/14 the fee has been held at the £220 level which ensures that the SIA is self-funding. Future fee levels are based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed.
- The level of staff turnover within the industry, which generates new licensing applications.
- Stability of the SIA and therefore its cost base.
- The requirement to fund those activities associated with transition to a new regulatory regime which can be funded from licence fees. Some aspects of transition cannot be funded out of licence fee money and are expected to be funded directly by the Government.
- The cost of the new regulatory regime and the manner in which costs will be equitably borne by both businesses and individuals.

A breakdown of the way the licence fee was spent in 2013/14 is set out in the following chart:



Forecast results for the next three years

The SIA carries out a comprehensive annual cycle of planning. The resultant plan covers the three years, commencing with 2014/15. The plan and forecasts are summarised in the following table:

	Forecast			Net result
	2014/15	2015/16	2016/17	2014-2017
	£000s	£000s	£000s	£000s
Income				
Licence fees	28,300	24,242	15,852	68,394
ACS	2,053	1,319	600	3,972
Business Licence fees	-	4,395	5,625	10,020
Grant – Private Investigator start up costs	221	-	-	221
Other income	12	16	16	44
Total income	30,586	29,972	22,093	82,651
Expenditure				
Licensing	18,260	13,815	10,558	42,633
Compliance	2,865	3,326	3,352	9,543
Support services	6,766	7,140	7,073	20,979
Transition	2,355	1,248		3,603
Total expenditure	30,246	25,529	20,983	76,758
Surplus/(deficit)	340	4,443	1,110	5,893

The major financial factors underpinning these forecasts and points to note are:

- The strategic decision of the Board to maintain the licence fee at £220 for 2014/15 with changes in 2015/16 to reflect the reduction in burden on individuals following the introduction of Business Licensing. The Board will continue to keep the fee level under review and will, as appropriate, adjust the fee levels in line with ensuring that the SIA remains self-funding and does not make significant levels of surplus.
- It is expected that the change to a business regulatory regime will commence in 2015/16. This will require a new approach to fees for businesses and individuals.
- The forecast demand for individual licences over the next three years is 137,750 in 2014/15, 139,400 in 2015/16 and 112,000 in 2016/17. The impact of this significant fluctuation is reflected in the income forecasts.

- Although income fluctuates, the regulatory workload of the SIA remains broadly constant. The only costs that vary directly with volume are those relating to licence processing and these account for less than one third of total costs. The balance of costs relates to the on-going regulation of the industry. The SIA's total costs do not, therefore, vary directly with volume and cannot be flexed in the short term.
- The forecasts include a continuation of the cost reduction initiatives commenced in 2010/11 and supported under austerity measures. In addition, the SIA has been, and continues to be, active in developing new and more efficient ways of working that will drive further savings.
- Overall, we forecast an operational surplus of £5.9m over the three year period. This will fund both the regulatory activity of the SIA and the relevant costs of transition to a new regulatory regime. The SIA Board will monitor the results closely to identify opportunities to make any reductions to the fee levels to reduce the surplus in line with ensuring the continued ability of the SIA to be self-funding.
- The above forecasts are based on the demand and cost profile for the current regime and the expected fee charging for Business Licensing. There will be further consultation around this area.

Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2017 show the organisation will continue to be self-funding over the three year licence cycle. (See note 1p to the accounts).

Payment practice

We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim to pay suppliers within ten days of the receipt of a valid invoice, provided that the relevant invoice is properly presented and is not subject to dispute. In 2013/14, we paid 89% of all invoices within ten days (86% by value), reflecting a significant improvement over the previous year.

	2013/14		2012/13	
	£	Number	£	Number
Total invoices paid in year	17,049,593	1,866	21,612,046	1,994
Total invoices paid within 10 day target	14,736,520	1,652	16,715,112	1,711
Percentage of invoices paid within 10 day target	86%	89%	77%	86%

Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Licence application processing – variable cost basis	30/09/2014

Directors Report

Composition of Management Board

SIA Directors during the year 1 April 2013 to 31 March 2014

Bill Butler	Chief Executive
Dave Humphries	Director of Partnerships & Interventions
Stephen McCormick	Director of Operations
Dianne Tranmer	Director of Corporate Services

Non-Executive Board members during the year 1 April 2013 to 31 March 2014

Elizabeth France	Chair	From 15 January 2014 To 14 January 2017
Bill Matthews	Acting Chair Non-Executive Director	To 14 January 2014 From 15 January 2014 To 14 January 2017
Robin Dahlberg	Vice Chair; Chair of Performance & Finance	To 31 March 2014
Linda Sharpe	Chair of Remuneration Committee	To 31 March 2014
Edward Weiss	Chair of Audit Committee	To 2 March 2015
Professor Sir Desmond Rea		To 6 November 2015
Geoffrey Zeidler		From 16 December 2013 To 15 December 2016
Sir William Ian Johnston		From 5 February 2014 To 4 February 2017

Pension Liabilities

Details of the pension schemes of which SIA staff were members can be found in Note 3 (page xx).

Register of interests

Details of company directorships and other significant interests held by Board members during the accounting period are available within the Remuneration Report.

Financial Instruments

Due to the largely non-trading nature of its activities and the way in which it was financed, the SIA was not exposed to the degree of financial risk faced by commercial entities.

Payment to auditors

The audit fee for 2013/14, payable to the National Audit Office has been set at £33,000. (2012/13 £37,000) No other payments were made to the National Audit Office for non-audit services during the year.

Personal data related incidents

During 2013/14 there were 21 (2012/13 – 18) security related incidents reported, of which four related to incidents involving emails being sent to personal accounts. One of these held personal data. There were five incidents relating to misdirection of documents which also involved personal data. All other incidents were of a minor nature and involved breaches of policy, loss of equipment or system issues. Significant improvements have been made during the year, including the implementation of systems that track and, where appropriate, block email traffic to personal accounts. Work continues to improve and ensure compliance with best practice and reduce the level of risk and to make sure that the safety of our information is assured.

Staff sickness and absence

During 2013/14, the average level of sickness and absence was 8.5 days per employee (2012/13 – 5.3 days).

Events after the Reporting Period

There have been no events after the reporting period date.

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

W A Butler
Chief Executive and Accounting Officer
9 January 2015

Remuneration Report

Unaudited information

Executive

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

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

Audited

Remuneration

The role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least twice a year. The remuneration committee comprised three independent non-executive board members, Linda Sharpe (Chair), Desmond Rea and Bill Matthews. Bill Butler and Dianne Tranmer attend the meeting as executives.

Salary payments to directors

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

The banded remuneration of the highest-paid director in the SIA in the financial year 2013-14 was £130k – £135k (2012-13: £130k – £135k). This was 4.0 times (2012-13, 3.8 times) the median remuneration of the workforce, which was £33,614 (2012-13, £34,890).

Remuneration ranged from £20,587 to £135,000 (2012-13, £20,857 to £135,000).

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

	Directorship and significant interests	Salary (£'000)		Performance Payment (£,000)		Pension benefits (to nearest £1,000)		Total (to nearest £1,000)	
		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Bill Butler (Chief Executive from 27 July 2009)	Member of Disciplinary Appeals Committee, CIPFA	120-125	120-125	5-10	5-10	27,000	79,000	160-165	210-215
Dave Humphries (Director of Compliance & Enforcement)		95-100	90-95	-	-	12,000	-1,000	105-110	90-95
Stephen McCormick (Director of Service Delivery)		100-105	95-100	0-5	0-5	26,000	37,000	130-135	140-145
Dianne Tranmer (Director of Transition)		90-95	90-95	-	-	31,000	54,000	120-125	145-150
Band of highest paid Director's Total Remuneration (£'000)		125-135	125-135						
Median Total Remuneration		33,614	34,890						
Ratio		4.0	3.8						

Salary

Salary includes gross salary, London allowances, and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue and Customs as a taxable emolument. Bill Butler received a loan of £8,000 for a season ticket, which was over the HMRC threshold.

Performance payments

Performance payments are based on performance levels attained and are made as a result of the performance appraisal process. They relate to the performance in the year in which they become payable to the individual. The payments reported in 2013/14 relate to performance in 2013/14 and the comparative payments reported for 2012/13 relate to the performance in 2012/13.

Director's contracts are permanent and open ended, with the exception of Bill Butler, who has a fixed term contract which expires in July 2015, at which point he is due to retire.

The Non Executive Board

The remuneration of the Board in the period ending 31 March 2014 is shown in the table below. Fees are based on Board Members being paid £763 per month and the Vice Chairman £1,526 per month.

	Directorship and significant interests		2013/14 £	2012/13 £
Elizabeth France (Chair) Appointed 15 January 2014 – 14 January 2017	<ul style="list-style-type: none"> – Non-Executive at Police Advisory Board for England and Wales – Non-Executive at British Transport Police Authority 	Fees	10 – 15 (FTE 50 – 55)	0
Bill Matthews ¹ (Acting Chair to 14 January 2014)	<ul style="list-style-type: none"> – Member of British Transport Police Authority – Member of BBC Trust and Chair of BBC Pension Trust – Chair of Hubwest Ltd – Board Advisor – Criminal Injuries Compensation Authority – Director of M2M2 limited 	Fees	30 – 35	10 – 15 (FTE 30 – 35)
Robin Dahlberg (Vice Chair) Re-appointed March 2010 – March 2014	<ul style="list-style-type: none"> – Board member of Health and Safety Executive – Commissioner of Gambling Commission – Non Executive Board Member of Orbit Group Limited – Chair of Orbit Heart of England Housing Association – Treasurer of Jubilee Gardens Trust – Chair of Customer Challenge Group at Affinity Water 	Fees	15 – 20	15 – 20
Sir Ian Johnston (from 5 February 2014)	<ul style="list-style-type: none"> – Chair of Orpington Rovers FC – Audit Committee member of the British Museum – Trustee of Suzy Lamplugh Trust 	Fees	0 – 5 (FTE 5 -10)	0
Professor Sir Desmond Rea	<ul style="list-style-type: none"> – Chair of NIJobs.com – Chair of Stranmillis University college 	Fees	5 – 10	0 – 5 (FTE 5 – 10)
Linda Sharpe (to 31 March 2014)	<ul style="list-style-type: none"> – Trustee of South West Region YMCA Trust Fund – Consultancy work with MagicFizz (Performance Improvement Consultancy) 	Fees	5 – 10	5 – 10
Edward Weiss	<ul style="list-style-type: none"> – Director of South Central Ambulance Service – Director of YMCA – Director of Together Mental Health Trust – Diocesan Trustess (Oxford) 	Fees	5 – 10	5 – 10
Geoffrey Zeidler (from 16 December 2013)	<ul style="list-style-type: none"> – Chairman of the British Security Industry Association (BSIA) – Director of GZC Ltd – Partner at Wyvern Partners – Advisory relationships with: Littoralis Ltd; Innovative Software 360 Ltd 	Fees	0 – 5 (FTE 5 – 10)	0

¹ Member worked one additional day in 2012/13 (2012/13: one additional day).

Pension Benefits

	Accrued pension at age 65 as at 31/3/14 and related lump sum	Real increase in pension at age 65 and related lump sum	CETV at 31/3/14	CETV at 31/3/13	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Butler; Chief Executive ²	80 – 85	0 – 2.5	1,497	1,382	10	25	N/A
Dave Humphries Director of Compliance & Enforcement	35 – 40 plus 105 – 110 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	661	610	6	9	N/A
Stephen McCormick Director of Service Delivery	15 – 20	0 – 2.5	303	260	8	20	N/A
Dianne Tranmer Director of Transition	15 – 20	0 – 2.5	227	190	8	18	N/A

2 Footnote ???

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 Pensions Increase legislation. Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos 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 the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

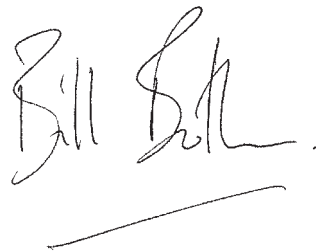
Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

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

W A Butler
Chief Executive and Accounting Officer
9 January 2015

Statement of Accounts

Statement of Accounting Officer's responsibilities for the Security Industry Authority

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

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

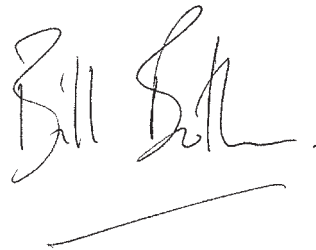
- Observe the Accounts Direction issued by the Secretary of State for the Home Office with the approval of the Treasury, in accordance with Schedule 1, paragraph 16(2) of the Private Security Industry Act 2001, including the relevant accounting and disclosure requirements, and apply suitable accounting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

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

Statement regarding Disclosure of Information to the Auditors

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

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

A handwritten signature in black ink, appearing to read 'W A Butler', with a horizontal line drawn underneath it.

W A Butler
Chief Executive and Accounting Officer
The Security Industry Authority
9 January 2015

Governance Statement for the Security Industry Authority for the year ended 31 March 2014

Scope of Accounting Officer's responsibility

As the Chief Executive and Accounting Officer of the Security Industry Authority (SIA), I have personal responsibility for maintaining a sound system of governance, internal control and risk management within my area to support the SIA's statutory functions and the achievement of the Home Office's policies, aims and objectives, whilst safeguarding public funds and departmental assets.

The system of governance, internal control and risk management is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness.

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the 2013/14 twelve month point and am able to provide the following assurances.

Key Issues

For the period under report, I confirm that I am not aware of any issues occurring that have required additional funding, material loss or overspend, or have resulted in any significant loss or leakage of information.

Following a tendering exercise, a contractor was appointed in August 2013, but this contract was terminated by mutual consent with effect from January 2014. The SIA made no payments under this contract and has no further liability to that contractor. BT have now been appointed under a contract signed in May 2014 and are working with SIA to develop the new systems which will deliver further service improvements and cost reduction in 2015.

The 2012/13 Annual Report and Accounts are being laid at the same time as the 2013/14 Annual Report. The reasons for the delay are set out in the 2012/13 Annual report and Accounts. While the accounts for 2012/13 were completed in May 2013, I delayed the Report and Accounts following the receipt of whistleblowing allegations in that month covering matters in HR and procurement processes. An independent investigation was conducted by Grant Thornton in to the allegations under the direction of the Chair of the Audit Committee. The Audit Committee reported to the Board on 29 May 2014. The report concluded that there was no impropriety and made a number of recommendations which the Board has accepted and which have been addressed. The report was published and shared with the Accounting Officer at the Home Office who has confirmed that he is satisfied that this brings the matters raised to a conclusion.

Progress made against key issues identified in 2013/14 Nine Month statement

In the 2013/14 nine month statement one key issue was raised, relating to a breach of information security. An employee sent a significant number of files from a secure account to a private account. Some of these files contained personal details for SIA employees, but none of the information was commercially confidential. Since this incident the control and monitoring arrangements have been changed to prevent such an incident from happening in the future. The individual has resigned and the investigation and disciplinary processes have been concluded.

The Governance framework

The Board routinely monitors performance, discusses and takes decisions on key policies and allows Board members to note and comment on key strategic issues. The Board comprises of five Non-Executive Directors and the Chairperson.

Two of the Non-Executive's appointments (Linda Sharpe and Robin Dahlberg) ended on the 31 March 2014. Bill Matthews' term ended on 14 January, contemporaneously with the end of his period as Acting Chair; and following an open competition, the Home Office re-appointed him as a Non-Executive Director with particular responsibility for Scottish interests. The recruitment for a permanent Chair has been completed and Elizabeth France CBE joined the organisation on 15 January 2014. Geoff Zeidler joined as a Non-Executive Director at the SIA in December 2013 and Sir Ian Johnston joined as a Non-Executive Director in February 2014.

Board

	May-13	Jul-13	Sep-13	Nov-13	Jan-14	Mar-14
Elizabeth France (Chairperson since Jan 2014)	n/a	n/a	n/a	n/a	√	√
Robin Dahlberg	√	√	√	√	√	√
Bill Matthews	√	√	√	√	√	x
Edward Weiss	√	√	√	√	√	√
Desmond Rea	√	√	√	√	√	√
Linda Sharpe	x	√	√	√	√	√
Geoff Zeidler	n/a	n/a	n/a	n/a	√	√
Ian Johnston	n/a	n/a	n/a	n/a	n/a	√

The Performance and Finance Committee, Remuneration Committee and Audit Committee all report into the Board.

The Performance and Finance Committee's main functions are to review and challenge performance against the business plan and budget at the end of each quarter; to support the development of the SIA's business plan, working with Directors and Deputy Directors, to ensure challenging targets and frameworks are in place and to oversee effective management of the managed service provision and strategic change programmes. This Committee consists of the non-executive Board members and the Chairman.

P&F Committee	Apr-13	Jun-13	Aug-13	Oct-13	Dec-13	Feb-14
Robin Dahlberg (Chair)	√	√	√	√	√	√
Edward Weiss	√	√	√	√	√	√
Desmond Rea	√	√	√	√	√	√
Linda Sharpe	√	√	x	√	√	√
Bill Matthews	√	√	√	√	√	√
Elizabeth France	n/a	n/a	n/a	n/a	n/a	√
Ian Johnston	n/a	n/a	n/a	n/a	n/a	√
Geoff Zeidler	n/a	n/a	n/a	n/a	√	√

The Remuneration Committee's main functions are to support the development and maintenance of the SIA's HR policies and frameworks, to oversee the development of pay and remuneration policy, to make recommendations on the pay and performance of the Chief Executive, Directors and overall strategies for pay and reward and prepare an annual report on relevant matters. This Committee comprises a minimum of three non-executive members of the Board.

Remuneration Committee	Apr-13	Jul-13	Aug-13	Oct-13	Jan-14
Linda Sharpe (Chair)	√	x	√	√	√
Desmond Rea	√	√	√	√	√
Robin Dahlberg	x	√	x	x	x

The Audit Committee's main function are to consider the internal and external audit plans, review and monitor progress on actions arising from audit reports, to support the Accounting Officer in respect of his responsibilities for risk and financial propriety and to consider the annual report and accounts and make recommendations to the Board. The Audit Committee also has oversight of the governance of the organisation. This Committee is comprised of two non-executive members of the Board.

Audit Committee	May-13	Jul-13	Nov-13	Feb-14
Edward Weiss (Chair)	√	√	√	√
Linda Sharpe	x	√	√	√
Robin Dahlberg	√	x	x	x

There are two further Executive Groups; these are the Business Continuity Executive Group and the Information Assurance Executive Group. Both of these are chaired by the Deputy Director, Finance and Business Planning, who is the Senior Information Risk Officer for the SIA.

The Business Continuity Executive Group acts as the governing body that oversees the framework associated with delivering and validating arrangements for sound business continuity and resilience capabilities. The Information Assurance Executive Group has responsibility setting the information assurance strategy and policy for the SIA.

The risk and control framework

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

The SIA has continued to develop its capacity to handle risk, led by the work of the Executive Directors and the Senior Management Team and supported by risk coordinators and administrators. An on-going programme of training is in place and this outlines key aspects of the risk management process and identifies reporting procedures.

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

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

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

Overall assessment of risk

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

The SIA has a well embedded governance structure including a Board with committees covering Audit, Performance & Finance and Remuneration. All committees have Non – Executive Director Membership. There are regular meetings of Executive Directors and the Senior Management Team.

Review of the effectiveness of the Internal Control system

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

Overall assessment of Internal Control system

I confirm that I have reviewed the system of internal control in operation within my area of responsibility and am able to provide the following assurance.

I am satisfied that the control framework is effective in the context of the external environment and that all recommendations arising from both internal and external audit work are followed through in a timely and complete manner. A number of areas for improvement have been identified and I am satisfied that there are appropriate plans in place to address these.

The Internal Control Framework

Performance Management

The SIA has a well-developed and established system of Performance Management and reporting, which, for the period under review, is based on the following five strategic objectives:

- Protecting the public
- Customer Service
- Delivering Value
- Developing our people and organisation
- Delivering a phased transition to a new regulatory regime.

Supporting this system, a performance cascade has been developed, including Key Performance Indicators (KPI's), Primary Performance Indicators (PPI's) and Secondary Performance Indicators (SPI's). All indicators have been developed using SMART principles. Progress of the KPIs is reported to the Board and to the Performance and Finance

Committee on a regular basis. Of the 13 KPI's set for the year, the SIA has reached or exceeded nine, two were slightly below target and the results of the remaining two are unavailable or no longer relevant.

The KPI that relates to the percentage of assessments or initial action taken on disclosures received from partners was slightly below target due to some technical errors related to the workflow in the CRM system. Action has been taken to rectify this issue.

The KPI on the percentage of licence applications granted correctly at time of decisions using the SIA licensing criteria was slightly below target due to the small numbers involved samples and the repetitive nature of the activities. A plan is being developed to address the slightly below target achievement.

The KPI concerned with the level of staff satisfaction based on an annual staff survey was not measured because there was no survey planned for 2013/14 as alternative assessment mechanisms were in place by agreement with the Remuneration Committee.

The KPI concerned with meeting programme milestones was based on the placement of a supplier contract and the key milestones within that contract. The termination of the contract means that a detailed re-planning exercise has to be undertaken before measuring milestones for this KPI can be re-established. This re-planning reflects the new supply option, but this was not within the 2013/14 reporting period.

Financial Management

The SIA has a comprehensive budget and business plan in place that is reviewed and agreed by the Board. A thorough review of management accounts is completed each month and reported to the Board or its Performance and Finance Committee monthly.

We continue to drive value for money and cost reduction through both internal process reviews and by the improvements that we have made to our procurement processes and our contracting arrangements. Significant improvements have also been made to our operational systems to improve value for money to those being licensed.

The SIA only receives capital grant from the Government. The use of this grant is fully documented and is monitored throughout the year. All other funding is derived from fees charged to licensed individuals or subscriptions to the voluntary Approved Contractor Scheme.

Managing the Risk of Financial Loss

The SIA has implemented Managing Risk of Financial Loss, a cross government initiative to encourage departments to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. As the organisation is relatively small, the Finance Department was able to complete most of the work with assistance from relevant departments (eg Human Resources and Information Communication Technology). Regular stakeholder meetings were attended at the Home Office to ensure that the approach used is consistent with other NDPBs and light touch.

The Government model comprises an Organisational Capability Assessment (OCA) and a Financial Process Assessment (FPA) for each of seven financial processes (payroll, income, asylum support [benefits], grants, procurement, funding, and expenses). Of these, only payroll, income, procurement and expenses were relevant to the SIA. OCAs assess the capability of the SIA to manage financial loss, with action plans in place to address any gaps identified. FPAs have been carried out using the tools provided by the Cabinet Office.

Risk based planning will be used for future reviews and the level of risk will be factored into deciding how frequently FPAs should be conducted. OCAs will be undertaken annually.

People Management

HR resources have been improved to address historic problems and the organisation has been restructured to meet the planned changes to our statutory responsibilities and methods of working. The HR Strategy has been reviewed and developed and the revised strategy is being implemented across the organisation to ensure a fit for purpose HR function and policies and to build the capability of the workforce to meet business needs during the transition to a new regulatory regime.

We have successfully completed an organisational redesign to align all roles across the organisation to ensure we fully meet our needs for new processes and to ensure we have the correct support for our operational teams. This was completed in two stages, commencing with the senior management and concluding with all other employees. The project has been closed and the redesign concluded.

Stage 1 of the new HR system, HR Select has been implemented; although there were some integration issues. Stage 2 is currently underway via project controls and stage 3 will follow to ensure a smooth completion.

Information Management

All staff are required to take Information Assurance training level 1, Managers are required to take level 1 and 2, and Information Asset Owners are required to take level 1, 2 and 3. 100% completed Level 1, 100% Level 2 and 100% have completed Level 3. The deadline for completion was the 31 January 2014.

SIA achieved level 2 overall in this year's One3M (One Information Management Maturity Model) assessment. The One3M assesses organisations from level 1 to level 5 against a range of criteria under the seven Information Principles from the Government ICT Strategy, and is designed to encourage steady, consistent improvement over a number of years. The 13M brings together two assessments formerly run in this space, the 13M and the IAMM (Information Assurance Maturity Model). In Principle 1, which assesses information assurance and contains the material previously covered by the IAMM, SIA achieved level 2, with the Home Office overall also achieving level 2. This meets the objectives set out for this year for SIA and for the Home Office as a whole.

The SIA is connected to the Government Secure Intranet (GSI) to ensure it has a secure channel for e-mail traffic to connected partner organisations up to the former RESTRICTED level. The Risk Managed Accreditation Document Set (RMADS) was signed off by the SIA SIRO on 12 February 2014.

The government are in the process of changing their Government Security Classification scheme and the SIA has amended its scheme to reflect this. The roll out was completed in May 2014.

Programme and Project Management

The SIA has a clear and comprehensive framework for Programme and Project Management which is supported by a wide range of tools. The framework used within the SIA is closely aligned with both PRINCE 2 and MSP methodologies.

All projects are subject to full business case and benefits realisation plans and for many projects these are subject to review by the Home Office and Cabinet Office under the Austerity control arrangements. Progress is reported at Change Programme Board and Board levels.

The project controls successfully identified potentially serious issues within the project relating to the new systems supplier. With input from IBM and OGC we assessed the issues and based upon these and legal advice, took the decision to terminate the contract By mutual consent. We have worked with the Home Office to revise our arrangements and a new contract is now in place.

Disaster and contingency planning

The SIA has Business Continuity and Disaster Recovery plans in place and all plans have been brought up to date within the six month cycle. An annual programme of testing and training has begun, however due to a lack of resource within ICT this has been delayed. Recruitment for the required individuals is in progress and once these roles are filled, work will continue.

Internal and External Audit

The SIA has in place an internal audit programme and this covers key elements of financial control and internal controls. Reports are considered and recommendations followed up by the Audit Committee. The 2013/14 internal audit programme was produced in line with a risk assessment and was agreed by the Audit Committee.

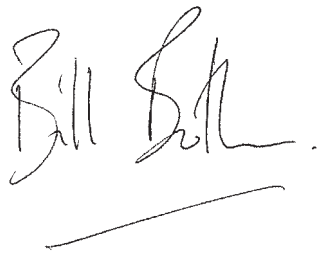
Five pieces of internal audit fieldwork have been completed, of which three have so far resulted in a final report. The Payroll Follow-Up Audit showed good progress had been made against previous recommendations, with five recommendations completed and one being reduced to a suggestion. The report for MAP Procedures received substantial assurance with seven low level recommendations, all of which have been completed. The Key Financial Controls report received substantial assurance, with one medium recommendation and three low. The Succession Planning report was not an assurance piece and made suggestions on how we could implement successful succession planning and the Transition Planning fieldwork resulted in substantial assurances with three recommendations in total, two of which are medium and one which is low.

The risk assessment for the 2014/15 Internal Audit timetable has been completed and the final timetable has been presented and agreed at the Audit Committee.

Overall Assessment

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

The SIA has a well embedded governance structure including a full Board with a series of sub-committee covering Audit, Performance & Finance, and Remuneration. All committees have NED membership. There are regular meetings of Executive Directors and the Senior Management Team. A full performance and reporting pack is prepared monthly.

A handwritten signature in black ink, appearing to read 'Bill Butler', followed by a horizontal line.

W A Butler
Chief Executive and Accounting Officer
The Security Industry Authority
9 January 2015

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

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2014 under the Private Security Industry Act 2001. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. 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 Security Industry Authority, Accounting Officer and auditor

As explained more fully in the Statement of responsibilities for the Security Industry Authority and its Accounting Officer, the Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Security Industry Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Security Industry Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Security Industry Authority's affairs as at 31 March 2014 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Industry Act 2001 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Private Security Industry Act 2001; and
- the information given in the Strategic and Directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

22 January 2015

Accounts 2013/14

The Security Industry Authority Statement of Comprehensive Net Income For the year ended 31 March 2014

		2013/14	2012/13
	Note	£'000	£'000
Expenditure			
Staff Costs	3	(10,432)	(10,419)
Depreciation & Amortisation	5	(733)	(544)
Other Expenditure	5	(14,755)	(19,437)
		<u>(25,920)</u>	<u>(30,400)</u>
Income			
Income from Activities	6	25,539	34,012
Other Income			
Other Income from Activities	6	14	13
Court Costs Recovered	6	93	61
		<u>25,646</u>	<u>34,086</u>
Net Income Before Tax and Interest		(274)	3,686
Interest Receivable		17	17
Corporation Tax		(3)	(3)
Interest repayable to the Consolidated Fund		(14)	(14)
Net Income		<u>(274)</u>	<u>3,686</u>

The notes on pages 51 to 74 form part of these accounts

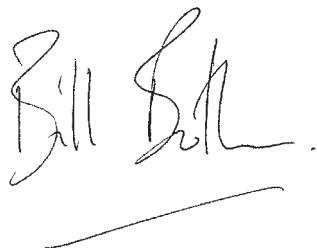
There are no other comprehensive income items. All income and expenditure relates to continuing operations.

The Security Industry Authority

Statement of Financial Position as at 31 March 2014

	Note	2013/14		2012/13	
		£'000		£'000	
Non-Current Assets:					
Property, Plant and Equipment	8	433		287	
Intangible Assets	9	568		685	
Total Non-Current Assets			1,001		972
Current Assets:					
Trade and Other Receivables	11	814		600	
Cash and Cash Equivalents	12	10,536		11,397	
Total Current Assets			11,350		11,997
Total Assets			<u>12,351</u>		<u>12,969</u>
Current Liabilities:					
Trade and Other Payables	13	(7,075)		(7,348)	
Total Current Liabilities			(7,075)		(7,348)
Non-Current Assets Plus Net Current Assets			5,276		5,621
Non-Current Liabilities					
Provisions	14	(60)		(131)	
Total Non-Current Liabilities			(60)		(131)
Assets Less Liabilities			<u>5,216</u>		<u>5,490</u>
Taxpayers' Equity					
General Reserve			5,216		5,490
			<u>5,216</u>		<u>5,490</u>

The financial statements on pages 46 to 74 were approved by the Board on 30 October 2014 and were signed on its behalf by

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

W A Butler
Chief Executive and Accounting Officer
9 January 2015

The notes on pages 51 to 74 form part of these accounts.

The Security Industry Authority

Statement of Cash Flows

For the year ended 31 March 2014

	Note	2013/14	2012/13
Cash Flows from Operating Activities		£'000	£'000
Net Operating (cost)/surplus		(274)	3,686
Loss on Sale of Assets	5	0	1
(Increase)/Decrease in trade and other receivables	11	(214)	3,045
Depreciation & Amortisation	5	733	544
Interest paid to consolidated fund		(14)	(14)
Utilisation of provisions	14	(6)	(7)
Expenditure arising from provisions	14	(65)	70
Decrease in trade payables	13	(273)	(1,629)
Less movement in payables not relating to the Statement of Comprehensive Income		0	(3,686)
Corporation tax paid		(3)	(3)
Net Cash (Outflow)/Inflow from Operating Activities		(116)	2,007
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(263)	(190)
Purchase of intangible assets	9	(499)	(423)
Interest received		17	17
Net Cash Outflow from Investing Activities		(745)	(596)
Cash Flows from Financing Activities			
Capital Grant		0	600
Net Cash Inflow from Financing Activities		0	600
Net (Decrease)/Increase in Cash and Cash Equivalents in the period		(861)	2,011
Cash and cash equivalents at the beginning of the period	12	11,397	9,386
Cash and cash equivalents at the end of the period	12	10,536	11,397

The notes on pages 51 to 74 form part of these accounts.

The Security Industry Authority

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2014

	General Reserve	Total Reserves
	£'000	£'000
Balance at 31 March 2012	4,890	4,890
Changes in Taxpayers' Equity 2012-13		
Interest Surrendered to the Consolidated Fund	(14)	(14)
Release of reserves to the I & E	0	0
Comprehensive Income for the Year	3,700	3,700
<i>Recognised in Statement of Comprehensive Income</i>	3,686	3,686
Grant from Home Office	600	600
Repayment due to Home Office	(3,686)	(3,686)
Balance at 31 March 2013	5,490	5,490
Changes in Taxpayers' Equity 2013-14		
Interest Surrendered to the Consolidated Fund	(14)	(14)
Release of reserves to the I & E	0	0
Comprehensive Income for the Year	(260)	(260)
<i>Recognised in Statement of Comprehensive Income</i>	(274)	(274)
Balance at 31 March 2014	5,216	5,216

The notes on pages 51 to 74 form part of these accounts

The Security Industry Authority

Year ended 31 March 2014

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by H M Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Security Industry Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Security Industry Authority for the current year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1a. Accounting Convention

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

1b. Grants

Grants, whether in relation to revenue or capital, have been treated as contributions from controlling parties giving rise to financial interest in the organisation and therefore credited to general reserves.

1c. Licence Fee Income

Income is recognised at the point when an application is accepted. At this point, the fee paid becomes non-refundable and the SIA is committed to paying the managed service provider for processing the application.

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

1d. Approved Contractor Scheme (ACS) Income

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

Application fee income is recognised at the point when a decision is made on the status of that application.

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

I.e. Deferred Income

The SIA will defer ACS income where:

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

I.f. Property, Plant and Equipment and Intangible Assets

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year. Non-current assets are held at cost less accumulated depreciation. There was no revaluation of assets for 2013/14 because it is deemed immaterial, and the depreciated historical cost basis is considered as a proxy for fair value for assets that have short useful lives.

Intangible assets are reviewed annually for impairment.

The SIA entered a contract with British Telecommunications plc from 30 September 2010. The contract includes the implementation of a number of enhancements to the existing managed service provider database. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract and all future improvements will also be capitalised.

I.g. Depreciation and Amortisation

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three to five years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP)Database	over the remaining life of the contract to 30 September 2014
Approved Contractor Scheme (ACS)	Four years

I.h. Provision for Bad Debt

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

In addition, The SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding for more than 12 months are charged in full to the Statement of Comprehensive Net Income.

I i. Provisions

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

I j. Leases

(a) Finance Leases - The SIA has no finance leases.

(b) Operating Leases - Payments made under operating leases on equipment and buildings are charged to expenditure on a straight line basis.

I k. Pension Costs

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

II. Value Added Tax

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

I m. Corporation Tax

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

I n. Standards in issue but not yet effective

The SIA has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable.

It is considered that no IFRS in issue but not yet effective will materially impact the SIA accounts in the future.

I o. Significant Estimates and Judgements

There are no areas which are subject to estimation or a judgement in relation to their value.

1p. Going Concern

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

Work has been ongoing following the recommendations of the Cabinet Office Public Bodies Review that the SIA should no longer be an NDPB, but that it should be reconstituted as a new independent regulator outside of the public sector, and the SIA continues to work with the Home Office on mechanisms that may achieve some of these aims outside of a new Act of Parliament.

Note 2

ANALYSIS OF NET EXPENDITURE BY SEGMENT

This note is to meet HM Treasury's disclosure requirement for fees and charges rather than to support IFRS 8: Reporting Segments. The SIA is required to set fees on a full cost recovery basis.

	2013/14			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(23,838)	(2,080)	0	(25,918)
Income	23,422	2,117	14	25,553
Court Costs Recovered	93	0	0	93
Net Income (Expenditure)	<u>(323)</u>	<u>37</u>	<u>14</u>	<u>(272)</u>

	2012/13			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(28,494)	(1,906)	0	(30,400)
Income	31,890	2,122	13	34,026
Court Costs Recovered	61	0	0	61
Net Income (Expenditure)	<u>3,457</u>	<u>216</u>	<u>13</u>	<u>3,687</u>

Note 3

STAFF NUMBERS AND RELATED COSTS

Staff Costs Comprise:

	2013/14			2012/13		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	8,786	6,248	2,538	8,791	6,030	2,761
Social Security Costs	529	522	7	513	495	18
Other Pension Costs	1,117	1,117	0	1,115	1,070	45
Total Net Costs	<u>10,432</u>	<u>7,887</u>	<u>2,545</u>	<u>10,419</u>	<u>7,595</u>	<u>2,824</u>

Pension

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

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

Average number of persons employed

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

	2013/14			2012/13		
Number	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly Employed	164	164	0	170	169	1
Other	20	0	20	26	0	26
Total	<u>184</u>	<u>164</u>	<u>20</u>	<u>196</u>	<u>169</u>	<u>27</u>

Note 4

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000–£25,000	0	0	0
£25,000–£50,000	0	0	0
£50,000–£100,000	0	0	0
£100,000–£150,000	0	0	0
£150,000–£200,000	0	0	0
Total number of exit packages	0	0	0

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

Note 5

OTHER EXPENDITURE

		2013/14	2012/13
	Note	£'000	£'000
Running Costs			
Licensing Costs		11,143	15,456
Accommodation Costs		1,232	1,364
Travel and Subsistence		548	510
Information Technology		485	444
Office Supplies and Services		326	312
Legal Costs		380	261
Training		105	217
Communications		227	207
Recruitment		163	182
Audit fee - internal		112	38
Audit fee - external		33	37
Bad and Doubtful Debts		55	328
Catering		8	6
Financial Costs		3	4
Non Cash Items			
Amortisation	9	616	384
Depreciation	8	117	160
Movement in Provisions	14	(65)	70
Loss on Disposal of Property, Plant and Equipment	8	0	1
		15,488	19,981

Note 6

INCOME

	2013/14	2012/13
	£'000	£'000
Licensing	23,422	31,890
Approved Contractors Scheme (ACS)	2,117	2,122
	25,539	34,012

Other Income		
Other Income from Activities	14	13
Court Costs Recovered	93	61
	25,646	34,086

Note 7

ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

	2013/14			2012/13		
	Programme	Administration	Total	Programme	Administration	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Staff Costs	(4,506)	(5,926)	(10,432)	(4,519)	(5,900)	(10,419)
Licensing Costs	(10,424)	(718)	(11,142)	(15,416)	(40)	(15,456)
Running Costs	(594)	(3,082)	(3,676)	(949)	(2,961)	(3,910)

Non-Cash Items						
Depreciation	0	(117)	(117)	0	(160)	(160)
Amortisation	0	(616)	(616)	0	(384)	(384)
Profit or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	(1)	(1)
Provision Provided for in Year	25	40	65	(90)	20	(70)

Income						
Income from Activities	23,515	2,116	25,631	31,951	2,122	34,073
Other Income	0	14	14	1	12	13
Net Income/(Expenditure) Before Tax	<u>8,016</u>	<u>(8,289)</u>	<u>(273)</u>	<u>10,978</u>	<u>(7,292)</u>	<u>3,686</u>

Note 8

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	388	281	705	1,374
Additions	9	195	59	263
Disposals	0	(217)	(89)	(306)
At 31 March 2014	397	259	675	1,331

Depreciation				
At 1 April 2013	328	269	490	1,087
Charged in year	14	11	92	117
Disposals	0	(217)	(89)	(306)
At 31 March 2014	342	63	493	898

Net Book Value at 31 March 2014	55	196	182	433
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Net Book Value at 31 March 2013	60	12	215	287
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Asset Financing:				
Owned	55	196	182	433
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
Net Book Value at 31 March 2013	55	196	182	433

Note 8 (continued)

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	326	281	622	1,229
Additions	62	0	128	190
Disposals	0	0	(45)	(45)
At 31 March 2013	388	281	705	1,374

Depreciation				
At 1 April 2012	276	250	445	971
Charged in year	52	19	89	160
Disposals	0	0	(44)	(44)
At 31 March 2013	328	269	490	1,087

Net Book Value at 31 March 2013	60	12	215	287
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Net Book Value at 31 March 2012	50	31	177	258
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Asset Financing:				
Owned	60	12	215	287
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
Net Book Value at 31 March 2013	60	12	215	287

Note 9

INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2013	611	9,967	5,080	1,075	16,733
Additions	234	0	265	0	499
Disposals	(68)	0	0	0	(68)
At 31 March 2014	777	9,967	5,345	1,075	17,164

Amortisation					
At 1 April 2013	373	9,967	4,633	1,075	16,048
Charged in Year	169	0	447	0	616
Disposals	(68)	0	0	0	(68)
At 31 March 2014	474	9,967	5,080	1,075	16,596

Net Book Value at 31 March 2014	<u>303</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>568</u>
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Asset financing:					
Owned	303	0	265	0	568
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

Net Book Value at 31 March 2014	<u>303</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>568</u>
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Note 9 (continued)

INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2012	509	9,967	4,785	1,075	16,336
Additions	128	0	295	0	423
Disposals	(26)	0	0	0	(26)
At 31 March 2013	611	9,967	5,080	1,075	16,733

Amortisation					
At 1 April 2012	306	9,967	4,342	1,075	15,690
Charged in Year	93	0	291	0	384
Disposals	(26)	0	0	0	(26)
At 31 March 2013	373	9,967	4,633	1,075	16,048

Net Book Value at 31 March 2013	238	0	447	0	685
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Asset financing:					
Owned	238	0	447	0	685
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

Net Book Value at 31 March 2013	238	0	447	0	685
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Note 10

FINANCIAL INSTRUMENTS

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

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

Liquidity risk

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

Interest rate risk

The SIA is not exposed to significant interest rate risk.

Foreign currency risk

The SIA is not exposed to any foreign exchange risk.

Credit risk

The SIA is not exposed to significant credit risk, other than the bad debt provision that is identified in note 1h.

Note 11

TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2013/14	2012/13
	£'000	£'000
Amounts Falling Due Within One Year:		
Trade Receivables	328	302
Other Receivables	46	36
Court Debts	309	128
Prepayments and Accrued Income	265	195
	948	661

Less Provision for Bad Debts	(134)	(61)
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	814	600
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Amounts Falling Due After One Year:		
	NIL	NIL

Intra-Government Balances		
Balances with other central government bodies	0	0
Balances with local authorities, NHS trusts, public corporations	0	0
Balances with bodies external to government	814	600
	814	600

Note 12

CASH AND CASH EQUIVALENTS

	2013/14	2012/13
	£'000	£'000
Balance at 1 April 2014 (2013)	11,397	9,386
Net Change in Cash and Cash Equivalent Balances	(861)	2,011
Balance at 31 March	<u>10,536</u>	<u>11,397</u>

The following balances at 31 March were held at:		
Commercial Banks and Cash in Hand	<u>10,536</u>	<u>11,397</u>

Note 13

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2013/14	2012/13
	£'000	£'000
Amounts Falling Due Within One Year		
Other Taxation & Social Security	181	152
Trade Payables	280	746
Monies Due to Consolidated Fund	3,113	3,099
Other Payables	29	20
Accruals & Deferred Income	3,472	3,331
	7,075	7,348

Amounts Falling Due After More Than One Year	NIL	NIL
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Intra-Government Balances		
Balances with other central government bodies	3,894	3,704
Balances with local authorities, NHS trusts, public corporations and trading funds	0	0
Balances with bodies external to government	3,181	3,644
	7,075	7,348

Note 14

PROVISIONS FOR LIABILITIES AND CHARGES

	Licence Refunds	Compensation	Total
	£'000	£'000	£'000
Balance at 1 April 2012	20	48	68
Provided in the year	0	94	94
Provisions not required written back	(20)	(4)	(24)
Provisions utilised in the year	0	(7)	(7)
Balance at 31 March 2013	0	131	131

Balance at 1 April 2013	0	131	131
Provided in the year	0	25	25
Provisions not required written back	0	(90)	(90)
Provisions utilised in the year	0	(6)	(6)
Balance at 31 March 2014	0	60	60

The provision for licence refunds is for refunds not yet claimed, see Accounting Policies – Note 1

The provision for compensation covers potential claims for losses incurred by applicants due to errors made by the SIA or its agents in the licensing process.

Note 15

CAPITAL COMMITMENTS

As at 31 March 2014 the SIA had no capital expenditure commitment (2012/13: £117,600 with the Post Office Limited).

Note 16

COMMITMENTS UNDER LEASES

16.1 Operating Leases

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

	2013/14	2012/13
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	574	559
Later than one year and not later than five years	1,723	2,298
Later than five years	0	0
	<u>2,297</u>	<u>2,857</u>

Office Equipment		
Not later than one year	15	16
Later than one year and not later than five years	9	15
Later than five years	0	0
	<u>24</u>	<u>31</u>

16.2 Finance Leases

The SIA currently does not have any finance leases.

Note 17

COMMITMENTS UNDER PFI CONTRACTS

The SIA does not have any PFI contracts (2012/13: None).

Note 18

OTHER FINANCIAL COMMITMENTS

The SIA entered in to a contract with its managed service provider, British Telecommunications plc., which commenced on 30 September 2010, initially for two years and then exercised the option to continue to receive services for a further two years to 30 September 2014. Given the delays to deploy to new system, a further 6 month extension to this contract has been agreed to 31st March 2015 (with potential provision to 31st May 2015) in order to facilitate a smooth transition to a new IT Managed Service Provision. The contract continues to be based on the same cost model of a unit charge per licence application, rather than any fixed charges. There is however, a “financial floor” whereby the SIA is contracted to pay any shortfall if forecast net applications are below an annually agreed set level. Since the start of the contract the volumes have not fallen beneath the financial floor.

The SIA entered into a contract with their chosen MAP provider, Post Office Ltd, via a call off contract under the terms of the UKBA FOS agreement. The UKBA agreement only allows SIA to contract to FOS expiry i.e. 28th February 2016 whereas the Post Office based their commercial model on a 36 month term requiring a further 4 months cover. The SIA were therefore required to introduce a termination charge applicable to the remaining 4 months of the term not offered under contractual cover. However this charge will not apply if the SIA elects to enter into a new contracting arrangement with the Post Office to provide service delivery for a total of 36 calendar months. Options are currently being considered to provide the Post Office with alternative contractual cover to ensure longevity of supply and are considering the period beyond the initial 3 years that will be necessary.

Note 19

CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2014 (2012/13 - Nil).

Note 20

RELATED PARTIES

The Home Office is the sponsor department of the SIA, and at 31 March 2014 it had an outstanding payable of £3.1m. This is the surplus for the year 2012/13, interest receivable for the year 2013/14 which will be passed on to the Consolidated fund, less the capital grant of £0.6m that is owed to the SIA.

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

- Disclosure and Barring Service
- Independent Police Complaints Commission
- The Home Office
- Treasury Solicitors
- Disclosure Scotland

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

Note 21

EVENTS AFTER THE REPORTING PERIOD

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

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

Note 22

LOSSES AND SPECIAL PAYMENTS

There have been no losses or special payments in the year (2012/13 adjustment of £466k made to the debtor balance with the Managed Service Provider).

