



Security Industry Authority

# Annual Report and Accounts 2011/12

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# Introduction

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 terms of the Private Security Industry Act 2001. Our remit includes Scotland and Northern Ireland and we consult closely with the Scottish Government and the Department of Justice in Northern Ireland 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 as they regularly come into contact with members of the private security industry in their daily lives. 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. Our contribution will be particularly important in the run up to the Olympic and Paralympic Games in 2012 and the Commonwealth Games in 2014.

## Intended regulatory outcomes

The SIA contributes to public protection by regulating to reduce criminality and to set and approve standards in the security industry. We currently regulate 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 approving 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.

# Joint statement by the Chairman and Chief Executive

During 2011/12, the SIA's mission has been to maintain high standards of service and compliance for the current regulatory regime and to improve value for money. At the same time, we have continued to work with the industry and with Government on the development of detailed proposals for a new regulatory regime and to support preparations for the 2012 London Olympic and Paralympic Games. The commitment of our staff and the engagement and support of the industry have allowed us to achieve our objectives. Service levels were maintained or improved; we were able to consolidate our performance and renew our accreditation for standards of customer service and also to deliver reductions in our fee levels. In line with the timetable agreed with ministers, we have worked with the industry to carry out a detailed analysis and develop detailed proposals for how a future regulatory regime might work and these proposals are being discussed with the Home Office, devolved administrations and industry representatives in the Strategic Consultation Group.

Our performance over the year was good, building on the standards we have now established:

- Over the year, 193,453 (2010/11 – 160,095) gross licence applications were processed. Of these, 93% were processed in our new target time of 25 working days or less (against our commitment of 80%) with 75% of applicants receiving their licence in 15 working days or less.
- Membership of the Approved Contractor Scheme (ACS) now stands at 736 and those in the scheme remain satisfied, with a high percentage of members renewing their membership with satisfaction ratings of 90% over the year.
- Our enforcement team, working with a wide variety of partners, has supported compliance levels of 98%. This has been particularly important as we prepare for the Olympic and Paralympic Games. Our work has included significant operations against organised crime and the successful prosecutions of individuals and businesses.
- The quality of our services was improved and simplified. Standards achieved were again recognised through the renewal of our award of the Government Standard for Customer Service Excellence, in which we achieved a total of five 'compliance plus' ratings.

Our income comes directly from the individuals that we licence and the members of ACS. Income in 2011/12 was £33.7m, some £5.9m greater than in 2010/11 (reflecting our three year licence and financial cycle) and we made a surplus of £5.4m. This surplus also reflects the further reductions we have been able to make to our costs which, at £28.3m, were only £0.2m higher than in 2010/11, in spite of the higher number of applications processed. This represents an average cost to issue a licence of £138 and an operational cost of £100 per active licence.

As we reported last year, we were asked by the Government to lead the development, together with industry, of detailed proposals for a new regulatory regime. These were to reflect the overarching proposals we had put to ministers in response to the recommendations of the Government Public Bodies Review that the regulation of the private security industry should no longer be the responsibility of a non-departmental public body (NDPB), but that there should be a phased transition to a new regulatory regime. During the course of the year, we developed proposals which would allow the creation of a new regime under a new independent regulatory body outside the government sector. The regime would focus primarily on businesses, but would retain a register of individuals qualified to work in the private security industry. The new regulatory body would have the necessary administrative powers and sanctions to support robust compliance.

These proposals were widely discussed with the industry. A Strategic Consultation Group has been established, with members drawn from private security buyers and suppliers, industry representative organisations, trades unions and the Home Office and devolved administrations. During the year we held national conferences in London and in Sheffield, as well as a large number of workshops and forums throughout the UK. We also held Board meetings in Edinburgh and Belfast to enable us to speak to politicians, the industry and other stakeholders from the devolved administrations. These proposals will require changes to current legislation and are being considered by the Government which will consult formally on them in due course.

Our commitment to improve the service that we deliver is not limited to changes in the future. During the year, we have demonstrated our commitment to improving service levels and value for money, putting in place changes to our licensing system and working with the industry to develop relevant and practical improvements. These have included the introduction of a much simplified renewal process that can be carried out by telephone as well as other improvements which have made licensing quicker and more straightforward for most applicants. These changes and improvements have allowed us to maintain high levels of satisfaction from individuals and ACS companies and to reduce our costs. Our increasing use of social and electronic media to communicate has allowed us to reach more of our licensed community and to pilot new arrangements to receive timely and honest feedback direct from our customers. We were pleased that, having maintained fee levels at 2007 levels for over four years, we were able to reduce individual and ACS fees from 1 January 2012.

As we write, the start of the 2012 Olympic and Paralympic Games is almost upon us. We have been working for a number of years now with the London Organising Committee of the Olympic and Paralympic Games (LOCOG), government, other agencies and the industry to plan for and support the delivery of effective security during the Games. In particular, we have worked to ensure that arrangements at Games' venues meet all legal requirements, whilst ensuring that our approach supports the overall ambition

for the success of the Games. We are also working with the industry to ensure that regulatory requirements are properly met at the many events that are expected to take place this summer.

In February this year, our Director of Transition, Hazel Russell, retired. Hazel had been a director at the SIA since February 2007 and, before that had enjoyed a successful career in the public service. She made a considerable contribution to our work and we wish her well in her retirement.

Effective regulation is only possible with the support and cooperation of those working in the private security industry and our many partners, who help to ensure that we can work with our customers effectively and that we robustly pursue those who choose not to comply. We are grateful for that support and cooperation. Our teams at the SIA have again performed to a high standard in 2011/12. We thank them for this and we both look forward to continuing to work with them and with our partners to deliver effective regulation and the new regime over the coming years.



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

Ruth Henig  
SIA Chairman



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

Bill Butler  
SIA Chief Executive



# Review of 2011/12 – our key achievements

## Overview

During the year ended 31 March 2012, the SIA has led work with the industry to deliver proposals for a new regulatory regime outside the NDPB sector, in line with the Government's proposals following the Public Bodies Review in 2010. At the same time, the organisation has delivered improvements to customer service levels and lowered costs, allowing us to reduce individual fees by 10% and ACS annual charges by 12% from January 2012.

Work has continued on the development of arrangements for the proposed new regulatory regime and consulting and engaging with the industry. Our change programme is supported by a number of projects that develop our existing remit (such as operational enhancements and designing an improved future operating model) as well as developing new arrangements for the regulation of businesses. This work has progressed at pace and, subject to legislative constraints, remains on schedule to meet the aim that legislation will be in place by the end of 2013.

Our regulatory activity continues to support our mission and objectives. Working with partner organisations has supported compliance rates of 98%. In parallel, operational and service efficiency has continued to improve and this is reflected in the achievement of the Customer Service Excellence Award for the second year running.

The closing financial position is a surplus of £5.4m against the original budget of £2.7m surplus. The additional surplus has arisen from increased income from the issue of licences of £1.9m and from continuing cost savings measures, which have reduced costs by £0.8m against the original budget.

Work has continued to drive down the cost base. The combination of a new output based contract with the managed service provider and initiatives to reduce internal costs has yielded substantial savings. This had enabled us to hold fees at 2007 levels and we were able to reduce individual licence fees from the 1 January 2012 by 10% to £220. In addition, the annual per head fees for ACS companies were reduced by 12%. In spite of these fee adjustments but together with continuing cost reductions, we are sure that the SIA will remain self funding over the next three years.

## 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 move to an output based contract, continues to provide better value for money resulting in an overall 29% saving over the last financial year compared with the previous commercial arrangement.

## Integrity of the Approved Contractor Scheme

Increasingly, purchasers of security services are specifying that their suppliers must be approved by the SIA and ACS membership is mandatory for all Scottish Government contracts (and sub-contracts) for the provision of security industry services and this approach is being adopted by an increasing number of other public sector bodies across Scotland. This has helped to generate more than 200 new applications for approval over the past 12 months. Although 125 new approvals have been granted, around one third of new applicants were unable to satisfy the SIA that they met all ACS requirements. In a significant case, we successfully defended an appeal against our decision to refuse to approve a business believed to have had links with organised crime in Salford. Separately, 55 previous approvals have been withdrawn during the year as the SIA has continued to gather information about security providers and has worked closely with partners to exclude unsuitable businesses from the ACS, providing additional assurance to purchasers and to other authorities.

Approved contractors continue to demonstrate improvement. New ACS requirements were introduced in March 2012 and over 75% of approved contractors have increased their assessment score, a reflection of performance against ACS requirements, since March 2011.

## Customer service

In March 2011, the SIA was assessed against the Cabinet Office Customer Service Excellence standard. The standard is made up of five criteria, which set out areas that are seen as a priority for customers. We achieved that standard, including the award of one 'compliance plus' mark which indicates that the SIA is amongst the elite and sets the standard that others strive for. In March 2012, the SIA was re-assessed against the criteria and we retained our Customer Service Excellence award and were awarded a further four 'compliance plus' ratings, taking our total to five. Our assessor said:

"The assessment visit was excellent in that the supporting documentation was of the highest quality and the progress that I had seen in terms of enhancing the customer journey over the past 12 months was impressive indeed!"

## Compliance and Enforcement

The SIA is a risk-led organisation, using intelligence to prioritise and decide how to use resources based on the risk to the public. This has involved tackling the most serious non-compliance, working with partners to share information and carry out joint operations and initiatives.

During 2011/12 information received by the SIA has been used to suspend 143 and revoke 1,371 SIA licences, where individuals failed to meet the published licensing criteria. The SIA has disclosed over 1,100 pieces of information to partners to support their activities.

Working closely with the ACS team, Strathclyde and Greater Manchester Police, the Intelligence team identified a threat to the credibility of ACS due to approved contractors wittingly entering into agreements with non-approved contractors to circumvent buyers' stipulation of ACS. We also identified a risk to approved contractors who unwittingly entered into such agreements. An intelligence product was developed to assist in gaining a clearer understanding of the problem, which informed our response, a combination of proactive compliance visits and bespoke communications to approved contractors to forewarn them of the risk and to request information they might hold.

Intelligence has also been used in tackling issues that affect the credibility of the regulatory regime. Earlier this year, following a wide scale training malpractice investigation involving SIA investigators, the Metropolitan Police, awarding bodies, the qualifications regulator OFQUAL and the UK Border Agency, four London-based training providers had their approval to provide SIA licence-linked training removed, and 300 qualifications issued by them were withdrawn.

Compliance with the requirements of the Private Security Industry Act 2001 (PSIA) continues to be high. We test compliance rates through random inspections. During the year, SIA investigators carried out around 3,000 checks on individuals to ensure that they were legally deployed and overall compliance rates were 98%.

A key component for achieving success with compliance is the strong and effective relationships we have with partners such as police forces and local authorities. We have also focused on establishing further our working partnerships with the Serious and Organised Crime Agency (SOCA), Scottish Crime and Drug Enforcement Agency, the UK Border Agency, Her Majesty's Revenue and Customs and the Police Service of Northern Ireland. With our partners we have targeted high risk individuals and companies in relation to issues including PSIA non-compliance, identity fraud, training provider malpractice and serious and organised crime.

We have continued to play an active role in Project Gulf, a multi-agency initiative to combat organised crime in Salford.

Ties have also been enhanced with SOCA with combined operations taking place in the Bristol area, alongside Avon and Somerset Police. These operations supported legitimate businesses providing licensed staff to venues, and safeguarding them from the threat posed by organised crime.

A number of successful prosecutions have been achieved through effective partnership working during 2011/12. For example, close co-operation between the SIA and Northumbria Police led to the conviction of a security company director. This conviction meant the Force could then pursue him under the Proceeds of Crime Act and he was ordered to pay back £550,000 of the proceeds that had been received by his company.

In the run up to the 2012 Games, we have worked with a range of partners and suppliers and buyers in the private security industry to raise awareness of the level of demand for security across the UK. We are making it clear that people should plan well ahead of the Games, to ensure that they have private security arrangements in place early. We have been

working on two sets of issues. The first concerns security at the Games and associated events to ensure compliance with our regime in these locations. The second concerns the broader risk of security resources being displaced to the Games from elsewhere during what will be a peak demand period.

## Communications and stakeholder engagement

Over the past year we have met face to face with thousands of private security industry representatives and hundreds of private security industry companies to explain, share and seek feedback on our proposals for a new regulatory regime. These meetings have taken place through our national conferences, industry network meetings, ACS forums and a range of workshops held around the UK. In addition, we met with those who buy security and our staff spoke at a number of external events to present our future plans and take questions.

During the year, our Strategic Consultation Group met regularly with members drawn from private security buyers and suppliers, industry representative organisations, trade unions and the Home Office and devolved administrations. We also held SIA Board meetings in Edinburgh and Belfast to enable us to speak to politicians, the industry and other stakeholders from the devolved administrations.

Generally, other than the need to clarify issues relating to future costs of regulation, stakeholders have been supportive of SIA plans. In particular, the change to a less bureaucratic and paperless system for individual registrations and more involvement with employers via business licensing were well received and these are being developed.

Through our digital and social media we reach the people who work in, or have an interest in, the private security industry. By 31 March 2012, we had increased our digital community to over 18,000 subscribers, with SIA Update, a by request e-newsletter, reaching over 13,000 email in-boxes. We use these low-cost digital channels and social media, such as Facebook and Twitter, to engage directly with our stakeholders and to share information and updates on the SIA, industry news and the transition to a new regulatory regime.

Our website is our main source of information and communication. In 2011/12 our website received over 1.2m visitors, who between then made over 2.7m visits – an average of 7,624 per day. In the process they looked at a combined total of nearly 12.5m pages.

In the media we monitored news items for those relating to the SIA and the private security industry. Of the 1,476 mentions of the SIA in news articles, 59% were positive and supported the SIA, and we considered only 1% to be negative and not supportive of the work of the SIA.

# Delivery against our business objectives

We set four objectives for 2011/12 which are supported by key performance indicators.

## Our objectives

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

### 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 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 release their full potential

## Objective 1 – Protecting the Public

We have established four key performance indicators (KPIs) which focus on reducing criminality and maintaining compliance and enforcement. These targets were met.

Success factor	Key Performance Indicator	Target	Actual	Comments
Reducing relevant criminality	The correct application of licensing criteria at the time of the decision	99.5%	99.9%	
Maintaining compliance and enforcement	Security operatives correctly licensed or deployed under a valid Licence Dispensation Notice	90%	98%	We have carried out quarterly checks on a random basis throughout the year and compliance remains high.
	Disclosures that indicate public safety concerns completed within 5 working days	90%	95%	
	Disclosures that do not indicate public safety concerns completed within 10 working days	90%	96%	

## Objective 2 – Customer service

During 2011/12, the drive to improve customer service has continued. The main focus has continued to be on both the timeliness and accessibility of the service we provide. All KPIs were fully met in 2011/12 and the SIA has achieved the Cabinet Office Customer Service Excellence Award for the second year running.

Success factor	Key Performance Indicator	Target	Actual	Comments
Timely service	Proportion of end to end licence applications processed within 5 weeks	80%	93%	Licence applications were processed significantly faster than the agreed timeframe.
Accessible service	Percentage of all contacts (calls, letters, faxes and emails) resolved at the point of first contact	80%	83%	

## Objective 3 – Delivering value

ACS is 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 we receive.

Success Factor	Key Performance Indicator	Target	Actual	Comments
ACS valued by industry	Percentage of contractors choosing to retain ACS status	95%	96%	
Achieving full cost recovery	To balance the budget within a variance of no more than 3% of turnover	+/- 3%	16%	The SIA made a surplus of £5.4m (budget £2.7m), 2011/12 being the year of highest demand in the three year cycle. Licence demand over budget contributed an additional £1.9m income and additional cost savings of £0.8m were achieved.

## Objective 4 – Developing our people and organisation

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

Success factor	Key Performance Indicator	Target	Actual	Comments
Staffing effectively	Proportion of staff in post achieving their agreed objectives.	85%	93%	
	Percentage of mandatory training completed.	90%	93%	
Staff satisfaction	Rate of overall staff satisfaction improved on previous year's result of 61%.	61%	60%	Level of staff satisfaction was lower than target but the response rate improved from 46% to 75%.

## Environmental, social and community performance

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

### Sustainability

<b>Greenhouse Gas Emissions</b>				
	<b>2011-12</b>		<b>2010-11</b>	
	<b>Consumption</b>	<b>Cost £</b>	<b>Consumption</b>	<b>Cost £</b>
Direct Emissions *	–	–	–	–
Indirect emissions				
Electricity: Non-renewable	192,224 kWh	41,869	214,125 kWh	27,781
Gas	15,877 kWh	–	96,684 kWh	–
Official Business Travel				
Private fleet business travel	108.35 CO <sub>2</sub>	172,379	121.90 CO <sub>2</sub>	172,939
Rail business travel	Not Available	141,437	Not Available	158,418
Other business travel	Not Available	58,076	Not Available	43,166
Total business travel	–	371,891	–	374,523
<b>Waste Minimisation and Management *</b>				
	<b>Volume</b>	<b>Cost £</b>	<b>Volume</b>	<b>Cost £</b>
Hazardous waste	–	–	–	–
Non-hazardous waste:				
Landfill	130 Kgs	Not available	130 Kgs	–
Recycled/Reused	4577 Kgs	576	4431 Kgs	620
Incinerated	–	–	–	–
<b>Finite Resource Consumption</b>				
	<b>Consumption</b>	<b>Cost</b>	<b>Consumption</b>	<b>Cost</b>
Water supply *	654m <sup>3</sup>	Not available	750m <sup>3</sup>	Not available

\* 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 also established a 'turn off' campaign which encourages staff to switch off lights, monitors and computers. During the year, spotlights adjacent to the windows have not been replaced once they have failed.

### Recycling

The use of recycling bins is now well established and during 2011/12, 97% of office waste was recycled.

### Charity assistance

SIA staff continues to support charities elected by staff. The charity group has been very active during the year and has raised and distributed a total of £1,151 to worthy causes.

### Procurement

The SIA invites tenders for goods and services through the OJEU process or via 'buying solutions' provided by the Government Procurement Service.

### Approved Contractor Scheme (ACS)

As part of organisations achieving ACS status, they 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 sex/gender age, marital/civil partnership status, disability, ethnicity religion belief, or sexual orientation.

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, undertaken 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 have launched a Flexible Working Pathfinder, which is being trialled, to allow our employees the option to incorporate flexible working conditions in order to balance their work and other responsibilities.

We have also developed an e-learning package on equality and diversity, which will form part of our induction programme, equipping our staff with the necessary information in line with our values and commitment to promoting equality and diversity awareness.

We work continuously to remove all forms of 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 an NDPB and that there would be a “phased transition to a new regulatory regime”.

At the request of ministers, the SIA has since 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 Government accepted the SIA’s suggested framework for a new regulatory regime in early 2011. The proposed arrangements will require the introduction of new secondary and primary legislation, and the Government plans to consult formally on this and then introduce the necessary legislation at the earliest opportunity.

The new regime’s primary focus will remain the protection of the public through regulating to support the existence of a fit and proper industry. The intention is that the new regime should recognise developments in the industry since the introduction of the current regime, including the increasing maturity of the industry, and build on the considerable investments already made.

The underlying principles proposed for the new regime (which are subject to the passage of the necessary new legislation) are:

1. **Focus of new regulatory regime** – Businesses will be licensed and regulation will primarily be delivered through the relationship with these licensed businesses. Businesses will be responsible for ensuring deployed staff abide by conditions of registration and accountable for the compliant conduct of deployed staff.
2. **Business licensing checks** – Checks will be conducted to establish that a business is ‘fit and proper’ to trade in the private security industry through compliance with licensing criteria, terms and conditions. The licensing criteria checks will include: legal entity and status; criminality; financial probity; integrity; and competency.
3. **UK wide regime** – The proposed regime will be capable of working across the UK and will continue to support the particular needs of the devolved administrations. However, the final decisions on future regulation in Scotland and Northern Ireland will be taken by the devolved administrations.
4. **Individual applications** – Applications for individual registration will be performed via a Mediated Access Partner (MAP) or authorised licensed businesses. There will be no application channel for individual registration direct to the Regulator, unless otherwise agreed.
5. **No renewals** – Licences and registrations will not expire, unless terminated by the business, terminated by the individual or revoked/suspended by the Regulator due to non-compliant activity.
6. **Cost** – The new regime will deliver regulation at no greater aggregate cost in real terms than the current regime.

# Financial Review

## Results for 2011/12

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 for those three years paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified enforcement dates from 2006/07, with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. This cycle is highest in the year reflecting the anniversary of inception of the licence regime and 2011/12, is the highest year of the cycle.

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

	2011/12	2010/11 Restated	2009/10 Restated
Application numbers (net)	138,450	108,418	138,043
	£'000	£'000	£'000
<b>Income</b>			
Licence fees	31,378	25,146	32,284
ACS	2,271	2,275	2,297
Northern Ireland	–	37	849
Other income from activities	23	182	610
Court costs recovered	32	72	1,023
<b>Total self generated income</b>	<b>33,704</b>	<b>27,712</b>	<b>37,063</b>
<b>Expenditure</b>			
Employment costs*	9,668	10,219	10,417
Accommodation	1,390	1,566	1,506
Advertising and publicity	283	298	872
Licensing costs	14,169	12,906	18,332
Depreciation	930	1,075	2,094
Other costs	1,908	1,903	2,941
Exceptional item	–	151	–
<b>Total expenditure</b>	<b>28,348</b>	<b>28,118</b>	<b>36,162</b>
<b>Operating Surplus/(Deficit)</b>	<b>5,356</b>	<b>(406)</b>	<b>901</b>

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

## Overview

The overall financial result for 2011/12 was an operating surplus of £5.4m against an original budgeted surplus of £2.7m. This surplus represents 16% of turnover, which is outside the required tolerance of 3%. This reflects the impact of the three year financial licensing cycle. During 2011/12, demand for licences was 9.6% higher than the level budgeted. The budget was set on a prudent basis, reflecting the uncertainty as to the SIA's future in early 2011, and the expected impact on applications as a result. Actual performance is in line with re-forecasts made during the year. At the same time, the SIA has continued to reduce costs and this resulted in a further £0.8m of savings over the year. The combination of these factors has generated the additional level of surplus. In recognition of this, and following the half year financial review, the SIA reduced licence costs for individuals and ACS scheme members from 1 January 2012.

## Financial Highlights

- Total income of £33.7m exceeded the budgeted level by 6%. This has generated an additional £1.9m of income. This is entirely due to increased individual licence income.
- The new contract for the managed service for licence processing which came into effect on 30 September 2010, has continued to deliver cost savings. Whilst licence demand is up by 9.6% against budget, related processing costs have increased by less than 5%.
- The cost reduction initiatives initiated by the SIA and supported by austerity measures have enabled a further £0.8m to be removed from the cost base. This is in addition to the £4m savings achieved in 2010/11.
- In January 2012, the individual licence fee was reduced from £245 to £220, a reduction of 10%. At the same time annual ACS subscription charges were reduced by 12%, from £17 to £15 per employee.
- The significant changes in the Statement of Financial Position have been as a result of the surplus for the year – this has led to an increased cash balance of £9,386k (2010/11, £5,220k), and also an increased payables balance, as the surplus will have to be surrendered to the Consolidated Fund.

## Funding Considerations

The SIA's operation is funded through licence fees from individuals and ACS. In making its decision to reduce fee levels the Board has had to take into account the following factors:

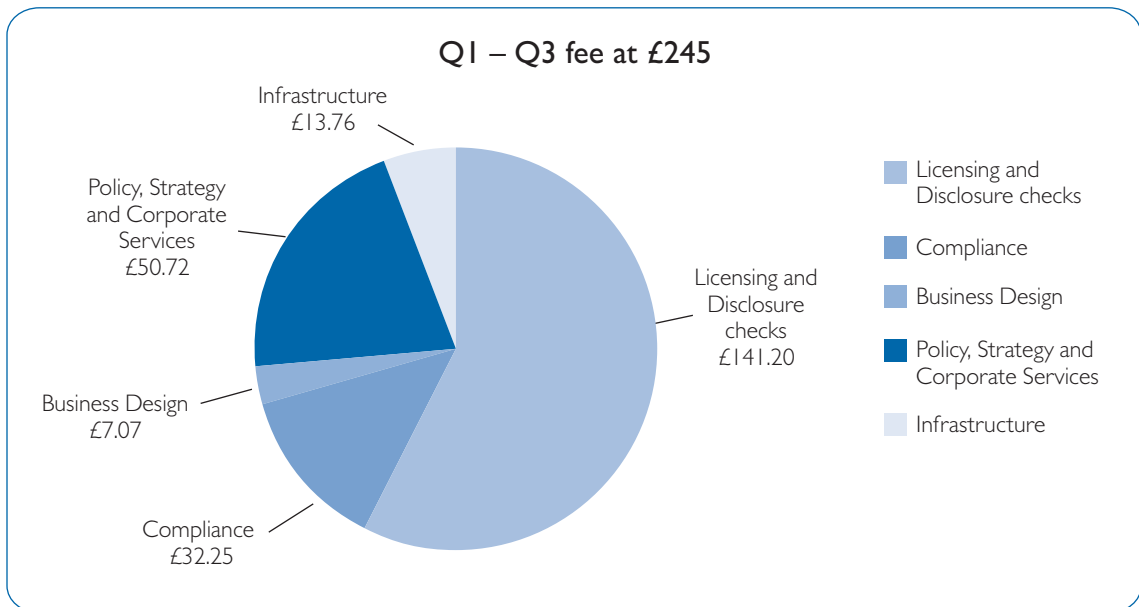
- The fluctuation of income against a largely fixed cost base over the three year licence demand cycle.
- The requirement to surrender any annual surpluses to the Consolidated Fund as an extra receipt (CFER).
- To provide the industry and individuals with cost stability by ensuring that the fees do not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

## How the licence fee was spent in 2011/12

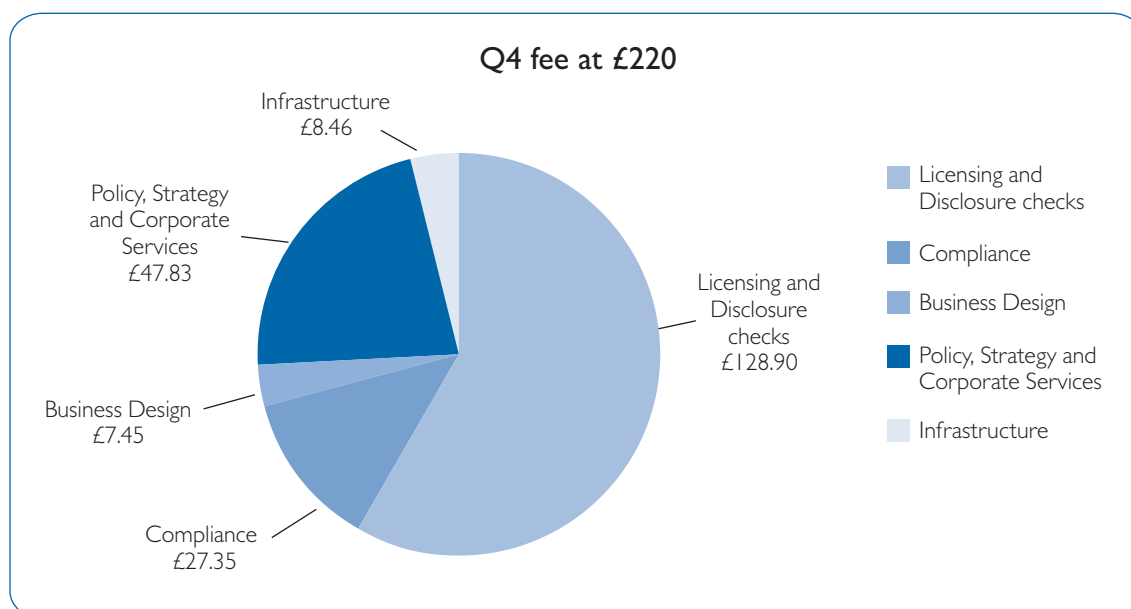
During 2011/12 the licence fee was reduced to £220 from £245, the level that had been maintained since October 2007. The current fee level is required to ensure that the SIA is self funding into the future and is based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed
- The level of staff turnover within the industry, which generates new licensing applications
- Stability of the SIA and therefore 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 will be funded directly by Government.

A breakdown of the way the licence fee was spent in the first three quarters of the year before the fee reduction is set out in the following chart:



Following the fee reduction on 1 January 2012, the following chart sets out how the licence fee was spent in the last quarter of the year:



## Forecast results for the next three years

The SIA carries out a comprehensive annual cycle of planning which involves all levels of the organisation from the Board to individual business units. The resultant plan covers the three years commencing with 2012/13 and was signed off by the Board at its March meeting.

The plan and forecasts are summarised in the following tables.

	Forecast			Net result 2012-2015 £000s
	2012/13	2013/14	2014/15	
	£000s	£000s	£000s	
<b>Income</b>				
Licence fees	31,768	24,436	27,934	84,138
ACS	2,040	2,040	1,995	6,075
Other income	8	8	8	24
<b>Total income</b>	<b>33,816</b>	<b>26,484</b>	<b>29,937</b>	<b>90,237</b>
<b>Expenditure</b>	<b>32,014</b>	<b>29,758</b>	<b>28,047</b>	<b>89,819</b>
Surplus/(Deficit)	1,802	(3,274)	1,890	418

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

- The strategic decision of the Board to reduce the licence fee and maintain it at £220 for the next three years and the need to manage both operational costs and appropriate costs associated with the transition to a new regulatory framework within this level.

- The demand forecast for individual licences over the next three years is 153,614 in 2012/13, 118,805 in 2013/14 and 135,807 in 2014/15. 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 ongoing 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 £0.4m over the three year period, which will fund the relevant costs of transition to a new regulatory regime. Funding arrangements for those areas such as businesses and policy which cannot be funded from licence income are yet to be formally agreed with the Home Office.

## Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2015 show the organisation will continue to be self funding over the three year licence cycle.

## 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 2011/12, we paid 77% of all invoices within ten days (69% by value), reflecting a significant improvement over the previous year:

	2011/12		2010/11	
	£	Number	£	Number
Total invoices paid in year	19,007,182	1,754	19,460,889	2,030
Total invoices paid within 10 day target	13,147,718	1,345	4,187,501	588
Percentage of invoices paid within 10 day target	69%	77%	22%	29%

## Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Licence application processing – variable cost basis	30/09/2012



## Staff sickness and absence

During 2011/12, the average level of sickness and absence was 3.9 days per employee (2010/11, 8.4 days).

## Payment to auditors

The audit fee for 2011/12, payable to the National Audit Office has been set at £31,000. (2010/11 £31,000) No other payments were made to the National Audit Office for non-audit services during the year.

# Remuneration Report

## 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 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 two independent non-executive Board members, Linda Sharpe (Chair), Wendy Towers (until September 2011), Bill Matthews (from September 2011), Bill Butler, Hazel Russell (until February 2012) and Dianne Tranmer (from February 2012) attend the meeting as executives.

#### SIA Directors during the year 1 April 2011 to 31 March 2012

Bill Butler	Chief Executive	
Dave Humphries	Director of Compliance and Enforcement	
Stephen McCormick	Director of Service Delivery	
Hazel Russell	Director of Transition	1 April 2011 to 4 February 2012
Dianne Tranmer	Interim Director of Transition	From 1 January 2012

## Non-Executive Board members during the year 1 April 2011 to 31 March 2012

Baroness Ruth Henig	Chair	To 15 January 2013
Robin Dahlberg	Vice Chair, Chair of Performance & Finance	To 31 March 2013
Bill Matthews	Chair of Audit Committee	To 31 March 2014
Linda Sharpe	Chair of Remuneration Committee	To 31 March 2014
Wendy Towers		To 30 September 2011
Edward Weiss		To 31 March 2013

## 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 2011-12, was £130k – £135k (2010-11: £130k – £135k). This was 4.0 times (2010-11, 4.1 times) the median remuneration of the workforce, which was £33,020 (2010-11, £31,793).

In 2011-12 one employee received remuneration in excess of the highest paid director. Remuneration ranged from £15,993 to £155,229 (2010-11, £15,806 to £158,438).

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	2011/12		2010/11	
		Salary £000's	Performance Payment £000's	Salary £000's	Performance Payment £000's
Bill Butler (Chief Executive from 27 July 2009)	Member of Disciplinary Appeals Committee, CIPFA	120 – 125	5 – 10	120 – 125	5 – 10
Dave Humphries (Director of Compliance & Enforcement from 15 February 2010)		90 – 95	0	90 – 95	0
Stephen McCormick (Director of Service Delivery)		95 – 100	0 – 5	95 – 100	5 – 10
Hazel Russell <sup>1</sup> (Director of Transition to 4 February 2012)		80 – 85	0	95 – 100	0 – 5
Dianne Tranmer (Interim Director of Transition from 1 January 2012)		15 – 20 (FTE 70 – 75)	0	0	0
Band of highest paid Director's Total Remuneration (£'000)		130 – 135		130 – 135	
Median Total Remuneration		33,020		31,793	
Ratio		4.0		4.1	

<sup>1</sup> Hazel Russell was on secondment from the Prison Service. The amounts disclosed in the table represent the full cost of the salary received by her. The SIA reimbursed the Prison service for the full cost of employment including all on-costs and VAT. The reimbursement to the Prison Service for 2011/12 amounted to £133,000 including VAT (2010/11 £164,000 including an additional payment of £23,000 in respect of 2009/10 VAT charges).

## 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 in line with the position set out in the 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 £6,882 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 2011-12 relate to performance in 2011-12 and the comparative payments reported for 2010-11 relate to the performance in 2010-11.

Directors' contracts are permanent and open ended until they reach 60, with the exception of Bill Butler, who has a fixed term contract which expires in July 2015.

## The Non Executive Board

The remuneration of the Board in the period ending 31 March 2012 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		2011/12	2010/11
			£	£
Ruth Henig (Chair) Re-Appointed January 2010 – January 2013	– Labour peer – Member of Independent Police Commission	Fees	65 – 70	65 – 70
Robin Dahlberg (Vice Chair) Re-appointed March 2010 – March 2013	– 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 – Trustee of NACAB Pension and Assurance Plan	Fees	15 – 20	15 – 20
Bill Matthews <sup>2</sup>	– Director of M2M2 Ltd – Chair of NHS National Service Scotland – Chair of Crimestoppers Scotland – National Trustee for Scotland BBC – Chair of BBC Pension Trust	Fees	5 – 10	10 – 15
Linda Sharpe <sup>3</sup>	– Trustee of South West Region YMCA Trust Fund – Consultancy work with MagicFizz (Performance Improvement Consultancy)	Fees	5 – 10	5 – 10
Wendy Towers		Fees	0 – 5	5 – 10
Edward Weiss	– Director of South Central Ambulance Service – Director of Together Mental Health Charity – Director of YMCA	Fees	5 – 10	5 – 10

2 Members worked three additional days in 2011/12 (2010/11: ten additional days).

3 Member worked three additional days in 2011/12.

## Pension Benefits

	Accrued pension at age 60 as at 31/3/12 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/12	CETV at 31/3/11	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ruth Henig, Chair	N/A	N/A	76	59	2	N/A	10
Bill Butler, Chief Executive <sup>4</sup>	65 – 70	(0 – 2.5)	1,209	1,140	4	(29)	N/A
Dave Humphries, Director of Compliance & Enforcement <sup>4</sup>	30 – 35 plus 95 – 100 lump sum	(0 – 2.5) plus (0 – 2.5) lump sum	579	542	1	(10)	N/A
Stephen McCormick, Director of Service Delivery	10 – 15	0 – 2.5	208	178	3	12	N/A
Hazel Russell, Director of Strategy & Corporate Services (to 4 February 2012)	35 – 40 plus 105-110 – lump sum	5 – 10 plus 20 – 25 lump sum	624	475	1	115	N/A
Dianne Tranmer, Acting Director of Transition (from 1 January 2012)	10 – 15	0 – 2.5	139	135	1	2	

<sup>4</sup> There has been a decrease in the real increase in pension and related lump sum, and the real increase in CETV during the year as a result of the members not receiving a pay rise during the reporting year; and as the pensions increase factor was 5.2% this has resulted in negative figures.

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 employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on 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 <http://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 effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Bill Butler  
Chief Executive and Accounting Officer  
12 June 2012



# Statement of Accounts

## Statement of responsibilities for the Security Industry Authority and its Accounting Officer

The Security Industry Authority is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for the Home Office with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SIA and of its income and expenditure, recognised gains and losses and cash flows for the financial year. These accounts have been prepared for the year ended 31 March 2012.

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

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

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

## Statement regarding Disclosure of Information to the Auditors

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

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

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

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
12 June 2012

# Governance Statement for the Security Industry Authority for the year ended 31 March 2012

## Scope of Accounting Officer's responsibility

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

The SIA's system of internal control was in place for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance.

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

## The Governance framework

The Board routinely monitors performance, takes discussion and decisions on key policies and allows Board members to note and comment on key strategic issues. Following the departure of Wendy Towers in September 2011, the Board comprises four Non Executive Directors and the Chair.

SIA Board	Meeting Attendance
Ruth Henig	6/6
Robin Dahlberg	5/6
Linda Sharpe	5/6
Bill Matthews	5/6
Edward Weiss	6/6

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 Assistant 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 four non-executive Board members appointed by the Board and the Chair.

Performance and Finance Committee	Meeting Attendance
Ruth Henig	5/5
Robin Dahlberg	5/5
Linda Sharpe	5/5
Bill Matthews	4/5
Edward Weiss	5/5

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	Meeting Attendance
Ruth Henig	3/3
Linda Sharpe	3/3
Bill Matthews	3/3

The Audit Committee's main functions are to consider and agree the internal 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. This Committee is comprised of three non-executive members of the Board.

Audit Committee	Meeting Attendance
Bill Matthews	4/4
Edward Weiss	3/4
Linda Sharpe	3/4

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 Assistant Director of Finance and Business Planning, who also acts as the Senior Information Risk Officer.

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 for the delivery of the following executive functions setting the Information Assurance strategy and policy for the SIA.

A self assessment of effectiveness has been carried out by the Audit Committee and four actions arose from this assessment out of a possible fifty. The first draft of the self assessment of effectiveness for the Remuneration Committee will be presented to the Committee in May 2012. This process will then be carried out for the Performance and Finance Committee and the Board by November 2012.

## 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 ongoing 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 full Board with committees covering Audit, Performance and Finance, and Remuneration. All committees have Non – Executive Director membership. There are regular meetings of Executive Directors and the Senior Management Team.

## Principal risks

Our principal corporate risks are as follows;

- Operational failure in the event of a major disaster.
- Uncertainty of licence application volumes.
- Olympics impact on compliance.
- Loss of system availability for licence processing.
- Staff capability, retention and motivation.
- The impact of spending cuts on compliance partners.

## Review of the effectiveness of the Internal Control system

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

## 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

### 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 committees monthly.

A review of the Finance Manual has taken place to ensure the controls and processes are current and are implemented consistently across the organisation.

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. Cost reduction initiatives are in place which adhere to the requirements of the austerity measures. A comprehensive procurement policy has been agreed and is being implemented across the organisation.

The SIA only receives one grant, which is a capital grant. The use of this grant is fully documented and is monitored throughout the year.

The SIA has in place an internal audit programme and this covers key elements of financial control and management. Reports are considered and follow up on the recommendations made is monitored by the Audit Committee.

## Managing the Risk of Financial Loss

The SIA has implemented Managing the 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 (e.g. Human Resources and Information Communication Technology). Regular stakeholder meetings are attended at the Home Office to ensure that the approach used is consistent with that of other Non Departmental Public Bodies (NDPBs).

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

No new material financial losses have been identified from the work undertaken and Internal Audit is reviewing the results of these assessments. Where weaknesses have been identified, steps are being taken to address these, but no significant risks or issues were found.

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

The HR Strategy has been reviewed and developed and the revised strategy is being implemented across the organisation. This is to ensure a fit for purpose HR function and to build the capability of the workforce to meet business needs during the transition to a new regulatory regime.

A new HR system, HR Select, has been acquired and although this requires a significant data cleansing exercise, it will considerably enhance controls when fully implemented.

Concerns have been identified within the payroll process, and an internal audit has taken place to identify required improvements to the existing controls. A follow up audit took place in March 2012 and it has been confirmed that adequate progress has been made on the original recommendations.

## 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% of employees have completed level 1 for 2011/12, 93% of relevant employees have completed level 2, and 100% have completed level 3. All information assurance policies have been reviewed, updated as appropriate and published.

We have achieved level 3 in the Information Assurance Maturity Model (IAMM) for 2011/12.

The SIA is now connected to the Government Secure Intranet (GSI) to ensure we have a secure route for email to connected partner organisations up to RESTRICTED level.

All remote services utilise dual factor authentication. All new systems are penetration tested prior to deployment and are subjected to a formal annual health check.

The Government Protective Marking Scheme is implemented across all SIA business areas.

The Risk Managed and Accreditation Document Set (RMADS) process has commenced and includes both the SIA and its partner organisation, LDL's, systems. An extension has been granted by the Senior Information Risk Owner to allow adequate time to complete the process to ensure a full audit trail is in place.

We have appointed an Information Security Manager who will take up post in May 2012. In the meantime, complex queries relating to Information Management are referred to a third party subject matter expert to ensure adequate controls are in place.

## Personal data related incidents

During 2011/12 there were 22 security related incidents reported, of which seven related to personal data. The majority of these involved the misdirection of correspondence to an individual. All incidents related to personal data involved only a single individual's information and there were no material losses or compromise of personal data during the period. All other incidents related to breaches of policy, loss of equipment or system issues.

## 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 Programme and Project management in the SIA is closely aligned with both PRINCE 2 and MSP methodologies.

All projects are subject to full business case and benefits realisation plans. Progress is reported at Change Programme Board, SMT and Board levels.

An internal audit was carried out in September 2011 on the Change Programme, and received an Amber/Green rating with reasonable assurance on the controls in place.

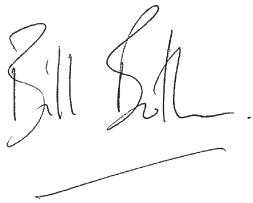
During 2011/12 RSM Tenon were internal auditors to the SIA. The annual report from their Head of Internal Audit for 2011/12 concludes that, based on the matters that came to their attention whilst carrying out the audit plan, the SIA's systems for governance is



rated green and risk management and internal control are rated amber on a scale of red, amber and green.

I agree with the internal audit assessments and action is being taken to address the audit recommendations made during the year.

Following a competitive procurement process the SIA has appointed Grant Thornton as internal auditors for the three years commencing 1 April 2012.

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

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
12 June 2012

## 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 2012 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 Accounting Officer Responsibilities, 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. 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 2012 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 "Delivery Against Our Business Objectives", "Financial Review" and the "Governance Statement" 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.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
20 June 2012

# Accounts 2011/12

## The Security Industry Authority Statement of Comprehensive Income For the year ended 31 March 2012

		2011/12	Restated 2010/11
	Note	£'000	£'000
<b>Expenditure</b>			
Staff Costs	3	(9,668)	(10,219)
Depreciation & Amortisation	4	(930)	(1,075)
Other Expenditure	4	(17,750)	(16,703)
Exceptional Item	5		(151)
		<u>(28,348)</u>	<u>(28,148)</u>
<b>Income</b>			
Income from Activities	6	33,649	27,578
<b>Other Income</b>			
Other Income from Activities	6	23	62
Court Costs Recovered	6	32	72
		<u>33,704</u>	<u>27,712</u>
Net Income/(Expenditure) Before Tax		5,356	(436)
Corporation Tax		(3)	30
Net Income/(Expenditure) After Tax		<u>5,353</u>	<u>(406)</u>
Interest Receivable		14	8
Interest Repayable to the Consolidated Fund		(11)	(8)
Net Income/(Expenditure) after Interest		<u><b>5,356</b></u>	<u><b>(406)</b></u>

The notes on pages 45 to 69 form part of these accounts


There are no other comprehensive expenditure items.

# The Security Industry Authority

## Statement of Financial Position as at 31 March 2012

	Note	2011/12	Restated 2010/11	Restated 2009/10
		£'000	£'000	£'000
<b>Non-Current Assets:</b>				
Property, Plant and Equipment	8	258	317	480
Intangible Assets	9	646	1,158	1,857
<b>Total Non-Current Assets</b>		904	1,475	2,337
<b>Current Assets:</b>				
Trade and Other Receivables	11	3,645	2,569	3,689
Cash and Cash Equivalents	12	9,386	5,220	5,264
<b>Total Current Assets</b>		13,031	7,789	8,953
<b>Total Assets</b>		<u>13,935</u>	<u>9,264</u>	<u>11,290</u>
<b>Current Liabilities:</b>				
Trade and Other Payables	13	(8,977)	(4,745)	(5,877)
<b>Total Current Liabilities</b>		(8,977)	(4,745)	(5,877)
<b>Non-Current Assets Plus Net Current Assets</b>		4,958	4,519	5,413
<b>Non Current Liabilities</b>				
Provisions	14	(68)	(92)	(93)
<b>Total Non-Current Liabilities</b>		(68)	(92)	(93)
<b>Assets Less Liabilities</b>		<u>4,890</u>	<u>4,427</u>	<u>5,320</u>
<b>Taxpayers' Equity</b>				
General Reserve		4,890	4,427	5,320
		<u>4,890</u>	<u>4,427</u>	<u>5,320</u>

The financial statements on pages 40 to 69 were approved by the Board on 31 May 2012 and were signed on its behalf by

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

Bill Butler  
Chief Executive and Accounting Officer  
12 June 2012

The notes on pages 45 to 69 form part of these accounts

The Security Industry Authority  
Statement of Cash Flows  
For the year ended 31 March 2012

	Note	2011/12	2010/11
Cash Flows from Operating Activities		£'000	£'000
Net Surplus/(Deficit) After Interest		5,356	(406)
Loss on Sale of Assets	4	0	6
(Increase)/Decrease in Trade and Other Receivables	11	(1,076)	1,120
Depreciation & Amortisation	4	930	1,075
Decrease in Provisions	14	(24)	(1)
Repayment due to Home Office released from Reserves		(5,129)	(712)
Increase/(Decrease) in Trade Payables	13	4,232	(1,132)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>4,289</b>	<b>(50)</b>
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	8	(122)	(47)
Purchase of Intangible Assets	9	(237)	(172)
<b>Net Cash Outflow from Investing Activities</b>		<b>(359)</b>	<b>(219)</b>
Cash Flows from Financing Activities			
Capital Grant		236	225
<b>Net Cash Inflow from Financing Activities</b>		<b>236</b>	<b>225</b>
Net Increase/(Decrease) in Cash and Cash Equivalents in the period		<u>4,166</u>	<u>(44)</u>
Cash and cash equivalents at the beginning of the period	12	<u>5,220</u>	<u>5,264</u>
Cash and cash equivalents at the end of the period	12	<u>9,386</u>	<u>5,220</u>

The notes on pages 45 to 69 form part of these accounts

## The Security Industry Authority

### Statement of Changes in Taxpayers' Equity

#### Year ended 31 March 2012

	Capital Reserve	General Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 31 March 2010	543	4,777	5,320
Changes in Accounting Policy	(543)	543	0
Restated balance at 1 April 2010	<u>0</u>	<u>5,320</u>	<u>5,320</u>
Restated changes in Taxpayers' Equity 2010-11			
Interest Surrendered to the Consolidated Fund	0	(8)	(8)
Retained Surplus	<u>0</u>	<u>(398)</u>	<u>(398)</u>
<b>Recognised in Statement of Comprehensive Income</b>	0	(406)	(406)
Grant from Home Office	0	225	225
Repayment due to Home Office	0	(712)	(712)
Restated Balance at 31 March 2011	<u>0</u>	<u>4,427</u>	<u>4,427</u>
Changes in Taxpayers' Equity 2011-12			
Interest Surrendered to the Consolidated Fund	0	(11)	(11)
Release of Reserves to the I & E	0	0	0
Retained Deficit	<u>0</u>	<u>5,367</u>	<u>5,367</u>
<b>Recognised in Statement of Comprehensive Income</b>	0	5,356	5,356
Grant from Home Office	0	236	236
Repayment due to Home Office	0	(5,129)	(5,129)
Balance at 31 March 2012	<u>0</u>	<u>4,890</u>	<u>4,890</u>

The notes on pages 45 to 69 form part of these accounts



# The Security Industry Authority

## Year ended 31 March 2012

### Notes to the Accounts

#### I. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011/12 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.

#### Ia. Change of Accounting Policies Grants

With effect from the 2011/12 reporting period, the Financial Reporting Manual has removed the option under IAS 20 to defer grant income relating to an asset over its useful economic life.

The Financial Reporting Manual requires non-departmental public bodies to account for grants, whether for revenue or capital purposes, as contributions from controlling parties, giving rise to financial interest in the organisation. As such, they are to be credited to general reserves and not to income or deferred income.

The financial statements have been restated to reflect the change in accounting policy retrospectively.

The impact on the comparative periods is shown below:

	As at 31 March 2010	Impact of adopting new accounting policy	At 31 March 2010 (restated)
	£'000	£'000	£'000
Net Expenditure for 2009/10	962	(228)	734
Capital Reserve	543	(543)	0
General Reserve	4,777	543	5,320
Reserves at 31 March 2010	5,320	0	5,320

	As at 31 March 2011	Impact of adopting new accounting policy	At 31 March 2011 (restated)
	£'000	£'000	£'000
Net Expenditure for 2010/11	(119)	(287)	(406)
Capital Reserve	481	(481)	0
General Reserve	3,946	481	4,427
<b>Reserves at 31 March 2011</b>	<b>4,427</b>	<b>0</b>	<b>4,427</b>

### Licence Fee Income

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

From 2011/12 it is considered to be more appropriate to reflect in Income the net licence income received, which is the gross income after deducting discounts. IAS 18: Revenue, states that revenue is "measured at the fair value of the consideration received taking into account the amount of any trade discounts allowed by the entity".

There is no impact on the net income/expenditure for any year. The change is to decrease licensing income and licensing costs equally.

	As at 31 March 2011	Impact of adopting new accounting policy	At 31 March 2011 (restated)
Licence Income	26,486	(1,340)	25,146
Licensing Costs	(14,246)	1,340	(12,906)

### Ib. 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.

### Ic. Grants

Grants, if received from the sponsoring departments, 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. See note 1a.

## Id. 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 within licensing income.

## Ie. 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 credited to the Statement of Comprehensive Net Expenditure on a straight line basis over the period covered by the registration.

## If. Northern Ireland Income

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

The project was closed in the year 2010/11 with no further activity in 2011/12.

## Ig. Enforcement Agents Income

The SIA was asked by the Ministry of Justice to carry out development work with a view to amending the Private Security Industry Act to include the a sector of Enforcement Agent. The project has now been suspended. £533k was being held by the SIA to complete the work and this was fully paid back to the Ministry of Justice in March 2012.

## Ih. Business Licensing Income

The Private Security Industry Act (2001) was amended by the Crime and Security Act 2010 to provide powers for the SIA to develop a compulsory business licensing scheme.

The project was suspended on 17 August 2010 as a result of the Government announcement of the intention to ban wheelclamping (at which point funding ceased) and the project was subsequently formally closed on 11 October 2010.

## Ii. 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.

## Ij. 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 2011/12 because there is no suitable index for the bespoke intangible assets and indexation on software and PPE is deemed immaterial.

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.

## Ik. Depreciation and Amortisation

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

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three to five years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP)Database	over the remaining life of the contract to 30 September 2012
Approved Contractor Scheme (ACS)	Four years

## II. 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 Income.

### I m. Provisions

In accordance with IAS 37, provisions are disclosed in the Statement of Financial Position for legal 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 n. 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 o. Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme but the SIA is unable to identify its share of the underlying assets and liabilities.

### I p. 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 q. Corporation Tax

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

### I r. 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 has been determined that the following IFRSs are relevant to the SIA, but will have no significant impact on the financial statements.

– IFRS 9 – set to replace IAS 39 Financial Instruments

## Is. Significant Estimates and Judgements

The provision for compensation is based on estimates largely provided from our solicitors as to potential costs that will be payable.

## It. Going Concern

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

As reported in 2010/11, the SIA was asked by the Government to lead the development, together with industry, of detailed proposals for a new regulatory regime. These were to reflect the overarching proposals we had put to ministers in response to the recommendations of the Government Arms Length Bodies Review that the regulation of the private security industry should no longer be the responsibility of a non-departmental public body (NDPB).

## Note 2

### ANALYSIS OF NET EXPENDITURE BY SEGMENT

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

	2011/12				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non-Current Assets
	£'000	£'000	£'000	£'000	£'000
Licensing	31,378	32	(26,363)	5,047	869
ACS	2,271	0	(1,985)	286	35
Northern Ireland	0	0	0	0	0
Enforcement Agents	0	0	0	0	0
Business Licensing	0	0	0	0	0
Other Income	23	0	0	23	0
<b>Total</b>	<b>33,672</b>	<b>32</b>	<b>(28,348)</b>	<b>5,356</b>	<b>904</b>

	Restated 2010/11				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non-Current Assets
	£'000	£'000	£'000	£'000	£'000
Licensing	25,146	72	(25,921)	(703)	1,439
ACS	2,275	0	(2,070)	205	36
Northern Ireland	37	0	(37)	0	0
Enforcement Agents	77	0	(77)	0	0
Business Licensing	43	0	(43)	0	0
Other Income	62	0	0	62	0
Total	<u>27,640</u>	<u>72</u>	<u>(28,148)</u>	<u>(436)</u>	<u>1,475</u>



## Note 3

### STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

	2011/12			2010/11		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	8,010	6,064	1,946	8,563	6,165	2,398
Social Security Costs	504	488	16	512	497	15
Other Pension Costs	1,154	1,115	39	1,162	1,128	34
Sub Total	9,668	7,667	2,001	10,237	7,790	2,447
Less: Recoveries in respect of outward secondments	0	0	0	(18)	(18)	0
Total Net Costs	<u>9,668</u>	<u>7,667</u>	<u>2,001</u>	<u>10,219</u>	<u>7,772</u>	<u>2,447</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 SIA 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 source accounts of the Cabinet Office: Civil Superannuation [www.ciilservice-pensions.gov.uk](http://www.ciilservice-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 year was as follows.

Number	Year ended 31 March 2012			2010/11		
	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly Employed	176	174	2	193	191	2
Other	19	0	19	23	0	23
<b>Total</b>	<u>195</u>	<u>174</u>	<u>21</u>	<u>216</u>	<u>191</u>	<u>25</u>

## Note 4

### OTHER EXPENDITURE

		2011/12	Restated 2010/11
Running Costs	Note	£'000	£'000
Licensing Costs		14,169	12,906
Accommodation Costs		1,390	1,566
Travel and Subsistence		549	564
Information Technology		484	384
Office Supplies and Services		454	467
Advertising and Publicity		283	298
Training		161	243
Recruitment		133	83
Legal Costs		64	66
Audit Fee – internal		23	20
Bad and Doubtful Debts		25	18
Catering		6	10
Hospitality		1	1
Financial Costs		1	12
VAT Payable		0	29
Audit Fee – external		31	31
<b>Non Cash Items</b>			
Amortisation	9	749	871
Depreciation	8	181	204
Movement in Provisions	14	(24)	(1)
Loss on Disposal of Property, Plant and Equipment	8	0	6
		<u>18,680</u>	<u>17,778</u>

## Note 5

### EXCEPTIONAL ITEM

In 2010/11 as part of the settlement process for the Northern Ireland project, the SIA reviewed the costs with the Northern Ireland Office and determined that £151k of costs related to other SIA activities, and should not have been borne by the Northern Ireland Office.

## Note 6

### INCOME

	2011/12	Restated 2010/11
	£'000	£'000
Licensing	31,378	25,146
Approved Contractors Scheme (ACS)	2,271	2,275
Northern Ireland	0	37
Enforcement Agent's Income	0	77
Business Licencing	0	43
	<u>33,649</u>	<u>27,578</u>

Other Income		
Other Income from Activities*	23	62
Court Costs Recovered	32	72
	<u>33,704</u>	<u>27,712</u>

\*Other income from activities relates to stakeholder engagement events, and assessors courses.

## Note 7

### ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

	2011/12			2010/11		
	Programme	Administration	Total	Programme	Administration	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Staff Costs	(4,702)	(4,966)	(9,668)	(4,681)	(5,538)	(10,219)
Licensing Costs	(14,107)	(62)	(14,169)	(12,830)	(76)	(12,906)
Running Costs	(599)	(3,006)	(3,605)	(597)	(3,352)	(3,949)

Non-Cash Items						
Depreciation	0	(181)	(181)	0	(204)	(204)
Amortisation	0	(749)	(749)	0	(871)	(871)
Profit of Loss on disposal of property, plant and equipment	0	0	0	0	0	0
Provision provided for in year	24	0	24	1	0	1

Income						
Income from Activities	31,410	2,271	33,681	25,189	2,389	27,578
Other Income	0	23	23	72	62	134

Net Income/(Expenditure) Before Tax	<u>12,026</u>	<u>(6,670)</u>	<u>5,356</u>	<u>7,154</u>	<u>(7,590)</u>	<u>(436)</u>
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## Note 8

### PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2011	326	281	553	1,160
Additions	0	0	122	122
Disposals	0	0	(53)	(53)
At 31 March 2012	<u>326</u>	<u>281</u>	<u>622</u>	<u>1,229</u>

Depreciation				
At 1 April 2011	224	229	390	843
Charged in year	52	21	108	181
Disposals	0	0	(53)	(53)
At 31 March 2012	<u>276</u>	<u>250</u>	<u>445</u>	<u>971</u>

Net Book Value at 31 March 2012	<u>50</u>	<u>31</u>	<u>177</u>	<u>258</u>
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Net Book Value at 31 March 2011	<u>102</u>	<u>52</u>	<u>163</u>	<u>317</u>
---------------------------------	------------	-----------	------------	------------

Asset Financing:				
Owned	50	31	177	258
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
Net Book Value at 31 March 2012	<u>50</u>	<u>31</u>	<u>177</u>	<u>258</u>

## 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 2010	326	292	706	1,324
Additions	0	0	47	47
Disposals	0	(11)	(200)	(211)
At 31 March 2011	<u>326</u>	<u>281</u>	<u>553</u>	<u>1,160</u>

Depreciation				
At 1 April 2010	172	201	471	844
Charged in year	52	33	119	204
Disposals	0	(5)	(200)	(205)
At 31 March 2011	<u>224</u>	<u>229</u>	<u>390</u>	<u>843</u>

Net Book Value at 31 March 2011	<u>102</u>	<u>52</u>	<u>163</u>	<u>317</u>
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Net Book Value at 31 March 2010	<u>154</u>	<u>91</u>	<u>235</u>	<u>480</u>
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Asset Financing:				
Owned	102	52	163	317
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
Net Book Value at 31 March 2011	<u>102</u>	<u>52</u>	<u>163</u>	<u>317</u>

## 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 2011	477	9,967	4,637	1,075	16,156
Additions	89	0	148	0	237
Disposals	(57)	0	0	0	(57)
At 31 March 2012	509	9,967	4,785	1,075	16,336

Amortisation					
At 1 April 2011	282	9,967	3,674	1,075	14,998
Charged in Year	81	0	668	0	749
Disposals	(57)	0	0	0	(57)
At 31 March 2012	306	9,967	4,342	1,075	15,690

Net Book Value at 31 March 2012	<u>203</u>	<u>0</u>	<u>443</u>	<u>0</u>	<u>646</u>
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Asset financing:					
Owned	203	0	443	0	646
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

Net Book Value at 31 March 2012	<u>203</u>	<u>0</u>	<u>443</u>	<u>0</u>	<u>646</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 2010	408	9,967	4,534	1,075	15,984
Additions	69	0	103	0	172
Disposals	0	0	0	0	0
At 31 March 2011	477	9,967	4,637	1,075	16,156

Amortisation					
At 1 April 2010	217	9,770	3,065	1,075	14,127
Charged in Year	65	197	609	0	871
Disposals	0	0	0	0	0
At 31 March 2011	282	9,967	3,674	1,075	14,998

Net Book Value at 31 March 2011	<u>195</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>1,158</u>
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Asset financing:					
Owned	195	0	963	0	1,158
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

Net Book Value at 31 March 2011	<u>195</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>1,158</u>
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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. 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.

## Note 11

### TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts Falling Due Within One Year:		
	2011/12	2010/11
	£'000	£'000
Trade Receivables	3,140	2,338
Other Receivables	274	29
Court Debts	170	115
Prepayments and Accrued Income	182	155
	<u>3,766</u>	<u>2,637</u>
Less Provision for Bad Debts	(121)	(68)
	<u>3,645</u>	<u>2,569</u>
Amounts Falling Due After One Year:		
	NIL	NIL
Intra-Government Balances		
Balances with Other Central Government Bodies	236	0
Balances with Local Authorities, NHS Trusts, Public Corporations and Trading Funds	0	0
Balances with Bodies External to Government	3,409	2,569
	<u>3,645</u>	<u>2,569</u>

## Note 12

### CASH AND CASH EQUIVALENTS

	2011/12	2010/11
	£'000	£'000
Balance at 1 April	5,220	5,264
Net Change in Cash and Cash Equivalent Balances	4,166	(44)
<b>Balance at 31 March</b>	<b><u>9,386</u></b>	<b><u>5,220</u></b>

The following balances at 31 March were held at:		
Commercial Banks and Cash in Hand	<b><u>9,386</u></b>	<b><u>5,220</u></b>

## Note 13

### TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts Falling Due Within One Year		
	2011/12	2010/11
	£'000	£'000
Other Taxation & Social Security	178	203
Trade Payables	1,533	530
Monies Due to the Consolidated Fund	5,140	720
Other Payables	24	20
Accruals & Deferred Income	2,102	3,272
	<u>8,977</u>	<u>4,745</u>
Amounts Falling Due After More Than One Year		
	NIL	NIL
Intra-Government Balances		
Balances with Other Central Government Bodies	5,836	1,819
Balances with Local Authorities, NHS Trusts, Public Corporations and Trading Funds	0	0
Balances with Bodies External to Government	3,141	2,926
	<u>8,977</u>	<u>4,745</u>

## Note 14

### PROVISIONS FOR LIABILITIES AND CHARGES

	Licence Refunds	Compensation	Total
	£'000	£'000	£'000
Balance at 1 April 2010	21	72	93
Provided in the Year	0	20	20
Provisions Not Required Written Back	0	(20)	(20)
Provisions Utilised in the Year	(1)	0	(1)
<b>Balance at 31 March 2011</b>	<b>20</b>	<b>72</b>	<b>92</b>
Balance at 1 April 2011	20	72	92
Provided in the Year	0	7	7
Provisions Not Required Written Back	0	(29)	(29)
Provisions Utilised in the Year	0	(2)	(2)
<b>Balance at 31 March 2012</b>	<b>20</b>	<b>48</b>	<b>68</b>

The provision for licence refunds, is for refunds not yet claimed as a result of the old procedure to issue refunds for any multiple licences, rather than deducting the discount at point of payment.

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 2012, the SIA has no commitment to capital expenditure (2010/11: None).

## 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.

	2011/12	2010/11
	£'000	£'000
Obligations under operating leases comprise		
<b>Buildings</b>		
Not later than one year	995	995
Later than one year and not later than five years	27	1,022
Later than five years	0	0
	<u>1,022</u>	<u>2,017</u>

<b>Office Equipment</b>		
Not later than one year	27	66
Later than one year and not later than five years	0	26
Later than five years	0	0
	<u>27</u>	<u>92</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 (2010/11: 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, for two years. The contract does not contain any fixed charges, with all costs based on a unit charge per licence application. There is however, a 'financial floor' whereby the SIA is contracted to pay any shortfall if net applications are below an annually agreed set level. Since the start of the contract the volumes have not fallen beneath the financial floor.

## Note 19

### CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2012 (2010/11 – Nil).

## Note 20

### RELATED PARTIES

The Home Office is the sponsor department of the SIA.

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

- Criminal Records Bureau
- HM Prison Service
- Independent Police Complaints Commission
- Ministry of Justice
- The Home Office
- Treasury Solicitors

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 accounts.



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