UK Border Agency

Annual Report and Accounts

2012-13

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(For the year ended 31 March 2013)

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Foreword

This is the last UK Border Agency annual report. The Home Secretary announced to Parliament on 26 March that the Government would end the executive agency status of the UK Border Agency and reintegrate its functions into the Home Office from 1 April 2013. In its place there will be two new operational entities, each with distinct cultures. UK Visas and Immigration will be a high volume, customer-focussed business that also supports economic growth by enabling legitimate travel to and from the UK. An Immigration Enforcement command will take tough action against those who seek to abuse our immigration system and laws, both to be supported by higher quality Home Office support roles.

This report therefore covers the work of the agency through 2012-13, including its support to the 2012 Olympic Games. This is one of a number of areas highlighted in this report where UKBA and its staff made a significant impact over the last year. However, while there has been some progress in tackling backlogs, and improving performance and systems, we must acknowledge that further improvements are required.

The scale of public interest in the work of the immigration system and the intensity of media and parliamentary scrutiny are significant, and the new organisational challenges are clear. We must increase performance considerably while delivering value and keeping the border secure. We need to improve customer service while applying a complex regulatory framework. We must adapt to rapid change in line with the economic needs of the UK. We must bear down harder on those who break immigration law and remove those with no legal right to remain. Above all, we must continue to deliver improvements to the immigration system so that it will regulate immigration as Ministers determine, command public confidence and serve our economic interests.

Mark Sedwill
Permanent Secretary
26 June 2013

1. Management Commentary

History and Vision

1.1 The UK Border Agency was an executive agency of the Home Office between 1 April 2009 and 31 March 2013. The abolition of the UK Border Agency was announced by the Home Secretary in Parliament on 26 March 2013. The announcement was part of a broader reorganisation of the department which encompasses the reintegration of the agency back into the Home Office and the creation of two new operational commands responsible for UK Visas and Immigration and Immigration Enforcement. The range of UKBA corporate services and operational systems will also be integrated into more streamlined shared services groups across the Home Office and adjust the main policy commands to improve our impact across government on terrorism and organised crime, policing and public safety, and immigration and international policy. Further detail can be found in the main departmental annual report. This report covers the work carried out during 2012-13 by the UK Border Agency, excluding Border Force (which was reintegrated into the Home Office in March 2012).

1.2 The Government's vision is for an immigration system that will control immigration, command public confidence and serve our economic interests. It will attract and retain the brightest and best migrants who come to the UK to work, study or invest, whilst reducing net migration and tackling abuse including through increased credibility interviewing, legislation and tough enforcement against those who break our immigration law. The Government will also continue to transform border security and improve customer service for legitimate passengers and those who trade with the UK.

Structure and Legal Status

1.3 During 2012-13, the agency adopted a structure in which three operational groups (international operations and visas, enforcement and crime, and immigration and settlement) were supported by 3 smaller cross-cutting areas (strategy and assurance, an operations command and a resources and organisational development directorate).

1.4 The Immigration Act 1971 remained the foundation of the current legal framework, applicable to the UK Border Agency during 2012-13. Legislation subsequent to the 1971 Act has also provided vital additions and strengthening measures to respond to changes in role and oversight of the immigration system over the past 40 years. The relevant current acts of Parliament are:

- Immigration Act 1971
- Immigration Act 1988
- Asylum and Immigration Appeals Act 1993
- Asylum and Immigration Act 1996
- Special Immigration Appeals Commission Act 1997
- Immigration and Asylum Act 1999
- Nationality, Immigration and Asylum Act 2002
- Asylum and Immigration (Treatment of Claimants, etc) Act 2004
- Immigration, Asylum and Nationality Act 2006
- UK Borders Act 2007
- Criminal Justice and Immigration Act 2008
- Borders, Citizenship and Immigration Act 2009.

Governance and Risk Management

1.5 The border and immigration system is overseen by the Home Secretary. Mark Harper MP is the Minister of State for Immigration. He was lead Minister for the agency during 2012-13. Rob Whiteman took office as Chief Executive of UK Border Agency on 26 September 2011.

1.6 The UK Border Agency's strategic direction was set by its strategic board, which met monthly. It included the Chief Executive and also the head of each of the operational and corporate service groups, as well as the Director of Operations. It was supported by senior officials from the Foreign & Commonwealth Office (FCO) and a senior police officer, who represented key operational partners. In March 2012, Philip Augar was appointed by the Home Secretary as the first non-executive chair of the strategic board, and other non-executive directors also attended the strategic board. A full list of executive and non-executive members of the UKBA strategic board during 2012-13 is set out in the remuneration report at section 3. Corporate governance and risk management arrangements are set out in greater detail in the governance statement (section 4).

1.7 The details of company directorships and other significant interests held by agency board members are held by the Home Office, which seeks annual updates on any potential conflicts of interest. This information is held in a central register of interests which is updated regularly. While this register is not accessible to the public, it is available for internal inspection in accordance with Cabinet Office guidelines. If an interest is declared, the Home Office will carry out the necessary checks to assure that propriety has been maintained.

1.8 To help secure and ensure continued public confidence in its work, the agency submitted its work to independent scrutiny. The Independent Chief Inspector of Borders and Immigration, the HM Inspector of Constabulary, HM Inspector of Prisons, the Independent Police Complaints Commission, the Office of the Surveillance Commissioner and the Interception of Communication Commissioner's Office all had roles in inspecting the agency's tasks. The new Directorates General will continue to work collaboratively with all of these organisations and respond systematically to their reports.

Overview of UK Border Agency Performance In 2012-13

1.9 During 2012-13, the UK Border Agency was responsible for the Home Office structural reform plan (SRP) priority to secure our border and reduce immigration, alongside the UK Border Force. Completed SRP objectives are published in the Home Office annual report and quarterly progress is available on the No. 10 website[1]. Overall, net migration reduced by 37 per cent to 153,000 in the 12 months to September 2012 from 242,000 a year earlier.

1.10 As a result of work by the agency and its partners in 2012-13:

- 89 organised crime gangs were disrupted.
- Hundreds of trained UKBA staff were deployed to the border before, during and after the Olympics, to manage the increased flow of passengers and freight into the UK.
- 4,546 foreign national prisoners were deported.
- 42,429 migrants with no legal right to remain were removed or departed voluntarily, and a further 13,606 were refused entry at port and subsequently departed.
- Around 2.6 million overseas applications for visas were decided from visitors, students, migrants and other people who wanted to come to the UK.

1.11 As part of the Government's commitment to transparency, information is published to enable the public to judge its performance. Four indicators of immigration performance are set out within the transparency section of the Home Office business plan[2] and the latest performance results

[1] Available from https://www.gov.uk/government/news/structural-reform-plans
[2] Available from www.homeoffice.gov.uk

(outturn performance information) are set out in figure 1 below. A detailed transparency section on the same website also provides quarterly performance updates on the input and impact indicators and explains how the indicators are measured.

Indicator	**2011-12**	**2012-13**	**Context**
Input indicators			
Cost per decision for all permanent and temporary migration applications	£223	£182	Figure quoted is based on internal management information. For more information visit the website: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/cost-per-decision/
Impact indicators			
Net migration to the UK	242,000	153,000	For more information visit the website: http://www.ons.gov.uk/
Percentage of migration applications decided within published standards	91%	89%	Figure quoted is based on internal management information: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/percentage-of-migration/
Percentage of asylum applications concluded in one year	63%	63%	Figure quoted is based on internal management information. For more information visit the website: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/percentage-of-asylum-application/

Figure 1: UKBA Transparency Indicators 2012-13 (excludes Border Force)

1.12 We helped to ensure a safe and successful Olympics with over 400 staff volunteering to support the border over the period of the Games, just under 13,000 biometrics collected overseas and 825,000 background checks conducted on 790,000 applications. Over 4,000 Olympic and Paralympic Games visit visas were issued. We also provided staff to cover over 6,500 shifts to support the border during the remainder of the summer period.

1.13 Despite these achievements, a number of much wider challenges remained. The agency faced a significant challenge in dealing with historical backlogs, which remain substantial, and backlogs built up during 2012-13. There is still a need to improve processing times for applications made in the UK, and the public rightly expect more to be done to remove those who are here illegally. The Government has set out plans for new legislation in the current session of Parliament that seek to tackle abuse of the system by migrants and maximise the ability to remove those with no legal right to remain.

1.14 The Independent Chief Inspector and Home Affairs Select Committee were both critical of the agency in 2012-13, in particular, in relation to problems relating to casework and backlogs, where it received particular criticism for its strategy for reducing the number of migrant refusal pool[3] records. The Home Affairs Select Committee was also critical of the quality of the agency's transparency to Parliament, and in particular the provision of incorrect information to the Committee over a number of years.

1.15 In response to these challenges, the Government has announced the creation of two new operational Directorates General, each with a distinct culture appropriate to their mission.

Activities

Immigration and visa services

1.16 Making decisions on applications to travel to, or stay in, the UK is at the heart of the UK visa and immigration system. In 2012-13 the agency decided around 2.6 million overseas applications for visas from visitors, students, migrants and other people who wanted to come to the UK, including through the use of 20,000 visa interviews overseas. The agency also decided around 800,000 applications from people applying to remain in the UK temporarily or permanently.

1.17 The agency worked closely with the Home Office and Foreign and Commonwealth Office to maintain effective visa relationships with non-European Economic Area (EEA) countries. More widely, the agency worked with the USA, Canada, Australia and New Zealand to share visa application services.

1.18 The agency generated income from fees paid by migrants applying to enter or remain in the UK. In 2012-13, income funded more than half the agency's operating costs, helping to reduce costs to taxpayers.

1.19 Within the UK, the agency considered applications from foreign nationals for asylum and refugee status as part of our commitment to international protection for those who qualify under the 1951 UN Convention relating to the status of refugees and its 1967 Protocol[4].

1.20 In 2012-13 a decision was taken to centralise all UK asylum operations to create a single asylum command. The new command was tasked with considering how best to structure future asylum operations. The resulting recommendations focused on improving case workflow and identifying

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[3] The migrant refusal pool consists of those records where an application has been made in the UK to remain as, for example, a student, and has been refused. Applicants are given notice that they must leave the UK within 28 days.

[4] For the full text of the Convention and Protocol, see the UNHCR website: http://www.unhcr.org/3b66c2aa10.html

efficiencies in the allocation of existing resources, leading to a reduced age, size and cost of the UK asylum caseload or ‘Work In Progress’ (WIP). The new design was approved in December 2012 and the transition to the new structures and workflows began in April 2013.

1.21 Despite these improvements, there remain very real challenges. Increasing casework volumes, combined with pre-existing casework backlogs, were problems during 2012-13. The agency’s performance against its own targets for processing applications for leave to remain from individuals already in the UK declined significantly from the previous year.

1.22 From April 2013, a Directorate-General for UK Visas and Immigration, led on an interim basis by Sarah Rapson, was created to deliver this high-volume, customer-focussed business. The new Directorate General is contributing to competitiveness and growth by facilitating entry into the country in accordance with the purposes for which leave to enter and remain can be granted. It will also increase the use of interviews overseas to further improve decision quality.

1.23 The immigration system also requires more modern IT so that further efficiency savings and productivity improvements, of value to both customers and staff, can be realised. The Home Office is making use of continuous improvement techniques to reform systems and identifying precise IT requirements to ensure tailored solutions are implemented as part of our wider business redesign work.

Tackling immigration crime and supporting a secure border

1.24 In 2012-13 the agency worked together with partners to tackle immigration crime in the UK and overseas, using intelligence to ensure that threats were understood and an appropriate response put in place. It provided the UK’s capability to deport or exclude foreign national offenders and remove people with no legal right to remain, prioritising those who threaten national security or public safety.

1.25 The agency used lawful detention, where appropriate, to enable enforced removals. In 2012-13, Operation Nexus placed UKBA staff in police custody suites to investigate the immigration status of those arrested by the Metropolitan Police. It led to the removal of 468 illegal migrants.

1.26 Overseas the Government maintained its global Risk and Airline Liaison Officer Network (RALON). RALON officers in 50 countries liaised with foreign governments, air and sea carriers and others to identify and prevent around 8,000 people with no right to enter the UK from boarding flights or ferries to the UK. This included a programme to train overseas employees of air and sea carriers with direct routes of entry to the UK to identify fraudulent travellers.

1.27 The Government continued to develop and maintain effective international relations to enable enforced removal of people with no legal right to remain in the UK. The ongoing co-operation of partner governments overseas with enforced removals of their nationals is also essential to deter illegal economic migrants and ensure compliance with legal routes of entry into the UK.

1.28 At the border the agency provided a secondary case working function to enable investigation of non-EEA nationals seeking leave to enter the United Kingdom who are stopped by Border Force. These investigations can lead to 'port removals' and around 10 per cent of the available detention estate is set aside to enable these, usually within 48 hours of arrival.

1.29 In the UK, the agency investigated serious immigration and border crime and supported prosecutions against organised criminal networks who seek to undermine border and immigration controls and cause harm to individuals or communities. In 2012-13, 89 organised crime groups were disrupted, up from 74 groups in 2011-12.

1.30 However, the agency still faced a significant challenge in dealing with the significant number of individuals who were here illegally. This included those within the migrant refusal pool, who received a negative decision on their application for in-country extensions of leave in the UK but where it has not been confirmed whether they have actually left the country. Concerns were raised by the Independent Chief Inspector, John Vine, that the Agency did not have a clear enough strategy for dealing with these records. As part of its response, UKBA contracted Capita to contact up to 150,000 of these, and started to reduce the gap in its knowledge of whether individuals in the MRP have left the country. As of 31 March, Capita had triaged 79,336 records. Departure had been confirmed for 8,328 people and contact had been established with 5,250 people.

1.31 From April 2013, a Directorate General for Immigration Enforcement, led on an interim basis by David Wood, was developing a stronger law enforcement culture that reflects its mission. Immigration Enforcement will use multi agency intelligence to underpin effective tasking and coordination leading to tough, visible law enforcement, a hostile environment for illegal immigrants and organised crime and increased compliance with the rules.

Working with Parliament

1.32 The agency dealt with around 29,000 letters from Members of Parliament in 2012-13. The Minister of State for Immigration personally signed around 100 letters every week. During the year, the agency established regional account managers to work with MP's offices. These officials have strong working relationships with Members and their staff, including regular visits to MP's surgeries to help them resolve immigration enquiries. A dedicated MP helpline and email service resolved 23% more queries in 2012-13 than in 2011-12 and there was a 10% decrease in the number of letters received from MPs compared to 2011-12.

1.33 In 2012-13, UKBA responded to 70% of MPs' correspondence and to 79% of "Treat Official" correspondence within 20 days, against a target of 95%. Both of these reflected a reduction in performance from 2011-12. 61% of Freedom of Information requests were responded to within the target time of 20 days, against a target of 90%. This in part reflected a significant increase of 53% in intake on the previous year.

Modernising IT

1.34 The UKBA's immigration casework programme's student release was delivered successfully. This enabled:

- Full integration of i-Apply[5] with our website, document scanning centre, and the i-Decide[6] case working system for Tier 4 Students, enabling online applications and end-to-end paperless case-working.
- Caseworkers to be able to search 14 existing casework databases through one search query, rather than having to use individual systems. The functionality also provides additional relevant applicant data back to the caseworker including photographic images stored by the agency.
- Provision of an identity resolution capability, confirming an individual's unique identity by combining biographic and biometric information from the core immigration systems. Caseworkers will now be offered a single match result, bringing together all the various database results for a searched identity from across core systems.
- Enhancement of the online application website to included further interactive forms, reducing associated administrative costs.

1.35 Improvements to underpinning IT systems are still needed, and the Home Office is now taking forward further important work to modernise immigration information technology, including:

- Immediate resilience and stability of existing systems.
- Urgent functional changes in 2013-14 to support further operational improvements.
- Implementation of strategic architecture to modernise immigration technology (design work and implementation of priority technical components will be a focus in 2013-14).

[5] Part of the Integrated Case Working (ICW) programme
[6] Part of the ICW programme

Research and Development

1.36 The agency has continued to invest in research that supports both policy and operational delivery, in line with the Home Office science and research business plan. Timely and relevant statistics are essential across the system for both operational purposes and National Statistics on migration and border control. In 2012-13, the Performance and Compliance Unit (PCU) was established within the agency to improve the management of data, performance reporting and operational compliance across the whole of the border and immigration system. More information about the role of PCU during 2012-13 is set out in the governance statement (section 4).

People

Staff numbers

1.37 The average number of full time equivalent (FTE) staff paid directly or indirectly by the UK Border Agency during 2012-13 was 13,352 (this is a net reduction of around 188 when compared to the equivalent figure for 2011-12[7]). Some corporate services for the immigration system were also shared with the Border Force but staff performing those activities are not identified separately.

Getting the best from our people

1.38 As an employer, the Home Office supports staff by equipping them with the skills and tools they need to deliver for and protect the public. In 2012-13, the UK Border Agency was regularly measured against the Investors in People (IiP) standard. An IiP pulse check was carried out in late 2012 to test progress made across the agency against two specific areas identified for improvement (performance measurement and continuous improvement), during the 2011 re-accreditation. Interviews were conducted with a small number of senior managers and staff from 10 business areas, with one or two units representing each directorate. The external assessor concluded that UKBA demonstrated sufficient evidence to meet the IiP standard.

[7] The 2011-12 annual report stated that there was an average of 14,112 FTE in UKBA. This total included estimated resources undertaking casework functions in Border Force; these amounted to around 350 FTE and are no longer counted for in either year. Additionally during 2012-13, restructuring within UKBA resulted in around 182 FTE staff in HR and Policy transferring to the Home Office and a further 40 FTE transferring to Border Force. Therefore, excluding these staff, the equivalent average FTE for UKBA in 2011/12 was 13,540.

Diversity

1.39 The agency was committed to making sustainable progress on equality and diversity in all areas of its business. The Home Office diversity strategy will continue to ensure full implementation of the provisions of the Equality Act 2010 in its roles as policymaker, services provider and employer. In accordance with responsibilities under the public sector equality duty the Home Office will continue to set and publish measurable objectives on equality issues and will report on progress. The Home Office was fifth in the 2013 Stonewall Top 100 employers index[8] and ranked in the 2013 Times Top 50 Employers for Women list[9].

1.40 A diverse workforce was employed throughout the UK and overseas. During 2012-13, the agency worked with bodies who represented specific cross-sections of its staff. These included:

- The Network, for members of staff from black and ethnic minority communities.
- Home Office Disability Support Network, representing staff with disabilities.
- Spectrum, for lesbian, gay, bisexual and transgender members of staff.
- a:gender, for staff who have changed or need to change permanently their perceived gender, or who identify as intersex.
- Home Office Women, a staff support network that aims to inspire women to achieve their potential.

Sickness absence

1.41 The average number of working days lost to sickness absence in UKBA (excluding Border Force) in the 12 months to 31 March 2013 was 8.39, down from 8.49 on 31 March 2012. In line with cross-government guidelines from the Cabinet Office, which specified the new methodology used this year, these figures were calculated per staff year (rather than per staff member).

Industrial action

1.42 In 2012-13 the agency was affected by two instances of government-wide industrial action (on 10 May 2012 and 20 March 2013). Full contingency plans were developed and implemented, with trained agency staff also deployed to support strike-affected operations at the border.

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[8] http://www.stonewall.org.uk/at_work/stonewall_top_100_employers/default.asp
[9] http://opportunitynow.bitc.org.uk/thetimestop502013list

Median pay across the agency

1.43 The multiple of the Chief Executive's remuneration to workforce median remuneration in 2012-13 was 6.4, down from 6.9 in 2011-12[10]. Further details are set out in the remuneration report (section 3).

Resources Commentary

Funding in 2012-13

1.44 In 2012-13, the UK Border Agency's total spend was £1,576 million resource and £141 million capital. The total resource spend was funded by £614 million of taxpayer funding and £962 million from income, including £927 million from fees from migrant applications.

1.45 The agency generated £927 million income in 2012-13 from fees paid by foreigners wishing to visit, work, study or settle in the UK and by people applying to become British citizens. This is an increase of £65 million compared with 2011-12. All fees are set within strict financial limits agreed with HM Treasury and approved by Parliament.

1.46 The agency also raised £10 million from fines on employers and hauliers for infringements of immigration law and from penalty charges on carriers who brought into the UK passengers who did not have the correct documents. The agency retained £3 million of this. Together with other smaller amounts, this resulted in the transfer of £7 million of income to the consolidated fund in 2012-13.

1.47 In 2012-13, the agency's capital investment spend was £85 million (excluding Private Finance Initiative spending and prior year adjustments).

1.48 The agency addressed cost-pressures that emerged during the year by investing in:

- The continued modernisation and improvement of immigration casework and biometric operations.
- IT infrastructure improvements.
- Intelligence-led operations and additional operational activity to deal with immigration criminals and foreign national offenders.
- Additional processing capacity to tackle backlogs and meet service standards.

[10] The remuneration ratio for 2011-12 published in last year's Annual Report & Accounts was 7.0. This figure was calculated based on salary only (it excluded benefit in kind and non-consolidated payment). The remuneration ratio now includes salary, benefits in kind and non-consolidated payment in this year's report to be consistent with information in the remuneration report.

Delivering savings to the taxpayer

1.49 In 2011-12, the agency made £218 million of additional savings and efficiencies. The agency continued to make savings in 2012-13 and achieved around £127 million of additional savings through:

- Streamlining corporate services: rationalising and reducing back-office functions to deliver savings while improving support to the frontline.
- Continuation of the consolidation of estates and reducing the requirement for IT, telephony, messenger services and guarding support.
- Improved commercial arrangements with contractors in support of frontline operations.

1.50 On 1 April 2013 the agency was reintegrated into the core Home Office as three new Directorates General. Remaining savings planned by the agency under the 2010 Spending Review amounted to an additional £107 million in 2013-14 and around £72 million in 2014-15. These will be delivered by:

- Cutting overhead costs to achieve a total reduction of more than one-third over the spending review period.
- Making full use of technology to provide more services online, including applications and payments.
- Using a risk and intelligence-led approach to enable better use of existing resources and cope with increases in demand.

Asset Management

Estate management

1.51 In 2012-13, the agency continued to rationalise its estate, closing ten further buildings, which will save £11.5m annually in running costs. Further activity was undertaken to make the retained estate better value for money, with flexible desk sharing being rolled out nationally to over 60 per cent of all major sites.

Information management

1.52 Information risks were generally well managed. Material errors and failures were detected and rectified promptly and effectively. More information on progress on information management, including details of information assurance incidents, is set out in the governance statement (section 4).

Health and safety

1.53 During the year, UKBA was censured for an incident at Robin Hood International Airport (Nottinghamshire), which occurred on 10 September

2009; the UKBA health, safety and wellbeing team worked with Border Force and the Health and Safety Executive in order to ensure all actions required were discharged and further improvements were made in respect of this incident.

1.54 The agency also held 3 health and safety governance committee meetings during the year 2012–13 and health and safety performance was reported to the executive board via quarterly reports. Health and safety assurance was provided by a programme of audits within the business and strategic audits of musculoskeletal issues, health and safety within contracts and procurement and audit and assurance.

Sustainability

1.55 The agency took its environmental responsibilities seriously and was measured annually on fuel and water consumption, the amount of waste produced (together with the proportion recycled) and on driving environmental awareness with suppliers. A full report on sustainability in the UK Border Agency as measured by these indicators is set out in section 5.

General

Pension scheme

1.56 Pension benefits are provided through the civil service pension arrangements. Following a review by Lord Hutton, the Government worked to reform the way that public sector pensions, including schemes available to civil servants, were provided. Details of the benefit schemes available and information on liabilities are included in the remuneration report (section 3).

Creditor payment policy

1.57 The agency, as part of the Home Office, signed up to the Confederation of British Industry's (CBI) prompt payment code and BS7890, the British Standard for payment. Performance in 2012-13 against the two day payment terms was 85 per cent (5 per cent above target) but 2 percentage points down from 87 per cent in 2011-12.

Basis of accounts

1.58 The agency's financial statements cover the period from 1 April 2012 to 31 March 2013 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the Government's Financial Reporting Manual (FReM). The management commentary and governance statement sections of this report reference the agency financial statements.

1.59 The agency was sponsored by the Home Office and its financial statements were consolidated within the resource accounts produced and published by the Home Office. These are available at www.homeoffice.gov.uk.

1.60 From 1 April 2013, UKBA ceased to be an executive agency. Its assets and liabilities have transferred to the Home Office, and it has been accounted for on a going concern basis.

Audit arrangements

1.61 The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government Resources and Accounts Act 2000. For the statutory audit carried out on this report and accounts, the agency paid notional fees to the National Audit Office of £0.2 million. There were no payments for other, non-audit work.

Statement on disclosure of information to auditors

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

Mark Sedwill
Permanent Secretary
26 June 2013

2. Statement of Accounting Officer and Chief Executive's Responsibilities

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

2.2 In preparing the accounts, the accounting officer is required to comply with the requirements of the Government 'Financial Reporting Manual' (FReM) and in particular to:

- Observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards, as set out in the Government FReM, have been followed, and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going-concern basis.

2.3 For 2012-13, the accounting officer of the Home Office designated the Chief Executive as accounting officer of the UK Border Agency. The responsibilities of an accounting officer (including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the agency's assets) are set out in the accounting officer memorandum issued by HM Treasury and published in 'Managing Public Money' (available at http://www.hm-treasury.gov.uk/psr_mpm_index.htm).

2.4 From 1 April 2013, UKBA ceased to be an executive agency, and its functions were reintegrated into the Home Office, with the Permanent Secretary as accounting officer.

Mark Sedwill
Permanent Secretary
26 June 2013

3. Remuneration Report

Remuneration policy

3.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB)[11].

3.2 The SSRB also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

3.3 In reaching its recommendations, the SSRB has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.
- Regional and local variations in labour markets and their effects on the recruitment and retention of staff.
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services.
- The funds available to departments as set out in the Government's departmental expenditure limits.
- The Government's inflation target.

3.4 In making recommendations, the SSRB considers any factors that the Government and other witnesses may draw to its attention. In particular it has regard to:

- Differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind.
- Changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts.
- The need to maintain broad linkage between the remuneration of three main staff remittance groups, while allowing sufficient flexibility to take account of the circumstances of each group.
- The relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

3.5 The SSRB takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

[11] Further information about the work of the SSRB can be found at http://www.ome.uk.com/

The following sections provide audited details of the remuneration and pension interests of the agency's board members.

Service contracts

3.6 The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

3.7 Unless otherwise stated below, all the named officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

3.8 Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration committees

3.9 The salaries and performance pay of board members are agreed by a series of central Home Office remuneration committees. A performance assessment for each Senior Civil Service (SCS) employee, together with the Chief Executive's recommendations, are submitted for approval to the Home Office Remuneration Committee. The Chief Executive was a member of the Home Office Remuneration Committee.

3.10 The Home Office Remuneration Committee work to Cabinet Office guidelines to determine the amount of non-consolidated performance-related pay for SCS within the Home Office, including the agency. To assess the 2011-12 performance year the committees comprised:

Pay band 3 remuneration committee

- Dame Helen Ghosh (Chair).
- Philip Augar.
- Sally Hulks.

Pay band 2 remuneration committee

- Dame Helen Ghosh (Chair).
- Kevin White.
- Helen Kilpatrick.
- Charles Farr.
- Stephen Rimmer.
- Rob Whiteman.
- Mike Anderson.
- David Seymour.

Pay band 1 remuneration committee

- Dame Helen Ghosh (Chair).
- Kevin White.
- Helen Kilpatrick.
- Simon Wren.
- Charles Farr.
- Stephen Rimmer.
- Rob Whiteman.
- Mike Anderson.
- David Seymour.

3.11 The assessment and review of performance for senior civil servants is based on individual performance. Individuals were ranked in three performance groups in each pay band:

- Group 1 – top 25% of performers
- Group 2 – achieving 65% of performers
- Group 3 – bottom 10% of performers

3.12 For the 2011-12 performance year, only group 1 was eligible for a non-consolidated performance payment.

3.13 The SSRB determines the percentage of SCS pay that can be used for non-consolidated performance payments. Following SSRB recommendations, the Cabinet Office set the guidelines on senior civil service bonuses for all government departments. For the 2011-12 performance year, Cabinet Office guidelines allowed for up to 5% of the SCS pay bill to be used for these payments. The Home Office paid out 1.2% of the SCS pay bill which equates to £280,000.

Bonuses

3.14 Bonus payments for the 2011-12 performance year were paid in July 2012. These were up to £10,000 (Pay Band 3); £7,000 (Pay Band 2) and £5,000 (Pay Band 1).

3.15 The assessment and review of performance for the 2012-13 performance year will be undertaken shortly and the results will be reported in the 2013-14 Home Office report and accounts.

Salary

3.16 'Salary' information provided in this report includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department and thus recorded in these accounts.

Benefits in kind

3.17 The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument (i.e. monies or benefits received). Benefits reported are calculated as the taxable value and include the private use of a car, travel and accommodation.

	2012-13			**2011-12**		
Officials	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)
Rob Whiteman Chief Executive	175-180	0	0	85-90 (175-180 full year equivalent)	0	0
Jonathan Sedgwick Director International Operations and Visas	105-110	0	0	110-115[12]	5-10	0
Emma Churchill Director Strategy & Assurance	80-85	0-5	0	20-25 (80-85 full year equivalent)	0	0
Susannah Simon Director of Migration, Foreign and Commonwealth Office[13]	0	0	0	0	0	0
Joe Dugdale Director HR & Organisational Development (until 31 December 2012)	95-100 (130-135 full year equivalent)	0	0	130-135	0	0
Justin Holliday Director Resource Management Group (until 1 July 2012)	30-35 (130-135 full year equivalent)	0	0	130-135	0	0

[12] Jonathan Sedgwick's 2011-12 salary includes the period until 25th September 2011 when he was Acting Chief Executive.

[13] Susannah Simon did not receive any salary or benefits in kind from the UK Border Agency. She was a member of the UKBA board by virtue of her position and was paid by her home department.

	2012-13			2011-12		
Officials	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)
Hugh Ind Temporary National Co-ordinator of Regions and Enforcement (until 22 May 2012) Acting Director Enforcement and Crime Group (from 23 May 2012 until 3 March 2013)	75-80 (80-85 full year equivalent)	0	0	5-10 (80-85 full year equivalent)	0	0
Jonathan Nancekivell-Smith Director Enforcement and Crime Group (until 22 May 2012)	10-15 (95-100) full year equivalent)	0	300	5-10 (90-95 full year equivalent)	0	100
Jeremy Oppenheim Temporary Head Immigration and Settlement (until 3 February 2013)	85-90 (100-105 full year equivalent)	0	0	40-45 (100-105 full year equivalent)	0	4,800
Tony Smith Director Olympics Programme (until 19 September 2012)	45-50 (95-100 full year equivalent)	0	0	15-20 (95-100 full year equivalent)	0	0
David Wood (Director of Operations and Deputy Chief Executive)	100-105	5-10	0	100-105	5-10	0
Robert Yeldham Director of Communications (until 16 September 2012)[14]	65-70 (85-90 full year equivalent)	0-5	0	50-55 (85-90 full year equivalent)	0	0
Anna Allen Acting Chief of Staff (until 30 September 2012)	35-40 (70-75 full year equivalent)	0-5	0	20-25 (75-80 full year equivalent	0-5	0
Tony Eastaugh Director of Enforcement and Crime (from 4 March 2013)[15]	10-15 (120-125 full year equivalent)	0	0	0	0	0

[14] Robert Yeldham's salary above includes payments in lieu and for excess leave. His bonus, while paid by the agency, relates to his performance whilst on loan to the Department of Culture, Media and Sport.
[15] Tony Eastaugh is on long term secondment from the Metropolitan Police and in 2012-13 his remuneration was paid by the UK Border Agency.

	2012-13			2011-12		
Officials	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus payments £000	Benefits in kind (to nearest £100)
Mike Wells Director of Immigration and Settlement (from 4 February 2013)	15-20 (100-105 full year equivalent)	0	0	0	0	0
Mike Parsons Director of Resources and Organisational Development (from 4 February 2013)	20-25 (140-145 full year equivalent)	0	0	0	0	0
Paul Darling Acting Director of Resources and Organisational Development (from 18 June 2012 until 3 February 2013)	60-65 (100-105 full year equivalent)	0-5	0	0	0	0

Table 1: Salary, benefits-in-kind and bonuses paid to UKBA board members during 2012-13

3.18 The UK Border Agency is subject to the Government's pay freeze for public sector workers. Any increase in salary is due to contractual increments or temporary promotion to fill vacant positions.

Remuneration Ratio

3.19 Table 2 shows the median earnings of the department's workforce and the ratio between this and the earning of the highest paid director.

3.20 The remuneration ratio for 2011-12 published in last year's annual report & accounts was 7.0. This figure was calculated based on salary only (it excluded benefit in kind and non- consolidated payment). The remuneration ratio now includes salary, benefits in kind and non-consolidated payment in this year's report to be consistent with information elsewhere in the remuneration report.

3.21 The remuneration ratio has decreased due to the increase in the median salary as a result of both changes in the grade profile of the Home Office workforce and the proportion of allowances paid to them.

	2012-13	**2011-12**
Highest Paid Director's Total Remuneration (£000, band)	175-180	175-180
Median Total (£)	27,774	25,912
Remuneration Ratio	6.4	6.9

Table 2: Remuneration ratios in UKBA in 2012-13

Non Executive Directors

Non-Executive Directors	2012-13			2011-12		
	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)
Mike Hawker (until 28 September 2012)	10-15 (full year equivalent 20-25)	0	2,500	20-25	0	3,400
Mark Thomson (until 14 December 2012)	5-10	0	0	5-10	0	0
Graham Sims (until 25 March 2013)	10-15	0	0	10-15	0	0
Martin Baker (until 28 September 2012)[16]	0	0	0	0	0	0
Philip Augar (from 1 April 2012)	20-25	0	0	0	0	0
Katherine Kerswell (from 20 August 2012)[17]	0	0	0	0	0	0
Richard Foster (from 17 October 2012)	5-10 (full year equivalent 20-25)	0	0	0	0	0
Mark Rowley (from 11 October 2012)[18]	0	0	0	0	0	0

Table 3: Non executive directors of UKBA during 2012-13

3.22 Independent non-executive directors of the UK Border Agency Board were recruited through fair and open competition. All non-executive directors on the Board were appointed by the Home Secretary. Non-executive directors of the board were appointed for an initial period of three years with an option to extend for a further three years. These appointments could be terminated with one month's notice period.

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[16] Martin Baker did not receive payment for his role on the UKBA board.
[17] Katherine Kerswell did not receive payment for her role on the UKBA board.
[18] Mark Rowley did not receive payment for his role on the UKBA board.

3.23 The start and end dates for each of the non-executive directors were as follows. This information includes Home Office contracts where appropriate:

Non-Executive Director	Start Date	End Date	Type of contract
Phillip Augar	01 April 2012	21 February 2015	3 year fixed term
Mark Rowley	11 October 2012	16 October 2015	3 year fixed term
Katherine Kerswell	20 August 2012	19 August 2015	3 year fixed term
Graham Sims	25 March 2010	25 March 2013	3 year fixed term
Richard Foster	17 October 2012	16 October 2015	3 year fixed term

Table 4: Non executive director start and end dates 2012-13

Civil Service Pensions

3.24 Pension benefits are provided through the Civil Service pension arrangements[19]. 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 joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

3.25 Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. Nuvos members build up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with

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

2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with pensions increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

3.26 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).

3.27 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.

Cash Equivalent Transfer Values (CETV)

3.28 A cash equivalent transfer value 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.

3.29 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

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

Pension benefits

Officials	**Accrued pension at pension age as at 31/3/13**	**Real increase in pension and related lump sum at pension age**	**CETV[20] at 31/3/13**	**CETV at 31/3/12**	**Real increase in CETV**
	£000	**£000**	**£000**	**£000**	**£000**
Rob Whiteman Chief Executive	5-10	2.5-5	76	21	43
Jonathan Sedgwick Director International Group	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 2.5-5	439	404	10
Emma Churchill Director Strategy & Intelligence	15-20 plus lump sum of 45-50	7.5-10 plus lump sum of 22.5-5	193	91	94
Joe Dugdale Director HR & Organisational Development (until 31 December 2012)	10-15	0-2.5	240	204	29
Justin Holliday Director Resource Management Group (until 1 July 2012)	35-40	0-2.5	435	417	15
Hugh Ind Temporary National Co-ordinator of Regions and Enforcement (until 22 May 2012) Acting Director Enforcement and Crime Group (from 23 May 2012 until 3 March)	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	316	292	5
Jonathan Nancekivell-Smith Director Enforcement and Crime Group (until 22 May 2012)	10-15	0-2.5	140	112	17

[20] Cash Equivalent Transfer Values

Officials	Accrued pension at pension age as at 31/3/13	Real increase in pension and related lump sum at pension age	CETV[20] at 31/3/13	CETV at 31/3/12	Real increase in CETV
	£000	**£000**	**£000**	**£000**	**£000**
Jeremy Oppenheim Temporary Head Immigration and Settlement (until 3 February 2013)	60-65	2.5-5	1,110	993	58
Tony Smith Director Olympics Programme (until 19 September 2012)	55-60 plus lump sum of 165-70	5-7.5 plus lump sum of 17.5-20	1,230	1031	140
Robert Yeldham Director of Communications (until 16 September 2012)	5-10	0-2.5	91	79	8
Anna Allen Acting Chief of Staff (until 30 September 2012)	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 2.5-5	134	118	8
Mike Parsons Director of Resources and Organisational Development (from 4 February 2013)	0-5	0-2.5	6	0	5
Paul Darling Acting Director of Resources and Organisational Development (from 18 June 2012 until 3 February 2013)	0-5	0-2.5	21	0	18

Table 5: Pension benefits of UKBA board members, 2012-13

3.31 Where the figure for the real increase in CETV is negative, taking account of inflation, the CETV funded by the employer has decreased in real terms.

3.32 David Wood did not make any pension contributions in 2012-13. Mike Wells has opted out of the Civil Service pension arrangements. Tony Eastaugh is on long term secondment from the Metropolitan Police. He does not make pension contributions via the agency and the agency does not make contributions on his behalf.

3.33 None of the non executive directors made pension contributions via the agency, and the agency does not make contributions on their behalf.

Mark Sedwill
Permanent Secretary
26 June 2013

4. Governance Statement

Scope of Responsibility

4.1 This Governance Statement has drawn upon findings from a wide range of internal and external assurance activity undertaken in the agency throughout 2012/13. This included, but was not limited to, work undertaken by:

- The Home Office's Internal Audit Unit (IAU) and the agency's own internal audit function. The former noted in its own internal interim opinion, produced in March 2013, that although the agency continued to drive forward its transformation agenda across key aspects of the business, a low level of assurance remained appropriate and this opinion remained the same up to the Ministerial decision in March 2013 to reintegrate the agency into the wider Home Office.

- The Independent Chief Inspector of Border and Immigration (ICI). Key areas of investigation included the application of border security checks at Heathrow airport and the juxtaposed controls operating in France and the operation of the points-based system. The ICI also investigated how the agency handled asylum support, how it obtained and used travel documentation and an assessment of how the agency (and Border Force) met their obligations to safeguard and promote the welfare of children (including the treatment of unaccompanied children) arriving in the UK.

- The separate assurance and compliance assessments undertaken in the last 6 months of the financial year by the agency's Performance and Compliance Unit (PCU). This showed some areas of satisfactory assurance across the business although areas of improvement were identified in most areas including, in some cases, the need to address some serious weaknesses.

- The National Audit Office (NAO). This included a report, published in July 2012, on progress made by the agency (and Border Force) to cut costs and improve performance. The NAO concluded that the agency deserved credit for undertaking ambitious transformation initiatives in case working and workforce practices at the border. However they also believed that further progress was hampered by insufficient planning, data and delays to the delivery of key projects. They also considered the agency's target operating model (in operation in July 2012) was not based on clear performance priorities, and strategic planning was not yet integrated enough to deliver cross-cutting programmes effectively.

4.2 In summary it is apparent that, during 2012-13, the agency maintained a system of governance, internal control and risk management designed to support the achievement of Home Office policies, aims and objectives. However, given the consistent messages from various internal and external assurance assessments through the year it was also clear that by the end of 2012-13 the agency could still only provide a low level of assurance. This meant the organisation was exposed to high levels of risks of error or failure which, if not addressed, could have led to some external reputational damage.

4.3 It was for such reasons that the Home Secretary announced to Parliament on 26 March 2013 her decision to reintegrate the work of the agency into three new Home Office Directorate Generals reporting directly to Ministers[21]. In her statement the Home Secretary also noted that the agency had ongoing problems managing the volume of its casework (which had led to significant backlogs); that the number of illegal immigrants removed had not kept pace with the number of people who had entered the UK illegally; and that while the visa operation was internationally competitive, it could and should continue to improve. Similar concerns were also raised in a series of critical reports by the Home Affairs Select Committee (HASC).

Governance Framework

Strategic board

4.4 The agency's strategic board[22] (comprising executive and non-executive directors) met monthly throughout 2012-13 and set the strategic direction for the agency and played a key part in its governance, risk and control framework. It monitored operational and financial performance, key risks and major change programmes and did so by considering the agency's strategic performance and risk improvement reports. The audit and risk assurance committee was a sub-committee of the strategic board.

4.5 Attendance at meetings of the board was high during 2012-13. A summary of attendance is provided in table 6 below. It also includes attendance at meetings of the agency's Audit and Risk Assurance Committee.

[21] For the full text of the Home Secretary's statement to Parliament, please see Hansard at: http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130326/debtext/130326-0002.htm#13032655001616
[22] From 1 April 2012 until 31 March 2013, Philip Augar, a non-executive director, chaired the board.

Name	Position	Strategic Board (Total 11) and Membership Period[23]	Audit and Risk Assurance Committee (Total 6)[24]
Rob Whiteman	Chief Executive (chair)	10	3
Philip Augar	Non-executive director (chair)	9	N/A
Executive Directors			
Emma Churchill	Director, strategy and assurance	10	3
Hugh Ind	Acting director, national co-ordinator of regions and enforcement	8	N/A
Jeremy Oppenheim	Acting director, immigration group (until February 2013), Advisor to the Board on growth & development (from February 2013)	11	N/A
Jonathan Sedgwick	Director, international operations and visas group	8	N/A
David Wood	Director, enforcement and crime group and acting chief operating officer	9	N/A
Anna Allen	Chief of staff (until September 2012)	3	N/A
Grahame Johnston	Chief of staff (from October 2012)	4	N/A
Paul Darling	Acting Director, resources & organisational development (until February 2013)	8	2
Joe Dugdale	Director, human resources	2	N/A
Mike Parsons	Director, resources and organisational development (from February 2013)	1	2
Mike Wells	Director, immigration and settlement (from February 2013)	1	N/A
Susannah Simon	Head of Migration, FCO	8	N/A

[23] Not all staff were board members for the whole reporting year. For specific dates of service on the board by executive and non executive Directors, see tables 1 and 3 in the remuneration report.
[24] Not all staff were board members for the whole reporting year. For specific dates of service on the board by executive and non executive Directors, see tables 1 and 3 in the remuneration report.

Non Executive Directors			
Mike Hawker		4	3
Mark Thomson		9	2
Graham Sims		9	5
Martin Baker		5	N/A
Katherine Kerswell		6	3
Richard Foster		4	N/A
Mark Rowley		2	N/A

Table 6: Attendance at UKBA strategic board and Audit and Risk Assurance Committee meetings during 2012-13[25]

4.6 There were 11 meetings of the strategic board during 2012-13. Over the same period, the agency's strategic board was assisted by:

- The agency's executive board (executive directors).
- The agency's Audit and Risk Assurance Committee.
- The agency's Joint Approvals Committee, which oversaw the agency's investment approval's process for business cases over £1 million.
- Management boards of each of the agency's executive director-led business areas.
- The Home Office Internal Audit Unit (IAU) which provided the internal audit service for the agency. The IAU produced an annual and in-year independent opinion on how adequate, reliable and effective the agency's internal control system was. This opinion was based on the annual plan of risk-based and compliance audits that IAU completed and the advice and guidance it was also asked to provide.
- Scrutiny of the agency's work provided by the ICI, and the NAO.

4.7 This was supplemented by sponsorship arrangements with the Office of the Immigration Services Commissioner (OISC), governance frameworks with the central Home Office and with the Foreign and Commonwealth Office (FCO), and ongoing relationships with, for example, a number of other government departments, local authorities, the police and other operational delivery partners.

[25] Departure dates from ARAC meetings may differ from actual departure dates due to the meeting schedule only.

Audit and Risk Assurance Committee

4.8 The role of the agency's Audit and Risk Assurance Committee was to provide independent assurance to the agency's strategic board on matters relating to corporate governance and the effectiveness of the system of internal control, including arrangements for identifying and managing risk. The committee had a non-executive chair and one non-executive member during the year. It met six times in 2012-13 and did so in accordance with the responsibilities and agenda cycle set out in its terms of reference. This enabled the committee to consider the:

- Production of the agency's annual report and accounts for 2011-12.
- Development of the agency's annual report and accounts for 2012-13.
- Delivery of internal audit plans for 2012-13.
- Findings from internal and external audit activity and external assessments undertaken by the ICI undertaken during the year and the adequacy and timeliness of the management response to the agreed actions arising from such activities.
- Assurances relating to, for example, agency risk and information management and the delivery of its major change programmes.

Control Framework

4.9 During 2012-13 the strategic board agreed a revised approach to organisational assurance and compliance which would complete the work of other internal scrutiny (such as IAU) as well as external scrutiny undertaken by, for example, the ICI. They directed the Performance and Compliance Unit (PCU) to oversee this work.

4.10 In response, PCU designed, built, tested and implemented a UKBA-wide maturity model-based assurance and compliance framework, covering seven core themes of good management. The aim of this approach (which aligned with a parallel framework followed by internal audit) was to give the board, initially at corporate group level, an evidenced-based picture of weaknesses or vulnerabilities in management control. This assessment was reinforced by:

- Assurance activity which was directed primarily towards enabling managers to understand organisational maturity and exposure to risk.
- Compliance activity which was focused on testing whether a set of rules or processes were being followed properly. This was achieved by planned and formal analysis in response to emergent (or perceived) threats.

4.11 Both of these approaches complemented the IAU's and the ICI's work programmes for 2012-13.

4.12 At the end of the reporting year, a UKBA-wide benchmarking exercise was held. The key findings of this (against seven respective themes of the framework) are outlined in the 'significant in-year risks and control issues' sub-section (below).

4.13 Throughout the year the agency continued to work closely with the ICI. All of his reports were carefully considered and progress assessed against their agreed recommendations twice during the year, with the results presented in detail to the UKBA Audit and Risk Assurance Committee.

4.14 The agency also monitored the implementation of recommendations made as a result of its scrutiny by the Public Accounts Committee (PAC). This was carried out on a biannual basis and, again, reports were provided to the Audit and Risk Assurance Committee. The majority of the PAC's recommendations, which tended to be longer term in nature, were implemented with the remainder actively pursued.

4.15 Further scrutiny was provided by the Home Affairs Select Committee (HASC) which published quarterly reports covering the work of the agency during 2012-13.

4.16 Finally, in November 2012, the Home Secretary commissioned the ICI to inspect the establishment of PCU itself. The ICI, in his report published on 7 May 2013[26], found that:

- The creation of PCU reflected a desire on the part of the then UKBA Chief Executive to break down the culture of silo working that had existed in certain parts of the agency and to ensure that there was an accurate set of management information covering all aspects of its work.
- Robust processes were being put in place to check the accuracy of reports produced on issues such as removals performance and legacy cases.
- PCU was playing an independent role in checking and verifying data produced by staff in the Agency's operational units

4.17 The Chief Inspector also raised two concerns about PCU. First, PCU performance reports relied to a considerable extent on the quality of the data that is put onto Home Office databases. There was a need therefore to ensure such data was accurate. Second, PCU needed to maintain report accuracy in circumstances where data was not fully comprehensive.

4.18 The Chief Inspector also made four specific recommendations and signalled his intention to review PCU's progress again during 2013-14.

Risk Management

[26] 'An Investigation into the Establishment of the Performance and Compliance Unit' (December 2012-February 2013). Available from http://icinspector.independent.gov.uk/wp-content/uploads/2013/05/ICIBI-Investigation-into-the-Establishment-of-the-PCU.pdf

4.19 The agency's approach to risk management was based on the Home Office's risk management policy and guidance document, and maturity model (RMMM). Agency adherence to the RMMM was the focus of an IAU audit at the end of 2011-12. This concluded that the agency had continued to make progress towards developing a culture of good risk management, including business continuity planning and information management. It also made some recommendations which have since been addressed. This was verified by IAU's 2012-13 audit which also acknowledged the benefits obtained from the agency risk management capability review which was conducted during the second half of the year.

4.20 Prompted by the significant organisational changes that the agency was undertaking, the capability review assessed whether previously achieved compliance with the required RMMM standards was being sustained. The review, and improvement actions it identified, were completed by the end of 2012-13 and a summary report was presented to the meeting of the Audit and Risk Assurance Committee in March 2013.

Corporate risks

4.21 Key corporate risks were held on the agency's risk register. This was reviewed on a quarterly basis by the strategic board which also conducted deep-dive reviews of individual agency level risks as part of its standing performance and risk item. At the end of March 2013, a summary of the risk subjects on the agency risk register was as follows:

- IT systems availability.
- Detention and removal of foreign national offenders.
- Caseload estimates.
- Immigration casework (ICW) programme delivery.
- Reducing net migration.
- Delivery of three year savings programme.
- Transformation.
- Compliance with system and process controls.
- Litigation.

4.22 During 2012-13, the agency combined its previously separate strategic threat, risk management and horizon-scanning functions into a new Strategic Risk and Analysis Directorate (SRAD). Following a successful pilot scenario planning exercise involving an African country, an agency horizon-scanning workshop, and informed by the outcome of the Cabinet Office review on cross-Government horizon scanning, a set of proposals to increase capability in this area was endorsed at the December 2012 meeting of the agency's Intelligence and Operations Co-ordination Committee (IOCC) and is now being pursued.

Significant In-Year Risks and Control Issues

4.23 The agency's assurance and compliance benchmarking exercise reviewed the governance, internal control and risk management arrangements in operation at the end of 2012-13 and identified the key in-year risk and control issues. These are outlined in the following paragraphs and listed in accordance with the seven themes of the agency's assurance and compliance framework. In undertaking such analysis regard was given, for example, to the outcomes of separate internal audit reports as well as investigations undertaken by the ICI and the NAO, elements of which are referenced in the following sections

Operational Delivery

4.24 The PCU-led assurance assessment found evidence of robust leadership across much of the agency. This was important given the significant structural changes that were implemented in–year as part of the agency's transformation plan. There was also evidence of significant senior management engagement with staff for example during the agency's 'Viewpoint' initiative.

4.25 The identification of a number of additional case backlogs affected the agency's planned workforce deployment and operational priorities during 2011-12 but additional in-year action was taken to deploy extra staff to process backlogs. This work was ongoing at the time of the reintegration of the agency into the department.

4.26 There was evidence which demonstrated that the agency had reasonably effective practices around the design and delivery of policy and processes. This was developed further during the latter part of the period following work emanating from the agency's transformation and planning activity, organisational restructure and target operating model. This had yet to be completed and embedded at the time of the reintegration of the agency into the Home Office.

4.27 Throughout the year the agency had in place a reasonably effective performance reporting regime, although greater focus was given in the latter months on putting in place an enhanced mechanism which had a greater reliance on centrally produced data (which was itself separately assured).

Programme and Project Management

4.28 During the reporting period the agency continued to implement a number of important programmes and projects to improve its end-to-end business and customer service. In undertaking this work the agency followed the Home Office's standard project management methodology which helped to ensure from the outset that scope was identified, resources secured and appropriate governance structures put in place. Particular focus was also provided on ensuring compliance with financial protocols. This was generally secured through business case scrutiny by the agency's Joint Approvals Committee (JAC) and (for projects costing in excess of £1 million) the Home Office's Group Investment Board (GIB). Key projects were also subject to external Gateway Reviews at the appropriate points of their lifecycle.

4.29 Notwithstanding these firm foundations, PCU's independent assurance assessment demonstrated that the agency continued to face programme and project management challenges. These included the need to more fully align separate (but inter-related) projects into a more cohesive whole so that implementation was more effective, scarce resource deployed more efficiently and lessons learned shared more widely.

4.30 There were also challenges in embedding the necessary business and cultural change in the post-implementation period thereby helping to secure the identified cashable benefits envisaged in the respective business cases.

People Management

4.31 Workforce numbers, risk and strategy were reported to the agency's strategic board for approval. Workforce planning was also subject to Home Office internal audit and NAO scrutiny. Recruitment controls were in place throughout the year to help ensure affordability and take account of planned workforce changes. By maximising the opportunities to redeploy permanent staff from units that were downsizing, the number of people on redeployment during 2012-13 was low. During 2012-13 permanent workforce attrition rates were around 4% (around 450 leavers). External recruitment for non-frontline posts remained subject to Ministerial approval.

4.32 Security and anti-corruption activity resulted in the arrest of four staff during 2012-13. There were two criminal convictions during the financial year, one resulting in a sentence of 9 years imprisonment and one resulting in a 9 month suspended prison sentence with 240 hours community service. The agency continued to work closely with a range of partners, including the Centre for the Protection of the National Infrastructure (CPNI), and other enforcement and anti-corruption bodies. Swift and appropriate action continued to be taken (following criminal or disciplinary procedures) when it was found that members of staff had broken the law or had otherwise behaved inappropriately.

4.33 Although the agency did not meet the Cabinet Office's sickness absence target of 7 days per full time equivalent (FTE), there was a slight reduction in sickness absence from 8.49 days per FTE in April 2012 to 8.39 days in the 12 months to 31 March 2013. Data on absence rates and trigger points began to be produced for the strategic board every month in order to drive a more robust approach to absence management.

4.34 The agency had a strong record in defending employment tribunal claims. When, infrequently, it lost at an employment tribunal, this tended to be for procedural or timeliness reasons. Suspensions from duty were monitored with regular challenge on progress where this appeared prolonged without good reason. The agency's Professional Standards Unit (PSU) took over responsibility for serious disciplinary investigations from the end of 2011 with the aim of improving timeliness and professionalism.

4.35 Similar levels of assurance were found by a Home Office internal audit of human resources litigation (which covered the Home Office and its agencies, including UKBA), which showed that employment litigation cases were investigated with good controls to track and monitor progress.

4.36 The agency's annual staff survey results showed a small increase in both engagement and participation levels. The survey results were cascaded to the business and better management plans were developed as a result.

Financial Management including EU funding

4.37 The agency had in place a reasonably robust financial management regime with key financial investments and pressures documented and key financial issues regularly discussed at agency strategic board meetings. This allowed the agency to manage its finances, with mechanisms in place to correct errors as and when they were identified. Reporting to the central Home Office took place at least monthly, although any significant financial risks were identified and communicated immediately.

4.38 Similar levels of assurance were also reached in the Home Office's internal audit review of property transactions for the client base (which included the agency). This showed no significant weaknesses and was given a moderate assurance rating.

4.39 An agency internal audit of the ICW programme management of suppliers showed the programme had, in year, implemented improvements in its of verification of contractor timesheets against deliverables and was moving towards a fixed priced procurement strategy.

4.40 A specific assurance issue arose during the reporting year in relation to some of the EU funding received by the agency to part-finance some of its operations. The agency's EU funding team had previously acted almost as an extension of the EU rather than as part of the agency.

Accountability was unclear and there was insufficient clarity about where responsibility sat for granting EU funds and ensuring that stringent EU funding audit requirements were met by recipients of the funds within the immigration system and among partner organisations. Until 2011, grant agreements did not clearly stipulate the level of evidence required by the EU, for example including receipts attributable to all individuals who worked on programmes or projects that received EU grants

4.41 Original deadlines for submission of certified returns on past funding years were not met, and the agency, in line with organisations in many other member states applied for and was granted extensions to its original deadline. The audit of individual projects was also delayed following late agreement on final audits with its external auditing firm, who were awarded the contract to undertake first level audit verification checks on behalf of the UK Responsible Authority (UKBA) for the SOLID funds[27].

4.42 Since September 2011 the EU funding team has acted to bring EU audits up to date and secure the appropriate level of evidence. This resulted in the audits for 2008, 2009 and 2010 all being undertaken during 2012-13. These audits identified expenditure which had been incurred properly but was not supported by sufficiently detailed evidence. Therefore this expenditure could not be recovered from European Commission funds as planned. More details are included in note 28 of the accounts (section 7).

4.43 The losses were caused by insufficient evidence that expenditure met stringent EU funding eligibility criteria. Despite this the agency still consider that the aims and objectives of all the EU funds were achieved; that on an individual project basis the monies advanced were spent legally and that they were spent with sufficient regularity. Separate difficulties encountered with the standard of audits of this expenditure have also now been addressed. The agency believes it was disadvantaged by this process, resulting in the UKBA not being able to provide the NAO with the assurance they required.

4.44 For the 2010 programme year, the agency's EU Funding team made significant changes in its approach to bring the programme back on track. This included devising its own new audit methodology that was agreed with Home Office Internal Audit Unit and the National Audit Office and then using this to complete 87 internal audits, rather than relying upon external accountants working as subcontractors. The Commission's deadline for submission of certified accounts was 31 March 2013 against which a limited extension was sought from (and

[27] For background information on SOLID funds, please visit: http://ec.europa.eu/dgs/home-affairs/financing/fundings/migration-asylum-borders/index_en.htm

agreed by) the Commission. This was a significant improvement over previous audit submissions.

4.45 To ensure the 2011 programme is more tightly controlled, the EU funding team was restructured to ensure a wider range of monitoring and compliance visits take place and there is a dedicated and well resourced audit team, who can perform the audits on a timely basis. This will enable the future audits to be scheduled and performed more efficiently, avoiding the need to apply for significant extensions from the Commission.

Information Management

4.46 During 2012-13 the agency followed Home Office corporate policies, including guidance and training to continue to embed effective information management (IM) across the organisation. In doing so, in the early part of the year, the agency continued to implement an initiative whereby IM practice was strengthened at local levels through a series of targeted, centrally resourced visits to provide hands-on support. IM awareness was increased with particular focus on information security, drawing on evidence of the challenges the organisation faced and the breaches that needed to be managed.

4.47 Through such visits a network of 'gold standard' locations began to be established which could be used to disseminate best practice across the rest of the organisation. This included effective arrangements to govern the sharing of data with third parties.

4.48 During 2012-13, fourteen potential information security incidents were referred to the agency's information management team. While the vast majority were minor in nature, two were more significant, namely:

- The theft, in April 2012, of 36 passports in transit between the agency's visa sections in Athens and Rome.
- The unauthorised disclosure, in October 2012, to a third party of sensitive data that, at the time, was considered to relate to a different individual.

4.49 In all these incidents, the issues were escalated appropriately to Ministers, Cabinet Office and the Information Commissioner's Office and the risks were mitigated.

4.50 More generally and as evidenced by the recent annual assessment against the Cabinet Office information assurance maturity model (IAMM), the agency was able to demonstrate:

- It was aware of the criticality of IM to the business and its legal requirements and had initiated activity to address areas of immediate weakness.

- Its IM processes were institutionalised within the organisation, its delivery partners and third party suppliers. The agency had also adopted a strategic approach to improving IM and had a programme of targeted IM education and training and that IM awareness had increased, leading to a measured improvement in information risk management.

Data and Reporting

4.51 A key development in the latter part of the reporting year was the design, build, testing and implementation of a new agency-wide performance reporting mechanism. This aimed to provide an increasingly robust grip on the data produced – and subsequently used – to steer decisions at all levels of the business. The mechanism was also aligned with the agency's internal business plan.

4.52 PCU's independent assurance exercise obtained evidence that the associated corporate reporting pack (and its predecessors) were discussed regularly by the agency's key decision makers, with associated actions identified and managed. There was also evidence such data was used to reprioritise resources, for example in the redeployment of staff to deal with additional temporary migration work, beginning in the last quarter of the reporting year. Data quality regimes were also tightened during the year with a greater reliance on centrally produced data (which was itself separately assured).

4.53 Following the reintegration of the agency into the Home Office, work is ongoing to ensure that the reporting mechanisms across the immigration and border system meet the requirements of the new Directorates General.

Corporate Governance

4.54 The focus for the 2012-13 financial year was on the design and ongoing delivery of significant organisational change across agency. It was anticipated this change would equip the organisation with the capability and aptitude to better perform against its objectives. As this was implemented throughout the year, naturally issues arose but these were managed appropriately. Part of this change included the aforementioned revised approach to assurance and compliance, which was developed to ensure consistency with industry best practice and alignment with the approach adopted by Home Office Internal Audit Unit. Such work helped ensure the agency was broadly compliant with the relevant HM Treasury's guidance.[28]

4.55 Nevertheless it should be recognised that such fundamental change placed the agency's existing governance structure (at all levels) under

[28] HM Treasury's corporate governance code for central government departments (http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)

some strain, as responsibilities shifted and roles adjusted to align with the emerging operating models and the requirements of the agency’s internal business plan. That said, the independent assurance assessment did identify clear evidence of management structures which supported effective leadership and decision making and provided clear audit trails.

4.56 Evidence was also obtained which showed risk management structures were embedded quite widely and business continuity plans were also in place. The agency was also able to show an increasing awareness and grip on planned external audits and inspections, as well as knowledge of previous recommendations. In this regard, during the year the agency put in place a formal mechanism to monitor and review progress on such recommendations including collation of evidence which could show why the agency concluded that certain specific recommendations could be considered closed.

Conclusion

4.57 The agency-wide assurance assessments undertaken in the last quarter of 2012-13 provided evidence of good practice across much of the organisation but were unable to demonstrate how widely this was embedded and whether areas of good practice were replicated as a matter of course. They were also unable to demonstrate that supporting local management controls were strong enough at all key points of the delivery chain. This was in line with Internal Audit Unit’s annual opinion as well as findings in separate reports produced by the independent chief inspector and the NAO.

4.58 In this context, it was planned that the agency‘s new target operating model and supporting performance metrics would have helped provide a stronger foundation for consequential activity. Therefore in light of the Ministerial decision, in March 2013, to reintegrate the functions of the agency into three new Directorates General of the Home Office, it is important that restructuring continues to be carefully managed to avoid any loss of momentum. It is also important that focus and attention is given to embedding consistent first line assurance mechanisms, ensuring new processes and frameworks are fully integrated and ensuring the immigration system governance structure remains aligned with the wider Home Office.

4.59 It is also important that further organisational changes ensure accountability and responsibility levels remain clear, align with the wider strategic vision and are understood by staff.

Mark Sedwill
Permanent Secretary
26 June 2013

5 Sustainability Report

Introduction

5.1 Sustainability means making the necessary decisions now to realise the vision of stimulating economic growth and tackling the deficit, maximising wellbeing and protecting and enhancing the environment, without negatively impacting on the ability of future generations to do the same.

5.2 The agency contributed to the review of the Home Office sustainability commitments as part of the overall Home Office business plan. The Home Office joint sustainability priorities are to:

- Assess and manage environmental, social and economic impacts and opportunities in policy development and decision making.
- Procure from small businesses with the aspiration that 25% of contracts should be awarded to small and medium-sized enterprises (SMEs).
- Meet the 'greening government' commitments (GGC), supplying quarterly information and contributing to an annual report on progress.

5.3 The agency and its successor Directorates General within the immigration system report against GGC[29]. These commitments require significant reductions in impact on the environment by 2015 and also more transparency. The agency also participated in the CRC energy efficiency scheme[30] (formerly the Carbon Reduction Commitment) as part of the Home Office group.

5.4 In particular the agency and its successor Directorates General within the immigration system will:

- Comply with legal, regulatory and other requirements.
- Manage the carbon dioxide equivalent (CO_2e) emissions from its building energy use and official travel.
- Manage water use and waste responsibly on its estate.
- Purchase goods and services that meet government standards while continuing to ensure value for money.
- Actively encourage suppliers and staff to support these aims.
- Strive to make sustainability integral to decision making processes.

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[29] Available from http://sd.defra.gov.uk/gov/green-government/

[30] Guidance available from https://www.gov.uk/crc-energy-efficiency-scheme

Scope and data

5.5 This report reflects progress made by 31 March 2013 by the agency only. There are some limitations to financial and non-financial sustainability data, for example some estimated energy invoices are relied upon to calculate the year-end graphs and tables. A set of processes and internal controls was in place to help ensure accuracy and completeness. The energy and travel data has been audited as part of the work resulting in the Home Office (including the agency) achieving the Carbon Trust Standard in December 2012. This year's footprint is being verified by the Carbon Trust and a statement will be published at a later date online[31]. Some previous years' figures have also been restated to reflect data improvements.

5.6 To ensure that the agency data can be reviewed more easily, Border Force and other non agency data has been removed in all years, except in the categories of travel and paper[32], where this has been impossible.

5.7 The energy, water and waste data used in this report comes from UK Border Agency locations[33] where at least one utility or service was paid for directly. Landlord service charged buildings are not included. Travel data is included regardless of location. More detailed notes, including treatment of missing data, will be published online at a later date[34].

Headlines

5.8 The agency made good progress in delivering the sustainability commitments, for example by:

- Reducing building-related CO_2e emissions by 45 per cent against the baseline, a reduction of 11,144 tonnes of CO2e emissions.
- Reducing the number of domestic flights, water use and waste generated against 2009-10 baselines.
- Participating in Climate Week and Earth Hour and reporting energy use at: http://webview2.ecodriver.net/HomeOffice/.

Towards 2015 and areas for improvement

5.9 As this is the last UK Border Agency annual report, areas identified for improvement will in future be included in the Home Office consolidated

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[31] Available from https://www.gov.uk/government/organisations/home-office/about/our-energy-use#greening-government-commitments

[32] The 2009/10 baseline emissions from air travel (but not number of flights) and grey fleet includes some Home Office and Border Force data which could not be separated; taxi travel between 2009/10 and 2011/12 includes some Home Office and Border Force data; between 2009/10 to 2011/12 hire car data includes some Home Office use. Paper includes Border Force.

[33] It has not yet been possible to add some parts of Vulcan House in Sheffield (notably Steel wing) into our data sets. This will be rectified at a future date.

[34] Available from http://sd.defra.gov.uk/gov/green-government/

report[35]. The table below shows the agency's performance by financial year including 2012-13.

Performance by financial year

Area	Metric	2009-10	2010-11	2011-12	2012-13
Greenhouse gas emissions (GHG)	Amount (tonnes CO_2e)	34,249	24,973	21,936	19,253
Building energy	Amount (tonnes CO_2e)	24,651	19,041	14,749	13,507
	Amount (kWh)	58,413,698	43,578,831	34,279,070	33,669,874
	Expenditure (£)	5,400,711	3,253,251	2,956,753	2,926,069
Government Carbon Offsetting Facility (GCOF)	Expenditure (£)	Not available	15,881	10,741	1,237
Domestic flights	Amount (number)	7,444	5,534	3,138	5,277
Office waste	Amount (tonnes)	3,804	3,061	2,572	2,384
	Expenditure (£)	501,579	372,972	296,075	289,019
	Total recycled (tonnes)	2,958	2,139	1,559	1,576
Water	Amount (m^3)	161,654	101,395	84,048	77,050
	Expenditure (£)	356,060	178,911	132,212	139,093
Paper (A4 equivalent)	Amount (reams)	Not available	Not available	Not available	104,100
	Expenditure (£)	Not available	Not available	Not available	238,439

Figure 2: Performance by financial year

Governance arrangements

5.10 The Home Secretary is held accountable by the Cabinet Office for meeting the commitments in the business plan, which contains joint sustainability objectives. Overall leadership is provided by the Parliamentary Under Secretary for Criminal Information and the Permanent Secretary.

5.11 Direction and management is provided by the Sustainable Development Team who report to the Sustainability Implementation Group (chaired by the Director of Shared Services and comprising key Home Office bodies and business units) which meets quarterly. It ensures that necessary action is taken to meet the GGC and during 2012-13 it reported to the estates and sustainability Board (chaired by the Director General for Finance, who is also a member of the Home Office supervisory board

[35] Available from www.homeoffice.gov.uk

and executive management board). Day-to-day sustainability business in the UK Border Agency was undertaken within the departmental property team.

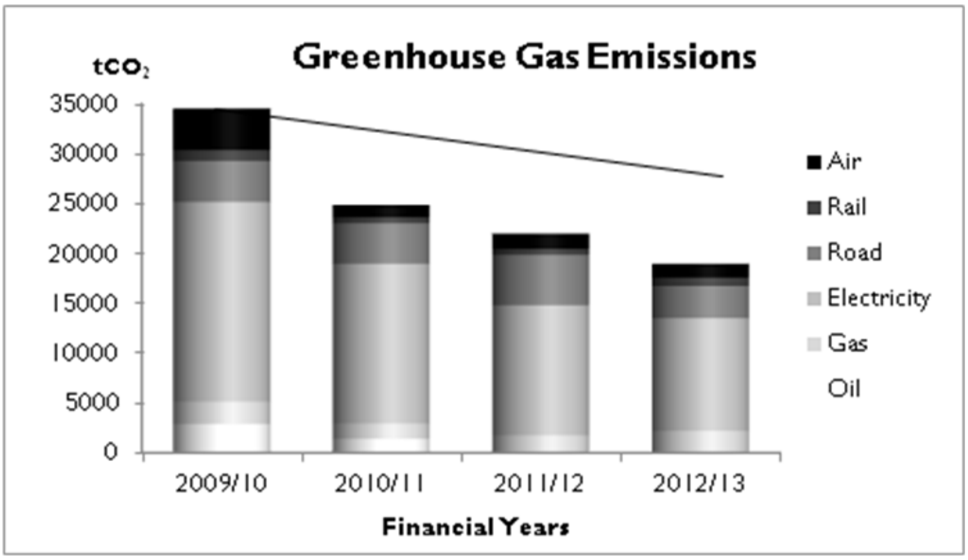
5.12 Sustainability was embedded into the agency's planning and reporting procedures. All key decisions were cleared at the appropriate level, often by the Chief Executive, Permanent Secretary or Ministers. A six monthly report was submitted to the Cabinet Office, so that the Home Affairs Sub Committee on Green Government could monitor progress. Home Office sustainability policy and other documents were held on the intranet and will be reproduced online at a later date[36].

Stakeholders

5.13 The immigration system's principal sustainability stakeholders are the public, Ministers, Directors General and its staff and suppliers. Stakeholders can play an important part in identifying key priorities and enhancing the value of activities. Governance, business planning and reporting arrangements also help to ensure staff can input to, and provide feedback on, activities. In 2012-13 there was a defined communications programme and sustainability mailboxes for staff and the public. There was also a supplier engagement programme.

Greenhouse gas emissions

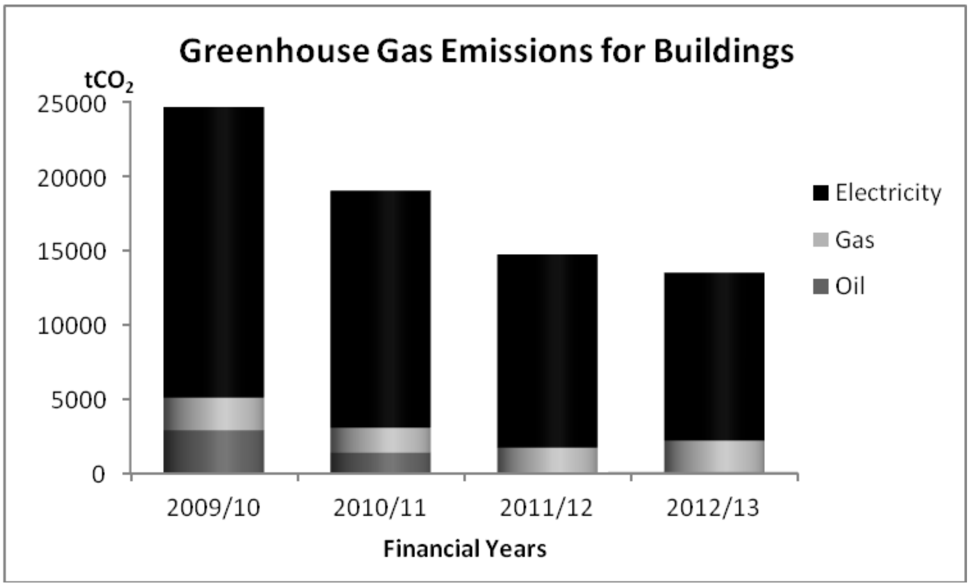
5.14 The GGC require a reduction in greenhouse gas emissions from buildings and travel, from a 2009-10 baseline, by 25 per cent by 2015. The immigration system's main impacts are from electricity use in buildings and from road and air travel. By the end of 2012-13, all CO_2e emissions fell against the 2009-10 baseline by 44 per cent by the end of 2012-13. This is depicted in the graph below.



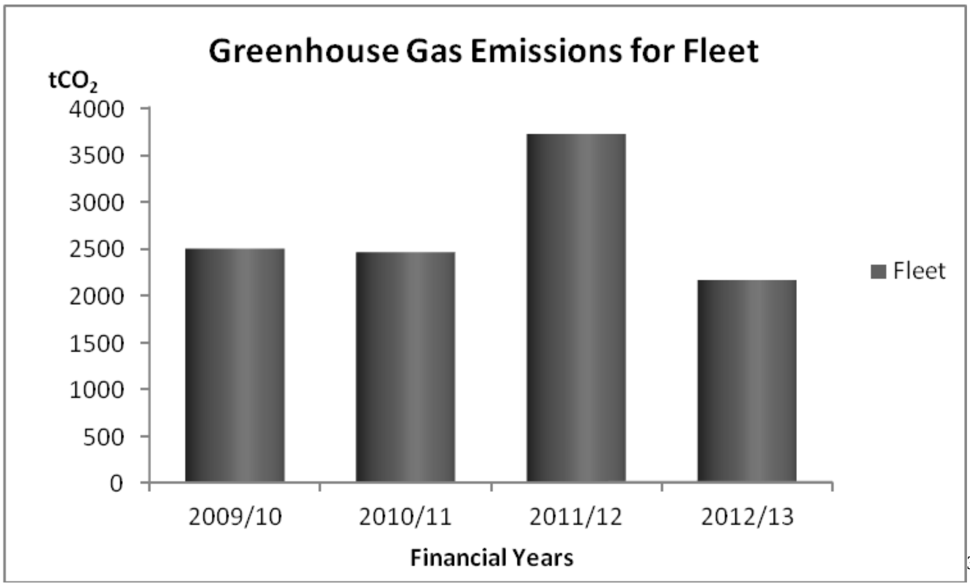
[36] Available from http://sd.defra.gov.uk/gov/green-government/

GREENHOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	2012-13
tCO_2e	Gross emissions for scope 1 & 2 (buildings)	24,651	19,041	14,749	13,507
	Gross emission for scope 1 (fleet)	2,492	2,452	3,714	2,155
	Total Gross emissions for scopes 1 & 2	**27,143**	**21,493**	**18,463**	**15,662**
	Gross emissions scope 3 (business travel excluding fleet)	7,106	3,479	3,473	3,592
	Greenhouse gas emissions	**34,249**	**24,973**	**21,936**	**19,253**
£	Energy expenditure	5,400,711	3,253,251	2,956,753	2,926,069
	CRC allowances			203,904	Not yet available[37]
	Expenditure on accredited carbon offsets	Not available[38]	15,881	10,741	1,237
	Expenditure on official business travel	11,285,111	6,002,897	6,331,850	7,118,974
	Total expenditure	**16,685,822**	**9,272,029**	**9,503,248**	**10,046,280**

Figure 3: Greenhouse gas emissions



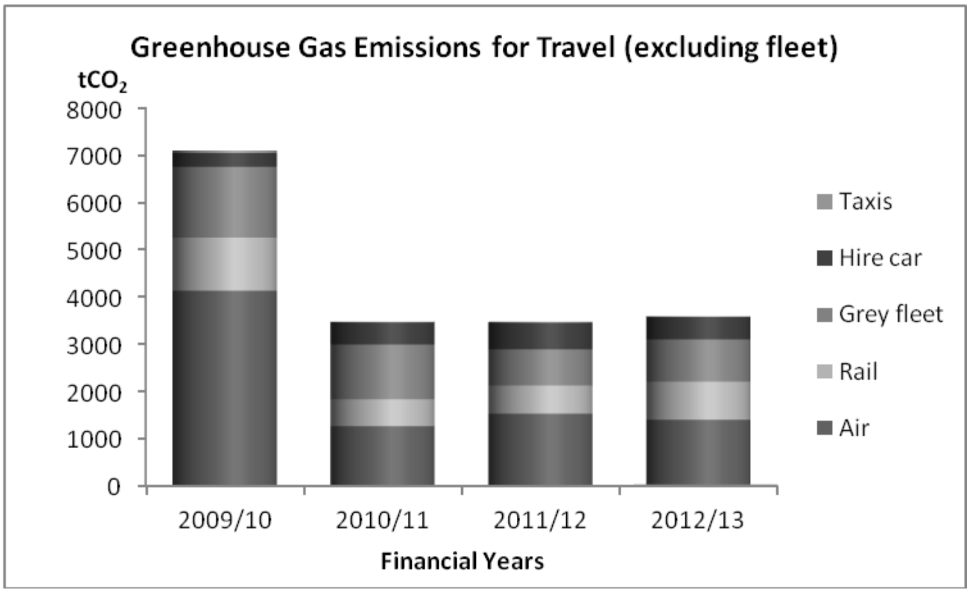
[37] This amount is payable in 2013-14 and was unavailable at the time of publication.
[38] This amount is payable in 2013-14 and was unavailable at the time of publication.



[39]

5.15 Energy use and CO_2e emissions from buildings have fallen against the 2009-10 baseline by 45 per cent, a reduction of 11,144 tonnes of CO_2e emissions and by over 8 per cent against last year. The agency:

- Closed several buildings in 2012.
- Continued to make savings based on tighter controls of heating and ventilation through a payments by results mechanism with one of its facilities management suppliers.
- Installed several voltage optimisers.



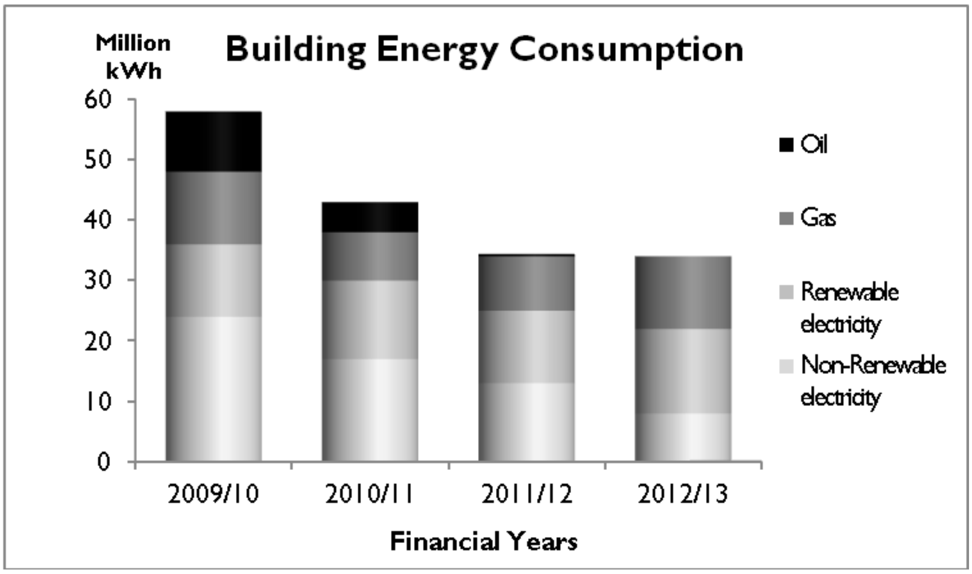
5.16 Since 2009-10, CO_2e emissions from travel have fallen against the baseline. The Home Office continues to introduce measures to restrict travel and offer alternative ways of working (such as ICT solutions for communications and meetings). Where fleet travel is unavoidable, low

[39] The 2009/10 baseline emissions from air travel includes some Home Office and Border Force data which could not be separated;

emission vehicles are used as far as possible (consistent with business needs). The agency and its successor Directorates General own or lease around 1,500 vehicles. This year the agency also acquired 350 low emission cars (less than 100g CO_2/km). The number of domestic flights fell in 2012-13 and was 29 per cent lower than the baseline year.

Energy use

5.17 The agency promoted good energy practice by displaying a carbon viewer in a key building and in visitor reception areas by displaying Energy Performance Certificates and Display Energy Certificates (a summary of DECs will be published at later date). The agency actively encouraged staff and suppliers to consider their own impacts through procurement decisions, communication activities and a supplier self assessment tool; corporate assessment of environmental, social and economic responsibility (CAESER). The graph below depicts energy consumption within the agency's buildings up to and including 2012-13.



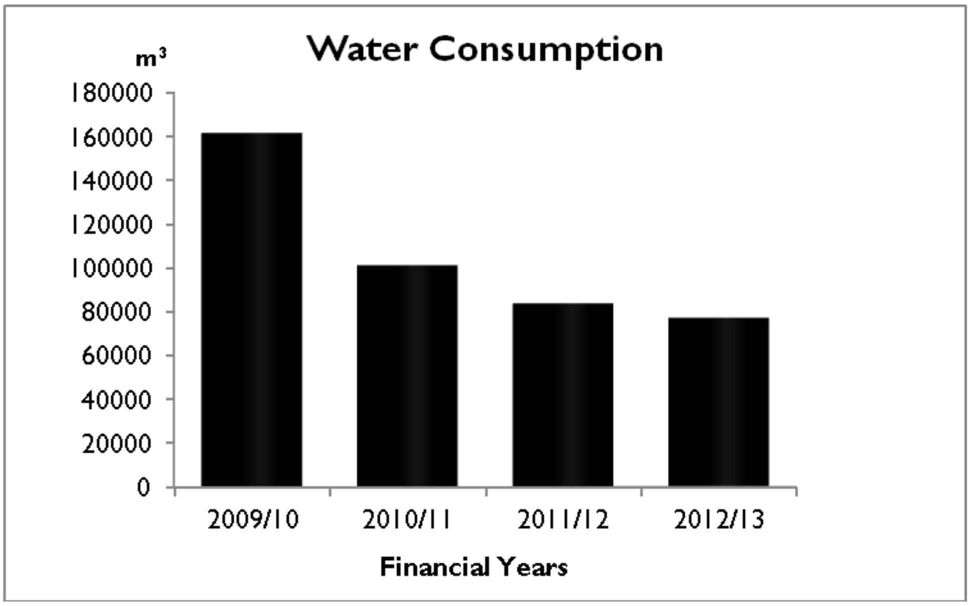
MANAGING ENERGY USE FROM BUILDINGS		2009-10	2010-11	2011-12	2012-13
Energy kWh	Electricity: non-renewable	24,422,775	16,857,777	12,690,510	8,019,103
	Electricity: renewable	12,304,558	12,597,044	12,111,140	13,674,330
	Gas	12,057,004	8,443,461	9,478,928	11,976,441
	Other (oil)	10,461,913	5,076,729	4,328	-
	Total	**59,246,251**	**42,975,010**	**34,284,906**	**33,669,874**
Total energy expenditure £		**5,471,661**	**3,256,726**	**3,035,734**	**2,924,779**

Water use

5.18 The main impacts were from water use for showers, washrooms, drinking, restaurant facilities or similar, and heating and ventilation systems. The GGC require a reduction in water consumption from a 2009-10 baseline. Water use from buildings continued to fall against the 2009-10 baseline and currently stands at 52 per cent below that baseline. Water use per person will be published at a later date at the Government website for sustainable development[40]. The agency:

- Closed three buildings with direct water invoicing in 2012 (although there are only two less sites in 2012-13 than in the baseline).
- Installed no-touch sensor taps which ensure water cannot be left running after use.
- Installed waterless urinals which use an oil based barrier fluid as an alternative to water.
- Fitted low flush urinals at sites where waterless urinals cannot be installed –using significantly less water than standard urinals.

5.19 The agency actively encouraged staff and suppliers to consider their own impacts through procurement decisions, communication activities and a supplier self assessment tool known as CAESER. The graph below depicts water consumption by the agency up to and including 2012-13.



MANAGING WATER	2009-10	2010-11	2011-12	2012-13
Water Consumption m^3	161,654	101,395	84,048	77,050
Invoiced Water Supply Costs £	356,060	178,911	132,212	139,093

[40] Available from https://www.gov.uk/government/organisations/home-office/about/our-energy-use#greening-government-commitments

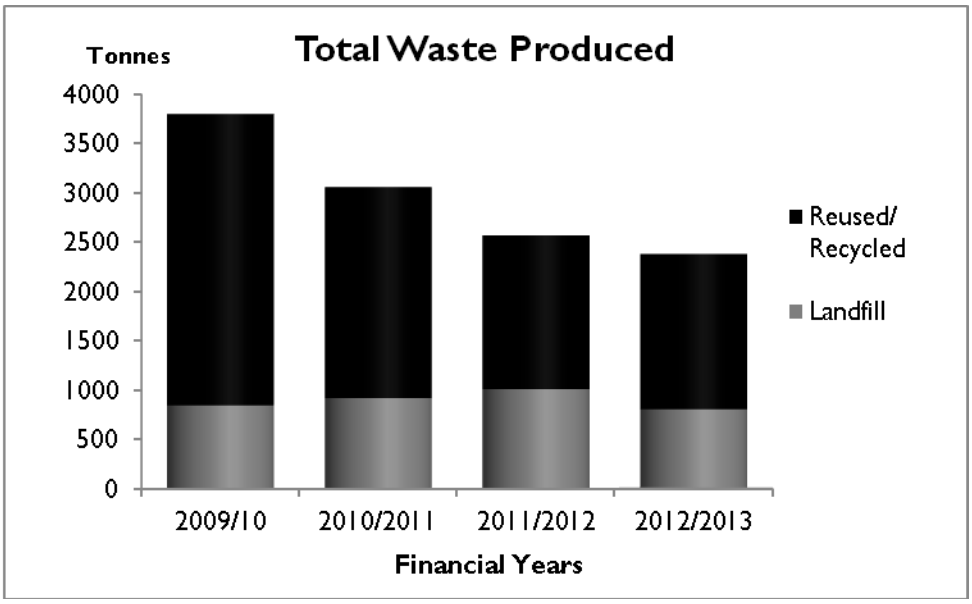
Office waste

5.20 Reported waste streams include shredded and un-shredded paper and other dry mixed recyclables, food waste and packaging. Hazardous waste data is estimated to be less than 1 tonne and has not been reported. Work continues with two facilities management suppliers to increase the types of waste that can be recycled. Suppliers are required to use an online tool in order to record data on waste generated from construction projects with the aim of halving the amount sent to landfill.

5.21 The GGC require the agency and its successor Directorates General to reduce the amount of waste generated by 25 per cent from a 2009-10 baseline. Office waste has fallen by 37 per cent against this baseline. This is partly attributable to consolidation of the agency estate and the commencement of a sole supplier moving from estimated to actual data for an increasing number of sites. In 2012-13, the agency installed in several key sites more efficient hand dryers to reduce the wastage of paper towels.

5.22 Recycling levels are less now than in the baseline and Home Office is working with its supply chain to increase recycling rates. Through the supply chain, the agency ensured that redundant ICT equipment was re-used or responsibly recycled. The agency mostly bought 100 per cent recycled paper and continued to monitor the performance of the closed loop paper collection scheme.

5.23 Staff and suppliers were actively encouraged to consider their own impacts through procurement decisions, communication activities and a supplier self assessment tool. Electrical and information and communications technology (ICT) waste was treated in accordance with the waste electrical and electronic regulations (WEEE Regulations) by the Home Office facilities management and ICT providers. The graph below depicts total waste produced up to and including 2012-13 by the agency.



MANAGING OFFICE WASTE			2009-10	2010-11	2011-12	2012-13
Tonnes	Non hazardous waste	Reused/Recycled/Recovered	2,958	2,139	1,559	1,576
		Landfill	846	922	1,013	808
	Total waste		**3,804**	**3,061**	**2,572**	**2,384**
Cost (£)	Reused/Recycled/Recovered		433,909	299,218	215,042	221,973
	Landfill		67,670	73,755	81,033	67,046
	Total disposal cost		**501,579**	**372,972**	**296,075**	**289,019**

Mainstreaming the policy contribution to sustainability

5.24 The agency made valuable contributions to environmental sustainability in some of its work. Lawful immigration strengthens the economy and society when controlled effectively.

Sustainable Procurement

5.25 The agency worked with suppliers to promote sustainable procurement as part of its corporate and social responsibility (CSR). This included working with small and medium enterprises (SMEs) and proactive support for diversity. Mandated government buying standards (GBS)[41] were promoted and CSR factors considered in investment decisions where they were relevant to the contract. CSR factors are incorporated throughout the procurement cycle from pre-qualification through to contract award to ensure value for money is optimised.

[41] http://sd.defra.gov.uk/advice/public/buying

5.26 The information gathered on the supply chain through CAESER is reported on an annual basis to enable an overview of supplier performance in relation to sustainability. This is used to inform contract management discussions and business decisions, manage supply chain risks and drive improved outcomes.

Biodiversity

5.27 Biodiversity was not material for the agency because so few open spaces were owned.

Mark Sedwill
Permanent Secretary
26 June 2013

6. The Certificate and Report of the Comptroller and Auditor General to the House of Commons

6.1 I certify that I have audited the financial statements of the UK Border Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, 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 Accounting Officer and auditor

6.2 As explained more fully in the Statement of Accounting Officer and Chief Executive's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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

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

6.4 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

6.5 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

6.6 In my opinion:

- the financial statements give a true and fair view of the state of the UK Border Agency's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

6.7 In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword, Management Commentary and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or 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

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

Amyas C E Morse **28 June 2013**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

7. Accounts for the Year Ended 31 March 2013

Statement of Comprehensive Net Expenditure for the period ended 31 March 2013

	Note	Staff costs £000	Other costs £000	2012-13 Income £000	2011-12 Total £000
Administration costs					
Staff costs	3	60,905			67,240
Other administration costs	4		51,303		51,011
Programme costs					
Staff costs	3	402,855			443,293
Programme costs	5		1,060,412		990,375
Retained income	6			(941,482)	(841,807)
Non retained income	6			(8,221)	(33,313)
EU Income	6			(21,015)	(27,704)
Total		**463,760**	**1,111,715**	**(970,718)**	**649,095**
Net operating cost				**604,757**	**649,095**

The notes on pages 66 to 115 form part of these accounts.

Other Comprehensive Expenditure for the period ended 31 March 2013

Items that will not be reclassified to net operating costs:	**Note**		**2012-13 £000**	**2011-12 £000**
Gain/(loss) on revaluation of gross book value of property, plant and equipment	7	13,210		8,969
Gain/(loss) on revaluation of accumulated deprecation of property, plant and equipment	7	(7,178)		(943)
Net gain/(loss) on revaluation of property, plant and equipment			**6,032**	**8,026**
Gain/(loss) on revaluation of gross book value of intangibles	8	21,344		5,368
Gain/(loss) on revaluation of accumulated deprecation of intangibles	8	(8,998)		(1,241)
Net gain/(loss) on revaluation of intangibles			**12,346**	**4,127**
Total Other Comprehensive Expenditure for the year ended 31 March 2013			**18,378**	**12,153**

The notes on pages 66 to 115 form part of these accounts.

Statement of Financial Position
as at 31 March 2013

	Note		31-Mar-13	Restated 31-Mar-12	Restated 31-Mar-11
			£000	£000	£000
Non-current assets					
Property, plant and equipment	7	413,804		402,097	396,312
Intangible assets	8	316,852		277,260	182,238
Trade and other receivables	12	1,049		0	0
Total non-current assets			**731,705**	**679,357**	**578,550**
Current assets					
Inventories	11	8,864		4,725	2,137
Trade and other receivables	12	70,806		85,317	76,837
Cash and cash equivalents	13	13,342		15,119	11,755
Total current assets			**93,012**	**105,161**	**90,729**
Total assets			**824,717**	**784,518**	**669,279**
Current liabilities					
Trade and other payables	14	(335,839)		(361,872)	(316,090)
Total current liabilities			**(335,839)**	**(361,872)**	**(316,090)**
Non current assets less net current liabilities			**488,878**	**422,646**	**353,189**
Non current liabilities					
Long-term trade and other payables	14	(66,476)		(68,361)	(70,044)
Provisions	15	(80,631)		(69,458)	(78,349)
Total non-current liabilities			(147,107)	(137,819)	(148,393)
Assets less liabilities			**341,771**	**284,827**	**204,796**
Taxpayers' equity					
General fund			256,509	210,407	136,227
Revaluation reserve			85,262	74,420	68,569
Total taxpayers' equity			**341,771**	**284,827**	**204,796**

Mark Sedwill
Accounting Officer
26 June 2013

The notes on pages 66 to 115 form part of these accounts.

Core Statement of Cash Flows

For the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net operating cost		(604,757)	(649,095)
Less non-retainable income	6	(8,221)	(33,313)
		(612,978)	**(682,408)**
Adjustments for non-cash transactions	4,5	129,722	63,558
Adjustment to increase CFER payable		-	(4,723)
(Increase)/decrease in trade and other receivables	12	13,462	(8,480)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		6,181	20,921
(Increase)/decrease in inventories	11	(4,139)	(2,588)
Increase/(decrease) in trade payables	14	(27,918)	44,099
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		22,357	12,417
External transfer of assets		(431)	0
Use of provisions	15	(16,821)	(21,536)
Net cash outflow from operating activities		**(490,565)**	**(578,740)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(54,705)	(33,732)
Purchase of intangible assets		(85,920)	(93,508)
Proceeds of disposal of property, plant and equipment		46	0
Proceeds of disposal of intangibles		0	0
Net cash outflow from investing activities		**(140,579)**	**(127,240)**
Cash flows from financing activities			
Net cash inflow from Home Office		651,738	754,725
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		(22,371)	(45,381)
Net financing		**629,367**	**709,344**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(1,777)**	**3,364**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		0	0
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(1,777)**	**3,364**
Cash and cash equivalents at the beginning of the period		**15,119**	**11,755**
Cash and cash equivalents at the end of the period		**13,342**	**15,119**

The notes on pages 66 to 115 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the period ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2011		136,227	68,569	204,796
Changes in taxpayers' equity for 2011-12				
Write-off of CFER penalty receivables		(4,688)	0	(4,688)
Net gain/(loss) on revaluation of PPE	7	0	8,026	8,026
Net gain/(loss) on revaluation of intangible assets	8	0	4,127	4,127
Non retainable income		(33,313)	0	(33,313)
Non cash charges - auditor's remuneration	4	249	0	249
Transfers between reserves		6,302	(6,302)	0
Net operating cost for the year		(649,095)	0	(649,095)
Funding from parent		754,725	0	754,725
Balance at 31 March 2012		**210,407**	**74,420**	**284,827**
Changes in taxpayers' equity for 2012-13				
External transfer		(431)	0	(431)
Write-off of CFER penalty receivables		0	0	0
Net gain/(loss) on revaluation of PPE	7	0	6,032	6,032
Net gain/(loss) on revaluation of intangible assets	8	0	12,346	12,346
Non retainable income		(8,221)	0	(8,221)
Non cash charges - auditor's remuneration	4	237	0	237
Transfers between reserves		7,536	(7,536)	0
Net operating cost for the year		(604,757)	0	(604,757)
Funding from parent		651,738	0	651,738
Balance as at 31 March 2013		**256,509**	**85,262**	**341,771**

The notes on pages 66 to 115 form part of these accounts.

Notes to the UK Border Agency's accounts

1.0 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by Her Majesty's (HM) Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Border Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UK Border Agency for the year ended 31 March 2013 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Going Concern

On the 26 March 2013, the Secretary of State announced that the UK Border Agency would lose its executive agency status with effect from 1 April 2013 and be split into two business segments responsible for immigration and visa services, and immigration law enforcement, accountable directly to the Secretary of State. As a consequence of this announcement, the UK Border Agency ceased to exist as a separate entity and the custodianship of all assets and liabilities transferred to the Home Office at their carrying value on 1 April 2013.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements and assumptions which impact on amounts reported in respect of assets and liabilities for the year ended 31 March, and for income and expenditure incurred during the year.

In applying the UK Border Agency’s accounting policies, management has made the following judgements:

Service concession arrangements

The UK Border Agency is party to numerous private finance initiatives (PFIs). The classification of such agreements as service concession arrangements (as defined by International Financial Reporting Interpretations Committee (IFRIC) interpretation 12: *Service Concession Arrangements*) requires the UK Border Agency to determine whether it controls both the services to be provided by the operator and any residual interest in the infrastructure at the end of the arrangement.

Leases

The UK Border Agency is the lessee of many items of property, plant and equipment. The classification of such leases as either operating or finance lease requires the UK Border Agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of the leased assets and, consequently, whether the lease requires the recognition of an asset and a liability in the Statement of Financial Position, in accordance with International Accounting Standard (IAS) 17: *Leases*.

Impairment of assets

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

Many of the UK Border Agency's assets are of a bespoke nature and, consequently, there is no active market in which to assess the fair value of the asset. In such circumstances, the asset's recoverable value is deemed to be equal to its net replacement cost, or, in the case of cash-generating assets, the present value of expected future cash-flows to the UK Border Agency.

1.4 Property, plant and equipment

Property, plant and equipment (PPE) is stated at the lower of replacement cost and recoverable amount. Expenditure on all PPE in excess of £5,000 is capitalised, with the exception of furniture and fittings, which is capitalised only when it comprises separately identifiable groups costing £25,000 or greater. Upon recognition, PPE is measured at cost, including any expenditure directly attributable to bringing the assets into use.

All PPE is restated to current value each year. Land and buildings are restated to current value using professional valuation every 5 years (or more frequently if there is evidence of material changes in value, for example as a result of impairment) in accordance with IAS 16: *Property, Plant and Equipment*. In the intervening years land and buildings are revalued by the use of published indices appropriate to the type of land or building. Other PPE is restated to current value using appropriate published indices.

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

1.5 Intangible assets

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

Expenditure relating to consultancy and civil staff working on a capital project (for example, software development) is capitalised as intangible non-current assets.

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

1.6 Depreciation

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

Lives are in the following ranges:

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

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

1.7 Assets under construction

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

1.8 Inventories

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

1.9 Third party assets

Third party assets are classed as such when the UK Border Agency, and central government more widely, has no rights over and does not receive any financial benefit from the asset that is being held. Such assets include citizenship ceremony fees, proceeds of crime and bail bonds. Details of the assets held on behalf third parties are given in note 24 to the accounts.

1.10 Research and development costs

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

1.11 Cash and cash equivalents

Income received by the UK Border Agency is banked in the Government Banking Service account. This is cleared into the Home Office bank account on a monthly basis. The income/receivable is recognised in the UK Border Agency accounts, and the cash is recognised in the Home Office accounts. The movement between the two entities is through the reserves, and is reflected in the cash requirement of UK Border Agency.

The cash balance shown on the Statement of Financial Position reflects the cash held in the UK Border Agency GBS account as at 31 March and include balances which were paid in after the monies were cleared into the Home Office bank account.

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

1.12 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HM Treasury.

1.13 Income

Income received by the UK Border Agency comprises operating income, non-retainable income and income from the European Union.

Operating income is income which relates directly to the operating activities of the UK Border Agency, and comprises principally of fees charged in respect of applications for visas and immigration documents. Cash is received at the point of application, however, income is not recognised until the application process has been completed and a decision has been made.

Some income streams are charged below the cost of delivery where UK Border Agency has to maintain its international competitiveness. To compensate for this, some fees are set above the cost of delivery. In particular, the UK Border Agency income for certain in-country applications is set at a level that allows for a contribution towards immigration related activities, in addition to covering the cost of processing applications. The overall aim is to ensure that income contributes to the end-to-end costs of the immigration system.

Non-retainable income includes immigration and civil penalties that, when received, are not permitted to be retained by the UK Border Agency, and are surrendered to HM Treasury as consolidated fund extra receipts (CFERs). Immigration and civil penalties relate to fines imposed against businesses for illegally employing foreign nationals and for allowing the movement of non-EU visitors into the UK with insufficient travel documentation.

Income from the European Union is described in 1.14 below.

1.14 Grants from the European Union

The UK Border Agency receives European Union (EU) funding for a number of internal and external projects. The funding is used to provide assistance in the resettlement and integration of refugees and third country nationals, and the return of foreign nationals to their home country.

The UK Border Agency acts as an agent in the distribution of funding received from the EU to projects involved in the delivery of the EU's objectives. The UK Border Agency recognises expenditure in the Statement of Comprehensive Net Expenditure on a pro-rata basis as the projects progress. At the same time, the UK Border Agency recognises income receivable from the EU. This ensures that expenditure incurred through funding projects is matched by EU funding.

See note 28 for further details on EU funding.

1.15 Audit fee

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

1.16 Foreign exchange

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

Unsettled transactions or other monetary assets and liabilities as at 31 March have been recognised at the spot rate on that date.

1.17 Pensions

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

1.18 Leases

The UK Border Agency is party to a large number of leases. Rental payments are made by the UK Border Agency for all leases as stipulated in the lease agreement.

Where substantially all risks and rewards of ownership of a leased asset are borne by the UK Border Agency, the leased asset is recognised as a non-current asset in the UK Border Agency's Statement of Financial Position, along with an associated payable to the lessor, equivalent to the present value of the future minimum lease payments. The payable is calculated by applying the interest rate of the lease agreement to the lease payments according to the timing of the cash-flow. The interest element of the finance lease payments is recognised in the Statement of Comprehensive Net Expenditure at the time of the payments.

Where substantially all of the risks and rewards associated with the ownership of the leased asset are not borne by the UK Border Agency, the associated lease payments are recognised in the Statement of Comprehensive Net Expenditure over the life of the lease.

1.19 Grants

Grants made by the UK Border Agency are recorded on an accruals basis, with the grant funding attributed to the period in which the activity relates. Grants are paid only in respect of relevant expenditure incurred by the recipient which is directly attributable to the purposes of the grant.

1.20 Grant in aid

The UK Border Agency provides funding to the Office of the Immigration Services Commissioner (OISC), which is a non-departmental public body. The grant in aid supplied is agreed in advance and accounted for on a cash basis. The UK Border Agency receives certain income from OISC (see note 23 for more details).

1.21 Provisions

The UK Border Agency provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date, but where it is judged likely that the UK Border Agency will be required to make a payment to settle the obligation, in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are calculated on the basis of a best estimate of the potential economic outflow to the UK Border Agency and are charged to the Statement of Comprehensive Expenditure in the period in which the obligation arises. Provisions which are not expected to be settled within one year of the reporting date, and which are material to the UK Border Agency, are discounted to their present value using the discount rate stipulated by HM Treasury, currently -1.8 per cent for settlement within 5 years, -1 per cent for settlement between 5 and 10 years and 2.2 per cent for provisions which are expected to be settled in over 10 years. The discount is unwound over the remaining life of the provisions and is shown as a charge in the Statement of Comprehensive Expenditure. Where the likelihood of payment is not probable, or the liability cannot be reliably estimated, the item is disclosed as a contingent liability.

1.22 Early departure costs

Prior to 1 April 2010, the UK Border Agency had an agreement with the Home Office for new early departure schemes for staff. The Home Office funded the initial lump sum payments and the costs for the first year, and the UK Border Agency was then responsible for the remaining payments. The provision in the UK Border Agency's books only reflected the UK Border Agency liability and did not include the initial payments funded by the Home Office.

For new early departure schemes announced between 1 April 2010 and December 2010, the UK Border Agency funded the initial lump sum payments and costs for the first year, in addition to the remaining future payments.

From December 2010, the Cabinet Office issued new guidance confirming that government entities will now pay all future early retirement costs up front to the pension administrator. The costs are therefore incurred all within the year of retirement. There is no longer a requirement for a provision for future costs as the liability has been transferred to the pension administrator. There are therefore no early retirement provision additions for schemes announced after December 2010.

Provisions for early retirement have been discounted at 2.35 per cent as at 31 March 2013 in accordance with IAS 19: *Employee Benefits* and HM Treasury guidance.

1.23 Service concessions to private finance initiatives and public private partnerships (PFI/PPP)

The UK Border Agency accounts for PFI transactions on a control approach based on International Financial Reporting Interpretations Committee (IFRIC) interpretation 12: *Service Concession Arrangements*. The UK Border Agency is considered to control the infrastructure in a public-to-private service concession arrangement if:

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

Where it is determined that such arrangements are not within the scope of IFRIC 12, the UK Border Agency assesses such arrangements under IFRIC 4: *Determining whether an Arrangement contains a Lease*. Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach as set out in notes 1.18.

Where it is determined that arrangements do fall within the scope of IFRIC 12, the UK Border Agency recognises the infrastructure as a non-current asset.

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

In determining the interest rate implicit in the contract, the UK Border Agency applies the risk-free market rate at the time the contract was signed. The rate is not changed unless the contract, or the infrastructure element thereof, is renegotiated. The risk-free rate is determined by reference to the real rate set by HM Treasury, currently 3.5 per cent. The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

The UK Border Agency recognises a liability for the capital value of the contract. The liability does not include the interest charge and service elements, which are recognised in the Statement of Comprehensive Expenditure.

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

Assets are revalued in accordance with the revaluation policy for Property, Plant and Equipment (note 1.4) and Intangible Assets (note 1.5). Liabilities are measured using the appropriate discount rate. Revenue received under any revenue sharing provision in the service concession arrangement is recognised when all the conditions set out in IAS 18: *Revenue* have been satisfied.

1.24 Contingent liabilities

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

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

1.25 Reserves

Taxpayers' equity comprises of the general fund and revaluation reserve. The general fund represents the total net assets of the UK Border Agency to the extent that they are not represented by other reserves. Net funding from HM Treasury and realised gains and losses are reflected in the general fund. The revaluation reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to non-current assets.

1.26 Value added tax (VAT)

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

1.27 Financial instruments

The UK Border Agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS 32: Financial Instruments: Presentation, IAS 39: *Financial Instruments: Recognition and Measurement*, IFRS 7: *Financial Instruments: Disclosures,* and IFRS 9: *Financial Instruments*.

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

1.28 Asset transfers

A number of assets were transferred into and out of the UK Border Agency due to changes in the UK Border Agency's responsibilities. The assets have been transferred at fair value for nil consideration.

2 Statement of Operating Costs by Operating Segment

The primary level of segmentation, which is based on the UK Border Agency's management structure, comprises of the agency's three operating areas, immigration, enforcement and crime, and international, along with corporate services.

The corporate services segment includes the centralised management of the agency relating to financial management, human resources, property management, policy, IT services and commercial.

During 2012-13 there were significant budget transfers from Immigration to Crime and Enforcement and Corporate Services due to internal restructuring.

The summarised Statement of Comprehensive Expenditure is shown below.

2012-13

	Immigration £000	Crime and Enforcement £000	International £000	Corporate Services £000	Total £000
Migration and visa income	(482,559)	0	(444,759)	0	(927,318)
EU income	0	0	0	(21,015)	(21,015)
Miscellaneous income	(4,059)	(3,732)	(18)	(3,355)	(11,164)
Retained element of penalties raised	0	(3,000)	0	0	(3,000)
Other non-retainable income	(571)	(4,981)	0	(2,669)	(8,221)
Total income	**(487,189)**	**(11,713)**	**(444,777)**	**(27,039)**	**(970,718)**
Staff costs	135,625	157,568	54,708	115,859	463,760
Asylum support	266,773	0	0	0	266,773
Overseas visa operating costs	0	0	147,433	0	147,433
Detention and removal costs	714	210,778	0	135	211,627
Other programme expenditure	52,488	47,815	42,918	291,358	434,579
Admin expenditure	455	153	1,447	49,248	51,303
Total expenditure	**456,055**	**416,314**	**246,506**	**456,600**	**1,575,475**
Net expenditure / (income)	**(31,134)**	**404,601**	**(198,271)**	**429,561**	**604,757**

2011-12

	Immigration £000	Crime and Enforcement £000	International £000	Corporate Services £000	Total £000
Migration and visa income	(423,501)	0	(405,534)	0	(829,035)
EU income	0	0	0	(27,704)	(27,704)
Miscellaneous income	(2,828)	(4,775)	(5)	(2,164)	(9,772)
Retained element of penalties raised	(3,000)	0	0	0	(3,000)
Non-retainable income	(10,401)	(48)	(23,046)	182	(33,313)
Total income	**(439,730)**	**(4,823)**	**(428,585)**	**(29,686)**	**(902,824)**
Staff costs	278,156	93,470	62,604	76,303	510,533
Asylum support	281,365	3,274	0	0	284,639
Overseas visa operating costs	0	0	164,311	0	164,311
Detention & removal costs	3,858	185,440	0	0	189,298
Other programme expenditure	100,842	39,575	35,800	175,910	352,127
Administration expenditure	1,843	275	10,669	38,224	51,011
Total expenditure	**666,064**	**322,034**	**273,384**	**290,437**	**1,551,919**
Net expenditure / (income)	**226,334**	**317,211**	**(155,201)**	**260,751**	**649,095**

3 Staff Numbers and Related Costs

Staff costs comprise:

	Permanently employed staff	Others	2012-13 Total	2011-12 Total
	£000	£000	£000	£000
Wages and salaries	364,792	14,783	379,575	381,863
Social security costs	24,119	0	24,119	24,653
Other pension costs	58,132	0	58,132	61,551
Early retirement costs	2,435	0	2,435	42,624
Subtotal	449,478	14,783	464,261	510,691
Less recoveries in respect of outward secondments	(501)	0	(501)	(158)
Total net costs	**448,977**	**14,783**	**463,760**	**510,533**
Of which:				
Administration costs			60,905	67,240
Programme costs			402,855	443,293

Notes

(1) The UK Border Agency does not have any costs relating to ministers or special advisors.

(2) The total amount of capitalised staff costs not included in the figures above is £2,642k (2011-12: £2,102k).

The principal civil service pension scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the UK Border Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13 employers' contributions of £53m were payable to the PCSPS (2011-12: £52m) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £191,402 (2011-12: £229,147) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £11,391 (2011-12: £14,015), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

12 individuals (2011-12: 9) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £36,925 (2011-12: £5,638).

3 Staff Numbers and Related Costs (Continued)

Average number of persons employed

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

			2012-13	2011-12
	Permanent Staff	**Others**	**Total**	**Total**
Directly employed	10,850	0	10,850	11,933
Other	263	2,122	2,385	2,058
Staff engaged on capital projects	117	0	117	121
Total	**11,230**	**2,122**	**13,352**	**14,112**

Not included in the figures above are 237 (2011-12: 473) non-active staff, for example staff on maternity leave, career breaks and outward secondments.

Included in the figures are staff who work on behalf of the agency but who are not directly employed. For example, 1,243 (2011-12: 1,279) staff are locally employed overseas by the Foreign and Commonwealth Office and work on behalf of the agency.

There are no full-time equivalent persons who work on behalf of the agency but are directly employed by Border Force (2011-12: 350).

Compensation for loss of office

Exit package cost band	**Total Number of Exit Packages by Cost Band 2012-13**	**Total Number of Exit Packages by Cost Band 2011-12**
<10,000	0	70
£10,000 - £25,000	5	470
£25,000 - £50,000	4	354
£50,000 - £100,000	1	161
£100,000 - £150,000	2	28
£150,000 - £200,000	2	8
>£200,000	0	1
Total number of exit packages	**14**	**1,092**
	£000	**£000**
Total resource cost	956	37,164

There were no compulsory redundancies in 2012-13 or 2011-12

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

Up to 31 December 2010, where an employee departed under the early retirement scheme the UK Border Agency accounted for costs by creating a provision (see Note 15) to cover the future years of expenditure to the pension provider. From 1 January 2011, following a Cabinet Office directive, departure costs for early retirement have been accounted for and expensed to the pension provider in full at the date of departure.

4 Other Administration Costs

	2012-13 £000	2011-12 £000
Travel, subsistence and hospitality	2,954	2,646
Professional fees	2,120	2,407
Facilities management	13,922	18,645
Publication, stationery and printing	399	632
Media & IT	16,739	16,159
Shared Service Costs	13,295	8,518
Other	1,703	2,058
Non-cash items		
Auditors' remuneration and expenses	237	249
(Profit)/loss on disposal of asset	(66)	(303)
Total	**51,303**	**51,011**

Notes

(1) During the period, the agency did not purchase any non-audit services from its auditor, the Comptroller and Auditor General.

(2) The split between administration and programme expenditure changed in 2011-12 as a result of HM Treasury redefining administration budgets as part of the 2010 Spending Review. Administration budgets are defined explicitly to capture policy, funding and regulation functions across the agency. This realignment has been done to make a clear distinction between frontline services and other forms of current expenditure.

(3) The headings used to categorise expenditure have been changed from 2011-12 in order to have greater consistency across the Home Office group.

5 Programme Costs

	Note	2012-13 £000	2011-12 £000
Asylum support		266,773	284,639
Overseas visa operating costs		147,433	164,311
Detention and removal costs		211,627	189,298
Expenditure funded by EU		21,015	27,270
Grant in Aid to OISC		3,988	3,681
Rentals under operating leases		105	201
Travel, subsistence and hospitality		12,504	9,117
Professional fees		45,010	37,903
Facilities management		82,606	87,382
Media and IT		89,916	73,825
Publication, stationery and printing		2,265	2,554
PFI service charges		36,966	36,848
Charges under finance leases		6,646	6,742
Other grants - capital		0	0
Other current expenditure		4,007	2,992
Non-cash items			
Depreciation		36,723	34,091
Amortisation		68,342	12,497
Impairment		1,685	519
Bookkeeping (gains)/losses		41	1,997
(Profit)/loss on disposal of asset		947	1,727
Movement in bad receivable provision		(6,181)	136
Movement in provisions	15	25,177	11,565
Unwinding of discount on provisions	15	2,817	1,080
Total		**1,060,412**	**990,375**

Note

The split between administration and programme expenditure changed in 2011-12 as a result of HM Treasury redefining administration budgets as part of the 2010 Spending Review. Programme budgets are now defined to capture frontline services and other forms of current expenditure. This realignment has been done to make a clear distinction between frontline services and other forms of current expenditure. The headings used to categorise expenditure have been changed from 2011-12 in order to have greater consistency across the Home Office group.

6 Income

	Note	2012-13 £000	2011-12 £000
Migration and visa income		(927,318)	(829,035)
EU income	28	(21,015)	(27,704)
Miscellaneous income		(11,164)	(9,772)
Retained element of penalties raised		(3,000)	(3,000)
Total retained income		**(962,497)**	**(869,511)**
Non-retainable income: excess operating income treated as CFER		0	(33,279)
Other non-retainable income		(8,221)	(34)
Total income		**(970,718)**	**(902,824)**

Note

EU income includes £21,015k (2011-12: £27,270k) in respect of the European Solidarity Funding Mechanism (see note 28); £nil (2011-12: £434k) relates to other income received from the EU.

A regional analysis of the overseas income generated by the agency is given below.

	2012-13 £000	2011-12 £000
Africa	72,970	69,905
Americas	34,176	32,326
Euro-Med	85,344	79,484
Pacific	87,143	78,498
South Asia	78,561	85,219
The Gulf	86,565	83,148
Total visa income - overseas	**444,759**	**428,580**

Note

The analysis of income streams includes elements of both retainable & non-retainable operating income.

6 Income (continued)

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

2012-13

Objective	Income £000	Full Cost £000	Surplus/ (Deficit) £000	Fee Recovery (actual) %	Fee Recovery (target) %
Visa income - overseas	444,759	366,571	78,188	121%	100%
Temporary migration	219,467	132,263	87,204	241%	162%
Permanent migration	263,092	68,020	195,072		
	927,318	**566,854**	**360,464**		

2011-12

Objective	Income £000	Full Cost £000	Surplus/ (Deficit) £000	Fee Recovery (actual) %	Fee recovery target %
Visa income - overseas	428,580	416,550	12,030	103%	100%
Temporary migration	187,883	142,081	45,802	210%	211%
Permanent migration	245,851	63,991	181,860		
	862,314	**622,622**	**239,692**		

This analysis of income satisfies the fees and charges requirements of HM Treasury. An analysis of the agency's income in accordance with IFRS 8: *Operating Segments* is set out in note 2.

Notes

(1) Non-retainable income includes income not eligible to be offset against expenditure in the UK Border Agency, such fines and civil penalties.

(2) In its funding settlement from HM Treasury, the agency was permitted to recover £291m (2011-12: £230m) more than the full cost of its visa and migration decision making operation as a contribution to the associated running costs. However, for 2012-13 HM Treasury has permitted the agency to retain the full surplus of £360.4m.

(3) The fee recovery actual and target percentage for permanent migration is the total percentage for the immigration group (temporary and permanent migration).

(4) The analysis of income streams includes elements of both retainable and non-retainable operating income.

(5) Full cost for income streams is calculated in line with the fees and charging model. In addition to local operating costs, it includes agency overhead and project costs and Home Office headquarter overhead.

7 Property, Plant and Equipment

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2012	35,527	537,685	3,800	128,716	11,608	22,019	22,194	761,549
Additions	1,851	16,418	5,173	10,312	6,338	382	8,321	48,795
Disposals	0	(772)	(92)	(769)	(1,237)	(7,941)	0	(10,811)
Impairments	0	0	0	0	0	0	(1,685)	(1,685)
Transfers	0	0	0	0	0	0	(419)	(419)
Reclassifications	0	72	0	1,527	14	0	(10,403)	(8,790)
Increase / (Decrease) on Payments on Account	0	0	0	0	0	0	5,910	5,910
Revaluations	0	0	66	12,823	124	197	0	13,210
At 31 March 2013	37,378	553,403	8,947	152,609	16,847	14,657	23,918	807,759
Depreciation								
At 1 April 2012	0	(265,979)	(2,710)	(70,040)	(10,097)	(10,626)	0	(359,452)
Charged in year	0	(12,239)	(457)	(18,831)	(1,708)	(3,488)	0	(36,723)
Disposals	0	349	87	769	1,203	7,476	0	9,884
Impairments	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	(485)	2,000	(2,001)	0	(486)
Revaluations	0	0	(51)	(6,933)	(92)	(102)	0	(7,178)
At 31 March 2013	0	(277,869)	(3,131)	(95,520)	(8,694)	(8,741)	0	(393,955)
Net book value at 31 March 2013	**37,378**	**275,534**	**5,816**	**57,089**	**8,153**	**5,916**	**23,918**	**413,804**
Net book value at 31 March 2012	35,527	271,706	1,090	58,676	1,511	11,393	22,194	402,097
Asset financing								
Owned	37,378	206,677	5,816	22,204	8,153	5,916	23,918	310,062
Finance leased	0	68,857	0	0	0	0	0	68,857
On balance sheet PFI contracts	0	0	0	34,885	0	0	0	34,885
Net book value at 31 March 2013	37,378	275,534	5,816	57,089	8,153	5,916	23,918	413,804

7 Property, Plant and Equipment (continued)

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Restated Payments on Account and Assets under Construction £000	Restated Total £000
Cost or valuation								
At 1 April 2011	34,720	512,173	4,581	114,761	19,474	17,423	38,498	741,630
Additions	0	15,671	90	9,712	296	508	2,673	28,950
Disposals	0	(2,851)	(1,238)	(11,425)	(4,881)	(2,120)	0	(22,515)
Impairments	0	0	0	(472)	(3)	0	(85)	(560)
Transfers	0	0	0	919	(3,506)	1,570	782	(235)
Reclassifications	0	7,506	0	13,056	3	4,419	(25,097)	(113)
Increase / (Decrease) on Payments on Account	0	0	0	0	0	0	5,423	5,423
Revaluations	807	5,186	367	2,165	225	219	0	8,969
At 31 March 2011	35,527	537,685	3,800	128,716	11,608	22,019	22,194	761,549
Depreciation								
At 1 April 2011	0	(253,673)	(3,353)	(64,784)	(15,182)	(8,326)	0	(345,318)
Charged in year	0	(11,686)	(448)	(16,697)	(1,937)	(3,323)	0	(34,091)
Disposals	0	418	1,114	11,387	6,023	2,049	0	20,991
Impairments	0	0	0	41	0	0	0	41
Transfers	0	0	0	(742)	1,082	(918)	0	(578)
Reclassifications	0	0	0	449	(3)	0	0	446
Revaluations	0	(1,038)	(23)	306	(80)	(108)	0	(943)
At 31 March 2012	0	(265,979)	(2,710)	(70,040)	(10,097)	(10,626)	0	(359,452)
Net book value at 31 March 2012	**35,527**	**271,706**	**1,090**	**58,676**	**1,511**	**11,393**	**22,194**	**402,097**
Net book value at 31 March 2012	34,720	258,500	1,228	49,977	4,292	9,097	38,498	396,312
Asset financing								
Owned	35,527	197,490	1,090	24,843	1,511	11,393	22,194	294,048
Finance leased	0	74,216	0	0	0	0	0	74,216
On balance sheet PFI contracts	0	0	0	33,833	0	0	0	33,833
Net book value at 31 March 2012	35,527	271,706	1,090	58,676	1,511	11,393	22,194	402,097

7 Property, Plant and Equipment (continued)

The most recent full valuations of the land and building assets were completed in March 2011 by DTZ, and were completed in accordance with Royal Institution of Chartered Surveyors (RICS) regulations. Other assets are revalued annually based on indices published by the Office of National Statistics.

Included in transfers are assets which have come into, and been removed from, the UK Border Agency for nil consideration as part of changes of functions within the Home Office. Also included in transfers are reductions for bookkeeping losses which have removed erroneous historical postings.

Payments on account relate to non-current assets which have been acquired by the agency but for which payment has not cleared as at the end of the reporting period. When payments are cleared, the assets are transferred into the asset category to which they relate as additions.

Assets which are immediately brought into use are depreciated from the date of acquisition; assets which are recategorised as assets under construction will be depreciated from the point at which the completed asset is brought into use. All assets which appear in the clearing account are recognised in line with the agency's accounting policies.

For tangible non-current assets, payments on account as at 31 March 2013 totalled £12,580k (2012: £6,670k; 2011: £1,247k), a total amount of £6,931k has been recategorised during the year, and assets totalling £13,116k have been acquired but have not been cleared as at the year-end. This increase in payments held on account has arisen due to increased spend on vehicles and building refurbishment projects.

8 Intangible Assets

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

	Information Technology £000	Software £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation				
At 1 April 2012	162,398	24,055	158,803	345,256
Additions	98,010	604	3,623	102,237
Disposals	(3,203)	0	0	(3,203)
Impairments	0	0	0	0
Transfers	160	0	(14)	146
Reclassification	133,513	15,738	(140,375)	8,876
Increase / (Decrease) on Payments on Account	0	0	(16,317)	(16,317)
Revaluations	20,226	1,118	0	21,344
At 31 March 2013	411,104	41,515	5,720	458,339
Amortisation				
At 1 April 2012	(53,608)	(14,388)	0	(67,996)
Charged in Year	(64,822)	(3,520)	0	(68,342)
Disposals	3,203	0	0	3,203
Impairments	0	0	0	0
Transfers	(681)	841	0	160
Reclassification	444	42	0	486
Revaluations	(7,993)	(1,005)	0	(8,998)
At 31 March 2013	(123,457)	(18,030)	0	(141,487)
Net book value at 31 March 2013	**287,647**	**23,485**	**5,720**	**316,852**
Net book value at 31 March 2012	108,790	9,667	158,803	277,260
Asset financing				
Owned				259,770
On Balance Sheet PFI contracts				57,082
Net book value at 31 March 2013				316,852

8 Intangible Assets (continued)

	Information Technology £000	Software £000	Restated Payments on Account and Assets under Construction £000	Restated Total £000
Cost or valuation				
At 1 April 2011	76,407	19,137	141,178	236,722
Additions	35,449	4,420	73,792	113,661
Disposals	(30)	0	0	(30)
Impairments	0	0	0	0
Transfers	(855)	0	54	(801)
Reclassification	46,557	0	(46,557)	0
Increase / (Decrease) on Payments on Account	0	0	(9,664)	(9,664)
Revaluations	4,870	498	0	5,368
At 31 March 2012	162,398	24,055	158,803	345,256
Amortisation				
At 1 April 2011	(42,035)	(12,449)	0	(54,484)
Charged in Year	(10,882)	(1,615)	0	(12,497)
Disposals	130	0	0	130
Impairments	0	0	0	0
Transfers	704	0	0	704
Reclassification	(608)	0	0	(608)
Revaluations	(917)	(324)	0	(1,241)
At 31 March 2012	(53,608)	(14,388)	0	(67,996)
Net book value at 31 March 2012	**108,790**	**9,667**	**158,803**	**277,260**
Net book value at 31 March 2011	34,372	6,688	141,178	182,238

Asset financing	
Owned	261,703
On Balance Sheet PFI contracts	15,557
Net book value at 31 March 2012	277,260

Payments on account relate to non-current assets which have been acquired by the agency but for which payment has not cleared as at the end of the reporting period. When payments are cleared, the assets are transferred into the asset category to which they relate as additions.

Assets which are immediately brought into use are depreciated from the date of acquisition; assets which are recategorised as assets under construction will be depreciated from the point at which the completed asset is brought into use. All assets which appear in the clearing account are recognised in line with the agency's accounting policies.

For intangible non-current assets, payments on account as at 31 March 2013 totalled £2,052k (2012: £18,369k; 2011: 28,033k), a total amount of £19,665k has been recategorised during the year, and assets totalling £3,349k have been acquired but have not been cleared as at the year-end. The decrease in payments held on account has arisen as a result of the Integrated Caseworking programme (ICW) and the Immigration and Asylum Biometrics System (IABS) being brought into use.

9 Financial Instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS 32, IAS 39, IFRS 7 and IFRS 9.

9.1 Liquidity risk

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

9.2 Market risk

Interest Rate Risk

The financial assets held by the UK Border Agency are trade receivables and other current assets (note 12) and cash and cash equivalents (note 13). The assets are not subject to interest rate risk.

The financial liabilities held by the UK Border Agency are trade payables and other current liabilities (note 14). The finance lease liabilities are at a fixed rate of interest until the repayment date, and therefore the interest rate risk is nil. The PFI lease liabilities are fixed as per the contract and, again, the interest rate risk is nil. No other creditors are subject to interest rate risk.

Currency Risk

Foreign currency transactions are undertaken by the agency and are accounted for in accordance with accounting policy Note 1.14. The agency has a number of transactions in currencies other than Sterling, which are explained below.

1) The UK Border Agency's international group has a large number of foreign currency transactions. Salaries for locally engaged staff and most overseas expenditure is covered by a service level agreement with the FCO. The rates are agreed annually and adjusted for exchange rate movements. The FCO collects visa fee income on the agency's behalf, and steps are taken to ensure there is no exchange loss.

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

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

Sensitivity analysis

The only items above which are deemed to have a significant currency risk relate to items (2) and (3). A sensitivity analysis has been prepared below to show the net effect of fluctuations in exchange rates on the Statement of Comprehensive Net Expenditure.

9 Financial Instruments (continued)

	Values within Statement of Comprehensive Net Expenditure £000	Values if Exchange Rate reduced by 1% £000	Values if Exchange Rate increased by 1% £000
(2) One Commercial Partner	18,247	18,066	18,429
(3) EU Income	(21,015)	(20,807)	(21,225)
Net charge to the Statement of Comprehensive Net Expenditure	**(2,768)**	**(2,741)**	**(2,796)**

Valuation

Receivables are held at fair value, which is equivalent to amortised cost, with the exception of items against which a provision has been created.

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

9.3 Credit risk

The agency is subject to some credit risk. The carrying amount of receivables, which is recognised net of impairment losses, represents the agency's maximum exposure to credit risk. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable (for example, when an entity has entered administration). Receivables are written off when all means of recovery have been exhausted and the debt cannot be recovered.

	Receivables £000	Amortised Cost £000	Total Book Value £000	Fair Value £000
Financial assets				
Cash	13,342	0	13,342	13,342
Trade and other receivables	82,568	(10,713)	71,855	71,855
Financial liabilities				
Bank overdraft	0	(123)	(123)	(123)
Finance lease	0	(75,007)	(75,007)	(75,007)
PFI contract	0	(8,307)	(8,307)	(8,307)
Trade and other payables	0	(318,878)	(318,878)	(318,878)
Net Assets	**95,910**	**(413,028)**	**(317,118)**	**(317,118)**

10 Impairments

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

	2012-13 £000	2011-12 £000
Other UKBA: charged to the Statement of Comprehensive Net Expenditure	1,685	519
Other UKBA: charged to the revaluation reserve	0	4,384
Total impairment	**1,685**	**4,903**

Downward revaluation of assets is charged to the revaluation reserve if the asset has previously been revalued upwards. If no revaluation reserve exists, the charge goes directly to expenditure (see notes 4 & 5). The impairments have been analysed further in note 22.

11 Inventories

	31-Mar-13 £000	31-Mar-12 £000	31-Mar-11 £000
Inventories	8,864	4,725	2,137
Total	**8,864**	**4,725**	**2,137**

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

12 Trade Receivables and Other Current Assets

12 (a) Analysis by type	31-Mar-13 £000	31-Mar-12 £000	31-Mar-11 £000
Amounts falling due within one year:			
Trade receivables	32,285	28,637	56,468
Bad receivables provision	(10,713)	(16,894)	(15,707)
Deposits and advances	4,014	4,763	5,094
Prepayments	17,232	46,329	14,683
Accrued income - EU	25,245	19,546	13,802
Accrued income - other	2,743	2,936	2,497
Total current receivables as at 31 March	**70,806**	**85,317**	**76,837**

	31-Mar-13 £000	31-Mar-12 £000	31-Mar-12 £000
Amount falling due after one year:			
Trade receivables	1,049	0	0
Total non-current receivables as at 31 March	**1,049**	**0**	**0**

12 (b) Intra-government balances	31-Mar-13 £000	31-Mar-12 £000	31-Mar-12 £000
Amounts falling due within one year:			
Balances with other central government bodies	11,989	7,442	28,012
Balances with local authorities	315	226	866
Balances with NHS trusts	50	0	0
Balances with public corporations and trading funds	0	64	0
	12,354	**7,732**	**28,878**
Balances with bodies external to government	59,501	77,585	47,959
Total receivables as at 31 March	**71,855**	**85,317**	**76,837**

Of the £32,328k (2011-12: £28,637k) trade receivables, £18,668k (2011-12: £24,173k) is due after 28 days, £804k (2011-12: £4,452k) is due after 30 days, and the remaining £12,856k (2011-12: 12k) is due after 60 days.

During 2012-13, the agency has written off a total of £7,698k (2011-12: £4,925k) of bad receivables. Further detail is provided in note 22.

The provision for bad receivables is £10,713k (2011-12: £16,894k). This provision is calculated by considering, among other factors, the age of the receivable and the solvency of the customer. Of the remaining trade receivable balance of £21,572k (2011-12: £11,743k), £5,697k (2011-12: £3,641k) relates to receivables that are past due as at 31 March but are not impaired.

13 Cash and Cash Equivalents

	31-Mar-13 £000	31-Mar-12 £000
Balance at 1 April	15,119	11,755
Net change in cash and cash equivalent balances	(1,777)	3,364
Balance at 31 March	**13,342**	**15,119**

The following balances at 31 March were held at:

Commercial banks and cash in hand	0	0
Government Banking Service	13,342	15,119
Balance at 31 March	**13,342**	**15,119**
Net increase/(decrease) in cash and cash equivalents in the period	**(1,777)**	**3,364**

14 Trade Payables and Other Current Liabilities

14 (a) Analysis by type

Amounts due falling within one year:	31-Mar-13 £000	31-Mar-12 £000	31-Mar-11 £000
Trade payables	(24,781)	(21,224)	(25,232)
Other payables	(21)	95	(2,354)
Overdraft	(123)	(300)	(421)
Accruals	(143,785)	(186,016)	(182,626)
PFI contracts	(8,307)	(8,706)	(12,808)
Deferred income	(141,126)	(128,225)	(72,352)
Current part of finance leases	(8,531)	(8,424)	(6,630)
Amounts due to Home Office	(9,165)	(9,072)	(13,667)
Total current payables as at 31 March	**(335,839)**	**(361,872)**	**(316,090)**

	31-Mar-13 £000	31-Mar-12 £000	31-Mar-11 £000
Amounts falling due after more than one year:			
Finance leases	(66,476)	(68,361)	(70,044)
Total non-current payables as at 31 March	**(66,476)**	**(68,361)**	**(70,044)**
Total payables as at 31 March	**(402,315)**	**(430,233)**	**(386,134)**

Note

The UK Border Agency does not have an overdrawn bank account. Due to timing differences which arise in the transfer of cash received on our behalf from our commercial partners, the cash does not appear on our accounting systems until the following day.

14 (b) Intra-government balances

	31-Mar-13 £000	Restated 31-Mar-12 £000	31-Mar-11 £000
Balances with other central government bodies	(19,233)	(12,777)	(9,565)
Balances with local authorities	(33,295)	(43,523)	(92,696)
Balances with NHS trusts	0	(768)	0
Balances with public corporations and trading funds	(190)	(932)	(274)
	(52,718)	**(58,000)**	**(102,535)**
Balances with bodies external to government	(349,597)	(372,233)	(283,599)
Total payables as at 31 March	**(402,315)**	**(430,233)**	**(386,134)**

15 Provisions for Liabilities and Charges

	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Balance at 1 April 2011	(16,017)	(35,211)	(27,121)	(78,349)
Provided in the year	(1,053)	(6,439)	(24,268)	(31,760)
Provisions not required written back	2,279	4,672	13,244	20,195
Provisions utilised in the year	3,374	5,494	12,668	21,536
Unwinding of discount	(551)	(482)	(47)	(1,080)
Balance at 31 March 2012	**(11,968)**	**(31,966)**	**(25,524)**	**(69,458)**
Provided in the year	(860)	(8,445)	(35,073)	(44,378)
Provisions not required written back	52	4,196	14,953	19,201
Provisions utilised in the year	3,085	260	13,476	16,821
Unwinding of discount	(612)	(2,096)	(109)	(2,817)
Balance at 31 March 2013	**(10,303)**	**(38,051)**	**(32,277)**	**(80,631)**

	2012-13 £000	2011-12 £000
Provided in year	44,378	31,760
Provisions not required written back	(19,201)	(20,195)
Total provision provided/written back	**25,177**	**11,565**
Provision utilised in year	(16,821)	(21,536)
Unwinding of discount charged to programme expenditure	2,817	1,080
Total provision movement	**11,173**	**(8,891)**

Analysis of expected timing of discounted cash flows	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Not later than one year	2,746	4,732	16,712	24,190
Later than one year and not later than five years	6,397	18,401	15,168	39,966
Later than five years	1,160	14,918	397	16,475
Balance at 31 March 2013	**10,303**	**38,051**	**32,277**	**80,631**

Early departure costs

Up to December 2010, the agency met the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retired early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.8 per cent in real terms. From December 2010 the procedure has changed; see note 1.21.

Building dilapidations

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

15 Provisions for Liabilities and Charges (continued)

Other provisions
Other provisions include the following:

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

• Refunds of fees incorrectly charged.

16 Capital Commitments

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

	31-Mar-13	31-Mar-12
	£000	£000
Property, plant and equipment	83	1,069
Intangible assets	1,563	26,431
	1,646	**27,500**

There has been a significant fall in capital commitments due to a commitment under intangible assets ending in March 2013.

17 Commitments under Leases

17(a) Operating leases

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

		Restated
Obligations under operating leases comprise:	31-Mar-13	31-Mar-12
	£000	£000
Land		
Not later than one year	296	420
Later than one year and not later than five years	1,318	1,592
Later than five years	6,030	6,175
	7,644	**8,187**
Buildings		
Not later than one year	19,221	26,572
Later than one year and not later than five years	67,191	90,127
Later than five years	74,997	76,325
	161,409	**193,024**
Other		
Not later than one year	150	445
Later than one year and not later than five years	80	483
Later than five years	0	0
	230	**928**

The figures reported in 2011-12 in respect of land have been restated as certain contracts have now been excluded from classification as operating leases (£135m). The comparative figures for 2011-12 have been calculated using the HM Treasury discount factor of 2.2%. The figures for 2012-13 have been calculated using the revised discount factors issued by HM Treasury in PES (2012)15 on 30 November 2012.

17 Commitments under Leases (continued)

17(b) Finance leases

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

	31-Mar-13 £000	31-Mar-12 £000
Buildings		
Not later than one year	8,531	8,424
Later than one year and not later than five years	35,256	34,798
Later than five years	115,617	123,864
	159,404	**167,086**
Less interest element	(84,397)	(90,301)
Present value of future lease payments	**75,007**	**76,785**

The present value of future lease payments under finance leases are given in the table below for each of the following periods:

	31-Mar-13 £000	31-Mar-12 £000
Buildings		
Not later than one year	8,531	8,424
Later than one year and not later than five years	28,221	27,875
Later than five years	38,255	40,486
	75,007	**76,785**

18 Commitments under PFI Contracts

In 2012-13 the UK Border Agency held a material interest in two contracts with ATOS Origin and Fujitsu Services to supply IT infrastructure, development and support services and both have been classified as PFI contracts. The contracts were initially signed in September 2011 and represent extensions to earlier contracts signed between the suppliers and UK Border Agency and the Home Office respectively. They expire in 2016, although there is an option to extend further.

The figures shown represent the agency's share of the total assets and costs from the two PFI contracts with ATOS and Fujitsu for the common IT infrastructure, development and support services.

Over and above the shared costs, the disclosed figures also include some additional costs which the UK Border Agency has under these contractual arrangements with ATOS Origin and Fujitsu.

This contract has been classified as a service concession arrangement. In accordance with IFRIC12, assets used within the terms of the contract are treated as those of the agency.

As at 31 March 2013 the assets within the contract have a capital value of £164,621k (31 March 2012: £99,668k) and a net book value of £91,967k (31 March 2012: £49,390k).

Obligations under PFI contracts

Total future obligations under PFI contracts recognised in the Statement of Financial Position are as follows:

	31-Mar-13	**31-Mar-12**
	£000	**£000**
Not later than one year	50,014	52,754
Later than one year and not later than five years	84,181	137,488
Later than five years	0	0
	134,195	**190,242**

The interest element of the total obligations under on-balance sheet PFI contracts is £nil (2011-12: £nil).

Payments the UK Border Agency is committed to make during 2013-14 in respect of PFI contracts recognised in the Statement of Financial Position are shown below, based on the expiry date of the contract.

	31-Mar-13	**31-Mar-12**
	£000	**£000**
Contract expiry:		
Not later than one year	0	0
Later than one year and not later than five years	50,014	52,754
Later than five years	0	0
	50,014	**52,754**

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of PFI contracts recognised in the Statement of Financial Position was £36,966k (2011-12: £36,848k).

19 Other Financial Commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of detention services, the development of the Immigration and Asylum Biometric System (IABS), and the facilitation of worldwide Visa Application Centres. The payments to which the agency is committed are as follows.

	31-Mar-13	Restated 31-Mar-12
	£000	£000
Not later than one year	225,513	247,471
Later than one year and not later than five years	161,804	337,405
Later than five years	81	2,466
	387,398	**587,342**

The figures from 2011-12 have been restated to include material commitments with the FCO of £383m and IABS of £68m. Balances relating to detention centres have also been amended to reflect contract break clauses, resulting in a decrease of approximately £151m.

20 Contingent Assets and Liabilities disclosed under IAS 37

20(a) Contingent liabilities disclosed under IAS 37

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

• The agency is currently in dispute with five former accommodation providers relating to its asylum support accommodation contracts with an estimated value of £37.5m.

• There are a number of other cases outstanding, predominantly relating to changes by UKBA on the immigration rules and their implementation, which may have a negative impact on institutions and individuals. The potential liability is £21.3m.

• There are a number of cases of unlawful detention outstanding. Based on past experience these give rise to an overall contingent liability of £9.0m.

• Human resource related cases raised by UK Border Agency employees with an estimated potential liability of £2.7m.

20(b) Contingent assets disclosed under IAS 37

The agency has one contingent asset:

• The audit of the East African Migration Route project found ineligible expenditure attributed to expenditure made by our partners of €90,837, or £76,623 using an exchange rate of £1 = €1.1855 as at 2nd April 2013.

21 Contingent Liabilities not required to be disclosed under IAS 37 but included for Parliamentary Reporting and Accountability Purposes

The agency has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability as defined by IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, since the possibility of a transfer of economic benefit in settlement is too remote.

Credit Industry Fraud Avoidance Service (CIFAS) (Minute dated 1 July 2008)
The indemnity granted to CIFAS is a condition on being part of the data sharing arrangements, and protects all parties (CIFAS, its chairman and directors, members, etc.) from claims resulting in erroneous data being supplied. For example, if erroneous data resulted in financial services being withdrawn from an individual, the supplier of that info would become liable for any costs.

The UK Border Agency use of Foreign and Commonwealth Office premises
Commitment to conditional support provided to the FCO against third party claims arising out of, or in connection with, the agency's occupation of this premises.

Harmondsworth and Campsfield inquiry team (Minute laid 4 July 2007)
Indemnity provided to the chairman and members of the team carrying out, in good faith and honesty, the inquiry into the disturbances at the Harmondsworth and Campsfield immigration removal centres.

22 Losses and Special Payments

	2012-13 £000	2011-12 £000
Losses under £250,000: 524 cases (2011-12: 487 cases)	1,032	1,059
Losses over £250,000: 10 cases (2011-12: 10 cases)	20,561	8,633
Total Losses	**21,593**	**9,692**

(a) Losses statement - cash losses	**2012-13 £000**	**2011-12 £000**
Details of cases over £250,000		
Constructive Losses:		
Payments made by the agency for 1 (2011-12: 3 cases) empty property. Unavoidable payments relate to rent, rates and utilities and are made to landlords and other parties after occupation has ended. These payments are the consequence of an estate management and rationalisation plan designed to increase the overall long term benefit of the estate to the business. Part of the building has been sublet to minimise future losses.	396	441
Costs incurred in respect of flights originally intended to remove ineligible ayslum seekers, which were subsequently cancelled due to asylum seekers being granted the right to appeal.	2,504	2,018
Losses incurred due to the design, development, planning consent and site preparation on the former MOD site at Bullingdon. The development of Bullingdon did not feature as a preferred option of the detention strategy and subsequently the planning consent has now lapsed.	1,696	0
Claims Waived or Abandoned		
Included within impairments is an amount for entities which have entered administration and therefore the debt cannot be collected: 220 cases (2011-12: 202 cases)	1,985	2,199
Included within bad receivable write offs is an amount for claims which have had all recovery attempts exhausted: 731 cases (2011-12: 322 cases)	5,455	2,721
EU losses:		
Losses arose as a result of UKBA-led projects incurring expenditure which was deemed ineligible under the terms of the EU eligibility criteria: 5 cases (2011-12: 2 cases). Further detail is provided in note 28.	8,525	292
	20,561	**7,671**

22 Losses and Special Payments (continued)

Details of cases under £250,000

Loss of Pay:		
Overpayments to members of staff which have arisen from pay changes where notifications have been received after the cut-off point for payroll. We are continuing to seek recovery of these overpayments and expect to receive a portion of this balance in the future.	24	402
Claims Waived or Abandoned		
Included within impairments is an amount for penalties which could not be enforced due to administrative errors: 26 cases (2011-12: 1 case)	258	5
Other Losses:		
Other losses: 524 cases (2011-12: 485 cases)	750	840
	1,032	**1,247**
Total cash losses: 534 cases (2011-12: 495 cases)	**21,593**	**8,918**

(b) Losses statement - non-cash losses

Cases over £250,000 which were disclosed in full in 2011-12 and for which no further payments have been made		
Impairments and downward revaluation: no cases (2011-12: 1 case)	0	560
Bookkeeping losses: no cases (2011-12: 1 case)	0	214
Total non-cash losses: no cases (2011-12: 2 cases)	**0**	**774**

22 Losses and Special Payments (continued)

(c) Special Payments

	2012-13	2011-12
	£000	£000
Losses under £250,000: 2,142 cases (2011-12 1,368 cases)	19,702	14,075
Losses over £250,000: 5 cases (2011-12: 5 cases)	1,646	1,379
Total Losses	**21,348**	**15,454**

Cases with cumulative totals of over £250,000 for which payments have been made this financial year

	2012-13	2011-12
	£000	£000
Adverse legal costs incurred due to removal challenged by a family.	104	220
Costs incurred due to removal challenged by a family consisting of £300k adverse costs and £102k compensation costs.	209	193
Payments made relating to five individuals of the same family in relation to an unlawful detention claim. Total costs amount to £138k adverse costs and £122k compensation.	138	122
Adverse legal costs incurred in relation to an unlawful detention claim.	182	85
Ministry of Justice recharges: When UKBA loses a challenge referred to the Immigration Appeals Tribunal the Appeals Judge awarded the claimant up to the full amount of the appeal fee in: 8,077 cases (2011-12: 0 cases)	1,013	0
	1,646	**620**

Cases over £250,000 which were disclosed in full in 2011-12 and for which no further payments have been made

	2012-13	2011-12
	£000	£000
Adverse legal costs:	0	987
Ex gratia payments:	0	100
Other cases: 0 cases (2011-12: 5 cases)	0	292
	0	**1,379**

22 Losses and Special Payments (continued)

Other cases with cumulative totals of under £250,000 for which payments have been made this financial year

	2012-13	2011-12
	£000	£000
Compensation payments:	2,405	4,015
Adverse legal costs:	12,563	8,680
Ex gratia payments:	4,703	760
Other cases: 2,142 cases (2011-12: 1,364 cases)	31	0
	19,702	**13,455**
Total: 2,147 cases (2011-2012: 1,373 cases)	**21,348**	**15,454**

23 Related Party Transactions

The UK Border Agency is an executive agency of the Home Office. The Home Office group included during the year:

Identity and Passport Service
Forensic Science Service
Independent Police Complaints Commission
Independent Safeguarding Authority
National Policing Improvement Agency
Office of the Immigration Services Commissioner
Security Industry Authority
Serious and Organised Crime Agency
Advisory Council on the Misuse of Drugs
Animal Procedures Committee
Migration Advisory Committee
National DNA Database Ethics Group
Police Advisory Board
Police Negotiating Board
Regulation of Investigatory Powers Act Technical Advisory Board
Investigatory Powers Tribunal
Office of the Surveillance Commissioners
Police Arbitration Tribunal
Police Discipline Appeals Tribunal
HM Inspectorate of Constabulary
Independent Chief Inspector of the UK Border Agency
National Fraud Authority
National Crime Agency
Criminal Records Bureau
Disclosure and Barring Service

These bodies are regarded as related parties with which the agency has had various transactions during the year.

Rob Whiteman, the Chief Executive of the UK Border Agency to 31 March 2013, sits on the Home Office board. In addition, the UK Border Agency has a representative of the Foreign and Commonwealth Office (FCO) on its board. No board member, key managerial staff or other related parties have undertaken any material transactions with the agency during the reporting period other than those mentioned below.

Other government departments

The agency had transactions with several government departments during the financial year including material transactions with the Foreign and Commonwealth Office (FCO), Treasury Solictors (TSols), the Ministry of Justice (MoJ) and Her Majesty's Revenue and Customs (HMRC).

Foreign and Commonwealth Office

The total income collected by the FCO on the agency's behalf in 2012-13 was £444,566k (2011-12: £432,988k), and the total expenditure incurred by the FCO on the agency's behalf in 2012-13 was £182,560k (2011-12: £184,830k). The net receivable due from the FCO as at 31 March was £9,374k (2011-12: £1,373k).

The agency also incurred expenditure totalling £46,686k (2011-12: £31,601k) with the MoJ, expenditure totalling £44,644k (2011-12: £38,066k) with TSols and expenditure totalling £34,379k (2011-12: £2,195k) with HMRC. Income generated from transactions with the MoJ, TSols and HMRC was immaterial in 2012-13 and 2011-12, as were receivable and payable balances at 31 March 2013 and 31 March 2012.

Non-departmental public bodies

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

During the year, OISC had material transactions with the UK Border Agency. The UK Border Agency supplied OISC with grant in aid in 2012-13 of £3,988k (2011-12: £3,681k), and received income from advisors and designated professional bodies in 2012-13 of £1,056k (2011-12: £1,057k).

UK Border Agency board members

A number of agency board members have received season ticket loans or cycle scheme loans from the UK Border Agency which, in accordance with agreed repayment plans, remain partially outstanding as at 31 March 2013. The amounts outstanding are:

David Wood (Director of Operations and Deputy Chief Executive): £2,083
Michael Wells (Director, Immigration and Settlement): £1,445
Jonathan Nancekivell-Smith (Acting Director, Crime and Enforcement Group): £486

24 Third Party Assets

(a) Citizenship ceremony fee

The UK Border Agency receives applications from foreign nationals to obtain British nationality. The application money includes ceremony fee of £80 (2011-12: £80), which is payable to the local authorities who conduct the ceremony once it has taken place. The UK Border Agency therefore holds the funds on behalf of the local authority until it becomes payable. The money is collected through the agency's GBS Bank account and is subsequently incorporated into the Home Office GBS account so that control over the assets can be maintained.

The cash held is not an asset of the agency and is therefore not recognised in the accounts. The asset held at the reporting date to which is was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. They are set out in the table below.

Of the balance below, £nil is held in UK Border Agency GBS bank accounts (2011-12: £nil). The full balance is held centrally by the Home Office.

	31-Mar-13	31-Mar-12
	£000	£000
Monetary Assets	5,875	6,498
	5,875	**6,498**

(b) Proceeds of crime

Under the Proceeds of Crime Act 2002 and Section 24 of the UK Borders Act 2007, the agency has the authority to seize cash linked to offences against the immigration acts. The cash seized is held in a separate bank account until a judicial case decision is made. Upon decision the monies, including any interest earned is either returned to the owner or transferred to the agency as a seized asset. The monies are held in three separate bank accounts depending on currency to eliminate any exchange rate transactions.

Monies held, including interest comprise of the following:

	31-Mar-13	31-Mar-12
	£000	£000
Monetary assets - GBP	5,227	5,249
	5,227	**5,249**

	31-Mar-13	31-Mar-12
	€000	€000
Monetary assets - Euro	3,038	2,185
	3,038	**2,185**

	31-Mar-13	31-Mar-12
	$000	$000
Monetary assets - US Dollar	487	636
	487	**636**

(c) Bail bond accounts

Under the legal system in Scotland, the agency is required to hold monies for people who are cautioned at court for immigration offences. A bail bond is collected and held in a separate bank account(s). As at 31 March the total held was £239k (2011-12: £208k).

25 Seized Assets

During the financial year, the agency received £1,855k (2011-12: £1,565k of income in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation.

26 Events after the Reporting Period

Post 31 March 2013, the following are disclosed as having an effect on the agency:

(1) On the 26 March 2013, the Secretary of State announced that the UK Border Agency would lose its executive agency status with effect from 1 April 2013 and be split into two business segments responsible for immigration and visa services, and immigration law enforcement, accountable directly to the Secretary of State. As a consequence of this announcement, the UK Border Agency ceased to exist as a separate entity and the custodianship of all assets and liabilities transferred to the Home Office at their carrying value on 1 April 2013.

(2) In accordance with IAS 10: *Events after the Reporting Period*, the permanent secretary of the Home Office duly authorised the issue of these financial statements on **4 July.**

27 Penalty Income

The UK Border Agency collects immigration penalties and civil penalties. The agency is permitted to retain a proportion of the income as agreed by HM Treasury, however the majority is surrendered to the consolidated fund. In accordance with HM Treasury guidelines, the income generated is not recognised in the agency's Statement of Comprehensive Net Expenditure, however, the net receivable due in respect of penalties raised, along with the Consolidated Fund Extra Receipt (CFER) payable due to the Home Office, is recognised in the agency's Statement of Financial Position.

27.1 Penalties raised

	2012-13	2011-12
	£000	£000
Immigration penalties raised	(2,553)	(2,550)
Civil penalties raised	(7,705)	(7,699)
Total penalties raised	**(10,258)**	**(10,249)**
Less: element retained by the agency	3,000	3,000
Total penalties payable to the consolidated fund	**(7,258)**	**(7,249)**

27.2 Write-offs

	2012-13	2011-12
	£000	£000
Immigration penalties	0	20
Civil penalties	7,698	4,667
Total write-off	**7,698**	**4,687**

27.3 Receivables

	31-Mar-13	31-Mar-12
	£000	£000
Immigration penalties	644	592
Civil penalties	15,794	22,111
	16,438	**22,703**
Accrued income	130	140
Less provision for doubtful receivables	(9,433)	(15,923)
Net receivables due	**7,135**	**6,920**

27.4 Payable to the consolidated fund

	31-Mar-13	31-Mar-12
	£000	£000
Total payable to the consolidated fund	(7,135)	(6,920)

28 EU Funding

28.1 Overview

The UK Border Agency receives funding from the European Commission under the European Refugee Fund (ERF), the European Fund for the Integration of Third Country Nationals (EIF) and the European Returns Fund (RF). The agency utilises these funds to finance projects across the UK which aim to settle and integrate refugees and third country nationals in the UK, or provide assistance in returning refugees to their countries of origin. The funds are managed by a Responsible Authority, which sits within the agency.

As part of the EU funding process, UKBA accrues expenditure on a pro-rata basis in line with the grant agreement in place with the each of the beneficiaries, since this provides the best estimate of the expenditure being incurred. Upon the closure of a project, the beneficiaries are subject to an audit by auditors acting on behalf of the Responsible Authority, during which the their actual expenditure in respect of the project is assessed against the eligibility rules issued by the European Commission. In respect of the 2008 and 2009 annual programmes, the audits were conducted by RSM Tenon LLP and Littlejohn LLP. The audits in respect of the 2010 annual programme were conducted by an independent in-house audit team.

Upon the completion of the audits, a sample of projects are selected for review by the Audit Authority, to ensure that the audits conducted on behalf of the Responsible Authority are compliant with EU legislation. The Home Office Internal Audit Unit acts as Audit Authority to the funds in partnership with KPMG LLP.

The expenditure incurred in respect of the funds will then be certified by the Certifying Authority prior to submission to the European Commission. In respect of the 2008 and 2009 annual programmes, the National Audit Office acted as the Certifying Authority to the funds. Certification of the 2010 annual programme has not yet taken place. Both the Audit Authority and the Certifying Authority reserve the right to disallow further expenditure which was not disallowed as part of the initial audits.

The final amounts payable to the beneficiary are often lower than the original amounts as set out in the grant agreement due to a combination of budgetary underspends incurred by the beneficiaries, and disallowances to the expenditure being claimed by the beneficiaries as part of the audit and certification processes.

During the year, losses materialised as part of the certification process for the 2008 and 2009 annual programmes and the audits of the projects funded under the 2010 annual programme. The losses arose for the reasons outlined below.

Cash losses

Payments have been made by the agency to beneficiaries in excess of the final audited level of funding. Such instances arose as a result of large underspends being incurred by projects, and material disallowances as part of the audit process due to expenditure failing to meet the EU eligibility rules. In most cases, overpayments were recouped at no additional cost to the taxpayer by reducing subsequent grant payments. The losses stated relate to the inability to recover overpayments from one beneficiary which went into administration.

Claims waived or abandoned

Funding was provided by the agency to beneficiaries based on the findings and the conclusions of the audit which took place. However, further losses arose in the following instances:

Disallowances by the Audit Authority - As part of the Audit Authority's procedures, additional disallowances totalling £70k were recommended after the final payment to the beneficiary had been made.

Disallowances by the Certifying Authority - As part of the certification procedures, the NAO were unable to gain sufficient appropriate evidence to support the sums being claimed by the agency from the European Commission. As a consequence, a proportion of the funding provided to beneficiaries will not be reimbursed by the Commission. The gap in funding, which totals £1,493k, will be paid by the Home Office.

Losses arising from UKBA-run projects - Further to the above cases, losses have been recognised in respect of UKBA-run projects whose expenditure was, after audit, subject to disallowances totalling £6,956k. Since the projects were partly funded by UKBA and partly funded by the EU, expenditure which is deemed ineligible under the European Commission's eligibility criteria will be funded by the agency itself.

Other losses

Other losses relate to exchange rate fluctuations, which form an inherent risk associated with match-funding provided by the EU, and surplus costs incurred in the agency's administration of the funds - this is referred to as Technical Assistance.

Details of the losses incurred have been provided in note 28.5.

The tables below highlight the amounts which have been accrued by the agency in respect of the 2008, 2009 and 2010 programmes, and the final amounts payable to the beneficiaries after audit. Note that the amounts outlined below include UKBA-led projects and do not include sums claimed by the agency in respect of Technical Assistance.

Total grant paid to beneficiaries

	2008 Programme £000	2009 Programme £000	2010 Programme £000	Total £000
ERF	4,904	3,493	3,451	11,848
EIF	1,494	3,481	4,863	9,838
RF	2,742	6,746	7,467	16,955
	9,140	**13,720**	**15,781**	**38,641**

Total amount payable to beneficiaries after audit

	2008 Programme £000	2009 Programme £000	2010 Programme £000	Total £000
ERF	4,730	4,624	3,765	13,119
EIF	1,459	3,711	6,521	11,691
RF	4,216	6,998	9,237	20,451
	10,405	**15,333**	**19,523**	**45,261**

Net amount receivable from / (payable to) beneficiaries (i.e. total payable less cash paid)

	2008 Programme £000	2009 Programme £000	2010 Programme £000	Total £000
ERF	174	(1,131)	(314)	(1,271)
EIF	35	(230)	(1,658)	(1,853)
RF	(1,474)	(252)	(1,770)	(3,496)
	(1,265)	**(1,613)**	**(3,742)**	**(6,620)**

Of the £6,620k payable to beneficiaries, £5,255k relates to external beneficiaries, comprising £393k of receivables and £5,648k of payables. See also 28.3 and 28.4.

The agency aims to pay the beneficiaries in three stages: an initial payment representing 50% of the agreed level of funding at the commencement of the project; an optional second payment representing up to 30% of the agreed level of funding part-way through the funding year, and a balancing payment representing up to 20% (or 50% if no interim payment has been made) of the project's agreed level of funding upon the conclusion of the audit. As such, whilst the amounts accrued are in excess of the final audited amounts payable, cash overpayments are low since the funding is paid in arrears.

Where the actual expenditure incurred is lower than the amounts originally recognised, this is reflected accordingly in the Statement of Comprehensive Net Expenditure (see 28.2). The agency also amends the income due from the EU to reflect the decrease in funding the agency has deemed eligible.

During the year the 2008 and 2009 annual programmes were subject to certification by the (NAO). The table below outlines the amounts certified by the NAO and submitted to the European Commission. The certified figures represent the balances payable by the European Commission to the agency in respect of each of the annual programmes. The amounts deemed as payable as a result of the audits over and above the amounts certified remain subject to payment by the agency.

Amounts certified

	2008 Programme £000	2009 Programme £000	Total £000
ERF	4,710	3,956	8,666
EIF	1,457	1,808	3,265
RF	4,197	6,998	11,195
	10,364	**12,762**	**23,126**

Adjustment for amounts to be resubmitted to the European Commission

	2008 Programme £000	2009 Programme £000	Total £000
ERF	0	146	146
EIF	0	903	903
RF	0	-	-
	0	**1,049**	**1,049**

Losses (i.e. net amounts payable after audit less certified amounts - see also 27.5)

	2008 Programme £000	2009 Programme £000	Total £000
ERF	20	522	542
EIF	2	1,000	1,002
RF	19	0	19
	41	**1,522**	**1,563**

28.2 Income and Expenditure

The agency recognises income from the European Commission as expenditure is incurred by the beneficiaries financed by UKBA. As such, EU income and EU expenditure is matched. However, the agency is exposed to the risks arising from fluctuations in foreign exchange rates. It is also exposed to the risk of funding expenditure from its own reserves in respect of UKBA-led projects, if expenditure is deemed to not meet the EU eligibility rules, and external projects, if beneficiaries are unable to repay any surplus financing.

The financial tables below detail the income and expenditure which has been incurred in respect of the EU funding mechanism, along with the associated assets and liabilities.

Income receivable from the European Commission for funding beneficiaries in receipt of EU co-financing

	2012-13 £000	2011-12 £000
2007 Annual Programme	4	-
2008 Annual Programme	(2,687)	(1,934)
2009 Annual Programme	(4,435)	1,902
2010 Annual Programme	(574)	9,809
2011 Annual Programme	8,881	17,828
2012 Annual Programme	19,867	506
	21,056	**28,111**
less:		
Adjustment for Thematic Funding	(3)	(841)
Foreign exchange differences	(38)	0
EU Income reported in Statement of Comprehensive Net Expenditure	**21,015**	**27,270**

Expenditure payable to beneficiaries by UKBA on behalf of the European Commission

	2012-13 £000	2011-12 £000
2007 Annual Programme	4	0
2008 Annual Programme	(2,646)	(1,751)
2009 Annual Programme	(2,913)	1,902
2010 Annual Programme	(574)	9,809
2011 Annual Programme	8,881	17,828
2012 Annual Programme	19,867	506
	22,619	**28,294**
less:		
Losses (see 28.5)	(1,563)	0
Adjustment for Thematic Funding / Community Actions	(41)	(841)
Foreign exchange differences	0	(183)
EU Expenditure reported in Statement of Comprehensive Net Expenditure	**21,015**	**27,270**

28.3 Receivables

Amounts due from the European Commission (accrued income)

	2012-13	2011-12
	£000	£000
2007 Annual Programme	0	0
2008 Annual Programme	1,016	1,657
2009 Annual Programme	4,097	6,206
2010 Annual Programme	5,801	6,144
2011 Annual Programme	7,394	5,033
2012 Annual Programme	6,785	506
2013 Annual Programme	0	0
	25,093	**19,546**

Recoveries due from external beneficiaries (trade receivables)

	2012-13	2011-12
	£000	£000
2007 Annual Programme	0	0
2008 Annual Programme	122	104
2009 Annual Programme	81	0
2010 Annual Programme	190	6
2011 Annual Programme	0	2
2012 Annual Programme	0	0
2013 Annual Programme	0	0
	393	**112**

Prepayments to external beneficiaries

	2012-13	2011-12
	£000	£000
2012 Annual Programme	23	0
	23	**0**

28.4 Payables

Amounts payable to the European Commission

	2012-13 £000	2011-12 £000
2007 Annual Programme	(778)	(782)
2008 Annual Programme	(3,029)	(982)
2009 Annual Programme	(2,479)	(153)
2010 Annual Programme	(277)	(47)
2011 Annual Programme	(1,396)	0
2012 Annual Programme	0	0
2013 Annual Programme	0	0
	(7,959)	**(1,964)**

Amounts payable to external beneficiaries

	2012-13 £000	2011-12 £000
2007 Annual Programme	(4)	0
2008 Annual Programme	(1,475)	(1,550)
2009 Annual Programme	(305)	(2,712)
2010 Annual Programme	(3,868)	(7,439)
2011 Annual Programme	(6,027)	(5,882)
2012 Annual Programme	(2,550)	0
2013 Annual Programme	0	0
	(14,229)	**(17,583)**

Deferred Income

	2012-13 £000	2011-12 £000
2011 Annual Programme	0	(7,916)
2012 Annual Programme	(11,698)	0
2013 Annual Programme	(11,811)	0
	(23,509)	**(7,916)**

28.5 Losses

During 2012-13, losses materialised in respect of funding relating to the 2008, 2009 and 2010 annual programmes as outlined below.

	2012-13 £000	2011-12 £000
a) Cash losses		
Write-off of receivable relating to the recovery of an overpayment to Toxteth, due to all means of recovery being exhausted	4	0
b) Claims waived or abandoned		
Expenditure deemed ineligible by Audit Authority in respect EIF 2009	70	0
Losses arising as a result of certification procedures:		
2008 certification: RF	19	0
2008 certification: ERF	20	0
2008 certification: EIF	2	0
2009 certification: ERF	522	0
2009 certification: EIF	930	0
Losses arising as a result of UKBA-led projects incurring expenditure which is deemed ineligible under the terms of the EU eligibility criteria:		
Gateway Protection Programme - 2008	1,537	0
Gateway Protection Programme - 2009	1,815	0
Gateway Protection Programme - 2010	1,562	0
Points Based System - 2008	2,042	0
c) Fruitless payments		
Fines levied by the European Commission for failure to comply with EU requirements	0	124
d) Other losses		
Ineligible Technical Assistance	38	0
FX (gains) / losses	(36)	168
Total losses	**8,525**	**292**

28.6 Provisions

Provision in respect of balances owed by beneficiaries not being recovered (i.e. doubtful debt provision)

	2012-13 £000	2011-12 £000
Peacemaker: 2008 Annual Programme	(90)	0
Peacemaker: 2009 Annual Programme	(72)	0
Peacemaker: 2010 Annual Programme	(72)	0
	(234)	**0**

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