



Security Industry Authority

# Annual Report and Accounts 2007/08



In 2007/08 our **mission** was to help protect society by collaboratively developing and achieving high standards in the private security industry.

Our **vision** was to create a Security Industry Authority that is a model of good regulation and internationally recognised as a major contributor to the quality and effectiveness of the private security industry thus helping to reduce crime, disorder and the fear of crime.

We recently updated our vision and mission moving forward into 2009. This document, however, reports on the outcomes of the 2007/08 year.



Security Industry Authority

# Annual Report and Accounts 2007/08

Presented to Parliament by the Secretary of State for the Home Department and by the Comptroller and Auditor General, in pursuance of Section 16(4) (b) and Section 17(2) of Schedule 1 of the Private Security Industry Act 2001.

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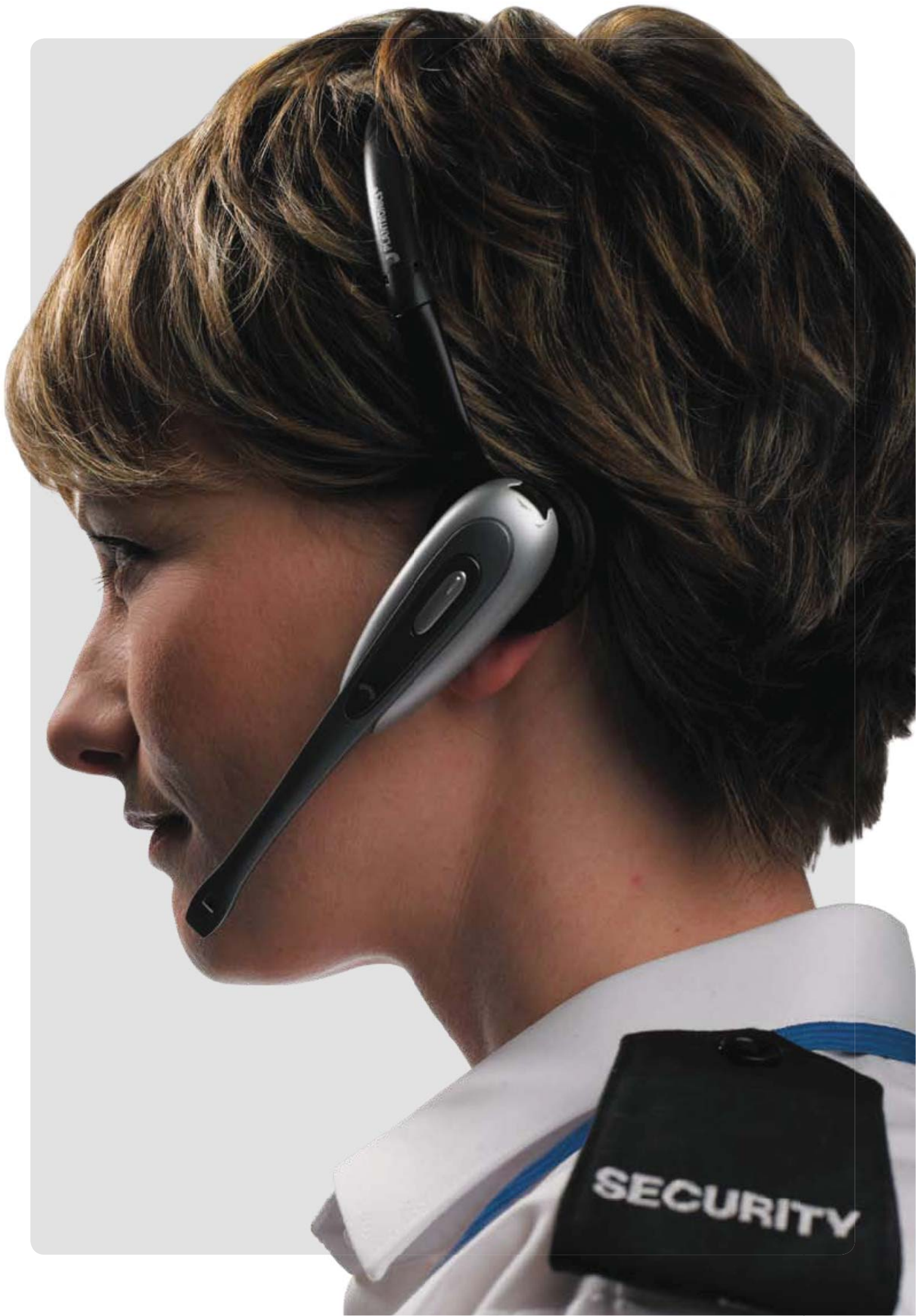
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# Contents

Ministers' statements	6
Joint statement from the Chair and Chief Executive	9
Introduction	13
<b>The Security Industry Authority</b>	13
Home Office objectives	15
Characteristics of the private security industry	15
Strategic direction	17
Security Industry Authority aims	17
Licensing	18
Approved contractor scheme	18
Relationships	19
Performance in 2007/08	21
<b>Results</b>	21
<b>Challenges for the SIA</b>	21
<b>Performance against our objectives</b>	25
Objective 1 – Provide services and standards to our customers that meet their needs	25
Objective 2 – Deliver our regulatory activities effectively and efficiently	30
Objective 3 – Deliver a development programme that continues effective regulation of the private security industry	37
Objective 4 – Strategic stakeholders understand and support our strategic direction and the benefits of our work	39
Objective 5 – To be recognised internally and externally as a model of good practice	42
Objective 6 – Meet objectives whilst achieving revenue projections and operating within budget	44

<b>The future</b>	47
Objective 1 – Reduce criminality within the private security industry	47
Objective 2 – Raise quality standards within the private security industry	47
Objective 3 – Continually improve and develop the organisation and its performance	48
Objective 4 – Meet financial targets and demonstrate value for money to the Home Office and fee paying customers	48
Objective 5 – Build on our credibility with stakeholders	48
Objective 6 – Review the application of the Private Security Industry Act 2001	48
<b>Customer service</b>	49
<b>Stakeholder engagement</b>	50
<b>Corporate risks for 2008-09</b>	52
<b>About us</b>	55
<b>Financial Overview</b>	63
<b>Remuneration report</b>	69
<b>Statement of accounts</b>	75



# Ministers' statements

This last year has seen another challenging time for the SIA during which they successfully extended their regulatory function into Scotland, and began the introduction of a new licence processing system which should greatly speed up and improve the service offered to licence applicants.

While the introduction of the new processing system has not been without problems, many of which have had an adverse impact on their ability to provide the high level of service they wish to give applicants, once fully implemented the new systems will provide a number of important and useful service improvements.

I was very pleased to see the way the SIA responded to evidence that emerged during the year of the scale of illegal working in the private security industry. Although the obligation to check whether an employee has a right to work in the UK rests with the employer, the SIA worked closely with the UK Border Agency to undertake checks on all non-European Economic Area nationals who apply for, or who already held, licences.

This partnership also led to the revocation of 7,700 licences where the UK Border Agency identified concerns about the individuals' right to work.

The next few years will see further expansion of the SIA's regulatory umbrella with licensing extending to Northern Ireland. Consultation by the Northern Ireland Office in 2006 showed strong support by the industry for SIA regulation, and current plans should allow licence applications to be accepted in early 2009, with licensing becoming a legal requirement in December 2009.

Consultation has also taken place on the longer-term options for the regulation of enforcement agents, private investigators and precognition agents, and work is in hand to take these issues forward.

Finally, following representations from members of Parliament and others, I have asked the SIA to take forward a path-finding study to consider the compulsory registration of companies who operate in the private security industry, with vehicle immobilisation companies being addressed as a priority.

I have every confidence that the SIA will meet the challenges that lie ahead, and that the level of service they offer to customers will continue to improve over the coming year.



**Vernon Coaker**  
**Under-Secretary of State for**  
**Crime Reduction**

VERNON COAKER



## Scottish Minister's Statement

### Kenny MacAskill

In recent years there has been a growing concern in Scotland at the involvement of organised criminals within the security industry. On 1 November 2007, we took a massive step towards thwarting the actions of this unscrupulous minority by introducing licensing to the private security industry thereby making it an offence to work within the regulated sectors in Scotland without an SIA licence.

Regulation has allowed us to offer the public, and those who use the services, a greater level of protection. Businesses using security services can buy them in the knowledge that those involved have been vetted, and in the knowledge that the people providing the services on the frontline have had the appropriate training. The introduction of the Approved Contractor Scheme offers further security by ensuring that the value of the service being bought and sold is more readily quantifiable.

It was unfortunate that the SIA faced a number of technical problems which had an adverse impact on their quality of service at the same time as licensing was introduced in Scotland which led to some delays in issuing licences here. We are committed to working with the SIA to address these issues.

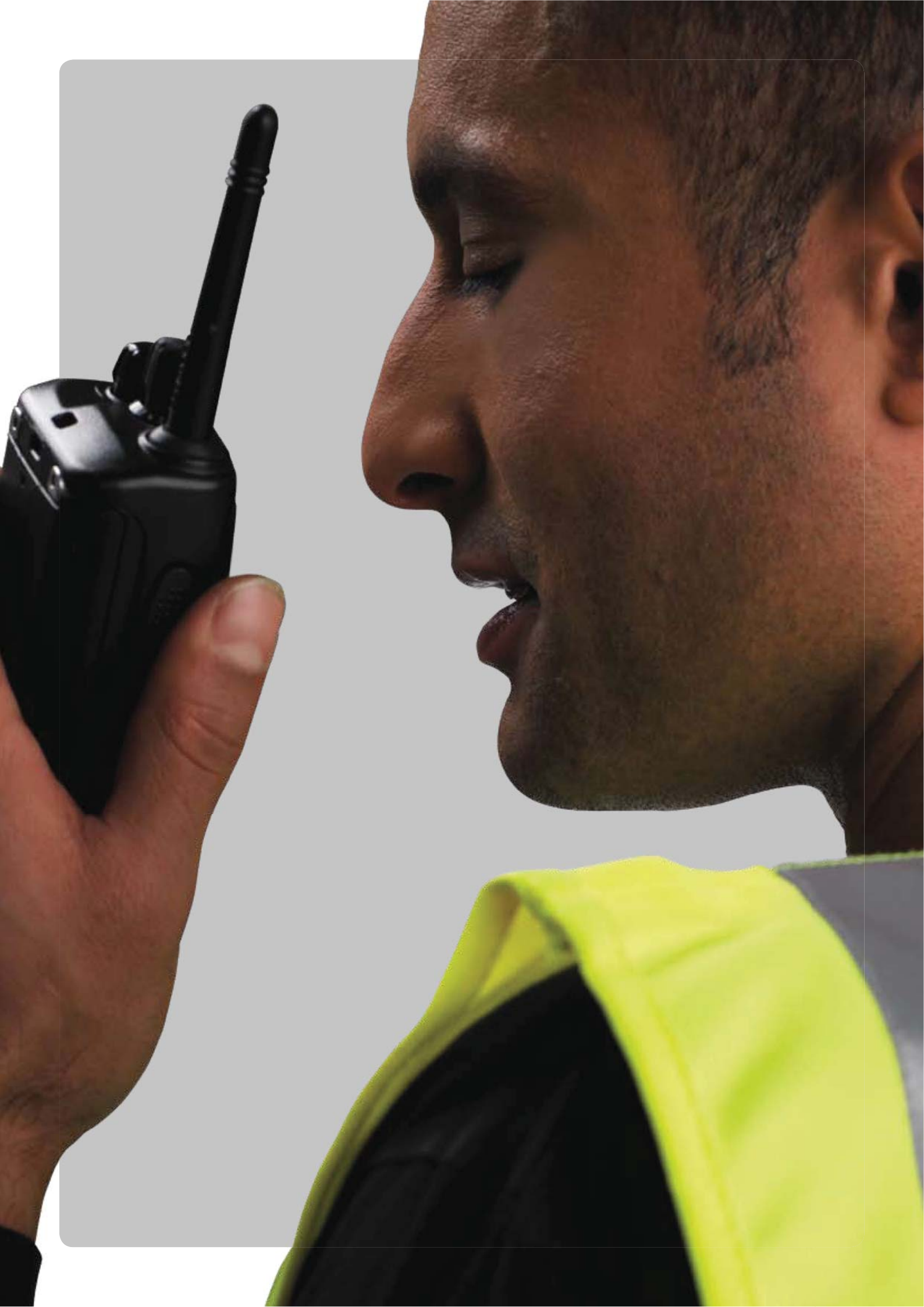
Since November, Scotland has been consulted on the potential extension of the regulatory framework to cover private investigators and precognition agents, which has been of particular importance in Scotland given the difference in Scots and UK law in this area.

I welcome the approach to licensing the SIA has taken in the first six months in Scotland, and the Scottish Government will continue to work with the UK Government and the SIA to ensure we have the tools required to continue the development of an industry for the 21<sup>st</sup> century.

The coming year provides the opportunity to consolidate on licensing and to enforce regulation here in Scotland to drive, and keep out, those crooks who have given the industry a bad name.



Kenny MacAskill MSP



# Joint statement from the Chair and Chief Executive

This is the 5th Annual Report and Accounts. Earlier reports covered periods in which the setting up of the SIA and introducing the regulatory regime across England and Wales dominated the SIA's activities. The period covered by this report is no different in that it saw a significant extension of our geographic area into Scotland. But it also saw two other major events – a change in our provider of key services (including contact centre, document handling centre and on-line registration) and the right to work issue.

These major developments will be covered in turn below. But it must not be forgotten that the greater part of the organisation has been carrying out its routine responsibilities, consolidating the achievements of earlier years and making real progress in a number of areas. The Approved Contractor Scheme, licensing, compliance, intelligence, enforcement and a range of support functions including finance, IT, legal and strategic development are the 'bread and butter' of what the SIA does. And we would like to pay tribute not only to our own staff whose commitment and hard work have made this a successful year as far as these activities are concerned, but to our external stakeholders. This year – largely as the result of the Stakeholder Engagement Strategy being vigorously pursued – we have seen a tangible improvement in relations between the SIA and our external stakeholders. In particular, we have enjoyed new levels of mutual support and trust between ourselves and Ministers, Home Office officials and the private security industry. This is beginning to transform the effectiveness of the SIA.

The extension of our licensing authority into Scotland was a particular success. It succeeded partly because of the efforts and skills of SIA staff, which we are glad to acknowledge. But the success is as much due to the strong support the SIA received in the planning and execution from the Scottish Government, the Association of Chief Police Officers in Scotland, the police themselves, and the greater part of the private security industry in Scotland. The worst fears of a small but vociferous part of the private security industry simply did not materialise.



**Ruth Henig**  
SIA Chairman



**Michael Wilson**  
SIA Chief  
Executive

The change in our Managed Service Provider (MSP) involved the development and introduction of streamlined processes supported by new information technology. At the same time, outsourced document handling and call centres in Bournemouth and Newcastle were closed, with the work transferring to a new partner in Liverpool. This was an ambitious and difficult project, both technically and administratively. Although early indications were promising, a number of mainly technical difficulties led to serious delays in processing applications and renewals. It was also at this time that the right to work issue emerged.

Earlier in the year, we identified a significant number of non-European Economic Area licence holders without the right to work in the UK. Checks by the UK Border Agency on SIA records indicated that over 10,000 non-European Economic Area licence holders appeared not to have the right to work in the UK. Although the responsibility to ensure employees have the right to work rests with the employer, we considered it important to take the lead on resolving this issue; we sent letters to each of these individuals in December, asking for confirmation of their right to work, without which their licence would be revoked. Over 7,700 licences were revoked. Whilst checking the right to work is clearly the responsibility of employers and not the SIA, we are continually improving our processes to ensure, as far as we reasonably can, that SIA licence holders are not illegal workers. Most of the private security industry realised that the problem of illegal workers was a shared problem requiring a shared solution, and worked closely with us throughout the year to improve the situation. We are very grateful for that supportive and responsible approach.

The combined effect of delays in introducing MSP, administrative problems associated with the transition from Newcastle to Liverpool, and the right to work issue was to cause a flood of enquiries to the new contact centre just as it opened. The contact centre was severely overloaded, and problems persisted more or less to the end of the year in spite of our efforts to address them.

An otherwise excellent year was marred by these events. These technical difficulties have been analysed and lessons learnt. Our future strategy will take account of this experience and action will be taken in the year ahead to repair the damage done to our reputation.



Ruth Henig



Michael Wilson



# Introduction

## The Security Industry Authority

The Security Industry Authority is the organisation responsible for regulating the private security industry. We are an independent body reporting to the Home Secretary, established in 2003 under the terms of the Private Security Industry Act 2001. Our mission is to help protect society by collaboratively developing and achieving high standards within the private security industry. Our remit currently covers England, Wales and Scotland.

We have two main duties. One is the compulsory licensing of individuals undertaking specific licensable activities within the private security industry; the other is to manage the Approved Contractor Scheme, which measures private security suppliers against a set of independently assessed criteria. Our statutory functions are to:

- protect the public by monitoring the activities and effectiveness of those providing services involving the activities of security operatives
- set and approve standards of conduct, training and supervision of those supplying or delivering security services
- license individuals in specific sectors and to approve security companies
- conduct inspections as considered necessary
- make recommendations to maintain or improve standards of the provision of security industry services and other services involving the activities of security operatives; and
- keep under review the provision of security industry services and other services involving the activities of security operatives.

In addition, we can:

- do those things we consider necessary or helpful in discharging our functions; and
- make proposals to the Secretary of State to modify any provision contained in the Private Security Industry Act 2001, and to undertake, arrange or support research relating to the provision of security services.

“The Security Industry Authority (SIA) has introduced improvements to their licensing process which will benefit security companies and all individuals applying for an SIA licence by improving efficiency, alleviating administrative burdens and enhancing customer satisfaction.

The measures include a simpler application form which also accommodates multiple sector licence applications as well as a new bulk online application/renewal process for companies to apply on behalf of their employees. The new application form is easier to obtain and can be completed online or downloaded from the website, saving users' time in receiving their applications and cutting down on the number of returned applications. Applicants applying for multiple licences can do so on a single form and will receive their multi-licence discount automatically. This will save a significant amount of time and avoid repetition of effort.

The bulk online application and renewal process for companies will speed things up for organisations that submit applications on behalf of employees, thereby allowing companies greater control over their employees' licensing process and reducing errors in applications. These changes were made after the SIA sought feedback from individuals and organisations as part of their commitment to continuous improvement, being a better regulator and reducing administrative burdens.”

**Home Office Simplification Plan December 2007,  
Delivering our Commitments.**



## Home Office objectives

As a non-departmental public body with the sponsorship of the Home Office, we contribute to the overall aims and objectives of that department. The Home Office action plan for reform published in July 2006 states that the core purpose of the Home Office is protecting the public. Our mission and aims contribute directly to that core purpose.

As a statutory regulator, we are committed to the principles set out in the Legislative and Regulatory Reform Act 2006 and also to the Regulators' Compliance Code, the statutory code of practice for regulators which came into force on 6 April 2008.

This means our regulatory activities are targeted only where action is needed and we aim to carry these out in a way that is transparent, accountable, proportionate and consistent. Our policies, procedures and practices are constantly under review and we try to ensure that our regulation of the private security industry is effective and efficient.

## Characteristics of the private security industry

In recent years, the private security industry has welcomed the benefits that responsible regulation can bring to the industry. In past years the industry suffered from a poor reputation, being described as having low levels of competitiveness and business performance and plagued with employment difficulties. With support from the SIA through licensing of individuals and approval of contractors, the industry aspires to:

- reduce staff turnover by increasing the attraction of the industry as a rewarding career
- gain public recognition of its professionalism and performance
- create a competitive, flourishing and dynamic industry consolidating existing markets and expanding into new ones
- obtain financial investment to drive growth and opportunities
- gain the participation of well qualified people at all levels
- gain national and international recognition for its access to reliable knowledge and expertise; and
- be actively involved and contribute to a wider Government agenda of a co-ordinated approach to national security.



## 2008 results from Reliance Security Services and Shopping Centre Survey

The bi-annual report of UK shopping centre managers reported a marked improvement in the quality and provision of security services.

Almost three quarters of this year's survey respondents believe that licensing and regulation has had a positive effect on security within shopping centres. A majority of centre managers (59%) cited improved vetting of personnel, while other areas to benefit include training (56%), improved perception of security (48%) and higher levels of security personnel retention (45%). Three out of four centres also reported that the implementation of licensing requirements went smoothly.

89% of shopping centres with security contracts said that they would not consider moving security teams in-house.

85% of shopping centre managers confirmed that they are aware of the Approved Contractor Scheme (ACS) and 78% said they are aware of the benefits of using a security provider with ACS status. 75% confirmed that their security provider was ACS approved.



## Strategic direction

We contribute to the protection of the public and to the reduction of crime by collaboratively introducing regulation as a catalyst to stimulate change and improvement within the private security industry. This helps create a fitter and healthier industry that is able to improve its competitiveness and reputation, and harness opportunities for both the public and the industry itself.

We aim to be a modern, efficient and collaborative regulator – introducing regulation with the industry and not to the industry – continually balancing the public purpose of regulation with the commercial implications.

## Security Industry Authority aims

Our aims for 2007/08 were:

- To enhance the protection of the public through increased public trust and confidence in the private security industry by reducing criminality, setting and maintaining standards of probity, and improving the professionalism of all those who work in the industry.
- To improve the standards of businesses in the private security industry through the creation of a framework for developing, promoting and spreading best practice.
- To contribute to the Home Office extended police family policy by encouraging and supporting further engagement of the private security industry.
- To achieve recognition, by all our stakeholders, of the SIA as a model of good practice.



The regulation of the security industry is something that the BSIA lobbied the government about for a number of years. We felt – and still feel – that regulation was the only way to improve levels of professionalism across the industry and eliminate a minority of rogue companies. The implementation of regulation has of course been challenging as any project of this magnitude would be. However, facilities managers can now be assured that their licensed contract security officers are professionals that have been trained to do their job and have undergone a Criminal Record Bureau check.”

**David Dickinson,**  
**Chief Executive, British Security**  
**Industry Association (BSIA)**

## Licensing

Compulsory licensing has helped to ensure that those working within the private security industry are fit and proper persons who have received adequate vocational training for the role they perform.

The sectors subject to compulsory licensing in England, Wales and Scotland in 2007/08 were:

- Manned guarding
  - Cash and valuables in transit
  - Close protection
  - Door supervision
  - Public space surveillance (CCTV)
  - Security guarding
- Key holding
- Vehicle immobilising

## Approved Contractor Scheme

The voluntary Approved Contractor Scheme (ACS) provides a framework for setting, improving and monitoring the standards of business management and organisation amongst companies that provide private security services. Approved contractors are demonstrably committed to customer service and the compulsory licensing of their staff. As well as giving purchasers confirmation of the quality and standards that they can expect from approved contractors, the ACS provides confidence and reassurance to wider stakeholders such as the public, police, employees and the local community.



The ACS was introduced as a voluntary initiative by the SIA, inviting companies to sign up to a closely monitored programme of business standards and ethics which ensure financial and operational best practice and transparency at every level. We took the view that this scheme could only increase the level of professionalism in the industry, and we very much want to improve standards and work with official bodies.

In conjunction with other standards, such as Investors in People, ACS accreditation is a valuable asset. Our clients are assured that we are delivering high quality industry standards. The ACS requires significant investment and, in the longer term, we believe there will be commercial benefits deriving from it."

**Mark Harding,**  
Managing Director, Showsec, and Chair of UK Crowd Management Association



The Licensing process has made end users feel that the quality of security provided is better, as many of the cowboy companies have already left the industry"

**Jim Gannon,**  
Unipart Security Solutions



## Relationships

Our relationships are crucial to our success. We have extensive relationships ranging from information sharing to formal partnerships with a number of organisations that impact on all parts of our business. We continue to nurture these relationships, to ensure we maintain high standards in the work we do across all security industry sectors.

Our relationships with organisations fall within one of three categories: strategic, delivery and operational.

We have strong strategic relationships with the Home Office, Association of Chief Police Officers and Association of Chief Police Officers in Scotland. We continue to enjoy a close relationship with Skills for Security, with Hazel Banks, the SIA's Director of Strategic Development, as a member of the Board of this Sector Skills Body for the Security industry.

We also have delivery focussed relationships with awarding bodies, assessing bodies, Qualifications Curriculum Authority and the Scottish Qualifications Authority. Our active partnerships with qualification regulators have been particularly useful in our efforts to combat training malpractice. Through these relationships we receive intelligence, which we pass on to awarding bodies for investigation. During October and November 2007, two training centres were closed as a result of actions generated through collaboration with our partners.

Finally, we have relationships with organisations that focus on the operational/enforcement element of our work, namely with the police, local authorities, the Department for Work & Pensions, Her Majesty's Revenue & Customs and the UK Border Agency at the Home Office, Association of Chief Police Officers, Association of Chief Police Officers in Scotland, Serious and Organised Crime Agency.

We regularly share information and combine resources to make our relationships mutually productive and effective. For example, increasingly, the police are using the provisions of the Private Security Industry Act 2001 to target organised crime; we provide intelligence and logistical support for such operations. As the experience and impact of these targeted operations become clear, we expect this activity to grow over the coming year.



We will support the Security Industry Authority in all of its efforts to ensure that the industry is free of criminal influence."

**Chief Superintendent  
Andrew Laing,  
Association of Chief Police Officers  
in Scotland**



# Performance in 2007/08

Throughout 2007/08, our work focussed on a combination of the operational delivery of licensing and the attraction and retention of applicants for the voluntary Approved Contractor Scheme (ACS). We continued to ensure compliance with the law and conformance with standards, and carried out further implementation of regulation as agreed by the Home Office and Scottish Ministers.

## Results

- Against our target of 75%, **94%** of approved contractors due for re-registration continued their membership.
- We implemented regulation in Scotland as planned by November 2007.
- Our total income was **£21.6m** against the projected total income £18.4m.
- The financial deficit for 2007/08 was **£0.610m** against a prediction of £2.1m.
- By 31 March 2008, we achieved our commitment to making satisfactory progress to achieve financial self-sufficiency.
- There are **446** SIA approved companies with **102,000** licensable employees, exceeding our forecasts of 370 companies and 87,000 licensable employees.
- We contributed to the responses to **36** parliamentary questions, and to the drafting of **five pieces of legislation** which took effect during 2007/08; three secondary and two primary.
- We accepted **77,268** applications for processing against a target of 65,000.

## Challenges for the SIA

### Customer service

Dealing with us should be a customer experience that is as simple and streamlined as possible. We recognise that over the past year, this has not been the case and we apologise to our customers for the inconvenience that was caused as we endeavoured to improve our services.

To determine the priorities for re-development of our licensing and contact customer services, we consulted widely and three broad aims emerged from the consultation (shown in the table below). We designed the new system with these aims in mind, but it has taken longer than anticipated to deliver the expected benefits to our customers. We have, however, made progress towards a majority of the solutions, and will continue to make further progress on those outstanding, as indicated below:

Status of re-developed service			Dates as at 31/3/08
SIA aims	Examples of planned solutions	Status	
1. Improve customer service	Contact centre redesigned and doubled in size	Delivered	November 2007
	Return of documents by secure courier	Delivered	October 2007
	On-line tracking of applications and licences	Delivered	December 2007
2. Reduce administration burden on customers	Applications on-line	Mid 2008	Mid 2008
	Link to Identity and Passport Service to avoid posting of passports	Mid 2008	Mid 2008
3. Increase rigour of identity checks	ID and counter-signatory checks via Immigration Passport Service to reduce fraud	April 2008	April 2008
	Criminality checks via Criminal Record Bureau and Disclosure Scotland	Delivered	Throughout old and new service
	Risk based approach and off-line checks	Delivered	In stages from December 2007

*\*some issues will still remain with the capacity of the contact centre until take-up of the on-line services reaches the forecast level.*

In re-developing our services, we made a significant investment to try to improve the licensing process whilst maintaining the robustness of decision making and improving identity checking. We anticipate that this investment will reduce unnecessary burdens on individuals and businesses.

Unfortunately, during the introduction of new services, there were some significant operational problems that caused application processing to be much slower than normal. Many of these problems have since been resolved, but we are acutely aware of the inconvenience to our customers caused by the teething problems we have experienced during implementation of the improved system.

In November 2007, we launched a new contact centre and introduced a secure courier service for the return of identity documents. We did not anticipate the high demands for information, which resulted in the contact centre being inundated with calls so that response times were unacceptably long.

We have extended the opening hours of the call centre and we are continuing work to improve contact centre processes. We hope that the measures we are taking will ensure our customers' future experience of the contact centre is professional and efficient.

We are also working to bring about a steady and continuous improvement in customers' experience of the licensing process. We have implemented changes aimed at making the application process quicker and more effective. For example, we have re-organised key stages in the licensing process – including identity check, qualifications check and criminality check – to run in parallel rather than consecutively.

We have also introduced measures that allow companies to monitor their employees' licences more easily than before as previously employers were only able to search and check one licence at a time.

Companies that use our bulk application service can log in to our secure website to track the progress of their batches of applications. This is an automated process that is intended to assist companies in tracking applications while freeing up lines into the contact centre.

Other changes introduced include:

- providing *blank* application forms to speed up the application process, although we are sorry that it has taken us longer than intended to streamline our processes for fulfilling requests for application forms
- expanded facilities for companies to be able to manage applications and licensable status of employees
- the option to submit and manage applications via the internet. (In addition to this, customers are still able to apply for licences without needing access to any computer facilities)
- greater collaboration with other government departments, such as the UK Border Agency and the Identity and Passport Service, to deliver an improved service with greater accuracy and robustness.

Our development programme has taken over a year to carry out, and while there have been significant start-up problems, we are confident that the changes will bring about an improved service for the whole private security industry. We are grateful to our customers for their patience in the face of our operational difficulties and for letting us know, when and how, things were going wrong so that we could take action to rectify them.

### **The right to work in the UK**

Although the SIA has no legal responsibility to carry out right to work checks – that is the role of the employer – we have nevertheless improved our processes to ensure as far as we reasonably can that SIA licence holders are not illegal workers. We are working closely with the private security industry to ensure that together, with each of us improving the way we operate, we reduce illegal working.



During the year, the right to work issue attracted a significant amount of press coverage and parliamentary scrutiny. The all-party House of Commons Home Affairs Committee sought oral and written evidence which was subsequently published in the 'Select Committee for Home Affairs Third Report'.

An SIA licence is not evidence of entitlement to work in the UK. In operating our statutory 'fit and proper person' test however, we have always had the discretion to enquire into a person's immigration status and to refuse or revoke a licence if the person does not have the right to work. Prior to 2007, and in consultation with the Home Office and the UK Border Agency, we kept the issue of immigration checks under review and operated sample checks on 10% of non-European Economic Area (EEA) applicants.

In the light of evidence which began to surface from April 2007 onwards, we carried out more intensive checks on the 10% sample using new facilities that were made available by the UK Border Agency. This new process showed that a higher proportion of non-EEA applicants might not have the right to work than the earlier sampling had indicated. As soon as the scale of the problem was identified, we changed our process to introduce right to work checks conducted by the UK Border Agency on all non-EEA applicants, providing a stronger safeguard in the system.

Since July 2007, we have worked with the UK Border Agency to check the right to work in the United Kingdom of all new SIA licence applicants who are non-EEA nationals. We also took action to ensure that all non-EEA nationals holding existing SIA licences underwent the same right to work check.

At the end of 2007, checks revealed that a number of licence holders did not appear to have the right to work in the UK. We wrote to them informing them that we were minded to revoke their licences unless they could demonstrate their right to work. Each of these individuals had 21 days to provide this evidence before their licence was revoked. If we did not receive a response within the 21 days, the decision to revoke their licence automatically took effect. In any revocation decision, the law allows a further 21 days in which the licence holder may exercise their right of appeal to a Magistrate's Court, Sheriff Court or District Court.

During the year, we also made a number of other changes to improve the robustness of the licensing system. This included tougher requirements for applicants' identity documents and the assessment regime for those companies in our Approved Company Scheme. We continue to seek ways to ensure that the licensing system has strong safeguards whilst at the same time recognising that the system has to be practical for all those relying on it.

Most of the private security industry realised that the issue of illegal workers was a shared problem, requiring a shared solution, and worked closely with us throughout the year to improve the situation. We are very grateful for that supportive and responsible approach.

Since we introduced right to work checks for all new applicants from 2 July 2007, we have:

- refused or not finalised over 1,700 applications because we are not satisfied that the applicant has a right to work in the United Kingdom
- revoked nearly 7,700 existing licences because we were not satisfied that the licence holder had a right to work in the United Kingdom.



Whilst there can be no guarantee that there will not be illegal workers in the industry, the steps we are taking together with the industry have significantly reduced the likelihood. Both we and the industry need to remain alert and be prepared to take further action quickly and decisively if the need arises.

## Performance against our objectives

### Objective 1 – Provide services and standards to our customers that meet their needs

Licence processing – we accepted over 77,000 licence applications for processing during the year. For the first half of the year we made progress towards achieving our target of 80% of initial licence decisions made within 30 working days of receiving an application suitable for processing. However, the change over to our new licensing system in November 2007 with its associated transitional operating problems meant that our performance slipped considerably and the processing of a large number of applications was significantly delayed. We responded to this difficulty by increasing resources to deal with licensing problems both at our headquarters and in the document handling centre and we just about reached the turning point by the end of the year. We anticipate an early return to processing licences within a reasonable timescale in 2008/09. We apologise to those customers affected by the poor licence processing performance associated with the changeover to the new system.

Licensing processing times to decision making

Cumulative total % of licence applications processed within time deadlines (once entered on to system)												
Month	April 07	May	June	July▲	Aug	Sept	Oct	Nov	Dec	Jan 08	Feb	Mar
Time												
4 weeks	35	67	68	46	30	29	21	*	*	*	*	*
6 weeks	78	77	75	80	76	65	48	*	*	*	*	*
7 weeks	83	81	77	83	83	77	58	*	*	*	*	*
8 weeks	85	83	78	85	87	82	66	*	*	*	*	*
9 weeks	87	85	80	87	89	85	73	*	*	*	*	*

\*From November onwards we implemented a new licensing system causing delays to processing which meant that there were significant delays entering applications on to the system and performance figures are not available.

▲From July onwards we started right to work checks adding length to the time it took to make licence decisions.

**Licence refusals and challenges** – We expect a proportion of potential licence applicants to realise they should not apply for a licence after checking the criminality criteria beforehand. Since the licensing scheme was established, we have refused over 8,700 licence applications from those who did not meet our fit and proper person criteria.

**Licence suspensions and revocations** – We normally consider suspension only where we are reasonably satisfied that a clear threat to public safety could exist if we did not suspend the licence. This usually means that a serious offence has allegedly taken place, where the individual has been charged but bailed.

Licences will be **revoked** if:

- The holder is not the person to whom the named licence has been issued.
- The holder does not have the training qualifications that were claimed on application.
- The holder receives a conviction, caution or warning for a relevant offence.
- The holder did not have the right to remain or work in the UK when they applied for the licence, or have since lost that right.
- The holder has broken the conditions upon which the licence was issued.
- We receive non-conviction information suggesting that there is a case for withdrawing the licence; or
- The holder becomes subject to detention due to mental disorder.



We have achieved virtually all our licensing goals and now continue to focus on improving customer service."

**Bruce Warman, Board member, SIA**

## Licence refusals, suspensions and revocations by sector

Data as at 30 March 08	Door supervision	Security guarding	Cash & valuables in transit	Public space surveillance (CCTV)	Close protection	Vehicle immobilisation	Key holding	Total
Application refused	5061	3289	66	130	78	142	2	8768
Licence suspended	206	79	2	9	2	2	0	300
Licence revoked	3260	4744	34	141	27	10	5	8221

Please note: Figures above are cumulative since the beginning of licensing.

## Approved Contractors Scheme (ACS)

The Approved Contractor Scheme was our success story of the year and we are delighted with the progress of the scheme, which exceeded many of the targets we had set for this year.

### ACS take-up

- 244 firms applied for ACS status for the first time in 2007/08.
- 310 firms eligible to re-register for ACS status during 2007/08 completed this process successfully. Seven firms chose not to re-register.
- 446 firms, including companies of all sizes (micro, small, medium, large) employing more than 100,000 licensable staff were approved. This means that approximately 50% of the estimated licensable population works for approved contractors.

**ACS processing** – 45 straightforward applications were processed within 30 working days. The median time from application to approval was 69 working days for fast track route applications and 111 working days, including independent assessment, for standard route applications.

**ACS fees** – Following a fee review the ACS annual registration fee was reduced by 15% – from £20 per licensable employee to £17 – with effect from 1 October 2007. The ACS is non-profit making with the fees set at a break-even level. Since the launch of the ACS it has attracted more contractors, employing more licensable staff, than initially projected, allowing the SIA to recover its ACS-related costs with the annual registration fee set at a lower level. Fees will be reviewed annually and further changes introduced if appropriate.

**ACS assessment process** – There were no significant differences in assessment outcomes across the seven assessing bodies carrying out assessments for ACS. Of the 219 companies that completed their initial assessment, 83% met all requirements at the first visit. First time pass rates across the assessing bodies ranged from 74% to 93% which can be explained by the sample sizes involved and different client bases. Also 177 companies have completed their second

annual assessment with all requirements met in 86% of cases. Overall during the year 52 companies had improvement needs identified during an assessment.

**ACS decision making** – We withdrew ACS status from five companies and our decisions were not appealed. We refused ACS status in five cases and our **decision was appealed in one case, but then conceded by the appellant.**

**ACS Quality Assurance** – In addition to the improvement needs identified during assessment, we followed up 241 reports of malpractice relating to approved contractors. Forty-six companies were served notice of withdrawal of approved contractor status although the issues involved were resolved in most cases before any final decision to withdraw was made. Sixteen companies had the authority to deploy staff under licence dispensation temporarily restricted or withdrawn.

## Private Security Industry Act (2001)

**Additions and Exclusions Frameworks** – In conjunction with the Home Office and the Scottish Executive, we developed frameworks to assess applications for additions to, and exclusions from, the Private Security Industry Act 2001.

The Private Security Act 2001 already contains provisions for exclusions and additions but the frameworks make the assessment criteria and the application process transparent, so that applicants are fully informed and understand what it takes to make a successful application.

**Criminality Criteria** – Under Section 7 of the Private Security Industry Act we have a duty to prepare and publish the criteria we apply in determining whether or not to grant a licence. It also allows us to revise the criteria.

During the year we undertook a review of all aspects of the criteria to address:

- changes in legislation which impact on us; and
- criticisms about the lack of flexibility and/or scope of the current criteria arising from appeals and judicial reviews.

The review recommended that the original principles developed in consultation with the industry (consideration of seriousness, relevance and recency) be retained but at the same time recommended a greater degree of scope and flexibility. The two main revisions are:

- Judgement of seriousness of offences to be based on the Sentencing Guidelines Council Overarching Principles of Seriousness; and
- The introduction of an additional consideration of intrinsic seriousness, for example, the sentence/disposal actually received for a conviction.

**Implementation of the EU Directive 2005/36/EC** – In October 2007, the United Kingdom implemented the European Union Directive on recognition of professional qualifications. The directive introduced new provisions allowing equivalent qualified European Economic Area (EEA) nationals who are legally established in their home member state to provide services in other member states on a “temporary and occasional” basis, with minimum restrictions.

The SIA embarked on a project to ensure compliance with the European Union Directive. The project delivered the process and procedures for registration of European Economic Area nationals wishing to provide services in the private security industry on a temporary basis.

We have developed a new system to allow for temporary registration. However, it is untested as we have not yet received any applications for temporary registration.

## Research

Independent research carried out for the SIA showed that managers and operatives in door supervision and security believe that levels of compliance are high – more than 90%.

“It is reckless for the company to be employing non-licensed guards. He can't get through the net, basically. If someone walked through the door, we couldn't put them on site until they had a licence, it's not worth it. There is actually no point in trying to do it.”

### Manager in security guarding sector, London

“You are not prepared to build a business up over so many years and take risks from my point of view. I'd go absolutely mad if we risked our business for one person.”

“They've done loads of spot checks, along with the police as well. In one area in Nottingham just before Christmas, they went into every pub and had to close two down because of people not being licensed.”

### Manager in door supervision sector, Nottingham

“You are looking at a £5,000 fine. In Nottingham they lined up all the guards, and half of them didn't have licences. So they had to shut the club down that night, they shut it down totally and had to get new management in, and reduce the amount of people in [the club].”

### Door supervisor, Nottingham



## Objective 2 – Deliver our regulatory activities effectively and efficiently

In England and Wales it has been three years since completing the compulsory introduction of door supervisor and vehicle immobiliser licensing and two years for the remaining manned guarding sectors and key holders. All the indicators – statistical analysis, on the ground checks and independent research – show that the industry is 90% plus compliant with the law on licensing.

- Licence applications continue to be received at a rate consistent with our understanding of the market size and staff turnover.
- Operation 'Festive Spice', a multi-agency campaign by the SIA and partners to check door staff at licensed premises across Great Britain, at weekends before and during the Christmas and New Year holiday period, checked over 900 individuals. Of the 900 checked, 95% were licensed.
- A joint SIA and police operation in Rugby checked security guards and CCTV operatives working in the town centre. Most were licensed.

**Compliance and enforcement** – there are three strands to our compliance and enforcement strategy:

1. Information and intelligence driving the deployment and prioritisation choices.
2. Engaging partners.
3. Making the environment hostile to non-compliance providing the greatest return and therefore warranting the greatest investment. Enforcement as an important but selective tool.

This drives how we use our resources.

During the year:

- We received and evaluated more than 660 items of information **each month** through Crimestoppers, our website, correspondence and from our enforcement partners. The evaluated and analysed information informs our deployment.
- Nearly 1,800 disclosures were made from our systems to our partners including the police, UK Border Agency and the Department for Work and Pensions.
- Over 1,200 local authority and un-sworn police officers had conferred delegated powers under the Private Security Industry Act 2001 to assist with enforcement in support of their own operations.
- The police and local authorities issued over 100 warnings.
- We provided 450 witness statements to the police and other agencies to support their investigations into potential licensing offences.
- We issued over 400 SIA warnings to individuals and 32 improvement notices to companies.

- We conducted 18 targeted compliance operations and supported a further 58 partner-led operations.
- We continued to prosecute cases through the criminal courts but no cases were finalised. We know that the police have secured convictions but we will not have complete information on this until November 2008. We estimate however, that the police took court action in over 160 cases.

### Construction Site Security in Scotland – Operation Gold

In February 2007 the SIA opened its doors for the processing of licence applications in Scotland. Training had been available for a number of months and the SIA had already started to work with the Scottish security industry in preparation for the November 2007 offence date.

Whilst working with the security industry in Scotland in preparation for licensing and undertaking analysis of compliance levels and incoming intelligence, there was an indication that security companies supplying to the construction industry were a compliance concern. There were indications that a large proportion of those still to submit an SIA licence application were working for construction site security suppliers. At this time, none of the known construction industry security suppliers in Scotland had applied to become part of the Approved Contractor Scheme.

Experience has shown that intelligence-led targeted operations result in significantly increased levels of compliance and therefore the best tactic to tackle the problem was a national targeted operation – Operation Gold.

The 11 companies targeted accounted for about 1,000 licensable operatives and information gathered showed that in some cases as few as 30% of the operatives employed by these companies had applied for their SIA licence.

Six of the targeted companies are now currently assessed as compliant with the Private Security Industry Act. Two of the companies are now Approved Contractors and a further two have made an application to become approved. The remaining five companies are being monitored.





Despite this achievement and activity, there is still non-compliance, malpractice and the involvement of criminals. Regulators and enforcement agencies do not eradicate problems but they make it more difficult for criminals to operate and for non-compliance to be viable. Intimidation, extortion and fraud were crimes long before private security regulation came along and remain a problem for the police and similar agencies to tackle. What regulation has done is to progressively 'clear the ground' and help focus attention where it is most needed. Operations like Merseyside's Seahog need the leadership, expertise, powers, equipment and training of the police. Private security legislation provides additional tools and the SIA, along with other regulators and agencies, supply specialist knowledge and information to such police-led, multi-agency operations. We have done well to engage so effectively with other agencies. This is reflected in the number of joint operations and the regular exchange of thousands of pieces of information.

### Operation Seahog

In last year's report, we wrote about this Merseyside police-led operation in which the police joined forces with partner agencies including the SIA and continued to carry out visits to company premises and construction sites to check the legitimacy of the security personnel. Using the Private Security Industry Act 2001 as a tool to investigate security companies and individuals, the police have disrupted serious and organised crime.

By April 2008, there were 840 site visits, 158 people considered for prosecution for working unlicensed and 13 people for supplying unlicensed operatives. A further seven have already been convicted of supplying unlicensed staff. Another 80 benefits and immigration offences were detected.

To build future resistance to organised crime, most local authorities in the police area now require the SIA's Approved Contractor Scheme for new security contracts. Other police areas have shown great interest in this operation, which demonstrates how the legislation can be used to tackle wider issues of criminality.



Towards the end of 2007, we thoroughly reviewed our compliance and enforcement strategy. We concluded that our current strategy remains the right approach. It is consistent with good 'policing' practice, good regulatory practice and the Regulators' Compliance Code. From April 2008, we are obliged to take account of this code by the Legislative and Regulatory Reform Act 2006.

Whilst satisfying 'specialist' stakeholders such as other enforcement agencies and better regulation experts, we note some stakeholders' desire for what is generally considered poor practice e.g. routine inspection and punitive rather than supportive action. Whilst it is not in the interests of effectiveness to deviate from good practice, there is a challenge to be met in reassuring some stakeholders and modifying their understanding and expectations.

During the review, we identified a number of developments needed to further improve the effectiveness of the compliance strategy and these will be progressively worked on during the coming year. Not least, this includes continuing to find ways to reassure stakeholders that the SIA's compliance and enforcement approach is effective within the constraints of its resources and tools.



The Regulator has actively encouraged whistle-blowing of companies and operatives working illegally, and the UKCMA fully supports that system. Indeed, we will continue to back the SIA in any way we can. The SIA has been very positive in its approach to enforcement, preferring to educate and enforce rather than rely on immediate prosecution"

**Mark Harding, Managing Director, Showsec and Chair of UK Crowd Management Association (UKCMA)**

### Operation Fuchsia

Operation Fuchsia, concluded in 2007, supported a police and immigration operation focused on identity fraud and money laundering. The SIA identified 26 addresses many of which were not previously known to the police. Photographs and documents held by the SIA also assisted in unravelling the confusion of some identities. As a result of the operation, two people are now serving prison sentences and another four deported from the UK. Twenty-three SIA licence holders identified in the operation were referred for licence revocation on the grounds of having no right to work in the UK.

**Joint working** – We have agreed with the Association of Chief Police Officers (ACPO) that the requirements for ACS and the requirements for the Community Safety Accreditation Scheme set up under the Police Reform Act 2002 will not be formally linked. However, information from applicants to the two schemes may be shared to ensure best use of available intelligence.



Partners such as ACPO are particularly supportive of the SIA's role in ensuring there is a professional credible security industry as part of the wider policing family"

**Office of Government Commerce, Gateway 5 Review**

### Security Guard Licensing Research in 2007 – key findings

- Security guards, particularly those who have been in the industry for less than five years, are generally positive about the impact of licensing. They feel that licensing has already improved, or will improve their working environment and future career options and opportunities. Although most licence holders claim not to have received a pay increase, they mostly believe their skills, the way they are treated by others, and their future career opportunities have improved, or will improve, because of licensing. Most feel they are now more able, have a better range of skills, have more confidence and will get better pay and conditions in the long term because of licensing.
- Security guards are very positive about the impact that licensing has had on the public's view of the industry. They believe that the public now have greater trust in security guards because of criminal record checks, and they are more aware of the role that security guards can play in providing security and community safety.
- Around half of suppliers have seen an overall increase in their security guard workforce since licensing. Most suppliers feel that licensing has not had a negative impact on their ability to retain security guard staff. However, recruitment has become more difficult, mostly due to a shortage of licensed candidates, and there have been significant costs in terms of wages, training and application fees. Security guards who did not pay for any of the costs of their licence application or training were much more likely to have not changed or considered changing their employer. Most security guard suppliers feel they are being forced to continue to compete on price and have not been able to recoup the costs of licensing. Despite this, security guard suppliers are not negative about licensing.
- Most suppliers have found that they have not been able to pass on (all) licensing costs to customers, and that customers want to reduce security provision because of increased costs. While there is recognition that many customers know how licensing can benefit their organisations, the perspective of suppliers is that most customers are interested only in price.

IFF Research Ltd



**Research forum** – We established a research forum for industry stakeholders and interested parties, to improve our knowledge and understanding of the private security industry. The forum membership includes representatives from trade associations, the police, industry press, academia and the Home Office. In 2007/08 the forum met three times. The next meeting is scheduled for July 2008.

**Independent review of the Approved Contractors Scheme** – There shall be an annual review of the conditions being applied under section 15(3)(c) of the 2001 Act. Any proposed changes to these conditions will be submitted to the Secretary of State for consideration.

The second annual review of the ACS conditions for approval, covering the ACS Standard, eligibility requirements and the routes to approval was completed by the Office of Government Commerce in February 2008. The majority of recommendations from the previous review, completed in February 2007, were accepted by the SIA and implemented from June 2007 onwards. Changes included tightening of the rules relating to eligibility for the fast track approval route and the introduction of new requirements relating to the use of subcontractors and the checking of employees' right to work.

Research – We developed and implemented a research plan to support organisational development and delivery, inform policy, identify areas of improvement in our service and to increase understanding of our work.

The main areas for research activity in 2007/8 were:

- research to satisfy business need data requirements
- stakeholder engagement development and implementation.



Office of Government Commerce Review of the Approved Contractor Scheme – summary of findings from the second review – February 2008

- The majority of recommendations made in the first independent review have been accepted and have been effectively implemented.
- Initial benefits appear to be starting to be delivered from ACS, however this view is not held across all stakeholders, and further work is required to monitor outcomes being achieved and ensure benefits are being realised.
- Continuing take up of ACS ahead of anticipated levels. ACS overall volumes, approvals by each sector and by each size of company all show a clearly positive trend.
- Given the increasing level of ACS take-up, there is emerging evidence that ACS is improving standards across the industry – although there is no room for complacency.
- Despite the positive trends noted, the level of penetration of ACS within individual security sectors is variable, with greatest progress having been achieved within the security guarding sector, and much less progress within the door supervision and vehicle immobilisation sectors.
- There is still no compelling evidence that the minimum percentage of staff in possession of a licence set currently at 85% should be altered. SIA discretionary power to vary the 15% level should be maintained.
- The introduction of schemes for the passport route could have benefits of combining different assessments into a single framework, potentially reducing costs for organisations who wish to maintain approvals for several standards (e.g. ISO 9001, BS7858 and ACS). If this is proven to be the case the route should be encouraged by the SIA, subject to the benefits being monitored.
- There now appears to be a strong consensus across stakeholders to require compliance to appropriate British Standard codes of practice within ACS.



- Concern was raised around the limited scope of the definition of a 'fit and proper' organisation and the potential benefits to the industry and public that may arise as a result of including additional eligibility criteria covering operational managers, shadow directors and controlling shareholders.
- Consideration should also be given to making benchmarking data available more visible to each company – the actual score they achieve during ACS assessment and where they fit (e.g. by quartile).
- There are immediate opportunities to clarify the criteria in the ACS Standard and introduce a small number of essential enhancements. There is no consensus in the industry as to whether the standards required for ACS should now be raised but there is acceptance that this must happen at least in the medium term (during the next two to three years) so that the overall aim of ACS to raise standards continues to be addressed.

### Objective 3 – Deliver a development programme that continues effective regulation of the private security industry

**Competency and qualifications** – This year we have made minor changes to the existing specifications to ensure they continue to reflect up-to-date industry practice. In addition, we have worked with awarding bodies to ensure that qualifications are available that meet the particular needs of Scotland. We have started to engage with industry to develop a view as to whether the content and structure of the Core Competency Specifications will need to change more fundamentally in the coming year.

**Training malpractice** – During the year we implemented a number of measures to further reduce the rare incidences of training malpractice, including:

- working with awarding bodies and qualifications regulators to toughen identity requirements for learners taking licence-linked qualifications
- working through awarding bodies to ensure the communication of clear rules regarding English language competence for prospective licence holders
- establishing a common and agreed definition of training malpractice with awarding bodies and qualifications regulators
- encouraging the identification and sharing of best practice with all parties involved in dealing with training malpractice

- working with other agencies where investigation of training malpractice has led to the discovery of evidence of criminality; and
- developing and implementing new tools to record, track and identify trends in training malpractice.

**Applications for overseas exemptions from the competency requirement** – We implemented a new system for processing applications from EEA nationals who are able to provide temporary and occasional services, and a tracker system to assist us to report on the numbers applying from overseas for exemption from the competency requirement.

**Awarding body partnerships** – We have continued to manage our valued partnerships with awarding bodies. This year we have:

- restructured how we review our contractual relationships so they are now reviewed quarterly against service levels identified in the contracts
- developed new reporting mechanisms for the awarding bodies to use
- worked with awarding bodies on specified areas of work to manage training malpractice.



Our CCTV operators are responsible for monitoring PSS CCTV cameras in seven town centres, as well as housing areas throughout the region, and it is essential that an operation this size is carried out using the highest professional and ethical standards. The introduction of SIA licensing created a qualification benchmark which would allow our staff to achieve these high standards. It is also essential that we demonstrate that our employees have been properly vetted to work in the industry – and the SIA licence is one tool that helps us achieve this."

**Steven Dinsmore, Operations Manager, NL CCTV Ltd**

### Working with awarding bodies

We have helped awarding bodies develop and share best practice in dealing with training malpractice. For example we held a workshop to discuss ideas on what methods worked best in combating malpractice. Awarding bodies discussed their experiences of using forensic analysis of the ink on exam papers, unannounced inspections of training centres and risk-based monitoring to identify high-risk training centres. The event helped us all to better understand the risks and identify ways of dealing with them.

Another important initiative that we have taken forward with awarding bodies is the development of accurate reporting on training malpractice. We found that there was a perception in some parts of the industry that training malpractice was rife. We needed to gain accurate data to assess the extent of the problem, and measure the progress being made to drive out the cheats. We now have analysis that shows us the extent of malpractice, how each allegation is being investigated, and what measures are being taken. A summary of these figures is available on the SIA website, which we hope will be significant in retaining industry confidence in the process.



**Competency specifications** – We made minor reviews to the Core Competency Specifications for public space surveillance (CCTV) and cash & valuables in transit. This is ahead of the planned major review of all the Core Competency Specifications which is due for implementation in 2009.

## New sectors

**Enforcement agents** – We have advised Her Majesty's Courts Service (HMCS) of the likely time frame and development activity involved in licensing Enforcement Agents (Baliffs), should HMCS decide to regulate through the SIA.

**Northern Ireland** – The Northern Ireland Office (NIO) has asked the SIA to extend its remit to cover the licensing and regulation of the private security industry within Northern Ireland. Funding for the implementation project has been approved by the NIO and the SIA are actively working to deliver licensing and regulation. Our aspiration is to introduce licensing and regulation by December 2009.

**Private investigators and precognition agents** – The Home Office undertook consultation on the regulation of private investigators and precognition agents. The analysis and responses to the consultation were published in May 2008.

**Security consultants** – We undertook consultation in May 2007 to assess whether the development of licensing of security consultants should be delayed until 2010, or whether the work should commence at the next development opportunity (resource permitting). We received 89 responses from respondents as diverse as sole practitioners, private companies and public sector organisations such as the police. The majority wanted to defer consideration of licensing until 2010 at the earliest. The main argument supporting this postponement was that there is little or no evidence of risk to the public. In light of these findings, we recommended, and the Home Office has agreed, to postpone consideration of licensing security consultants until at least 2010. Proposals for regulation will then be published through a Consultation and Impact Assessment.

## Objective 4 – Strategic stakeholders understand and support our strategic direction and the benefits of our work

### Stakeholder engagement

We recognise that it is important to engage with the private security industry in order for us to understand the wide range of interests within the industry. This year we refreshed our stakeholder engagement and created opportunities for dialogue between us and the industry, with the aim of increasing public protection and better regulation.



## Stakeholder Engagement Results

- We held a think-tank in December 2007 to further consult about the potential for licensing in-house security operatives. The meeting was attended by a range of interest groups, sector representatives and stakeholders. As a result of that meeting, we will conduct a wide ranging review of the case for regulating in-house security during the next business year (2008/09), with a view to making a recommendation to Ministers on the way forward.
- We held a stakeholder network meeting with door supervisors in September 2007. This enabled us to give a representative sample of the door supervision sector, an opportunity to raise concerns on business issues and to consult with other colleagues in this sector.
- We held a stakeholder network meeting with small businesses in January 2008 to give them a chance to raise concerns on business issues, and to consult with other small businesses. We have committed to organising another network meeting for small businesses in summer 2008.
- We held a stakeholder network meeting with vehicle immobilisers in January to give a representative sample of the vehicle immobilisation sector an opportunity to raise concerns on business issues and to consult with other colleagues in this sector.
- We also initiated a message board trial on the website to improve our communication with stakeholders and to receive feedback. The trial ended in June 2008.



The priority issues were:

- Olympics 2012 security
- reducing the threat of crime against cash & valuable in transit guards
- connecting with EU awarding bodies and regulators
- changing perceptions about compliance and conformance
- promotion and benefits of ACS
- changing perception of lack of engagement with some sectors
- vehicle immobilisation complaints resolution options
- licensing of the security consultancy sector

- licensing of in-house security guards
- licence integration
- overcoming perceptions of training malpractice
- providing feedback to information providers/whistle-blowers
- improving communications.

## Conferences

We held a national conference in May 2007 to launch our Stakeholder Engagement Strategy and plan.

The ACS Forum held 13 events in various locations including, most recently, Edinburgh. Over 350 delegates attended the Forum to share information and ideas on how the ACS can further raise standards within the private security industry.

## Marketing

In our communications and marketing activity we have a wide range of stakeholders and audiences to consider, ranging from politicians and senior civil servants, to businesses, police and other law enforcers, academia and the training sectors, the general public, and importantly, those whom we license and regulate. We therefore need our communications and marketing to be accessible, understandable, real and contemporary.

Since we came into being in 2003, we have passed through several important stages of development. Initially we had to communicate and inform on new legislation and promote the ideas of licensing and the Approved Contractor Scheme to a disparate industry.

Next came implementation of the licensing process itself – producing information (in line with our legal obligations under the Private Security Industry Act 2001) and promoting the crucial message that licensing had arrived and was here to stay. We produced a variety of communication materials targeted at all audiences in the private security industry, and to our stakeholders highlighting essential messages and legal obligations. These key pieces of communication played an important part in the evolution of our marketing strategy and strongly conveyed our aspirations, not only for us as a new organisation, but also for the private security industry.

Throughout 2007/08 one main area of marketing activity was the licensing Scotland campaign. The campaign began in 2006/07 with marketing material aimed at informing and educating our stakeholders in Scotland, in preparation for regulation under the Private Security Industry Act 2001. Throughout 2007/08 we fixed our attention on increasing awareness of regulation in Scotland, promoting the Approved Contractor Scheme to security providers and buyers, and encouraging early compliance with licensing in good time for the implementation date of 1 November 2007.

Licence renewals for the three year door supervisor licences also started in 2007/08. The first SIA door supervisor licences were issued in April 2004 so by 2007 many door supervisors still in the industry needed to be reminded to renew their licences. Security buyers also needed to be aware that some door supervisor licences were expiring. Our licence renewal campaign was successful in informing the target audiences and encouraging them to act on the 'call to action' and to renew their licences, or for buyers to check expiry dates with our public Register of Licence Holders.

We also focused attention on promoting good practice in security procurement and achieving our aims by encouraging organisations to procure security from ACS companies. We have direct contact with suppliers through mail-shots (purchasers regularly receive a tailored version of the SIA 'Update'), email alert (individuals from ACS companies receive regular electronic updates) and advertising in relevant trade press. We also forge relationships with the trade associations that represent the audiences we try to reach. Examples include the British Retail Consortium, Confederation of British Industry and Association of British Insurers.

Recent SIA publicity includes the Scottish licensing and 'Time is running out' campaigns, the door supervisor licence renewal campaign, ACS public sector buyers campaign and ACS 'What Price Security' campaign.

## Media Relations

During the year, on average the SIA media relations team produced or handled:

- 16 radio interviews
- 4 TV interviews
- 18 interviews for publications
- 51 SIA news releases
- 10 joint SIA/partner agency news releases
- 2,538 SIA related articles in national, regional and trade press.

## Objective 5 – To be recognised internally and externally as a model of good practice

**Better regulation plans/simplification** – We reported to the Home Office on our efforts to deregulate, consolidate and rationalise regulation and regulatory processes and procedures, and reduce administrative burdens. The Home Office published its Simplification Plan 2007 in December 2007, which included our submissions and featured the SIA positively and prominently.

**ACS review action plan** – all recommendations within the scope of the ACS review have been accepted by the SIA and implementation is underway. Key changes include:

- closure of the Fast Track approval route 12 months after the launch of the ACS in Northern Ireland
- ACS criteria will include conformance to appropriate British Standard codes of practice
- a suitable industry wide 'raising standards forum' will be established
- assessment of whether an organisation is 'fit and proper' will be expanded.

**Regulators compliance code** – We undertook a self assessment of our compliance with the Regulators' Compliance Code. We are generally compliant with the Code, but wide-ranging efforts will be made to enhance our compliance before and after the commencement date of 6 April 2008.

## Governance arrangements

**Sub-Board governance** – In addition to the existing Audit, Human Resources and Remuneration Committees, the Chair established further sub-Board committees on Performance and Finance, Information Management and Statutory Powers, and a Board member was assigned special responsibility for diversity.

**Appointment of the new Chief Executive** – Mike Wilson, former Chief Executive of the Gangmasters Licensing Authority, was appointed in August 2007 and took up post in September 2007.

**Journey towards Excellence** – we gained 'Committed to Excellence' status and developed a detailed programme of planned improvements to our organisational effectiveness. The organisational development programme is a huge undertaking; it will look at almost everything we do and look critically at how well we operate. When we complete the organisational development programme we will be in a position to be independently assessed against the business excellence model, and attain the Investors in Excellence award, a widely recognised and valued hallmark of a quality organisation.

**Hospitality, Gifts and Rewards policy** – We updated our Hospitality, Gifts and Rewards policy to provide clear guidelines for our staff. Although our employees are not civil servants, the revised policy ensures our practices are in line with those expected of civil servants.

**Corporate Risks** – Each year we identify the things that could go wrong so that we can take action to prevent them happening or at least to reduce their negative effects.

In 2007/08 we were successful in managing some of our risks by engaging in planning for the Olympics and communicating effectively with key stakeholder groups. We had far less success, however, in delivering effective new managed service provision to the extent that our reputation was damaged by the slowness of some of our licence application decision making and our failure to provide effective contact arrangements for our customers.

**Information Technology** – This year we improved our information technology systems by upgrading our servers, equipment and systems to ensure our organisation uses technology to help us work more efficiently.



I welcome the SIA's ongoing work on improving communications with industry, and promotion of their reporting unlicensed operatives' policy, an area that the industry had raised as an issue to BRE. This encouraging work demonstrates that the SIA is committed to responding effectively and constructively to suggestions from stakeholders.

A lot has been achieved by the SIA in terms of their approach to good regulation, and the delivery of their better regulation action plan."

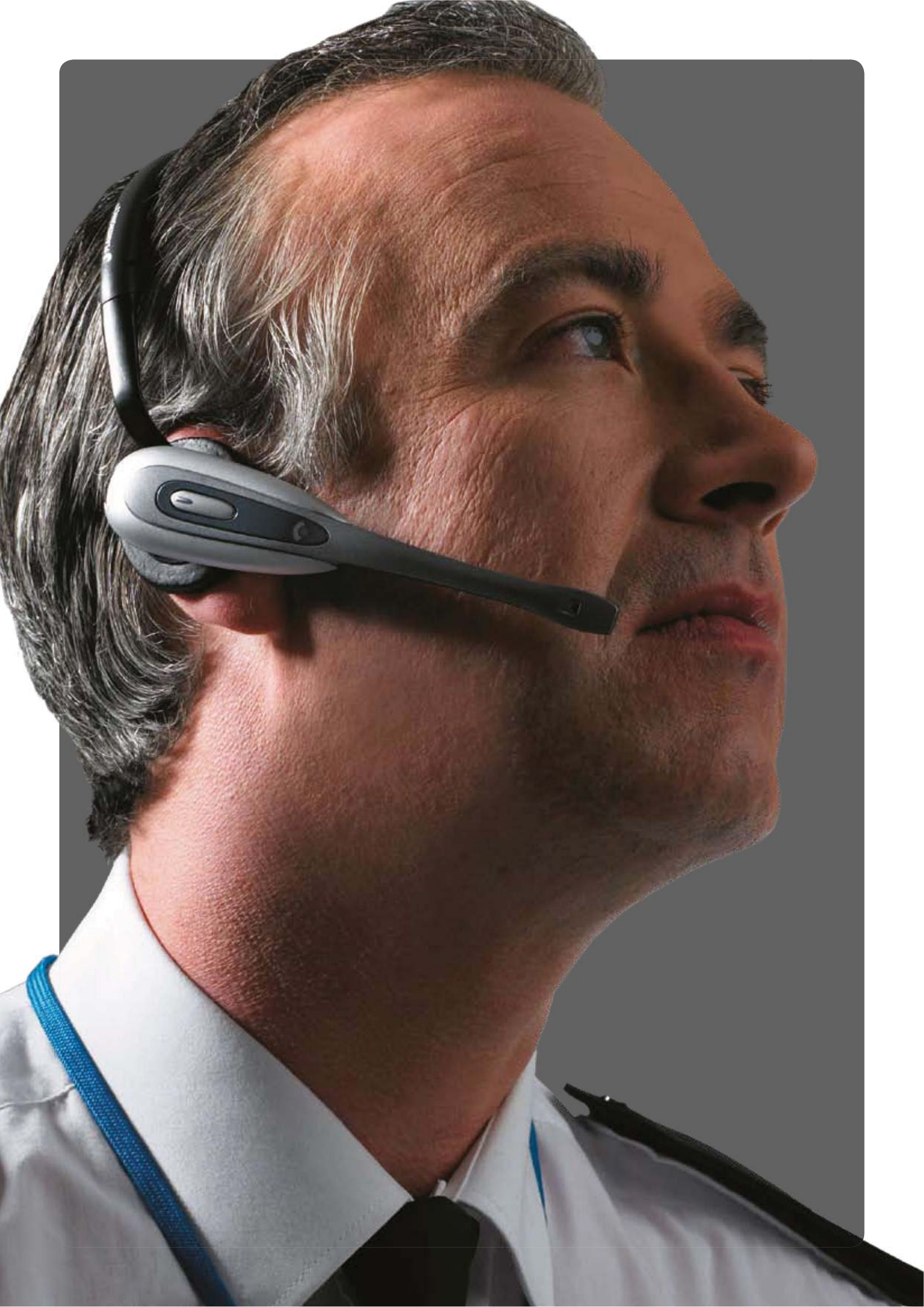
**William Sargent, Executive Chair, Better Regulation Executive (BRE)**

**Records management** – The appointment of a records manager in October 2007 has enabled us to resume our plans to improve our records management systems and procedures. An initial appraisal of these systems and processes has been undertaken to form the basis of a Records Management project that started in March 2008. The records management plan includes development of new systems and strategies to manage and deliver corporate information more effectively to stakeholders and to support the SIA's corporate governance structure.

## Objective 6 – Meet objectives whilst achieving revenue projections and operating within budget

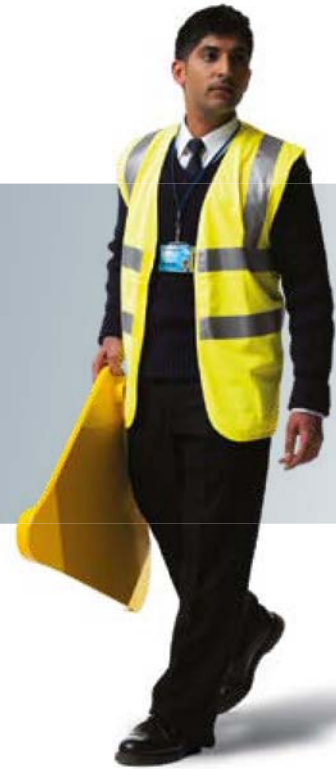
Performance against key performance indicators were:

1. Number of applications accepted for processing
  - We accepted 77,268 applications against a target of 65,000.
2. Break even or better over the course of the Corporate Plan (2006/07 – 2009/10)
  - We almost achieved break even by the end of 2007/08, coming in with a deficit of £0.61m against a target deficit of £2.1m.



# The future

Our first priority in 2008/09 will be to ensure that our customer service performance is restored and performance targets are met.



In 2008/09 we will support the Public Service Agreement and Home Office objectives. These are to help people feel secure in their homes and communities to cut crime, (especially violent offences and drug and alcohol related crime) and to protect the public from terrorism. We will do this by regulating to reduce criminality and improve standards in the private security industry.

Our **vision** in 2008/09 to 2010/11 is to work with others to create a safer environment for the public and better opportunities for the private security industry, and our **mission** is to regulate the private security industry effectively; to reduce criminality, raise standards and recognise quality service.

We have six strategic objectives for 2008/09 and we will measure our performance towards achievement of these objectives through targets and performance indicators:

## Objective 1 – Reduce criminality within the private security industry

- Our target for compliance with the licensing requirement will be receipt of 97,000 new and renewal licence applications.
- Our target for effectiveness of our compliance action will be 80% of intelligence-led compliance interventions resulting in measurable improvement in compliance within 90 days.

## Objective 2 – Raise quality standards within the private security industry

- Our target for companies with Approved Contractor Scheme status will be 500.
- Our target for the proportion of the total licensable population employed by ACS companies will be 55%.
- Our target for the proportion of ACS companies re-registering during the year will be 90%.

### Objective 3 – Continually improve and develop the organisation and its performance

- Our target for end to end licence processing will be 80% of applications received from European Economic Area nationals between 1 April 2008 and 31 March 2009 completed within 33 working days.
- Our target for end to end licence processing will be 80% of all applications between 1 April 2008 and 31 March 2009 completed within 40 working days.
- From July 2008, our target for calls getting through to the contact centre queuing system will be 90%.
- From October 2008, our target for calls in the contact centre queue answered within five minutes will be 100%.
- Our target for replies to simple correspondence within three days will be 95%.
- Our target for customer satisfaction with the contact centre performance measured by mid and end year customer sample surveys will be 60%.

### Objective 4 – Meet financial targets and demonstrate value for money to the Home Office and fee paying customers

- Our target income to achieve financial balance will be £25 million.
- Our target efficiencies to be achieved through implementation of the new managed service provision will be £100,000.

### Objective 5 – Build on our credibility with stakeholders

- Our target for the proportion of operations designed to test compliance levels that reveal 90% or higher compliance, will be 80%.
- The target for the cumulative percentage increase in average monthly unique visits to the Register of Licence Holders on the SIA website will be 75%.
- The target number of approved users registered to use the company facilities available on the SIA website will be 500.
- The target increase in monthly intelligence flow to the SIA will be 200% from non-police partners, 50% from police organisations and 50% from other sources.
- The target for invoices paid within 30 days will be 97.5%.

### Objective 6 – Review the application of the Private Security Industry Act 2001

- The target for processing of complete exclusion, exemption and addition applications within 30 working days will be 100%.



## Customer service

We will strengthen our customer service capability by appointing an interim Director of Customer Relations and by increasing our HQ resources to resolve outstanding issues arising from the licensing processing problems experienced in the second half of 2007/08. We will redouble our efforts to deliver planned customer service developments, and we will commence planning for longer term managed service provision, ensuring that we learn the lessons from our recent difficult experience of delivering a new system through a new managed service provider:

### Key development projects and activities for 2008/09

- A major review of competency requirements and addressing training and assessment quality issues.
- Annual licence fee review.
- Implementation of revised criminality criteria.
- Consultation and preparation of the business case for recommending implementation impact assessment of proposals for regulating in-house security.
- A review of the interpretation and impact of the Private Security Industry Act 2001 on licensing company directors.
- Consultation on proposed revisions to the licensing framework.
- Organisational development in line with the Excellence business model.



## Study of the feasibility of compulsory registration of companies

Early in the year the Minister expressed concern about the number of complaints received regarding the conduct of some vehicle immobilisers. He asked us, with Home Office and other government department colleagues, to explore options for resolving these concerns. We suggested a range of possible options and the Minister discussed these with the Motorists' Forum. They supported the suggestion that we should develop a compulsory scheme for the registration of Vehicle Immobilisation companies. We have since undertaken during 2008/09 to carry out a study of the feasibility of introducing a scheme for the compulsory registration of companies across the private security industry that will require adherence to sector specific standards. We aim to complete the feasibility study and prepare a business case to implement a compulsory company registration scheme. We will then seek consultation through a formal Implementation Impact Assessment in early 2009.

## Stakeholder engagement

We want to continue dialogue with the industry through further planned implementation of our published stakeholder engagement strategy.

### Stakeholder engagement priorities in 2008/09

- To support the small business network and continue to attend door supervisor and vehicle immobiliser network meetings.
- To develop new networks for public space surveillance (CCTV) operatives and companies and for close protection operatives and companies.
- To carry out a wide ranging consultation in order to develop the case for recommending regulation of in-house security.
- To consult on the feasibility of implementing a compulsory company registration scheme.
- To consult with housing departments of local authorities on vehicle immobilisation issues.
- To consult on our proposals for a revised, more integrated licensing framework.
- To influence buyers of security services and their insurers to seek quality services rather than low cost provision.
- To work with partners to reduce the potential threat of terrorism, e.g. identity checking and protection of the critical national infrastructure.
- To consult with trade unions that represent sectors of the private security industry.
- To keep in touch with the consideration of the case for regulating of private security and military companies operating overseas.



**Communications** – Planned communication campaigns for 2008/09 include:

- Regulating Northern Ireland.
- Manned guarding licence renewal campaign.
- Increasing the use of the online Register of Licence Holders.
- Increasing the number of security companies using the online company facilities.

- Increasing the use of the online compliance, enforcement and quality assurance pages.
- Increasing the intelligence flow to Crimestoppers and our website.
- Increasing the use of the online register of Approved Contractors
- Approved Contractor awareness among buyers campaign.

**Research** – we intend to undertake research in three main areas of activity:

- Research to satisfy business need data requirements.
- Stakeholder engagement development and implementation.
- Benefits realisation.

**Governance arrangements** – We will review the work of our sub-Board Committees in 2008/09 to ensure that the Board's scrutiny extends effectively to all areas of our executive performance.

**Journey towards Excellence** – We have developed a wide ranging programme of projects and activities designed to improve our organisational health. In 2008/09 we will be:

- Working towards Investors in People accreditation.
- Developing staff and customer surveys.
- Implementing improvements to our anti-corruption and complaints handling strategies.
- Consolidating our three diversity schemes – race, disability and gender – into a single scheme and delivering on our improvement plans.
- Devising and implementing our Corporate Social Responsibility Strategy.
- Implementing our Quality Management Strategy.

**Simplification** – we will continue to report on the significant reductions in administrative burdens that we anticipate during 2008/09 through quarterly updates to the Home Office and our comprehensive annual Simplification Plan in December.

**Licensing new sectors** – we await the outcome of the Private Investigators and Precognition Agents Regulatory Impact Assessment. We will be carrying out a scoping study and preparing the business case for SIA regulation of Enforcement Agents (bailiffs) in England and Wales by the end of 2008. The enforcement date for SIA regulation in Northern Ireland will fall in December 2009.

**Complaints process** – we will review and update our complaints policy and procedures early in 2008/09 to raise awareness of the value of complaints and demonstrate to stakeholders we are handling them in a way that leads to improved performance and customer satisfaction.

## Corporate risks for 2008/09

We will manage our risks – to avoid or mitigate them – so that we:

- respond to, and resolve, customer service problems
- avoid successful significant legal challenge
- ensure the robustness of our organisational processes
- forecast accurately and plan effectively
- deliver our organisational development programme
- deliver our business development programme.



# About Us

We are committed to the principles set out in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code, a statutory code of practice for regulators. This means our regulatory activities are targeted only where action is needed and we carry these out in a way that is transparent, accountable, proportionate and consistent.

## Governance arrangements

We are a Home Office non-departmental public body responsible, and reporting, to the Home Secretary. We are also required to consult Scottish Ministers on matters relating to Scotland. During the year we worked in conjunction with the Home Office on a number of projects and issues, further strengthening our working relationship.

## The Board

The Chair and members of our Board have governance responsibility for ensuring that we properly discharge our statutory functions and comply with any statutory or administrative requirements for use of our public funds.

Board members are appointed under the Private Security Industry Act 2001. Initial contracts were for three or four years and all Board members were reappointed in 2007 under the Office of the Commissioner for Public Appointments guidelines. During the year ended 31 March 2008 the members were:

- Ruth Henig (Chair)
- Robin Dahlberg (Vice Chair)
- Peter Dyke
- Brendan O'Friel
- Wendy Towers
- Bruce Warman

Bill Matthews completed three days work on 26th, 27th and 28th of March prior to his appointment to the Board.

We keep a register of Board members' interests, which can be inspected by prior arrangement with the Director of Corporate Services.



The SIA is serious about good corporate governance and consistently operating ethically."

**Bruce Warman,**  
Board member, SIA

## The Executive

In a non-departmental public body structure, the Board has a collective responsibility for ensuring that the objectives agreed with the Home Office and Scottish Ministers are met. However, the Board does not achieve this goal through micromanagement – the Chief Executive and senior team are there to run the SIA and are accountable to the Board for this. Members of the Board must not give the Chief Executive instructions that conflict with his duties as our Accounting Officer.

In September 2007, Michael Wilson was appointed as Chief Executive. Andy Drane reverted from Acting Chief Executive to Deputy Chief Executive and Director of Operations.

Hazel Banks continued as Director of Strategic Development on secondment from the Prison Service and Graham Clark continued as Director of Corporate Services.

We keep a register of Directors' interests, which can be inspected by prior arrangement with the Director of Corporate Services.

## Audit and Control

- Bentley Jennison provides internal audit services and their contract extends to 31 March 2010. Arrangements for external audit are provided under Schedule One, paragraph 16(4) of the Private Security Industry Act 2001, which requires the Comptroller and Auditor General to examine certify and report on the statement of accounts.
- The Audit Committee meets three times a year to monitor audit activity and our process for assessing and managing risk.
- Our risk management strategy is to consider the risks associated with each project, aim and objective, and to assess and deliver options for mitigating them.
- We developed departmental risk registers during 2007/08 to support the corporate risk register.
- Our Audit Committee is comprised of three non-executive members.

## Anti-corruption

We have anti-corruption policies and procedures in place. As part of this policy all staff and consultants must declare their interests in the private security industry and related bodies on an annual basis.

We operate an internal whistle-blowing policy in line with the Public Interest Disclosure Act 1998, which was not used in 2007/08.

## Scrutiny

In October 2007, the High Court of Justice determined the answer to a number of questions in respect of long running appeals about our criminality criteria and our application assessment process.

The High Court confirmed that our current approach to the classification of offences and automatic disqualification of those with recent criminality from working in the industry is an appropriate measure of assessing suitability of applicants. The decision also confirmed that appeal Courts have no discretion to consider the merits of an applicant's case. They can only assess whether or not we made an error in applying the criteria.

A link to the court finding can be found on our web-site [www.the-sia.org.uk/home/about\\_sia/legislation/psia.htm](http://www.the-sia.org.uk/home/about_sia/legislation/psia.htm)

There was one Ombudsman case in 2007/08 regarding a complaint from an applicant whose application form, containing personal information, was accidentally returned to another applicant and not recovered.

The Ombudsman found that the mistake was most likely an isolated error and did not indicate any evidence of systematic problems in the SIA. However, the report found that this error did amount to maladministration and that we needed to put better complaint procedures into place. We are currently in the process of reviewing our complaints procedures and have agreed to advise the Office of Parliamentary Commissioner for Administration of the results of the review.

## Transparency

We are listed as a public body for the purpose of complying with the Freedom of Information Act 2000 and publish information routinely in accordance with our publication scheme ([www.the-sia-org.uk/footer/foi](http://www.the-sia-org.uk/footer/foi)).

We maintain our annual notification with the Information Commissioner's Office of the types of personal information processed by us in accordance with the Data Protection Act 1998, a copy of which is available on the Office's Notification Register ([www.ico.gov.uk](http://www.ico.gov.uk)).



## Human resources

### Our People

We seek to create an environment in which all employees can give of their best and can contribute to our, and to their own, success. We are committed to developing an organisation in which fairness and equality of opportunity are central to our business and working relationships.

We have a staff appraisal system which is based on the setting of key objectives to be achieved during the reporting period, linked to our corporate objectives.

As part of the appraisal process the learning and development needs of staff are considered. These enable us to identify organisational development needs and specific individual development needs to assist staff in achieving their current objectives or the future needs of the organisation. Diversity awareness training has been provided across the organisation and a number of managers and Board members participated in a management course, designed to meet our specific needs.

The role of the sub-Board Human Resources Committee is to advise the Board and provide assurances to them that we have the appropriate systems and employment policies in place, to effectively support the delivery of our services and activities. Particular roles of the committee are to monitor performance management data including diversity trends, maintain oversight of discipline and grievance cases and monitor any cases going to employment tribunal and to review health and safety policy issues. The committee meets quarterly.

### Staff Appointments

Permanent staff levels have increased through the year towards an authorised staffing level of 120 permanent posts. A large number of temporary staff have been used for much of the year in order to process high volumes of licence applications and to deal with additional work related to the right to work issue.

	31 March 2007	31 March 2008
Permanent staff	90	113
Seconded staff	5	4
Temporary staff	23	30
<b>Total</b>	<b>118</b>	<b>147</b>
Consultants	4	1

Throughout the year a total of 13 staff left the organisation. This was considerably fewer than the previous year. Based on an average staff in post of 104.4 our turnover rate reduced from 18% to 12.4%. We continue to monitor reasons for staff leaving the organisation.



'SIA people have enormous energy and commitment. They are working hard to improve the way the organisation works. They have responded flexibly and creatively and worked hard to deal with unexpected challenges in the last year.'

**Bruce Warman,**  
Board member, SIA

We are committed to keeping all our staff informed of performance, development and progress and we hold staff briefing days as necessary throughout the year. We encourage staff to contribute to our business plans and objective setting, and to understand the industry with which we are working.

We have a staff forum which considers matters relating to working at the SIA. Members act as representatives for staff in bringing forward matters of broad concern and to identify and propose ideas or recommendations. The forum is also used to consult on changes to organisational structures, terms and conditions and human resource policies and procedures.

## Conflict of interest

All staff and Board members are required to complete an annual conflict of interest form in order to protect individuals and the SIA from claims of being compromised by other interests or commitments.

## Diversity

We published a revised version of our Disability Equality Scheme and opened our Gender Equality Scheme for consultation this year. This scheme aims to show:

- the way in which staff have been involved in the development of the Gender Equality Scheme
- the need to include objectives that address the causes of any gender pay gap
- Our methods for assessing the impact of policies and practices on gender equality
- the actions we will take to meet the duty; and
- our arrangements for gathering information about our performance in relation to gender equality and how we will use the information gathered.

We intended to develop the scheme by April 2007 but owing to internal restructuring and resource pressures we were not able to publish a draft scheme before February 2008. Consultation on the scheme closed on 29 May 2008.

We are an Equal Opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from people regardless of ethnic origin, religious belief, gender, sexual orientation or disability.

## Statistics

The diversity breakdown for staff (permanent and seconded) is as follows:

SIA staff by gender March 2008

Total	Female	Male
118	61	57

SIA staff by ethnicity

Ethnic Origin	March 2008
Asian	8
Black	9
Mixed Ethnic Background	3
White	95
Any Other Ethnic Background	2
Unknown	1
<b>Total</b>	<b>118</b>
% of Ethnic Minority staff	18.6%

Staff by age group

	March 2008	%
16-24	7	5.9
25-29	29	24.6
30-34	19	16
35-39	16	13.5
40-44	22	18.6
45-49	8	6.8
50-54	8	6.8
55-59	8	6.8
60+	1	1
<b>Staff Total</b>	<b>118</b>	<b>100%</b>

## Corporate social responsibility

The SIA policy on corporate social responsibility is to contribute towards the government's agenda for building a sustainable future by using 'Securing the Future: Delivering UK Sustainable Development Strategy' as a guide for development of our own corporate social responsibility strategy.

In the coming year, we will develop a corporate social responsibility strategy for our organisation that gives effect to our policy.



# Financial Overview

We are required by HM Treasury to operate on the basis of full cost recovery – the fees we charge are required to cover all our costs. This has not been achieved in previous years due to the difficulty of estimating licensable numbers prior to the commencement of licensing. For a number of reasons the application forecasts used for the calculation of the initial licence fee of £190 were significantly higher than received in our first three years of operation.

A regulatory impact assessment (RIA) on our licence application fees was published in March 2007. The licence fee was reassessed to take account of demand levels based on applications made and resulted in the fee increasing to £245 for applications received after April 6th 2007. This rebalancing of our income and expenditure has enabled us to manage our finances within the full cost recovery objective.

The profile of licence applications is subject to significant annual variations due to the roll out of sectors in our first two years combined with the majority of licences having a three year term. This will gradually even out over time but the increase between 2007/08 and 2008/09 was forecast to be 27,000 (40%). To recognise this annual variation a two year approach to full cost recovery was agreed when the new licence fee was set. This resulted in a budgeted loss for 2007/08 followed by a budgeted surplus for 2008/09.

The net deficit for 2007/08 of £609,987 is an improvement of £1.5 million against this target and demonstrates the success of the financial rebalancing through the licence fee review. A summary of income and expenditure for the last four years is shown below.

In contrast to licensing, the Approved Contractor Scheme (ACS) has exceeded all income forecasts with more companies joining the scheme each year. In line with Treasury guidelines on the setting of fees and charges the fees for ACS were also reviewed during the year and reduced from £20 per licensable employee to £17, with effect from 1 October 2007.

Both these fees will continue to be reviewed each year and adjusted if necessary.

This year included two other significant events which affected our finances, the Scotland project and the development and implementation of a redesign of the licence processing system. Licensing was successfully extended to Scotland during the year, the development costs were funded by Scottish Executive with the SIA

responsible for income and expenditure from the start date of 1 November 2007. The implementation of the licence processing improvements was problematic giving rise to increased staff costs to address the problems and claims for compensation arising from delays in processing applications.

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

	2007/08	2006/07	2005/06	2004/05
	£	£	£	£
Application numbers	77,268	102,495	99,475	24,402
<b>Income</b>				
Licence fees	18,782,990	19,474,340	18,900,250	4,637,558
ACS	2,052,889	2,097,316	207,664	N/A
Scotland	585,156	989,988	368,897	N/A
Northern Ireland	91,686	N/A	N/A	N/A
Other	43,257	55,591	74,465	5,185

<b>Total self generated income</b>	<b>21,555,978</b>	<b>22,617,235</b>	<b>19,551,276</b>	<b>4,642,743</b>
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<b>Expenditure</b>				
	£	£	£	£
Employment costs*	7,149,869	6,813,620	6,018,245	5,451,628
Accommodation	1,033,958	1,114,606	971,814	853,972
Advertising and publicity	905,624	1,157,960	1,207,328	1,578,565
Licensing costs	10,665,902	12,253,931	10,603,342	5,381,316
Depreciation	1,994,030	2,687,594	3,442,349	2,719,065
Other costs	416,582	413,835	431,237	504,681
<b>Total expenditure</b>	<b>22,165,965</b>	<b>24,441,546</b>	<b>22,674,315</b>	<b>16,489,227</b>

<b>Surplus/deficit</b>	<b>-609,987</b>	<b>-1,824,311</b>	<b>-3,123,039</b>	<b>-11,846,484</b>
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\*Employment costs include staff costs, training and other staff related costs

## Self sufficiency

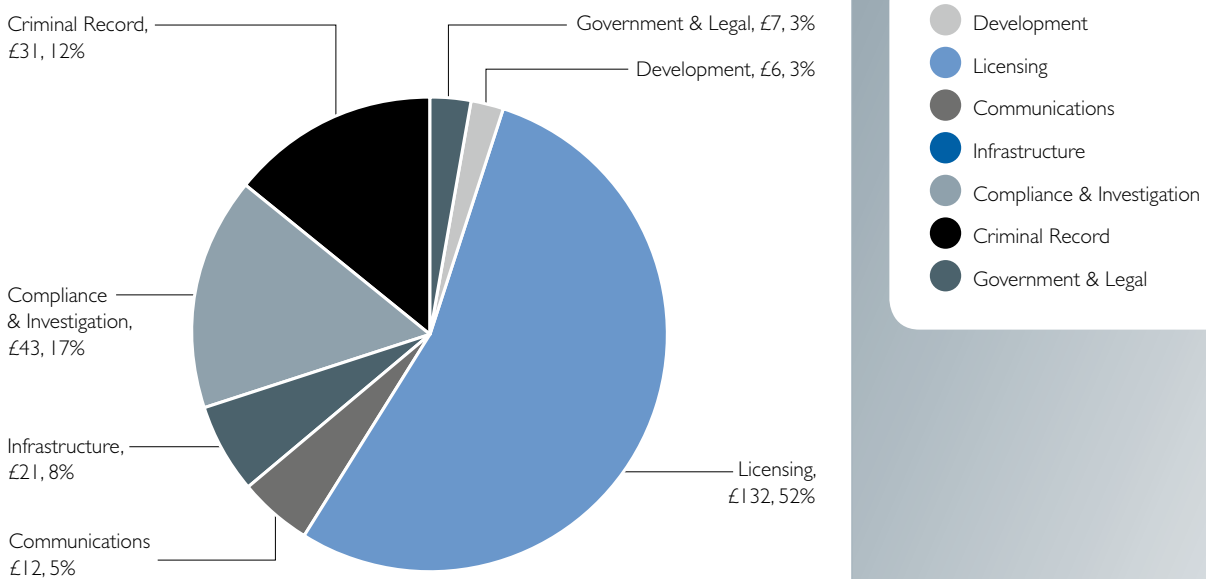
Our two services, Licensing and ACS performed very differently with ACS making a surplus (£177,527) and Licensing a deficit (-£971,719) – see Note 4 for details.

### SIA costs per licence application in 2007/08

The new licence application fee of £245 was implemented on 6 April 2007. This new fee will ensure that the SIA is self-sufficient in the future on the basis of three key assumptions.

- The size of the security market (individuals requiring a licence).
- The level of staff turnover (churn) generating new licence applications.
- Our cost base remaining stable.

### SIA costs per licence application in 2007/08



## The accounts

Continued development makes direct income and expenditure comparisons difficult between years. Although we have achieved cost efficiencies and volume based cost reductions, our overall employment costs and average staff numbers have risen due to increasing activity levels, i.e. Scotland, and managing the processing problems.

Licence application numbers were 25% lower than 2006/07. The income reduction from this volume change was offset by the fee increase although 6,622 applicants secured the previous fee by applying before 6 April.

ACS continues to exceed forecasts, although income for the year is slightly down on last year as volume increases are offset by the 15% fee reduction from 1 October.



Project income is shown for Scotland, now completed, and the recently started project for Northern Ireland. This income is project income only, both projects are undertaken on a cost recovery basis.

Employment costs (as noted on page 64) have increased by £0.34m, this is a combination of the Scotland project and temporary licensing resources.

Accommodation costs which include office services decreased by £0.1m due to lower activity levels and reduced office costs following the office move in November 2006.

Licensing costs reduced by £1.6m (13%) reflecting the variable elements i.e. processing costs and Criminal Record Bureau disclosures. Licence discounts for second and subsequent licences increased as these are now applied by the new system as part of the application process.

The new licensing system came into service during the year. At a cost of £3.7 million this is a significant investment in service quality and customer requirements. Overall depreciation cost continued to reduce, reflecting the full year reduction compared to the original system.

## Future financing

The ongoing financing issues which have beset the SIA since its inception, due to the limited and inaccurate original data on licensable population, has now been resolved by the licence application fee increase to £245. The 2008/09 Corporate and Business Plan now shows the SIA to be self financing over the three years 2008/09 to 2010/11. A summary is shown below and the full document is available on our website.

	2008/09	2009/10	2010/11
	£	£	£
Income	25,300,532	25,646,357	25,311,520
Expenditure	24,422,527	25,167,815	25,126,530
<b>Surplus/Deficit (-)</b>	<b>878,005</b>	<b>478,542</b>	<b>184,990</b>

All current indicators of numbers of licence applications, ACS renewals and required resource levels show that both the income and expenditure forecasts should be achieved.

## Payment practice

We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute. (See table overleaf).

	2007/08		2006/07	
	£	Number	£	Number
Total invoices paid in year	13,610,231	2,000	17,847,646	2,050
Total invoices paid within target	13,280,993	1,951	17,222,714	1,953
Percentage of invoices paid within target	98%		96%	

## Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Annual fixed costs of £1.3 M plus variable costs	19/11/2010

## Personal data related incidents

There were no incidents where personal data was lost during the year or during 2006/07. This covers both incidents reportable to the Information Commissioner's Office or recorded centrally.

Due to the nature of our licensing process we do require applicants to send in prime identity documents e.g. passports, driving licences and birth certificates. Each year a small proportion of these go missing between us and the applicant and in some instances are delivered incorrectly. The SIA takes the safety of these documents very seriously and has introduced a number of measures to minimise any losses. Since 1 October 2007 these documents have been returned by courier rather than ordinary mail. The recently introduced improved licensing system minimises the need to present these documents on renewal of a licence.

The SIA will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements to its systems.

The SIA has a data security policy in place which is reviewed every year by the Security Officer and Director, Corporate Services. All staff are made aware of their responsibilities for keeping information and IT systems secure, and for reporting incidents and concerns appropriately. The SIA complies with relevant data protection legislation and takes appropriate action to minimise unauthorised disclosures of any personal information it is required to hold as a result of its business.

## Payment to auditors

The audit fee for 2007/8, payable to the National Audit Office has been set at £27,500. No other payments were made to the National Audit Office for non-audit services during the year.



# Remuneration Report

## Unaudited information

### Executive

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

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

## Subject to audit

### Remuneration

The remuneration committee comprises of three independent board members, Brendan O'Friel, Bruce Warman and Wendy Towers.

The salary payments to directors were as follows:

	2007/8	2006/7
Mike Wilson (Chief Executive from 3 September 2007)	£54,889	N/A
Andy Drane (Acting Chief Executive to 31 August 2007, 1 September 2007 onwards Deputy Chief Executive )	£109,891	£87,993
Graham Clark (Director of Corporate Services)	£90,556	£77,503
Hazel Banks (Director of Strategic Development)	£133,771	£15,499

Director's contracts are permanent and open ended until they reach 60, including Hazel Banks who is on a two year secondment from the Prison Service. The SIA reimburses the Prison Service for all salary costs. We have paid no compensation to former senior managers.

Due to the late approval of bonuses for 2006/07, these bonuses are not included in the prior year figures. The 2007/08 salary includes these bonuses together with the bonuses relating to the 2007/08 year. Salary includes gross salary and bonuses. There are no other benefits in kind paid to directors.

## Board

The remuneration of the Board in the period ending 31 March 2008 is shown in the table below. Fees are based on Board members being paid £750 per month and the Vice Chairman £1,500 month. Ruth Henig was appointed Chairman with effect from 15 January 2007 for three years. Board members are appointed for a fixed term of between one to three years.

		2007/8	2006/7
		£	£
Ruth Henig Appointed January 2007 – March 2010	Salary	64,800	13,761
	Travel	369	60
	<b>Total</b>	<b>65,169</b>	<b>13,821</b>
Robin Dahlberg (Acting Chairman from 01/02/2006) Re-appointed May 2007 – March 2010	Fees	18,000	52,309
	Travel	-	-
	<b>Total</b>	<b>18,000</b>	<b>52,309</b>
Peter Dyke Re-appointed April 2008 – March 2009	Fees	9,000	5,751
	Travel	3,369	2,294
	<b>Total</b>	<b>12,369</b>	<b>8,045</b>
Brendan O’Friel Re-appointed April 2008 – March 2009	Fees	9,000	9,906
	Travel	6,369	7,374
	<b>Total</b>	<b>15,369</b>	<b>17,280</b>
Wendy Towers Re-appointed April 2008 – March 2011	Fees	9,000	7,572
	Travel	624	303
	<b>Total</b>	<b>9,624</b>	<b>7,875</b>
Bruce Warman Re-appointed April 2008 – March 2009	Fees	9,000	7,898
	Travel	649	388
	<b>Total</b>	<b>9,649</b>	<b>8,286</b>
Bill Matthews (From 1 April 2008*) Appointed April 2008 – March 2011	Fees	750	N/A
	Travel	-	N/A
	<b>Total</b>	<b>750</b>	<b>N/A</b>

\* Bill Matthews completed three days work on 26th, 27th and 28th of March prior to his appointment to the Board.

Travel shown for Board members is reimbursement of home to work travel and thus a benefit in kind that the SIA has suffered the tax on behalf of the members.

## Pension Benefits

	Accrued pension at age 60 as at 31/3/08 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/08	CETV at 31/3/07	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
Mike Wilson Chief Executive	£1,262	£1,262	£23,292	-	£1,913	£21,379	
Graham Clark Director of Corporate Services	£5,291	£1,190	£87,662	£59,374	£2,756	£16,958	
Andy Drane Deputy Chief Executive	£8063	£1,378	£151,643	£107,771	£2,996	£22,913	
Hazel Banks Director of Strategic Development from 1 /02/2007	£21,939 plus £65,816 lump sum	£796 plus £2387 lump sum	£378,000	£309,000	£1,223	£13,000	
Ruth Henig, Chair from 15 /01/2007	N/A	N/A	£13,304	-	£2,357	-	£12,177

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October

2002 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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). Employees also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

## Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

## Real increase in CETV

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

A handwritten signature in black ink that reads "M.P. Wilson".

Michael Wilson  
Chief Executive and Accounting Officer  
2 July 2008





# Statement of Accounts

For the year ended 31 March 2008

Statement of the Authority's and the Accounting Officer's responsibilities.

## The Authority's Responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 1, paragraph 16 (2) of the Private Security Industry Act 2001, The Authority is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Home Office, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the SIA's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Secretary of State, with the consent of the 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Security Industry Authority will continue in operation.

## The Accounting Officer's Responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Security Industry Authority as the Authority's Accounting Officer. 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 the keeping proper records, and for safeguarding The Authority's assets are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

He must also provide all relevant audit information to the auditors. So far, as the Accounting Officer, is aware, there is no relevant audit information of which the entity's auditors are not aware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Signed on behalf of the Security Industry Authority



Michael Wilson  
Chief Executive and Accounting Officer  
2 July 2008

## Statement on internal control

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Before the start of each Financial Year I meet with the Chairman and the Minister to discuss and agree the Authority's mission, vision and strategic objectives, these having been developed in prior meetings of the SIA Executive, the SIA Board and Home Office officials. The Corporate and Business Plan is developed following this meeting, leading to the Executive proposing in-year targets and objectives, and the Board (on which the Home Office Sponsor Unit is represented) agreeing these. The Authority's annual budget is approved by the Home Office.

Performance against the Corporate and Business Plan targets is monitored by the SIA Board, through a Performance and Finance Committee chaired by a non-executive Director. Similarly, financial propriety and procedures and risks are monitored by the Audit Committee, and reported to the Board, with monthly and annual financial reports being made to the Home Office. The Board composition and membership are agreed by the Home Office, who also recruit and appoint new members.

In addition to regular Board and Board sub-committee meetings, there are regular (fortnightly) meetings between the Chief Executive and the Chairman, much more frequent meetings between the Executive and Home Office officials. There are roughly quarterly meetings between the Chief Executive, the Chairman and the Minister, the frequency being dictated largely as issues arise.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage those risks efficiently, effectively and economically.

The system of internal control has been in place in the SIA for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

## Capacity to handle risk

Leadership is given to the risk management process by the work of the Directors Executive Board and the Senior Management Team who, with my support and usually under my chairmanship, regularly review risks. Every risk is owned by a named individual. Risks and risk countermeasures are reported to the Audit Committee. In addition, the Senior Management Team ensures that risk is addressed on all major projects, and risk assessments are included in the performance reports to the SIA Board (and thus also to Home Office) on the Authority's targets.

Staff members receive risk training primarily through attendance at SIA-arranged seminars, following the Home Office approach to risk management. They also receive training through project management training programmes which address project risk. Further guidance is obtained from the Forum for Non-Departmental Public Bodies, hosted by the Home Office.

## The risk and control framework

The Chief Executive has overall responsibility for risk management in the SIA. I publish and maintain a risk management strategy document that lays down the policy and strategy. This is reviewed by the Board (through the Audit Committee) at least annually.

The risk appetite of the organisation is reflected in this strategy. The Authority will take a pragmatic approach to risk. It will neither be risk-averse nor cavalier, but will assess all relevant factors in deciding courses of action, accepting a degree of risk where it is reasonable to do so.

The main risk register is populated at the start of the year following a meeting of the Senior Management Team with Board members and Home Office officials to identify and agree strategic risks to delivery of the Corporate and Business Plan.

Thereafter, these risks are reviewed and adjusted by a monthly review of the main risk register by the Senior Management Team. Directorate risk registers are similarly maintained and reviewed, with escalation to the main risk register as appropriate. A register of joint Home Office and SIA risks is also maintained.

In addition, there are regular reports by Internal Audit, to standards defined in the Government Internal Audit Manual. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's risk management, control and governance processes to management on the achievement of the Authority's objectives, together with recommendations for improvement. During 2007-08 areas covered by Internal Audit included core financial controls, licence decision making, cost of enquiries, income and corporate governance and risk management.

## Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, and the Audit Committee and a plan to address weaknesses and ensure continuous improvement in the system is in place.

The arrangements described in the risk and control section above, work reasonably well. I am satisfied that on the whole the Authority's managers are alert to risks and understand the processes for their identification and assessment, and for the development and application of risk mitigation measures. I am satisfied also that the procedures for escalating risks within the organisation to give them due visibility and attention now work well.

## Specific issues during the year

The major project delivered by the Authority in-year was the setting up of a new managed service provider (MSP) contract. The MSP contract involved the design of new licensing processes and the recruitment and training of over 100 new staff, supported by a new computer system.

The project was delayed by several weeks. This adversely impacted the Authority's performance in the latter part of the year, and indicated clearly that the Authority's risk management strategy had not worked as well in a number of ways.

A range of measures were taken to recover performance. A Director was recruited with specific responsibility for performance recovery – for producing plans and for monitoring recovery. Additional staff were obtained, including specialist IT technicians. Overtime and weekend working was introduced. Various short term 'workarounds' were designed and introduced to bypass

intractable technical difficulties whilst these were resolved. And a communications strategy was mounted to manage stakeholder expectations to the extent possible, which included letters from the Chief Executive to the Chief Executives and Managing Directors of private security companies across the UK.

By the end of the year it was clear these measures were beginning to work. Performance is markedly improved, and the Authority expects further improvements as the year progresses, meeting its performance targets. A 'lessons learned' report will be produced, which will include recommendations for improving aspects of the Authority's risk management approach.



Michael Wilson  
Chief Executive and Accounting Officer  
2 July 2008

# Security Industry Authority

## The certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2008 under the Private Security Industry Act 2001. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, Statement of Total Recognised Gains and Losses 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 Authority, Accounting Officer and auditor

The Authority and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority's and the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the sections entitled Performance in 2007/08, The Future and Financial Overview included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Security Industry Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Security Industry Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Security Industry Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Ministers' Statements, Joint statement from the Chair and Chief Executive, Introduction, About Us and the unaudited part of the Remuneration Report included in the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Security Industry Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error; and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Private Security Industry Act 2001 and directions made thereunder by HM Treasury, of the state of the Security Industry Authority's affairs as at 31 March 2008 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Private Security Industry Act 2001 and HM Treasury directions made thereunder; and
- information, which comprises the sections entitled Performance in 2007/08, The Future and Financial Overview, included within the Annual Report, is consistent with the financial statements.



## Opinion on Regularity

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

## Report

I have no observations to make on these financial statements.

T J Burr  
Comptroller and Auditor General

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

7 July 2008

# The Security Industry Authority

Year Ended 31 March 2008

## Income and expenditure account for the period 1 April 2007 to 31 March 2008

	Note	2007/08		2006/07	
		£	£	£	£
<b>Gross Income</b>					
Income from Activities	4	21,512,721		22,561,644	
Other	4	<u>43,257</u>		<u>55,591</u>	
<b>Total</b>			<b>21,555,978</b>		<b>22,617,235</b>
<b>Expenditure</b>					
Staff costs	5	6,195,544		5,983,941	
Running costs	6	13,976,391		15,770,011	
Depreciation	7 & 8	<u>1,994,030</u>		<u>2,687,594</u>	
<b>Total</b>			<b>22,165,965</b>		<b>24,441,546</b>
<b>Net Expenditure</b>			<b>(609,987)</b>		<b>(1,824,311)</b>
<b>Income from investments</b>					
Interest receivable			106,361		160,498
Cost of capital	1		(123,249)		(155,798)
<b>Deficit</b>			<b>(626,875)</b>		<b>(1,819,611)</b>
Cost of Capital reversal	1		123,249		155,798
Interest repayable surrendered to the Consolidated fund			(106,361)		(160,498)
<b>Deficit for the year</b>			<b>(609,987)</b>		<b>(1,824,311)</b>

## Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the retained surplus/(deficit) for the period.

The notes on pages 86 to 101 form part of the financial statements.

# The Security Industry Authority

Year Ended 31 March 2008

## Balance sheet as at 31 March 2008

	Note	2008		2007	
		£	£	£	£
<i>Fixed Assets</i>					
Intangible assets	7	4,796,276		4,792,472	
Tangible assets	8	<u>523,033</u>		<u>509,981</u>	
			<b>5,319,309</b>		<b>5,302,453</b>
<i>Current Assets</i>					
Debtors and prepayments	9	3,897,845		1,471,554	
Bank	10	<u>196,629</u>		<u>1,022,417</u>	
			<b>4,094,474</b>		<b>2,493,971</b>
<i>Liabilities</i>					
Creditors					
Amounts due within 1 year	11		<b>(4,908,733)</b>		<b>(4,600,297)</b>
Net current assets			<b>(814,259)</b>		<b>(2,106,326)</b>
Provision for licence discounts and compensations	20		<b>(244,898)</b>		<b>(413,500)</b>
<b>Total assets less current liabilities</b>			<b><u>4,260,152</u></b>		<b><u>2,782,627</u></b>
<i>Capital and Reserves</i>					
Government grant reserve	12		437,512		350,000
General reserve	12		3,822,640		2,432,627
			<b><u>4,260,152</u></b>		<b><u>2,782,627</u></b>

*M.P. Wilson*

Michael Wilson  
Chief Executive and Accounting Officer  
2 July 2008

The notes on pages 86 to 101 form part of the financial statements.

# The Security Industry Authority

Year Ended 31 March 2008

## Cash Flow statement

	Note	2008	2007
		£	£
<b>Operating activities</b>			
Net cash (outflow)/inflow from operating activities	13	(253,414)	1,706,593
<b>Returns on investments and servicing of finance</b>			
Interest received		106,361	164,457
<b>Capital expenditure</b>			
Cash outflow to acquire fixed assets	7 & 8	(2,010,886)	(2,304,647)
Cash inflow from sale of fixed assets		4,160	—
Net cash (outflow) before financing		<b>(2,153,779)</b>	<b>(433,597)</b>
<b>Analysis of financing</b>			
Grant in Aid for capital expenditure	3 & 12	1,860,886	1,999,178
Grant in Aid for revenue expenditure	3 & 12	139,114	2,000,822
Grant from the Scottish Executive	12	150,000	—
Less amounts appropriated to Home Office		(822,009)	(6,984,624)
Decrease in cash		<b>(825,788)</b>	<b>(3,418,221)</b>

The notes on pages 86 to 101 form part of the financial statements.

# The Security Industry Authority

Year Ended 31 March 2008

## Note I

### Accounting policies

#### Basis of accounting

The financial statements are drawn up in accordance with the accounts direction given by the Secretary of State with the consent of HM Treasury in accordance with Schedule 1 Paragraph 16 (2) of the Private Security Industry Act 2001. The financial statements are prepared on a going concern basis in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, and the accounting and disclosure requirements given in Managing Public Money and in the Financial Reporting Manual (FRM), in so far as these are appropriate to the SIA and are in force for the financial year for which the statements are prepared. The financial statements are prepared under the modified historical cost convention by the inclusion of fixed assets at their value to the business by reference to current costs.

#### Accounting convention

The accounts meet:

- the disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the SIA
- accounting standards issued by the Accounting Standard Board
- disclosure and accounting requirements of HM Treasury; and
- the requirements of the Account Direction and the Financial Memorandum issued to the SIA by the Secretary of State for Home Department.

#### Grant in Aid

Grant in Aid received and used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing and credited to the General Reserve, because they are regarded as contributions from a controlling party.

Grant relating to capital expenditure used to acquire specific capital items is credited to a government grant reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount transferred from the government grant reserved is released to income.

#### Licence fee income

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

#### Approved Contractor Scheme (ACS) income

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

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

Annual registration income is charged to the profit and loss account on a straight line basis over the period covered by the application.

## Scotland income

The Private Security Industry Act 2001 has been amended to include Scotland. The SIA was able to recover the costs of implementing licensing of the Private Security Industry (PSI) from the Scottish Executive until 1 November 2007 when the Act comes into force.

## Deferred income

The SIA will defer ACS income where:

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

## Fixed assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual item is £1,000 or more or on a grouped basis, is £5,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office of National Statistics, except in their year of disposal and acquisition when their current and historical costs are not considered to be materially different. There was no revaluation of assets for 2007/08 because the amount for tangible assets was immaterial and no appropriate index was identified for the intangible assets.

The SIA entered into a new contract with the Managed Service Provider (BT) on the 20 March 2007. The contract includes the implementation of a number of new enhancements to the existing Managed Service Provider database (MSP) which will improve customer service. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract. The core of the new system was operational from November 2007. Further enhancements to the database will be implemented in 2008/09.

## Depreciation and amortisation

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

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

\* Please see details on change to MSP contract in Notes 7 and 15

## Provision for bad debt

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

In addition, the SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding for more than 12 months will be written off.

## Provision for multiple application discounts

An individual who has more than one application accepted is entitled to a discount of 50% on subsequent accepted applications (but not renewals). The new licensing system improvements process second licence discount when applications are processed. The previous provision for manual processing of these discounts has been reviewed based on level of request.

## Notional charges

In accordance with the Government Financial Reporting Manual, a charge reflecting the cost of capital used by the Authority is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5 per cent on the average carrying amount of all assets less liabilities.

## Leases

- (a) Finance leases – The SIA has no finance leases.
- (b) Operating leases – Payments made under operating leases on equipment and buildings are charged to expenditure on a straight line basis.

## Pension costs

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

## Value Added Tax

The SIA is not eligible to register for VAT and all costs are shown inclusive of VAT.

## Note 2

### Financial targets

1. Achieve SIA objectives whilst achieving revenue projections and operating within budgets or better

The SIA revised its annual targets and forecasts part way through the year as licence numbers exceeded forecasts. The number of licence applications exceeded the budget by 7,268. As a result, our projected deficit for the year was reduced by £1.5 million.

## Note 3

### Grant in aid

	Note	2007/08	2006/07
		£	£
Revenue Grant received from the Home Office	12	139,114	2,000,822
Grant in aid used to fund capital purchasers	12	1,860,886	1,999,178
		<b>2,000,000</b>	<b>4,000,000</b>

## Note 4

### Income

	2007/08	2006/07
	£	£
Licensing	18,782,990	19,474,340
Approved Contractors Scheme (ACS)	2,052,889	2,097,316
Scotland	585,156	989,988
Northern Ireland	91,686	-
<b>Total Income from activities</b>	<b>21,512,721</b>	<b>22,561,644</b>
Other Income	43,257	55,591
	<b>21,555,978</b>	<b>22,617,235</b>



## Fees and charges

This note is to meet HM Treasury disclosure requirements for fees and charges and not for the purpose of SSAP 25 which is not appropriate to the SIA. The SIA is required to set fees on a full cost recovery basis.

	ACS	Licensing
	£	£
Income	2,052,889	18,826,247
Full costs	(1,875,362)	(19,797,966)
Surplus/(deficit) on operating activities	<b>177,527</b>	<b>(971,719)</b>
<b>Reconciliation to Income &amp; Expenditure Account</b>		
Surplus on ACS activities		177,527
Deficit on licensing activities		<u>(971,719)</u>
Total deficit		<b>(794,192)</b>
Less Cost of Capital		<b>123,249</b>
Less proportion of start up costs – see note below		<b>60,956</b>
Deficit for the year		<u><b>(609,987)</b></u>

Note:

Costs are apportioned between Licensing and the Approved Contractor Scheme. Where possible allocation is made directly, or by way of reasonable estimate where the costs are shared between services.

The Approved Contractor Scheme was launched on 20 March 2006. Costs associated with the scheme in 2005–06 were £243,822. The costs were written off in the year but are charged against ACS over four years for the purpose of calculating fees and charges and are included in the above charges.

## Note 5

### Staff costs

	2007/08	2006/07
<b>Board</b>	<b>£</b>	<b>£</b>
Salaries & Emoluments	119,550	96,051
Social Security Contributions	9,631	10,819
Pension Contributions	12,177	13,493
	<b>141,358</b>	<b>120,363</b>

<b>Staff</b>		
Salaries and Emoluments	3,543,097	3,371,150
Social Security Contributions	290,713	281,533
Pension Contributions	677,098	633,563
	<b>4,510,908</b>	<b>4,286,246</b>

<b>Other</b>		
Salaries and Emoluments	1,496,913	1,531,549
Social Security Contributions	13,570	13,655
Pension Contributions	32,795	32,128
	<b>1,543,278</b>	<b>1,577,332</b>

<b>Total Employment Costs</b>		
Salaries and Emoluments	5,159,560	4,998,750
Social Security Contributions	313,914	306,007
Pension Contributions	722,070	679,184
	<b>6,195,544</b>	<b>5,983,941</b>

In addition £455,483 of consultancy expenditure has been capitalised as part of the licensing system project.

At the 31 March 2008 the SIA employed six Board members.

The average number of full time equivalent employees during the period ending 31 March 2008 was:

	Staff		Consultants, Temporary and Seconded Staff	
	2007/08	2006/07	2007/08	2006/07
Executive	3	4	1	-
Enforcement	49	42	3	-
Licensing	18	15	18	23
Development	4	4	3	1
Admin/support staff	20	20	10	8
Approved Contractor Scheme	10	7	-	1
Staff employed on capital projects	-	-	3	2
	<b>104</b>	<b>92</b>	<b>38</b>	<b>35</b>

## Pension

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. 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-pensions.gov.uk](http://www.civilservice-pensions.gov.uk))

For 2007/08, employers' contributions of £721,252 were payable to the PCSPS (2006/07 £675,607) at one of four rates in the range 17.1 and 26.5 (17.2 and 26.5 in 2006/07) per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following full scheme valuation. From 2008/09 the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £25,751 (£13,357 in 2006/07) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £142 (£221 in 2006/07), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

## Note 6

### Running costs

	Note	2007/08	2006/07
		£	£
Accommodation costs		696,200	739,589
Advertising and publicity		905,624	1,157,960
Audit fee – external		27,500	29,078
Audit fee – internal		28,783	19,110
Legal costs		73,547	81,320
Recruitment		241,573	191,259
Training		146,455	104,504
Information technology		215,018	176,100
Licensing costs		10,665,902	12,253,931
Office supplies and services		337,758	375,017
Operating lease payments – equipment		1,019	7,031
Financial costs		3,714	4,441
Bad and doubtful debts		59,008	46,521
Travel and subsistence		566,297	533,916
Catering		8,675	13,971
Hospitality		3,478	2,334
(Gain)/loss on disposal of fixed assets		(4,160)	33,929
		<b>13,976,391</b>	<b>15,770,011</b>

## Note 7

### Intangible fixed assets

	2007/08				
	Software licences	Managed Service Provider database*	Managed Service Provider II development	Approved Contractors Scheme costs	Total
	£	£	£	£	£
Cost at 1 April 2007	169,556	9,966,970	1,864,653	1,075,316	13,076,495
Additions	11,383	-	1,865,218	-	1,876,601
Disposals	-	-	-	-	-
Cost at 31 March 2008	180,939	9,966,970	3,729,871	1,075,316	14,953,096
Amortisation at 1 April 2007	91,798	7,900,995	-	291,230	8,284,023
Provided during the year	32,255	1,237,013	334,704	268,825	1,872,797
Disposals	-	-	-	-	-
Amortisation at 31 March 2008	124,053	9,138,008	334,704	560,055	10,156,820
Net Book Value at 31 March 2008	56,886	828,962	3,395,167	515,261	4,796,276
Net Book Value at 31 March 2007	77,758	2,065,975	1,864,653	784,086	4,792,472

\*A new contract with BT came into operation from November 2007 for three years. The SIA has estimated that 35% of the MSP1 database will be utilised within the new system and has therefore been relieved to the end of the second contract in November 2010. The remaining balance has been fully depreciated.

## Note 8

### Tangible fixed assets

	2007/08			
	Leasehold improvements	Furniture and office equipment	Computer equipment	Total
Cost at 1 April 2007	326,171	229,017	453,782	1,008,970
Additions	-	4,727	129,558	134,285
Disposals	-	-	(66,166)	(66,166)
<b>Cost at 31 March 2008</b>	<b>326,171</b>	<b>233,744</b>	<b>517,174</b>	<b>1,077,089</b>
Depreciation at 1 April 2007	17,166	105,611	376,212	498,989
Depreciation provided during the year	51,501	30,641	39,091	121,233
Disposals	-	-	(66,166)	(66,166)
<b>Depreciation at 31 March 2008</b>	<b>68,667</b>	<b>136,252</b>	<b>349,137</b>	<b>554,056</b>
Net Book Value at 31 March 2008	257,504	97,492	168,037	523,033
Net Book Value at 31 March 2007	309,005	123,406	77,570	509,981

## Note 9

### Debtors (falling due within one year)

	2007/08	2006/07
	£	£
Trade debtors	3,545,445	644,323
Accrued income	91,686	634,631
Other debtors	34,777	27,735
Season ticket loans to staff	14,710	18,913
Prepayments	241,227	175,952
	<b>3,927,845</b>	<b>1,501,554</b>
Less provision for bad debts	(30,000)	(30,000)
<b>Total debtors</b>	<b>3,897,845</b>	<b>1,471,554</b>

The trade debtors figure includes amounts owed by the MSP to the SIA for licence applications of £3,459,405 in 2007/08 and £596,876 in 2006/07.

### Intra-government balances

Balances with other central government bodies	127,580	655,339
Balances with local authorities, NHS Trusts, public corporations and trading funds	–	–

## Note 10

### Analysis of changes in cash

	2007/08	2006/07
	£	£
Balance at 1 April	1,022,417	4,440,638
Increase (Decrease) in cash	(825,788)	(3,418,221)
Balance at 31 March	<b>196,629</b>	<b>1,022,417</b>

The above balances are held in commercial bank accounts

## Note 11

### Creditors (due within one year)

	2007/08	2006/07
	£	£
Trade creditors	81,079	184,406
Other creditors	135,267	822,009
Accruals & deferred income	4,575,033	3,492,214
Taxation & social security	117,354	101,668
	<b>4,908,733</b>	<b>4,600,297</b>

### Intra-government balances

Balances with other central government bodies	797,142	1,239,936
Balances with local authorities, NHS Trusts, public corporations and trading funds	–	–

## Note 12

### Reserves

	Notes	2007/08	2006/07
		£	£
Balance at 1 April		2,432,627	6,120,112
Net expenditure for the financial year		(609,987)	(1,824,311)
Grant in Aid received towards resource expenditure		139,114	2,000,822
Grant in Aid received towards fixed asset purchases		1,860,886	1,999,178
Grant in Aid appropriated to the Home Office		-	(5,201,663)
Monies repaid to the consolidated fund		-	(661,511)
Balance at 31 March 2008		<b>3,822,640</b>	<b>2,432,627</b>



Government Grant Reserve	2007/08	2006/07
	£	£
Balance at 1 April	350,000	–
Additions	150,000	350,000
Less transfer to P & L	(62,488)	–
Balance as at 31 March	<b>437,512</b>	<b>350,000</b>

The Government Grant Reserve recognises the capital contribution from the Scottish Executive towards the development of systems and processes for the licensing system

## Note 13

### Reconciliation of operating deficit to cash outflow from operating activities

	2007/08	2006/07
	£	£
Operating deficit	(609,987)	(1,824,311)
Depreciation	1,994,030	2,687,594
(Increase)/Decrease in debtors relating to operating items	(2,426,291)	925,073
Increase/(Decrease) in creditors relating to operating items	1,024,084	(545,192)
(Decrease)/Increase in provisions	(168,602)	429,500
(Gain)/loss on disposal of fixed assets	(4,160)	33,929
Release from Reserves	(62,488)	–
Net cash (outflow)/inflow from operating activities	<b>(253,414)</b>	<b>1,706,593</b>

## Note 14

### Capital commitments

As at 31 March 2008 the SIA had contracted £528,000 to capital expenditure, (£1.6 million in 2006/7) in relation to enhancement to the licensing system.

## Note 15

### Commitments under operating leases

Operating leases which expire:

	2007/08		2006/07	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Within one year	–	1,486	–	–
Within two-five years	–	–	–	1,486
Over five years	409,921	–	320,247	–

### Other financial commitments

The SIA's contract with its managed service provider, BT, combines fixed and variable service charges. The fixed element of this contract £1,265,455 per annum, to expire in November 2010.

## Note 16

### Contingent liabilities

The SIA had no contingent liabilities as at 31 March 2008 (2006/07 – Nil).

## Note 17

### Events after Balance Sheet Date

There have been no events after the Balance Sheet date requiring an adjustment to the accounts. The financial statements were authorised for issue on 7 July 2008 by Mike Wilson, Accounting Officer.

## Note 18

### Related party transactions

The Home Office as sponsoring Department of SIA is regarded as a related party. During the period ended 31 March 2008 the Home Office provided the SIA with Grant in Aid funding of £2m (2006/07, £4m). A small number of transactions were made with other government departments and other central government bodies, including the Criminal Records Bureau, HM Revenue & Customs and the Treasury Solicitor.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Security Industry Authority during the year.

## Note 19

### Losses and special payments

The SIA made no losses or special payments in excess of £250,000 during the year.

## Note 20

### Provisions

	2007/08			2006/07		
	Licence Refunds	Compensation	Total	Licence Refunds	Compensation	Total
	£	£	£	£	£	£
Balance at 1 April	413,500	–	<b>413,500</b>	–	–	–
Payments in year	(266,257)	–	<b>(266,257)</b>	413,500	–	<b>413,500</b>
Provided in year	137,655	150,000	<b>287,655</b>	–	–	–
Unwinding of provision	(190,000)	–	<b>(190,000)</b>	–	–	–
Balance at 31 March	94,898	150,000	<b>244,898</b>	413,500	–	<b>413,500</b>

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

The provision for compensation covers potential claims for losses incurred by applicants due to processing delays as a result of the difficulties with the implementation of the new licensing system.

## Note 21

### Financial Reporting Standard 13 Derivatives and Other Financial Instruments

Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, SIA is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. SIA has very limited powers to borrow or invest surplus funds, and consequently financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing SIA in undertaking its activities.

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the Balance Sheet date have been omitted from the disclosures.

### Liquidity risk

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

### **Interest rate risk**

SIA is not exposed to significant interest rate risk.

### **Foreign currency risk**

SIA is not exposed to significant foreign exchange risk.



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