



Security Industry Authority

# Annual Report and Accounts 2008/09



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Presented to Parliament pursuant to Section 16(4) (b) and Section 17(2) of Schedule 1 of the Private Security Industry Act 2001.

Ordered by the House of Commons to be printed on 9 December 2009  
Laid before the Scottish Parliament by the Scottish Ministers December 2009

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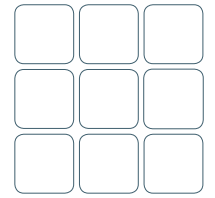
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ISBN: 9780102961645

Printed in the UK for The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID P002327278 12/09

Printed on paper containing 75% recycled fibre content minimum.

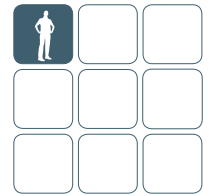


# Contents

Ministers' statements	4
Statement from the chair	8
Introduction	12
<b>The security industry authority</b>	<b>13</b>
<b>Licensing</b>	<b>13</b>
<b>Approved contractor scheme</b>	<b>13</b>
<b>Working with partners</b>	<b>14</b>
Performance in 2008/09	16
<b>Key achievements</b>	<b>17</b>
<b>Performance against our objectives</b>	<b>21</b>
<b>Objective 1 – reduce criminality within the private security industry</b>	<b>25</b>
<b>Objective 2 – raise quality standards within the private security industry</b>	<b>29</b>
<b>Objective 3 – continually improve and develop the organisation and its performance</b>	<b>33</b>
<b>Objective 4 – meet financial targets and demonstrate value for money to the Home Office, Scottish Government fee paying customers</b>	<b>37</b>
<b>Objective 5 – build on our credibility with stakeholders</b>	<b>38</b>
<b>Objective 6 – review the application of the private security industry act 2001</b>	<b>47</b>
Challenges for the SIA	52
Financial overview	58
Remuneration report	66
Statement of accounts	76

# Ministers' Statements





## Home Office Minister's statement

As the Minister responsible for the Security Industry Authority, I am very pleased to be able to say that while 2008/09 saw further challenges for the Security Industry Authority, it was also a time of solid achievement and consolidation.



The new processing system introduced in 2007/08 was functioning as planned following delays at the beginning of the year, and producing important and useful service improvements. As a result, the SIA was able to meet its targets for service delivery.

The SIA's procedures for combating illegal working in the private security industry, which involve carefully managed cooperation with the UK Border Agency, are working well. It was regrettable that during the year it emerged that a number of the SIA's agency staff had not been security cleared. However, while this caused some inconvenience and interruption to the SIA's work, it did not significantly affect the turn-around of applications and the SIA quickly rectified its procedures.

The SIA has coped well with the inevitable disruption caused by the departure of its previous Chief Executive Mike Wilson in November and the six month interim appointment of Bernard Herdan. I am very grateful to Bernard for stepping in, and it is a tribute to him and the SIA that by the end of the year the organisation was performing so well.

On 1 December 2009, the SIA's regulatory functions will be extended to Northern Ireland. Following a study by the SIA, we have also run a public consultation on the compulsory registration of businesses operating in the private security industry, with a view to introducing licensing of vehicle immobilisation businesses as a priority.

We are working with the Ministry of Justice on the introduction of regulation of enforcement agents. Work is also in hand on the future licensing of private investigators and precognition agents.

Alan Campbell  
Parliamentary Under-secretary of State for Crime Reduction



## Scottish Minister's Statement

Licensing has been up and running in Scotland for around 18 months and is now firmly established. The introduction of licensing coincided with the introduction of the new managed service provider (MSPiI) system at the SIA, which led to delays in issuing licences for some applicants. The welcome and sustained period of good performance since the summer has enabled the SIA to get its business on a firm footing, to introduce a number of service improvements, and as a result meet its service delivery targets.

Regulation is a key tool in our efforts to reduce criminality in the industry and we are starting to see the positive results of joint enforcement action with the police, something all law enforcement partners in Scotland are keen to build on in the coming year.

Regulation, robustly enforced, allows us to offer the public and those who use the industry a greater level of protection. Through the publication of the Register of Licence Holders and the Register of Approved Contractors on the SIA website, the industry, potential customers and the wider public are given visibility of that protection.

But it is the responsibility of us all, not just the police and the SIA, to ensure that crime does not take hold in our communities and I welcome the opportunity provided through the SIA's website for people to report concerns they have about particular companies and individuals. I would encourage people to use that service.

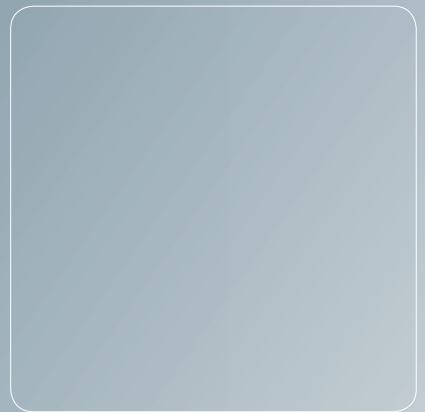
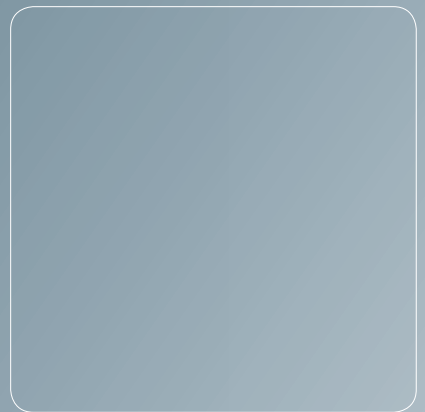
I very much welcome my constructive and positive relationship with Ruth Henig and Bill Matthews, the Board member for Scotland, and look forward to that continuing as well as to meeting Bill Butler, the new Chief Executive.

The coming year provides the opportunity for further consolidation and robust enforcement here in Scotland to ensure those crooks who have given the industry such a bad name are driven out for good.

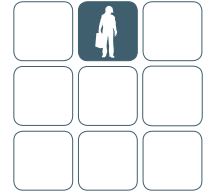
A handwritten signature in black ink that reads "Kenny MacAskill". The signature is written in a cursive, slightly slanted style.

Kenny MacAskill  
Cabinet Secretary for Justice

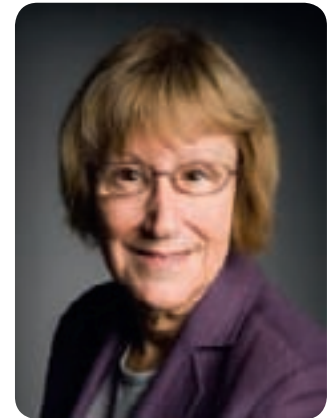
# Statement from the Chair







The past financial year has certainly been a challenging one, which has brought significant changes for the SIA. We have faced a number of internal and external challenges, but I believe we have emerged from them in better shape and with renewed confidence for the future. In the course of the year, we underwent a number of reviews, which were aimed to help us to identify how we could improve our processes and planning. These included a Delivery Review, jointly commissioned by the Home Office and the SIA Board, which resulted in an operational plan and the National Audit Office Value for Money report, which concluded that the SIA introduced regulation into a previously unregulated sector effectively. These reviews were important in giving us constructive feedback on how we could improve our ways of working, but they also acknowledged significant successes and progress already recorded.



Achievements for the SIA in this financial year include completion of the much-publicised feasibility study on business licensing, publication of the review on in-house licensing and working towards the issue of the first licences in Northern Ireland. In addition, there have been significant improvements to our customer services and a number of enforcement actions that included some high profile prosecutions and valuable confirmation of our ability to prosecute.

Inevitably, there have been difficulties along the way. The installation in the previous year of our newly designed licensing system did not run as smoothly as we had hoped, resulting in substantial delays for applicants in that year. Happily, the issues have long since been rectified and the system is now working extremely efficiently, streamlining processes and reducing waiting time for applicants. Throughout most of the year, we have consistently met our processing time targets, and the system is now running smoothly. This improvement to our licensing performance has not gone unnoticed by our stakeholders, and we have come through our difficulties strengthened as an organisation, as well as having received much positive feedback from customers.

I recognise the frustrations that they have experienced as a result of the past service problems, and I would like to thank applicants and employers for their patience, and for giving us positive feedback once the problems with the system had been rectified. I also want to place on record my appreciation of the hard work of the SIA staff, without whom the turnaround in performance would not have been possible. While we have made significant progress in the past year, we are in no way complacent. We have a strong team in place, and welcome the arrival of Bill Butler, as our new Chief Executive. Under his leadership, we will strive to continue to maximise service levels for our customers.

We continue to attach great importance to working closely with the industry through consultation groups, conferences and forums. We are always seeking to reach and communicate with our stakeholders, to strengthen the valuable relationships we have and to hear the views of those working in, and connected to, the private security industry. Things do not stand still – and we know there are challenges to come, such as the extension of regulation to Northern Ireland, ensuring that service levels remain high during the re-tender process for our managed service provider, the licensing of new sectors such as private investigation and the build-up to the Olympics and the Commonwealth Games.

We at the SIA will continue to strive to be an effective, proportionate regulator, working with and listening to the private security industry. We will adapt to meet the challenges ahead as we continue to work towards our aims of protecting the public and working with the industry to drive up standards.

A handwritten signature in black ink, appearing to read 'Ruth Henig', with a long horizontal flourish extending to the right.

Ruth Henig, SIA Chair



Our **mission** is to regulate the private security industry effectively; to reduce criminality, raise standards and recognise quality service.

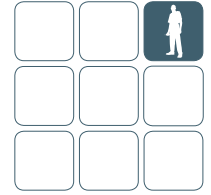
Our **vision** is to work with others to create a safer environment for the public and better opportunities for the private security industry.

(Mission and vision statement 2008/09)



# Introduction





## The Security Industry Authority

The SIA is responsible for regulating the private security industry in the United Kingdom. We are an independent body established in 2003, reporting to the Home Secretary under the terms of the Private Security Industry Act 2001. As a non-departmental public body sponsored by the Home Office we contribute to the Home Office purpose of working together to protect the public.

We have two main duties. One is the compulsory licensing of individuals undertaking designated activities within the private security industry; the other is to manage the voluntary Approved Contractor Scheme (ACS).

## Licensing

We license those working in specific sectors of the private security industry in England, Wales and Scotland. In 2009/10, our remit will also extend to Northern Ireland. Licensing ensures that those working in the private security industry are appropriately skilled and meet all aspects of the published criteria.

The activities currently subject to individual licensing are:

- Manned guarding, which includes:
  - Cash and valuables in transit
  - Close protection
  - Door supervision
  - Public space surveillance (CCTV)
  - Security guarding
- Immobilisation, restriction and removal of vehicles – which includes wheel clamping
- Key holding.

## 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

“

Our SIA accreditation provides visible proof to clients of our mission, which is to provide a high level of service to ensure all our staff are of a high, professional standard.

**John Search**  
Group Managing  
Director  
JS Facilities Group

”

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.

## Working with partners

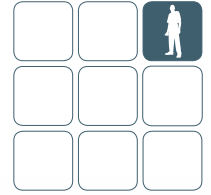
Our relationships are crucial to our success. We have extensive relationships ranging from information sharing to formal partnerships with a number of organisations that impact on all parts of our business. We continue to nurture these relationships, to ensure we maintain high standards in the work we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

We have strong strategic relationships with the Home Office, the Scottish Government, other government departments and organisations such as the Department for Business, Innovation & Skills; Association of Chief Police Officers; Association of Chief Police Officers in Scotland and Skills for Security.

We have delivery-focused relationships with providers of criminal disclosures (Criminal Records Bureau, Disclosure Scotland and Access NI), our managed service provider – British Telecommunications PLC – awarding bodies, assessing bodies, and qualifications regulators.

Finally, we carry out operational and enforcement elements of our work in liaison with:

- The police
- Local authorities
- Department for Work and Pensions
- Her Majesty's Revenue and Customs
- UK Border Agency at the Home Office
- Serious and Organised Crime Agency.



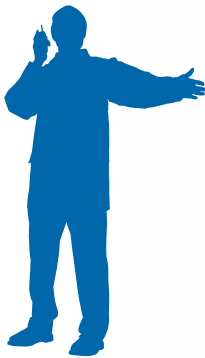
## Benefits of stakeholder communications

Our approach is to work with the industry and wider stakeholders and we welcome external input to push improvements in development of our policy, planning and process. Last year, we undertook a review of our stakeholder engagement strategy, which provides the opportunity for those who wish to give input to be involved in decision-making processes. Our successful network meetings and ACS forums also provide opportunities for us to work together; face to face.

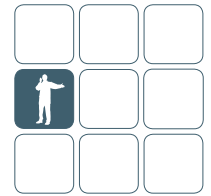
There are many benefits of working collaboratively with the industry. It helps us assess and manage risks, and develop regulation more effectively. We can also better understand the business environment and developments in the market. Working closely with stakeholders allows us collectively to pool resources to solve problems, reach our objectives and to implement change.



# Performance in 2008/09







## Key achievements

### Improvements to the licensing process and our contact centre

The Managed Service Provision project set out with five clear objectives: to improve customer service, reduce the burden on customers, raise the rigour of identity checks and increase flexibility all whilst minimising cost to avoid a licence fee increase.

The initial implementation of the project did not go according to plan as set out in the last Annual Report but we have made considerable improvements to customer services. In the last quarter, 85% of all properly completed licence applications were processed within 40 working days with 89% of those from UK and European Economic Area (EEA) nationals processed within 33 working days. Our contact centre performance improved over the course of the year, and latterly 89% of calls were answered within 30 seconds with few calls receiving engaged signals.

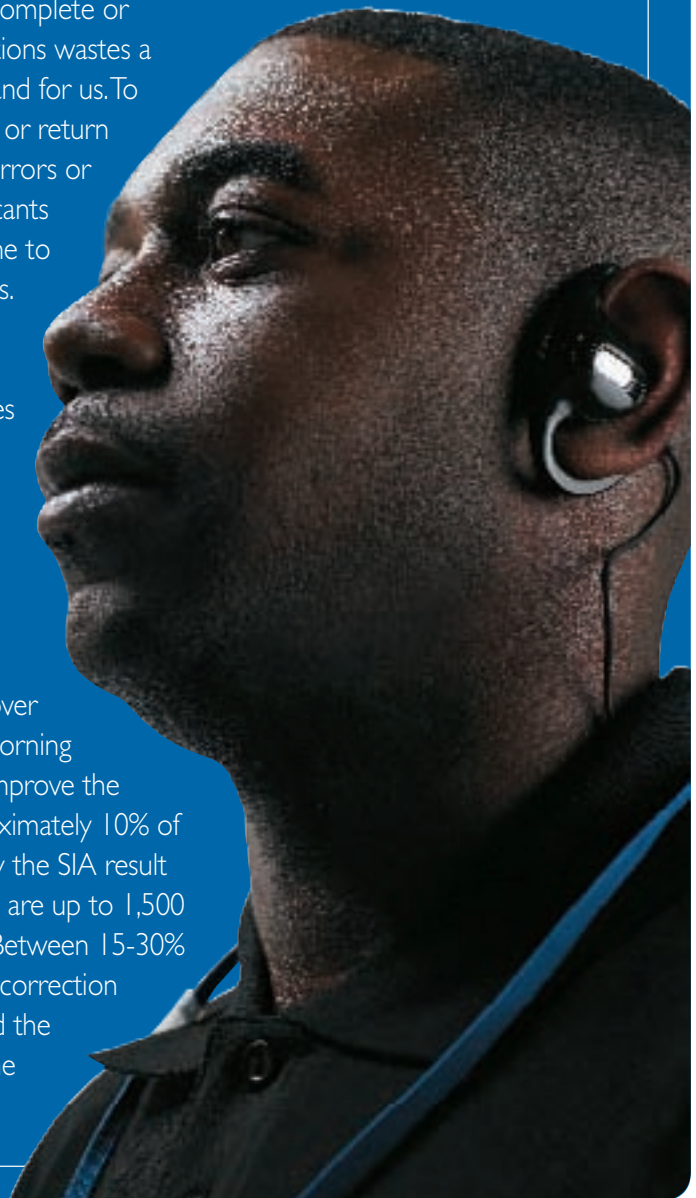
In the largest area of our work, licensing, we have already responded to a 35% increase in applications, and continue to fine-tune the licensing process. Having met our target of dealing with 80% of applications for UK and EEA nationals within 33 working days, we have now increased this target to 85% going forward. We have been working closely with our contact centre to improve waiting times and quality of service, and we will be increasing our telephone response time target to 95% of all calls answered within 30 seconds.

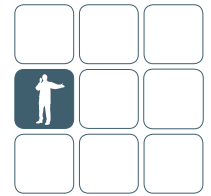
Customer service has now improved, the burden on customers has reduced (particularly with the improvement of online facilities for companies) and our identity checks are more robust. The implementation of the online passport check between us and the Identity and Passport Service has been a particular success. This has been achieved without raising the licence fee for 2009/10.

## Outbound Calling

Attempting to process incomplete or erroneous licence applications wastes a lot of time for applicants and for us. To reduce the need to reject or return applications that contain errors or that are incomplete, applicants are contacted by telephone to try to correct any mistakes. This practice of seeking direct clarification is called 'outbound calling' and saves us, and the applicant, time and money.

At least two attempts are made by the Outbound Call team to contact an applicant and these attempts are spread out over consecutive days, in the morning and in the afternoon, to improve the chances of success. Approximately 10% of all applications received by the SIA result in an outbound call (there are up to 1,500 such calls made a week). Between 15-30% of these calls result in the correction of errors or omissions and the successful processing of the application.





## Effective enforcement

The SIA regulates the private security industry to ensure that only fit and proper people are employed in positions of trust within our communities. For licensing to be trusted by the public and for it to work well it is vital we have an effective compliance and enforcement strategy.

We provide monthly online updates on the actions we have taken on key regulatory activity. As an example, in March of this year we received 970 pieces of intelligence sent to us by the public, the industry, our partner Crimestoppers, from the police and other law enforcement agencies. In that month alone this information allowed us to revoke 26 licences, suspend 55 and risk assess 58 companies – 29 of which were judged to be of high or medium risk. We also shared 78 key pieces of information and intelligence with our law enforcement partners to contribute more widely to reducing crime, disorder and the fear of crime. Last year we issued 331 written warnings and 19 improvement notices, and revoked 3,618 licences.

We have 26 prosecution cases involving over 200 offences either completed or going through the Courts – some cases have been given a high profile. Our right to prosecute was challenged in the High Court last year but the Court ruled firmly in our favour.

## Strengthening our partnership with Crimestoppers

In May 2008, we sponsored the Crimestoppers website to further extend our partnership with the charity. This was to encourage those in the industry and members of the public to report unlicensed activity directly to Crimestoppers – with total anonymity.

Since sponsoring the site, the intelligence we received from Crimestoppers almost doubled to 780 reports last year.

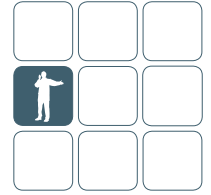
The reports we received included security guards operating without an SIA licence, door supervisors still on the doors when their licence has been cancelled or suspended, unlicensed wheel clampers and those with a licence who have not informed us of a recent conviction. One report was about a company that employed wheel clampers who were not licensed. Further investigation revealed that the police had received several complaints about this company and were keen to take action. Our partnership with the police resulted in the clampers and the director of the company being charged with engaging in licensable activity without a licence, and knowingly deploying unlicensed individuals into licensable activity.

There are five main ways we receive intelligence:

- The SIA website [www.the-sia.org.uk](http://www.the-sia.org.uk)
- Crimestoppers
- Direct from enforcement partners such as the police
- Contact centre – 0844 892 1025
- Media reports.

Although last year most of our intelligence reports came through the SIA website, we found that information from Crimestoppers was of better quality and gave us the concise detail and clarity we needed in order to take further action.





We have dealt directly with 300 security businesses that we had assessed as high risk in terms of compliance – this included 160 security guarding businesses and 86 door supervisor businesses. Whilst we will help businesses where appropriate, we will also prosecute if necessary.

## Performance against our objectives

We support the Public Service Agreement and Home Office objectives – 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 – by regulating to reduce criminality and improve standards in the private security industry.

## Protecting the Public

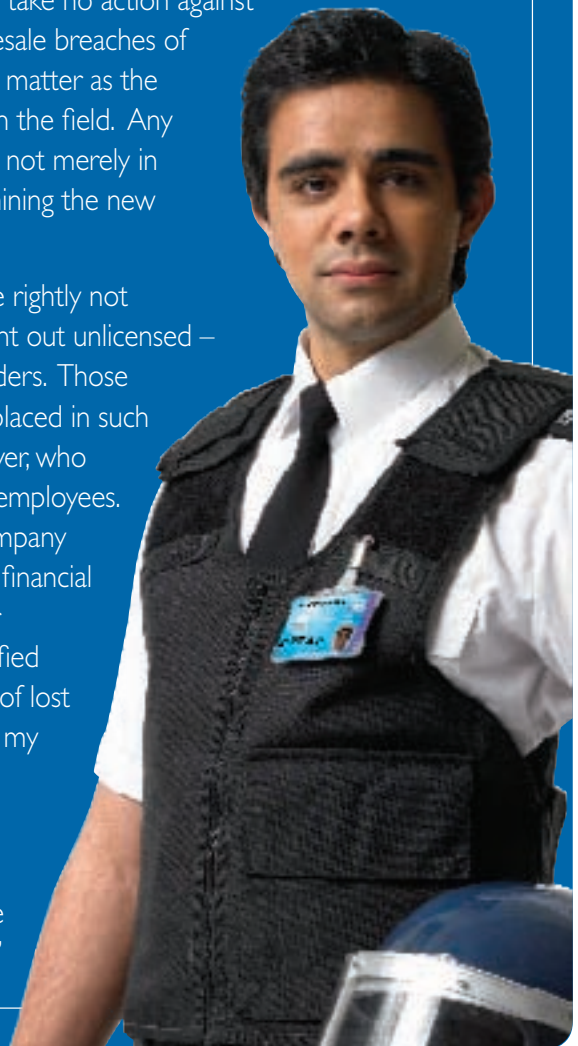
In November 2008 at Southwark Crown Court, Securiplan was fined £95,000 for 19 offences of deploying unlicensed security operatives (under Section 5 of the Private Security Industry Act 2001) between March and September 2006. The company had pleaded guilty to the offences and was ordered to pay the SIA £550,000 to meet most of the costs of the investigation and prosecution.

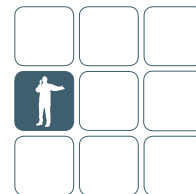
His Honour Judge Rivlin QC, having previously concluded that the SIA had followed its own principle of bringing this prosecution only as a last resort, said

“Knowing perfectly well that deployment was against the law, the company deployed many unlicensed operatives. This was, I am satisfied, the consequence of a deliberate commercial decision arrived at in the hope and expectation that the heavily stretched SIA would take no action against them. These counts constitute wholesale breaches of the Act. This is a particularly serious matter as the company was amongst the leaders in the field. Any such policy had grave consequences not merely in terms of deployment, but in undermining the new licensing regime.”

“The SIA has, in my judgement, quite rightly not prosecuted individuals who were sent out unlicensed – they have prosecuted the real offenders. Those individuals should never have been placed in such an invidious position by their employer, who was in a position of trust with their employees. In consequence of its action, this company has already suffered very substantial financial losses due to contracts being lost or terminated by customers. I am satisfied that this ran into millions of pounds of lost business. I must stress that it was, in my opinion, entirely self-inflicted.”

“It is important that companies in this industry should appreciate the seriousness of the legislation and the seriousness of the failure to comply.”





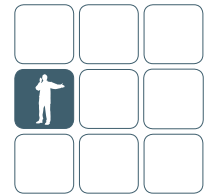
The following eleven prosecutions were investigated and initiated by the SIA. Many other prosecutions are started following police investigations which means we do not have complete data on such cases. Our website has current enforcement action.

## Convictions in 2008/09 following SIA prosecutions

Person / business prosecuted sector	Date of offence	Offence	Court and date of conviction	Sentence
Matthew John Kelly <i>Security guarding</i>	October and November 2007	Engaging in licensable conduct without a licence (six offences)	Nottingham Magistrates' 23 June 2008	Conditional discharge. Ordered to pay costs of £100 to the SIA.
Clive Roy Fisher <i>Security guarding</i>	November 2007 to January 2008	Engaging in licensable conduct without a licence (four offences)	Peterborough Magistrates' 10 July 2008	Conditional discharge. Ordered to pay costs of £245 to the SIA.
Richard Norman Olding <i>Security guarding</i>	January 2008	Engaging in licensable conduct without a licence (four offences)	Peterborough Magistrates' 10 July 2008	Conditional discharge. Ordered to pay costs of £245 to the SIA.
Nicholas Field <i>Security guarding</i>	January 2008	Engaging in licensable conduct without a licence (four offences)	Peterborough Magistrates' 10 July 2008	Conditional discharge. Ordered to pay costs of £245 to the SIA.
Brendan Michael O'Mahony <i>Cash and Valuables in Transit</i>	January and February 2008	Engaging in licensable conduct without a licence (eight offences)	Cambridge Magistrates' 31 July 2008	Fined £245. Ordered to pay costs of £265 to the SIA.
Gary Privett <i>Security guarding</i>	January 2008	Engaging in licensable conduct without a licence (ten offences)	Peterborough Magistrates' 7 August 2008	Fined £200. Ordered to pay costs of £415 to the SIA.

Person / business prosecuted sector	Date of offence	Offence	Court and date of conviction	Sentence
Nigel Barks <i>Security guarding</i>	January 2008	Engaging in licensable conduct without a licence (one offence)	Peterborough Magistrates' 7 August 2008	Fined £50. Ordered to pay costs of £115 to the SIA.
James William Turner Trading as Stealth <i>Security guarding</i>	October and November 2007 February 2008	Supplying unlicensed operatives (twenty four offences) Failing to provide information to the SIA (one offence)	Nottingham Magistrates' 17 October 2008	12 month community punishment order during which he will need to undertake 40 hours community service. Ordered to pay costs of £1000 to the SIA.
Mark Fairfield <i>Security guarding</i>	October and November 2007	Engaging in licensable conduct without a licence (six offences)	Nottingham Magistrates' 27 October 2008	Fined £240 (£40 per offence). Ordered to pay a surcharge under the Victim Surcharge Scheme and £250 costs to the SIA.
John Day <i>Security Guarding</i>	November 2007 to April 2008	Engaging in licensable conduct without a licence (one offence). Failing to provide information to the SIA (one offence)	Birmingham Magistrates' 6 November 2008	Fined £500 for each offence. Ordered to pay £5,000 in costs to the SIA.
Securiplan Plc <i>Security Guarding</i>	March to September 2006	Supplying unlicensed operatives (nineteen offences)	Southwark Crown 7 November 2008	Fined £95,000 (£5,000 per count). Ordered to pay £550,000 costs to the SIA.





## Our Objectives

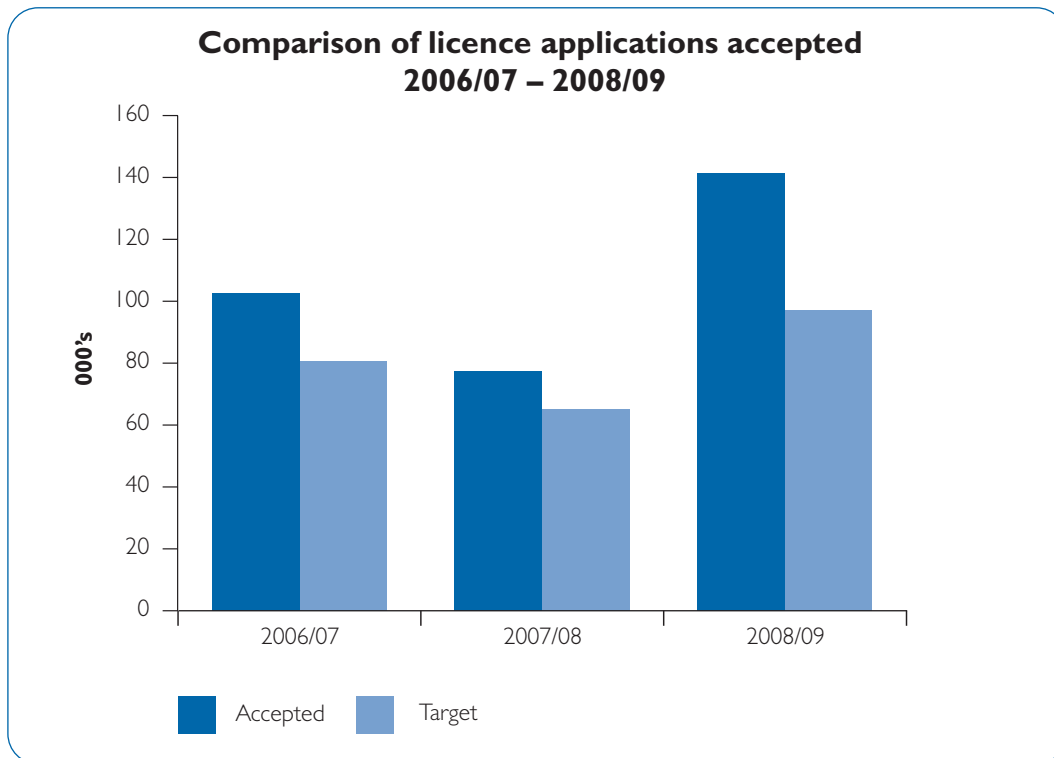
We set six objectives for 2008/09 with measurable performance indicators.

### Objective 1

#### Reduce criminality within the private security industry

This objective is supported by our refusal of licence applications and revocation of licences of those that do not meet the fit and proper person criteria, and also by compliance and enforcement action.

#### Compliance with licensing requirements



	2006/07	2007/08	2008/09
Licence applications accepted	102,495	77,268	141,412
Target	<b>80,735</b>	<b>65,000</b>	<b>97,000</b>

The target is based on the estimated size of the licensable population, the number of licences to be renewed, joiners and leavers, and a level of compliance of 90% or higher.

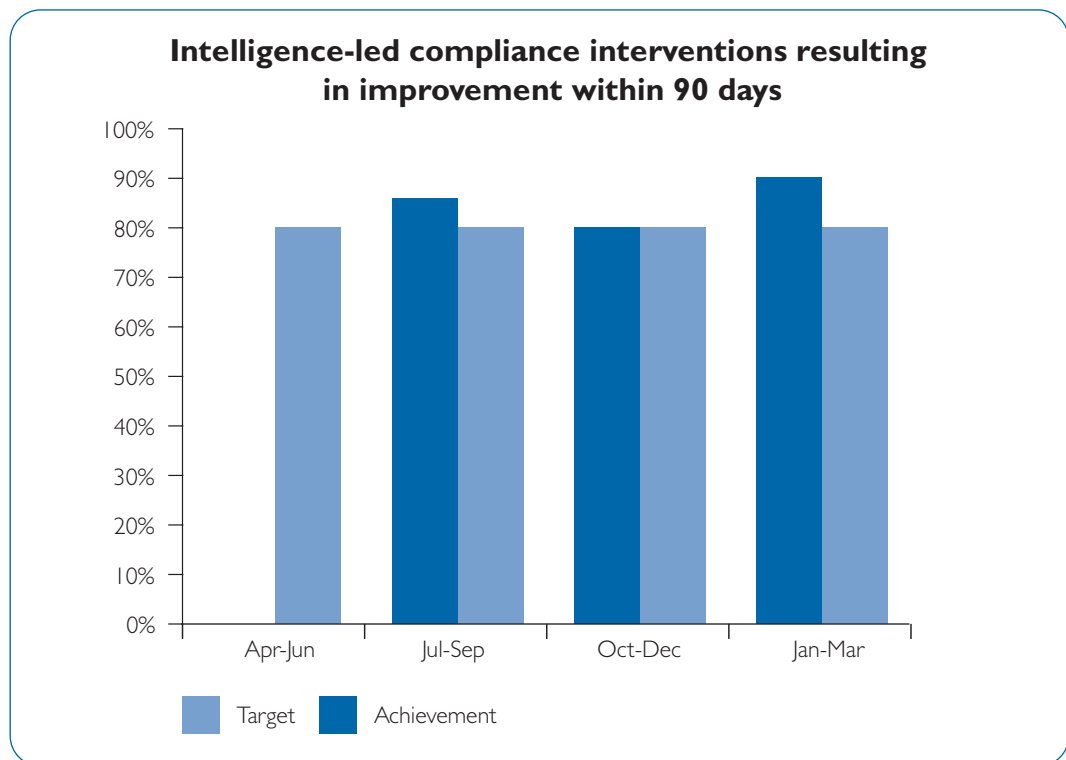
This objective requires that the number of licence applications meet or exceed the agreed target each year. In 2008/09 we exceeded our target by 46%.

### Revised criminality criteria

We carry out a criminal record check on everyone who applies for a licence. In the event that the applicant has any recorded offences then we make our decision according to how serious the offences are, how relevant they are and how recent they are.

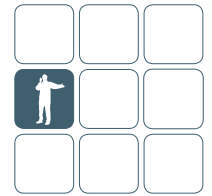
On the 6 October 2008, we implemented our revised criminality criteria. They build on the previous criteria and maintain our commitment to public protection. The new criteria widened the range of offences considered and, by allowing us to take into account the actual sentence or disposal for each offence, give greater flexibility in the licensing decision-making process.

### Effectiveness of compliance action



	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>
Achievements	N/A	86%	81%	92%
Target	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

We use intelligence to target our resources where there is the greatest risk of non-compliance, and where that non-compliance undermines public protection. Our starting point is to try and help businesses and individuals to meet their obligations. Performance data first became available in August, 90 days after the first intelligence-led compliance intervention of the year.

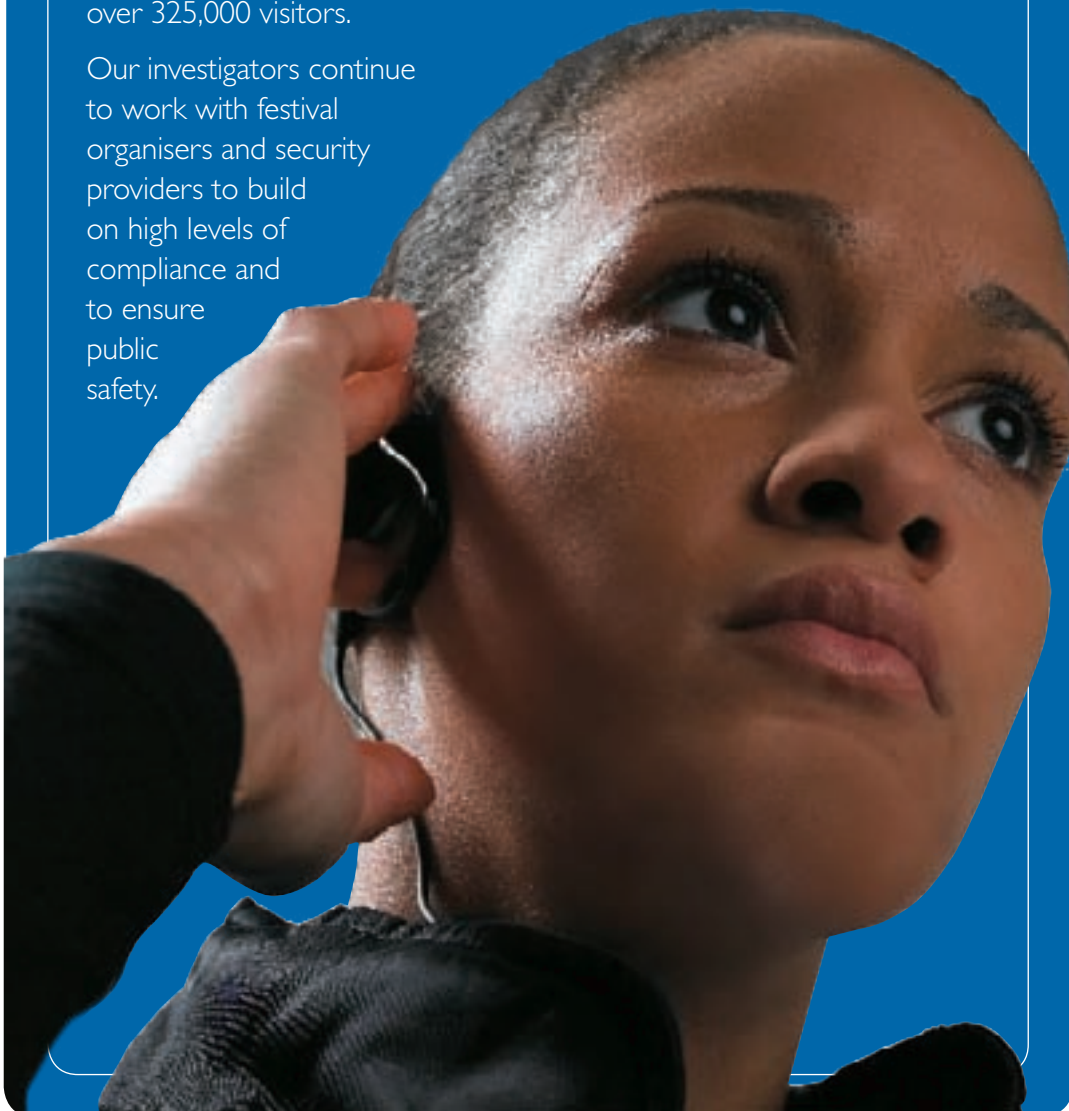


## Music to our ears

During the summer of 2008, SIA investigators and enforcement partners focused on four main music festivals held in England and Scotland. The operation was to check security deployed at these events was compliant with the law, ensuring festival goers were safe and secure with SIA licensed security operatives.

The average compliance level of 95% demonstrated that festival organisers recognised the professionalism and value of SIA licensed security operatives. The music festivals visited – Glastonbury, T in the Park, Leeds and Reading – attracted over 325,000 visitors.

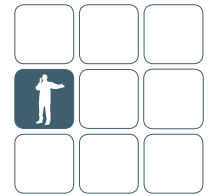
Our investigators continue to work with festival organisers and security providers to build on high levels of compliance and to ensure public safety.



## Feasibility of Company Licensing – Study

At the request of the Home Secretary, we undertook a feasibility study to examine the possibility of developing a licensing scheme for security businesses, looking initially at the vehicle immobilisation sector. Company Licensing (later renamed 'Business Licensing') could eventually lead to the SIA regulating all security businesses providing designated security activities, to ensure that they meet a minimum set of standards. This is distinct from the ACS, which is voluntary and recognises high business standards.

We submitted the study to the Home Office in January 2009 for consideration, and the Home Office published a formal consultation document in April 2009. Subject to the outcome of that consultation, we will start to develop the scheme for vehicle immobilisation businesses in England and Wales.

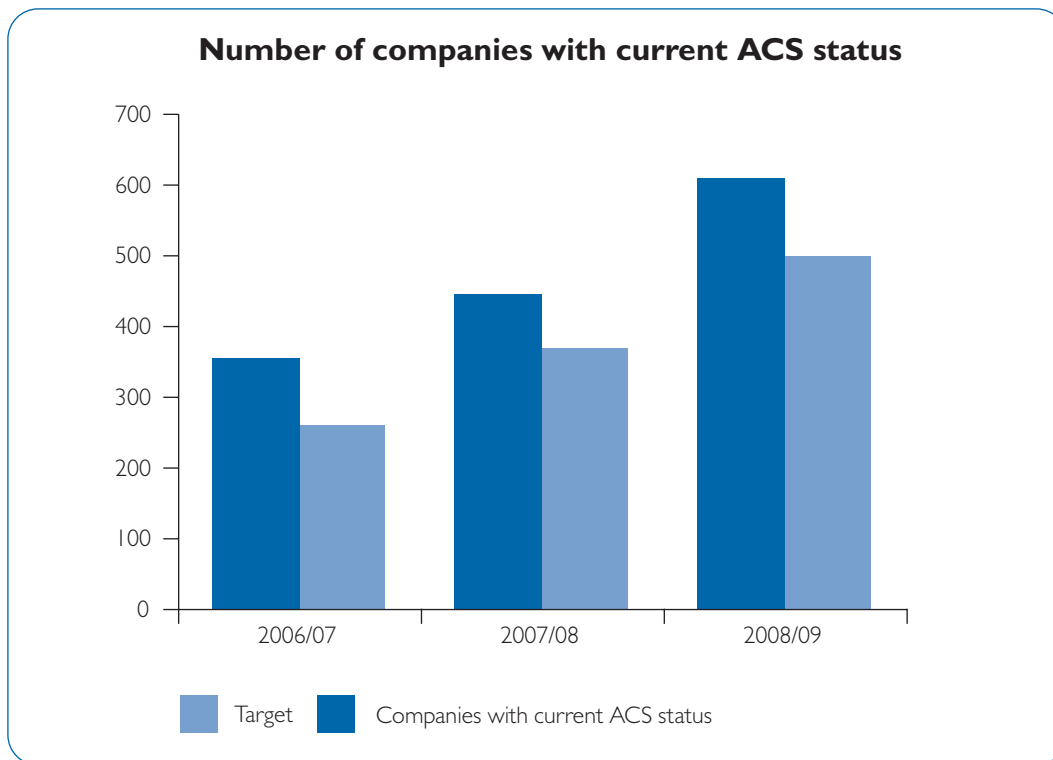


## Objective 2

### Raise standards within the private security industry

This objective is supported by requiring licence holders to hold relevant basic core competency qualifications and ensuring training and qualifications meet licensing requirements. It is also supported by increasing the number of ACS companies and employees and requiring approved contractors to meet quality standards.

#### Approved contractor scheme take up

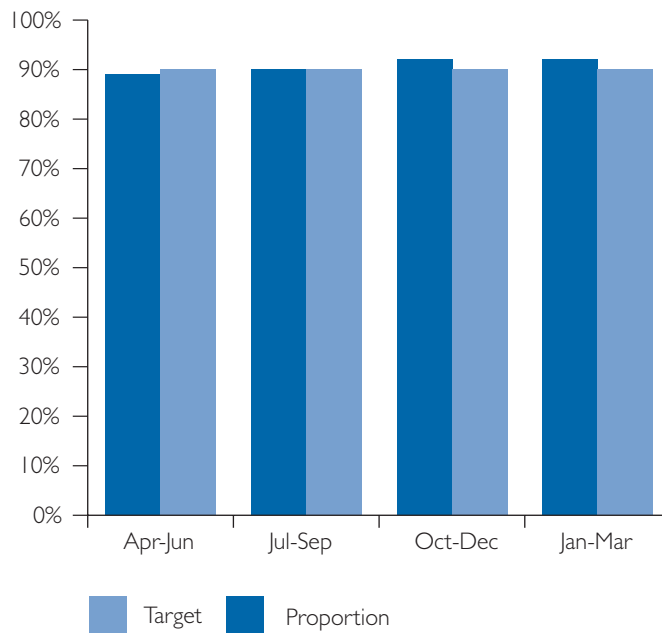


The target for 2008/09 was 500 companies with current ACS status. Over the past year, we have continued to exceed our target.

	2006/07	2007/08	2008/09
Number of ACS companies	355	446	610
Target	<b>261</b>	<b>370</b>	<b>500</b>

## Approved contractor scheme continuity

### Eligible ACS companies re-registering during the year

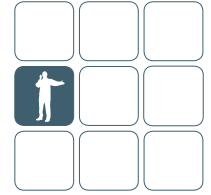


	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Proportion re-registering during the year	89%	90%	92%	92%
Target	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>

Performance was slightly below target at the beginning of the year but the overall result met the target by year-end.

### ACS fit and proper person criteria

We must be satisfied that a security provider is fit and proper to hold Approved Contractor Scheme status. In 2008, following the annual ACS review carried out by OCG ([www.the-sia.org.uk/home/acs/acs\\_review.htm](http://www.the-sia.org.uk/home/acs/acs_review.htm)), we implemented the recommendation that we check for any outstanding county court judgements against the company or its directors, and whether they have met Companies House reporting requirements. Further checks concerning directors of companies that are in liquidation, will be introduced during 2009.



### ACS assessor review

All approved contractors are subject to an annual assessment to verify that they meet ACS requirements. We use several independent assessing bodies to conduct assessments. In early 2009, we undertook a review of these assessor arrangements to determine whether they continue to meet the needs of the ACS.

The review concluded that we should continue to outsource ACS assessment to independent assessing bodies but recommended a reduction from seven to four. It also recommended a requirement that all individual assessors undertake a minimum number of ACS assignments each year. We have already reduced the number of assessing bodies from seven to six and we aim to reduce this number to four by 2010.

### ACS withdrawal of approval in 2008/09

Approval may have been withdrawn for any of the reasons detailed in the ACS terms and conditions. A current list of withdrawals is maintained on our website [www.the-sia.org.uk](http://www.the-sia.org.uk).

Contractor	Address	Activities (sectors)	Date approval withdrawn
Castlegate Security Services Limited	Lancaster Lancashire	Security Guarding	5 December 2008
Security People.Org Limited	Doncaster Yorkshire	Security Guarding	30 October 2008
Prestons Security and Services Northwest Limited	St Helens Merseyside	Security Guarding	13 October 2008
Sublime Security Limited	Seven Kings London	Security Guarding	28 July 2008
Service Masters UK Limited	Erith Kent	Security Guarding	28 July 2008
Pro-Guard Protection Limited	Milton Keynes Buckinghamshire	Security Guarding Keyholding	10 June 2008



The Approved Contractor Scheme of the Security Industry Authority is a hugely valuable tool for buyers, if used wisely and not in isolation.

**Stuart Lowden**  
Chairman of the British Security Industry Association and Managing Director of Wilson James Ltd



## ACS Champion of the Year

The ACS award, one of the awards given at the annual Security Excellence Awards, is sponsored by the SIA and open to all Approved Contractors. The award is presented to the company that takes exceptional steps to further the spirit of the scheme. The judges look for:

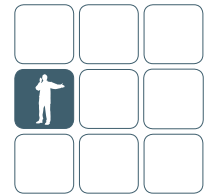
- active promotion of the scheme and its benefits with customers
- consistent contribution to furthering the aims of the scheme
- evidence of creation of a safer environment for the public
- participation in new opportunities for the private security industry.

On 9 October 2008, Business Watch Guarding Ltd based in Telford, was announced the winner. Baroness Ruth Henig, SIA Chairman, presented the award and said:

“We were delighted with the number and quality of entries into the new ACS Champion category and we fully support the winner. All the finalists demonstrated an inspiring commitment and enthusiasm for the scheme. Amongst the other entries we were further impressed with participation in programmes such as community patrols, Crimestoppers, Project Griffin and regional transformation, as well as the commitment of management time to support the aims of the Approved Contractor Scheme”.





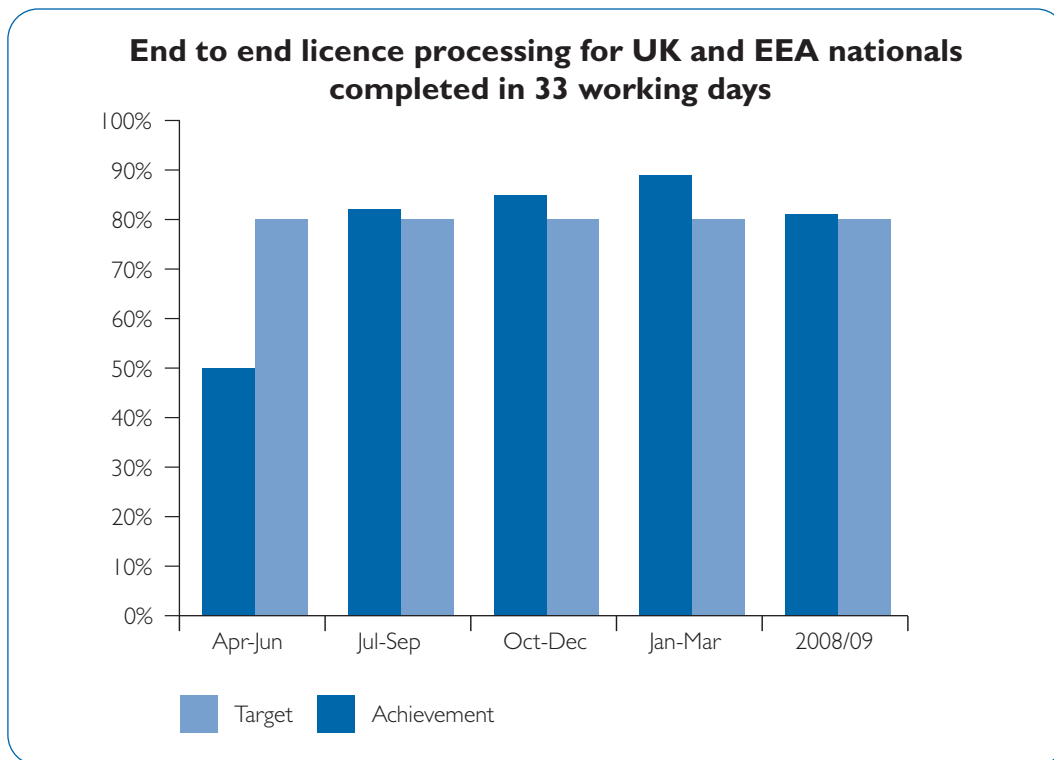


### Objective 3

## Continually improve and develop the organisation and its performance

We know we need to continue to improve licence application turnaround times and contact centre performance. We are also aware of the need to improve correspondence and complaints handling and increase customer satisfaction.

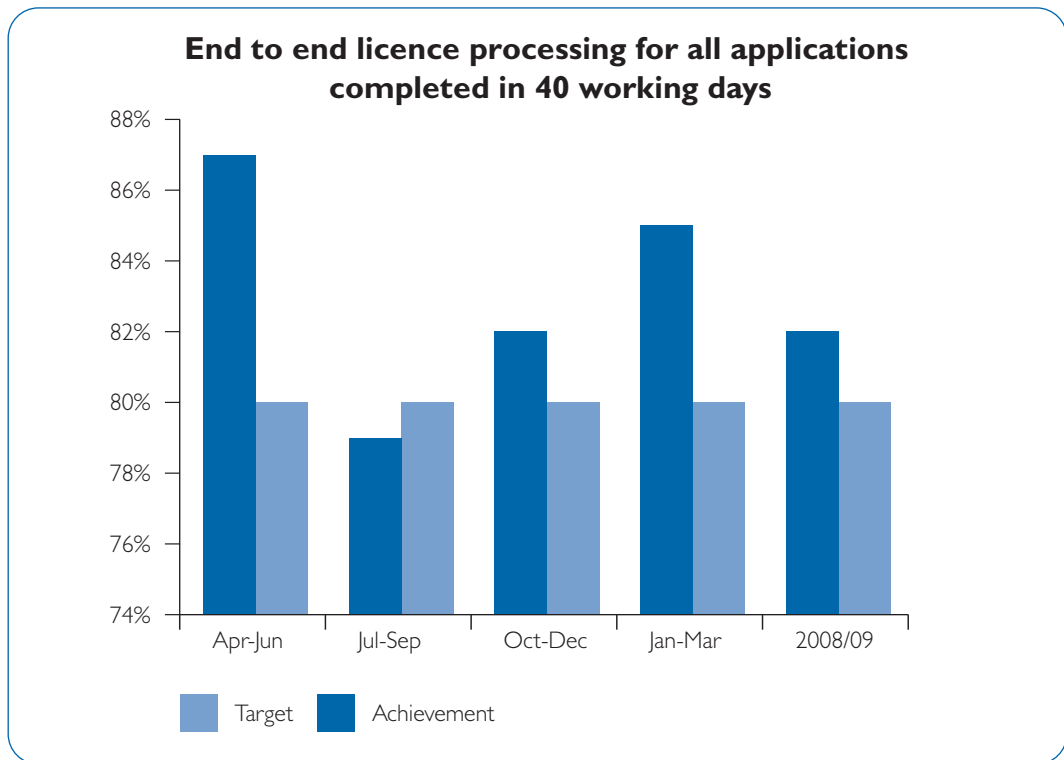
### Licence processing



	<b>Apr-June</b>	<b>July-Sept</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>2008/09</b>
Licence processing for UK and EEA nationals completed within 33 working days <sup>1</sup>	50%	82%	85%	89%	81%
Target	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

<sup>1</sup> For all applications received after 1 April 2008 and decided before 31 March 2009, counted from the date of entry onto the system (application date) to the day of the licensing decision.

Over the 12 month period we exceeded the target of 80% with 81% of UK and EEA licence applications being processed and completed in 33 working days.



	Apr-June	July-Sept	Oct-Dec	Jan-Mar	2008/09
Licence processing for all applications completed within 40 working days <sup>2</sup>	87%	79%	82%	85%	82%
Target	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

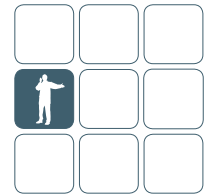
82% of all licence applications were processed and completed within 40 working days slightly exceeding our target of 80%.

### Direct Link to the Identity and Passport Service

A valid passport is the preferred option for us to confirm an applicant's identity and this helps to speed the licence application process.

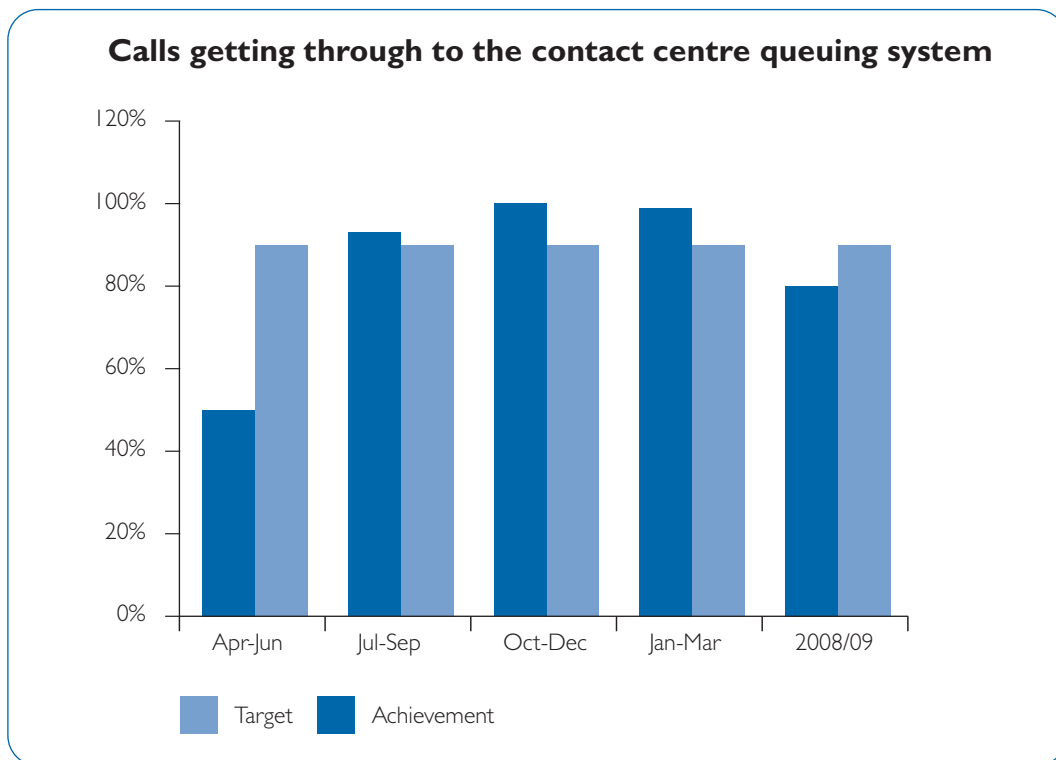
We have established a direct online link with the Identity and Passport Service that allows the SIA to check an applicant's identity, without the need for the applicant to send in their passport. This service is for UK digital passport holders only.

<sup>2</sup> This target has the same definition as for UK and EEA applications



Any applicant who holds a digital-style UK passport (on general issue from 2002) can simply give their passport number on the application form. This maintains the rigour of the identity check, speeds up the licensing process and allows the applicant to retain their passport document.

### Calling the contact centre



	<b>Apr- June</b>	<b>July- Sept</b>	<b>Oct- Dec</b>	<b>Jan- Mar</b>	<b>2008/09</b>
Percentage of calls getting through to the contact centre queuing system	50%	93%	100%	99%	80%
Target	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>

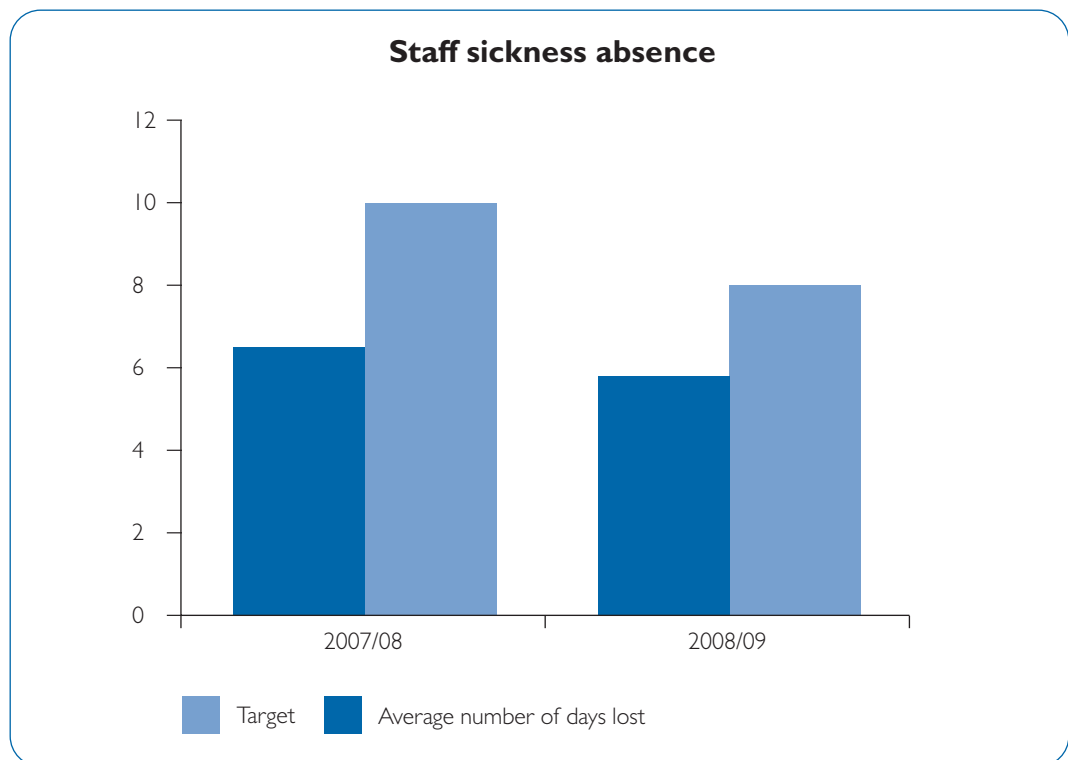
We have been working closely with our contact centre to improve waiting times and quality of service. Overall, 80% of telephone calls got through to the queuing system; the poor performance in the first quarter improved in the last three quarters when we exceeded our target of 90%.

By the end of the year, we had improved call waiting times such that, in March 2009, 89% of calls were answered within 30 seconds. This has enabled us to set a target for 2009/10 to answer 95% of calls to the contact centre within 30 seconds.

## Staff sickness and absence

We share the Government target of no more than eight days lost to sickness absence per staff member. On average, staff took less than six days off work due to sickness.

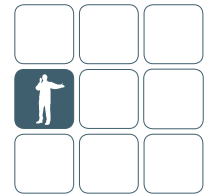
### Average number of sick days



## Corporate social responsibility statement

Our 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 the development of our own strategy.

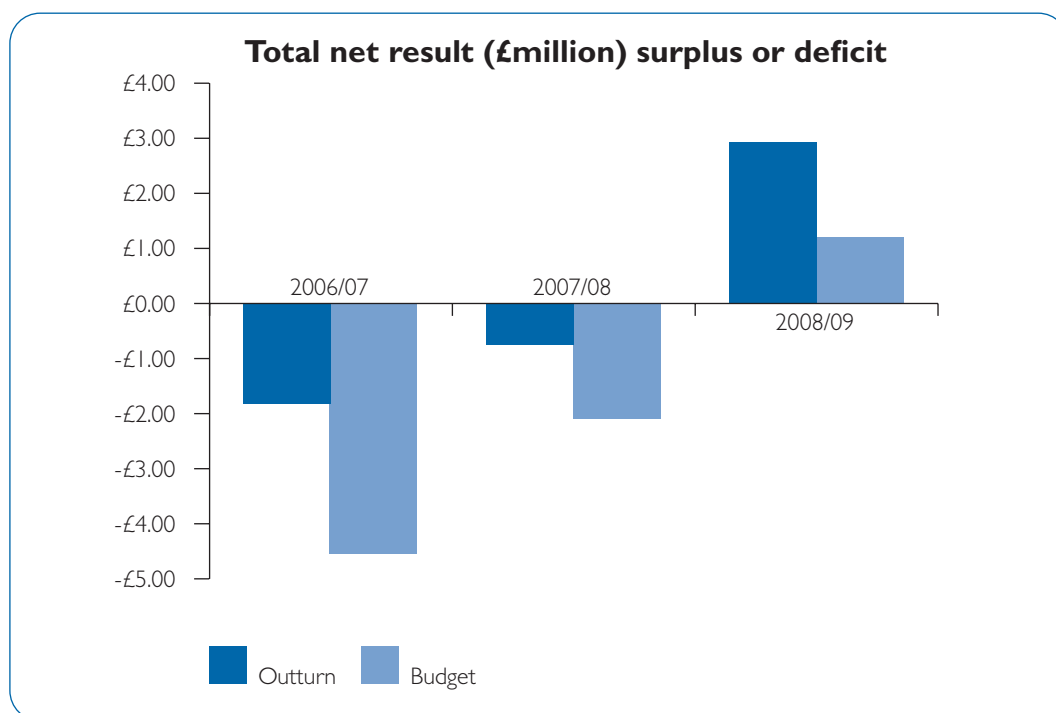
In June 2008, we incorporated a number of changes designed to reduce waste and increase recycling. By the end of 2008, we had recycled 1,295kg of paper, saving the equivalent of 16 trees and 1,813 kg of CO<sub>2</sub>.



## Objective 4

Meet financial targets and demonstrate value for money to the Home Office, Scottish Government and fee paying customers

### Total net result



	2006/07	2007/08	2008/09
Total net result surplus or deficit (£ million)	-£2	-£1	£3
Budget (£ million)	-£5	-£2	£1

We had an overall target of breakeven across our operations for 2008/09. At an early stage, we recognised we would see a surplus outturn in 2008/09 because of delayed phasing of recruitment and service improvement initiatives and from the considerable success of the ACS programme.

We have put systems in place and work is ongoing to refine and improve the accuracy of income and expenditure forecasting.

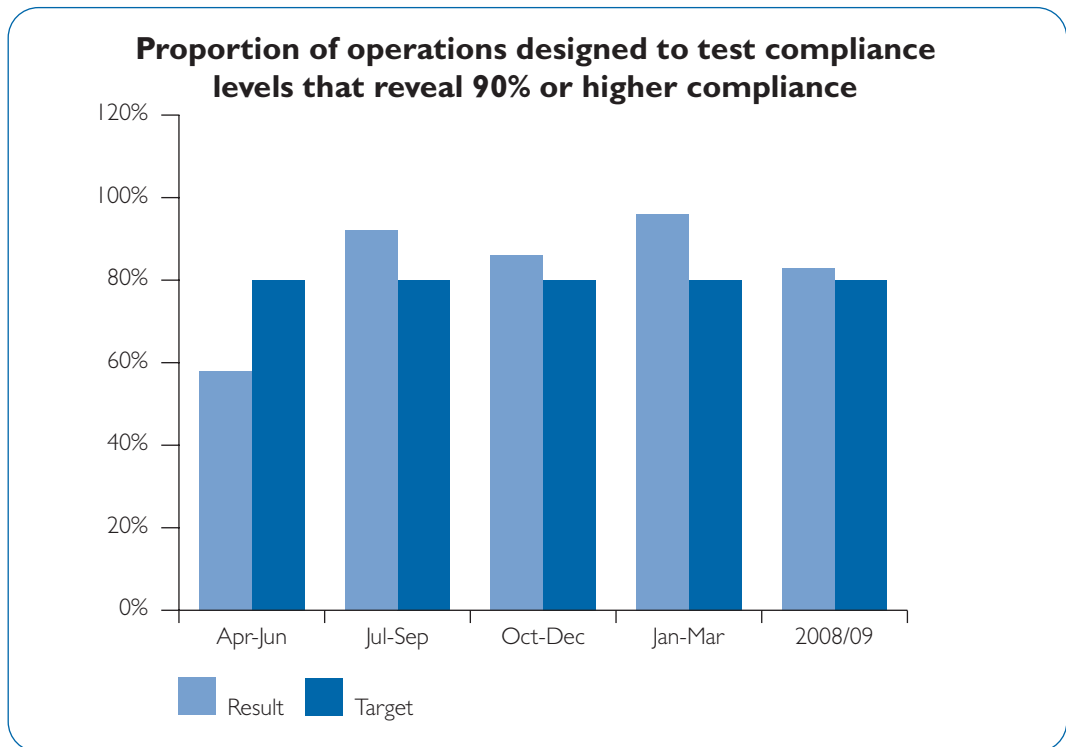
## Objective 5

### Build on our credibility with stakeholders

Our stakeholders include not only those working and involved in the private security industry, but also local authorities, enforcement agencies, government bodies and training providers. It is important to us that we maintain our stakeholder engagement activities and act on information and intelligence we receive.

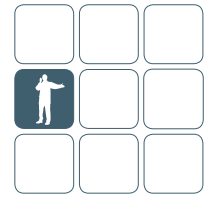
#### Compliance assurance

The SIA undertakes a number of operations to test that the industry is at least 80% compliant with the Private Security Industry Act 2001. This graph shows that our operations confirm that the industry is, on average, at least 90% compliant.



	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	2008/09
Results	58%	92%	86%	96%	83%
Target	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

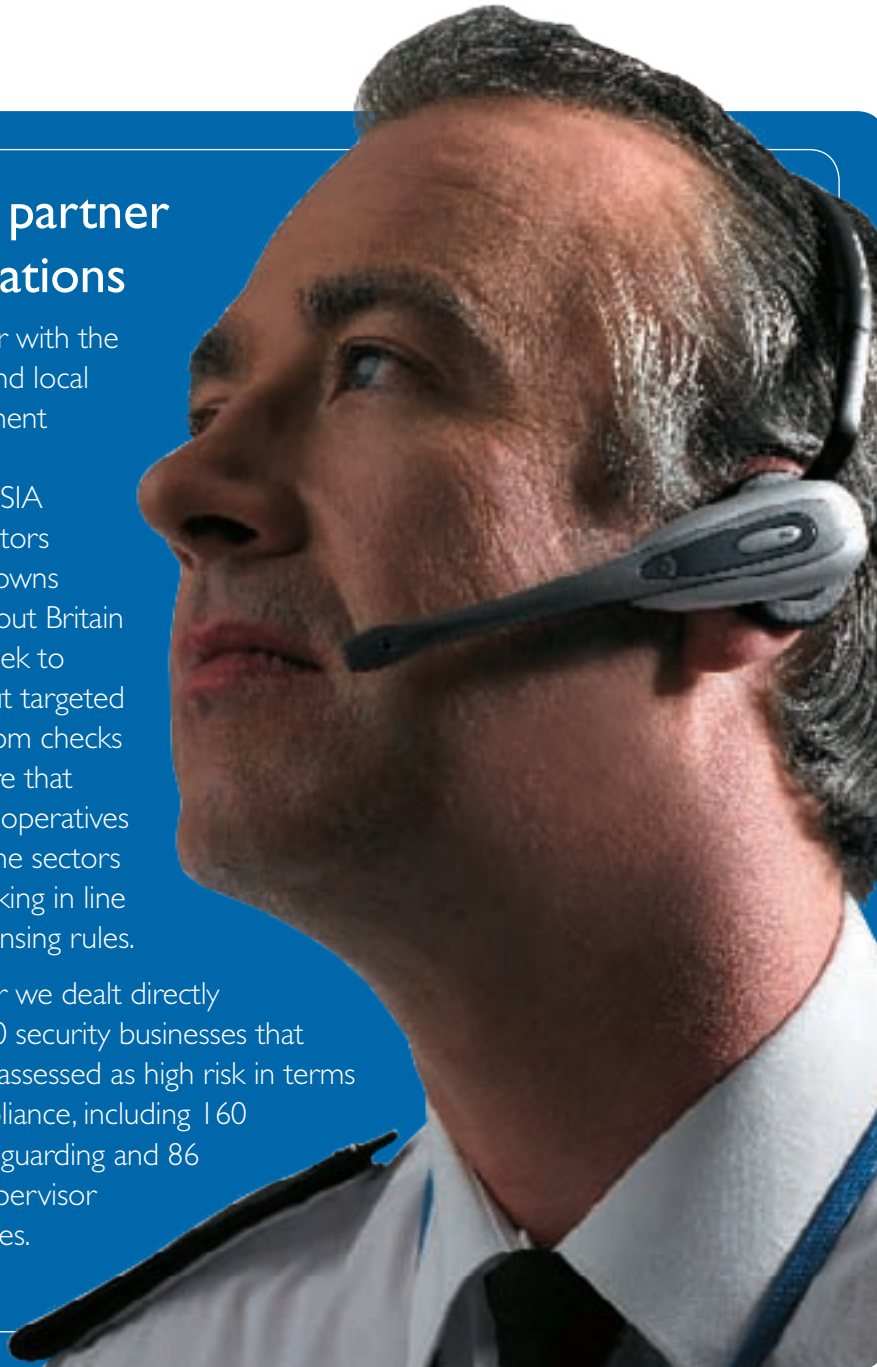
Most of our operations are intelligence-led and are therefore expected to find and correct compliance failures. In accordance with the Regulators' Compliance Code, a small proportion is used to test the risk assessment strategy and compliance levels generally. In 83% of compliance testing undertaken, the level of that compliance was found to be 90% or higher.



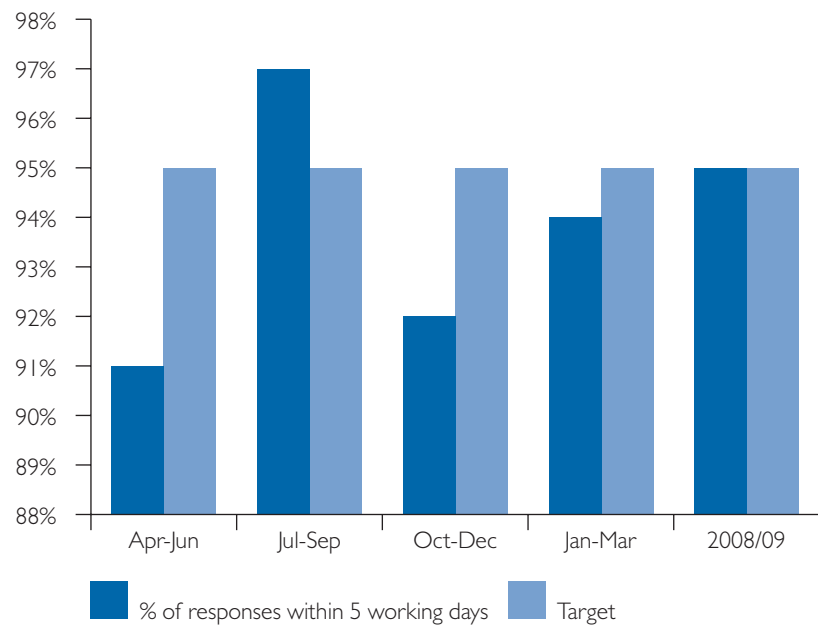
## Joint partner operations

Together with the police and local government licensing officers, SIA investigators visited towns throughout Britain each week to carry out targeted or random checks to ensure that security operatives across the sectors are working in line with licensing rules.

Last year we dealt directly with 300 security businesses that we had assessed as high risk in terms of compliance, including 160 security guarding and 86 door supervisor businesses.



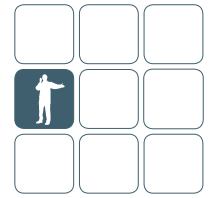
### Information requests from partners



	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	2008/09
Percentage of responses to partner requests for information provided within 5 working days	91%	97%	92%	94%	95%
Target	<b>95%</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>

Other law enforcement and government agencies value the information we hold and, where the law allows it, we provide the information as soon as possible. We can disclose personal data for reasons of national security, the prevention and detection of crime, the apprehension of offenders, the assessment or collection of any tax or duty, or where required by law or by the order of a court. Over 640 requests were received and overall, 95% of requests from partners for information were assessed and responded to within the target of five working days.





## Visible enforcement

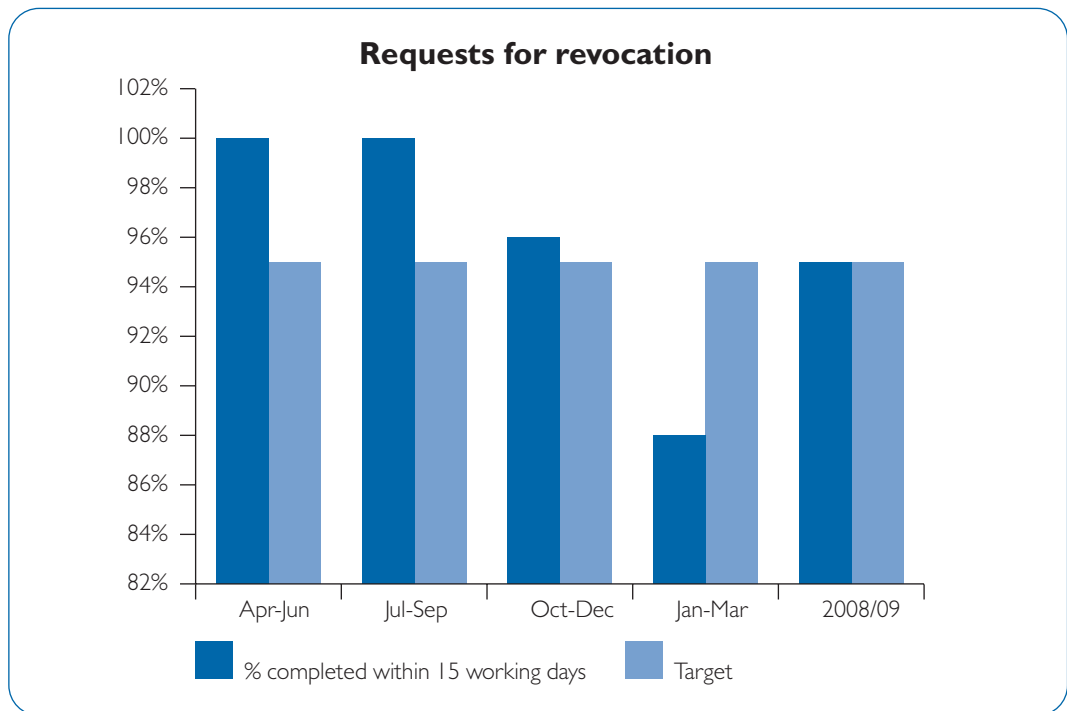
We developed the *Enforcement* section on our website in response to the findings of research we commissioned in early 2008. The research found that misconceptions within the private security industry on how we enforce licensing had resulted in a perception that enforcement was not happening. We created a new area on our website dedicated to explaining our approach to enforcement and providing visibility on the wide range of enforcement activity undertaken.

The *Enforcement* section includes:

- Information on the penalties for non-compliance
- An explanation of our enforcement approach and how enforcement activity is directed by the intelligence we receive
- Statistics relating to our enforcement activity, updated on a monthly basis
- Details of how to report non-compliance, and an online form through which to do so
- Case studies illustrating what we do with the information we receive.

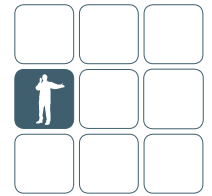
We understand that companies and individuals who comply with the law have a reasonable expectation that those who do not, will be dealt with appropriately. The *Enforcement* pages on our website are an effective way of communicating what we are doing to meet that expectation.





	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>08/09</b>
Percentage of partner requests for revocations completed within 15 working days	100%	100%	96%	88%	95%
Target	<b>95%</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>

Enforcement partners sometimes approach us directly to request the revocation of a licence and they provide us with the necessary information to do so. These partners want to help us maintain the integrity of the licence by ensuring that those who no longer meet the criteria have their licence revoked. Of the 72 requests received, 95% were completed within 15 working days. We also received 172 requests to suspend licences, usually as a result of an ongoing investigation or criminal charges made, but not yet heard, at court.



## Largest operation ever mounted in Scotland by the SIA

In March 2009, investigators from the SIA supported officers from Strathclyde Police, Lothian & Borders Police, UK Border Agency and the Department of Work and Pensions, to target rogue security firms working at construction sites across the Strathclyde and Lothian & Borders areas.

We pooled intelligence to tackle companies believed to have links to serious and organised crime. Investigators targeted security operatives at 202 construction sites which were serviced by 37 different security companies.

- 120 licensable security operatives were checked
- 97 held SIA licences
- 23 operatives were reported for working without an SIA licence
- 1 manager was reported for deploying unlicensed operatives
- 4 operatives were reported for failing to display their SIA licence
- 15 people were reported for benefit irregularities
- 10 people were reported for immigration offences
- 2 people were reported for fraud offences
- 1 person was reported for drug offences.

“The sole purpose of this and the operations that will follow, is to target those individuals and companies that continue to act outside the law.

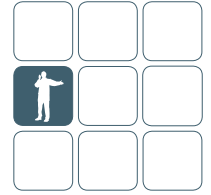
Our message to those who are active in the private security industry is a simple one; you are governed by the Private Security Industry Act 2001, act and work in accordance with the law.” Detective Inspector Calum Young, Maryhill CID.



### **ACS strategy and standards**

Terms of Reference for the ACS Strategy and Standards Group have been agreed with approximately 20 permanent members representing all major stakeholders including industry associations, Association of Chief Police Officers, insurers and certification bodies as well as large and small security companies undertaking different regulated activities.

The new group has provided input to the 2009 ACS review and formulated topics for wider consultation with the industry through the on-going ACS forums.



## Stakeholder networks

We place great importance on stakeholder engagement and one of the key pillars of our approach is the creation of stakeholder networks. These networks were set up to support constructive dialogue with the diverse elements within the private security industry, and to facilitate collaboration and the development of proportionate regulation. The networks are intended to be self-perpetuating and meet around 2-3 times per year all over the UK. Five are now well established including door supervision, vehicle immobilisation, CCTV, small businesses (from all sectors), and, most recently, close protection.

In addition to our stakeholder networks, our approved contractor forums (which also take place across the UK) are popular channels by which we communicate face-to-face with stakeholders, to consult, provide information and gather feedback.

We also engage with our regulated entities indirectly through good relationships with our partners (such as the police, local authorities, awarding bodies, Serious Organised Crime Agency, Criminal Records Bureau etc). A Customer Experience Forum and the ACS Strategy and Standards Group have recently been established to further include stakeholders.



### **Improve and increase use of online company facilities**

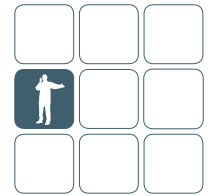
We have continued to develop online facilities for security businesses that assist them to manage their licensable workforce, keep informed of their workforce status, and remain within the law.

The new direct debit service ensures that we take only the correct payment, eliminating the need to make refunds on rejected applications. The service emails a notice of the payment taken to applicants, and enables applications to be processed without delay.

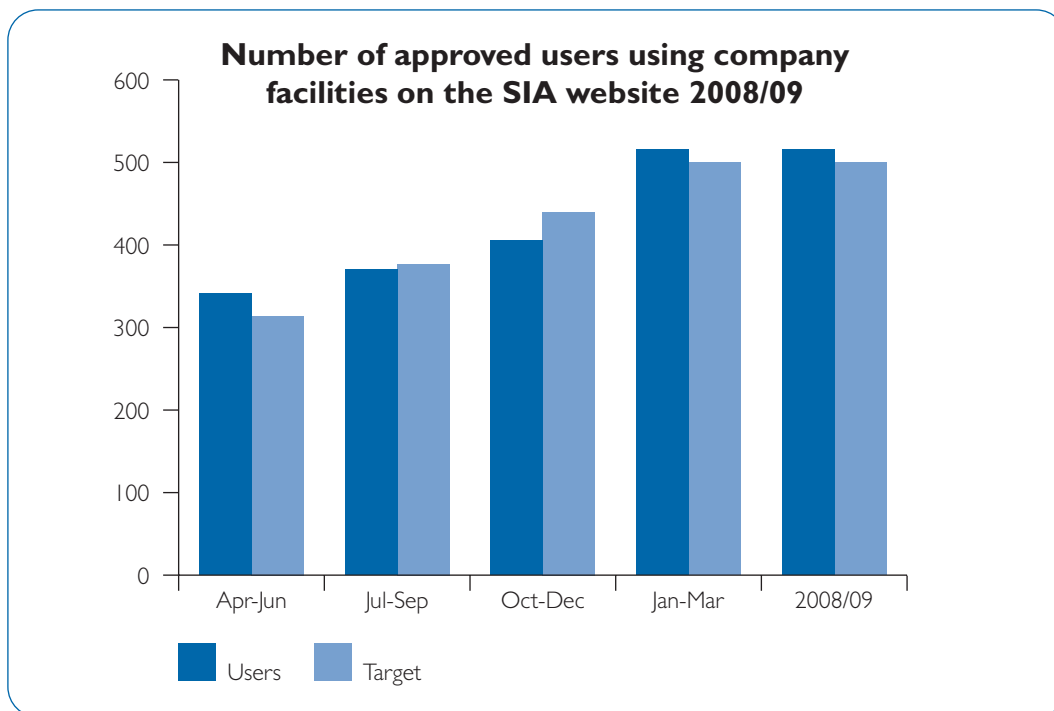
Security businesses are able to confirm instantly and routinely the licensable status of their whole workforce in one check, saving time and effort. The service saves time by removing the need to carry out individual licence checks through the online Register of Licence Holders and it ensures that any licences nearing expiry, or that have been revoked or suspended, are easily and routinely highlighted to the company user.

The service promotes good practice for businesses by allowing greater management of their workforce, and providing a tool that ensures security businesses do not inadvertently deploy unlicensed operatives.

In 2008, we set out to increase the number of businesses registered to use this facility from 251 to 500.



## Company facilities



	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>2008/09</b>
Number of approved users registered to use the company facilities available on the SIA website	341	370	405	516	516
Target	<b>314</b>	<b>377</b>	<b>440</b>	<b>500</b>	<b>500</b>

Through targeted marketing activity (news items, online banner advertising, hard copy advertising, electronic updates and ACS direct marketing), we increased the number of lead sponsors registered to use the facilities to 516 which was higher than the target of 500.

## Objective 6

### Review the application of the Private Security Industry Act 2001

We undertook work to assess the application of the Private Security Industry Act 2001 to different groups. For example, we completed a consultation about the case for regulating in-house security and we reviewed the interpretation and impact of the Act on licensing company directors. We did not receive any new or assessment ready applications for exclusion or exemption from, or addition to, the Private Security Industry Act 2001.

## No-one is above the law

When we are investigating compliance, we have the power to make companies and individuals provide information regarding the extent of their involvement in the security industry. We work with the security industry to help them comply with the law, but we will – and do – take action where there is a refusal to comply.

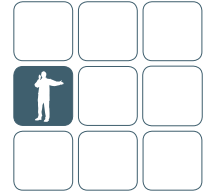
In 2007, we investigated a company that provided uniformed security guards at numerous sites. It was being run by a former police officer who did not have an SIA licence.

Despite our best endeavours, he would not co-operate with our investigation into his company's security business and refused to give any material regarding the customers for whom he worked. He challenged our powers to request information, saying that there were good commercial reasons for refusing to comply, such as the information was "commercially sensitive", and that he was under no obligation to provide anything that might incriminate him.

In November 2008, these arguments were rejected by the judge at Birmingham Magistrates Court, who found him guilty of offences under the Private Security Industry Act 2001, of failing to provide information and of running the company without an SIA licence. In the first contested trial of its type, he was fined a total of £1,000 and ordered to pay us £5,000 in costs.







## Review of enforcement agents

Following the Ministry of Justice's finding that the SIA should be the preferred body to formalise a structure to regulate the private enforcement agent industry in England and Wales, we completed a scoping exercise on the development of this new sector. It was based on the fundamental assumption that our existing licensing framework would be adopted, meaning we would not be responsible for drawing up a Code of Conduct for the industry or establishing a complaint handling body or managing a complaints process.

During scoping, we undertook some informal consultation with potential external stakeholders, including consumer organisations and industry representative bodies that helped us in assessing the risks associated with implementing regulation of this new sector.

## Power to prosecute confirmed

In a judgement handed down in the High Court of Justice on 25 July 2008, it was confirmed that we have the power to prosecute offences under the Private Security Industry Act 2001.

The claimant's case was that we had no statutory power or authority to prosecute, because our capacity as a statutory corporation is limited by the enabling statute that is silent on the question of prosecution. Our case was that we were acting within our statutory powers.

In handing down his judgement, Lord Justice Maurice Kay said, "I am wholly unpersuaded by a submission that the Act, whilst prescribing regulatory offences, by implication requires the SIA, as the body with knowledge of non-compliance, to outsource the prosecution function to an overstretched police force and Crown Prosecution Service. The SIA is in a peculiarly advantageous position to prosecute."

Andy Drane, Director of Compliance and Enforcement at the SIA, speaking after hearing said, "I am pleased that this judgement has confirmed our understanding. As we have always said, prosecution is not our preferred option but we will initiate proceedings when we think it is appropriate to do so. Our normal compliance approach, which falls short of going to the Courts, is made more effective by the threat and reality of prosecution."



# Challenges for the SIA





The 2008/09 year saw significant change for the SIA, posing challenges, to which we quickly responded. We underwent a number of reviews to enable better understanding of how and where improvements could be made. We rectified issues arising from the installation of our newly designed licensing system in the previous year and the system is now working efficiently with streamlined processes and reduced waiting time for applicants.

## Delivery review

In August 2008, an internal review was commissioned by the Home Office and the SIA Board to inform how we might best equip ourselves to meet our delivery objectives and future challenges. The review suggested the following areas for development:

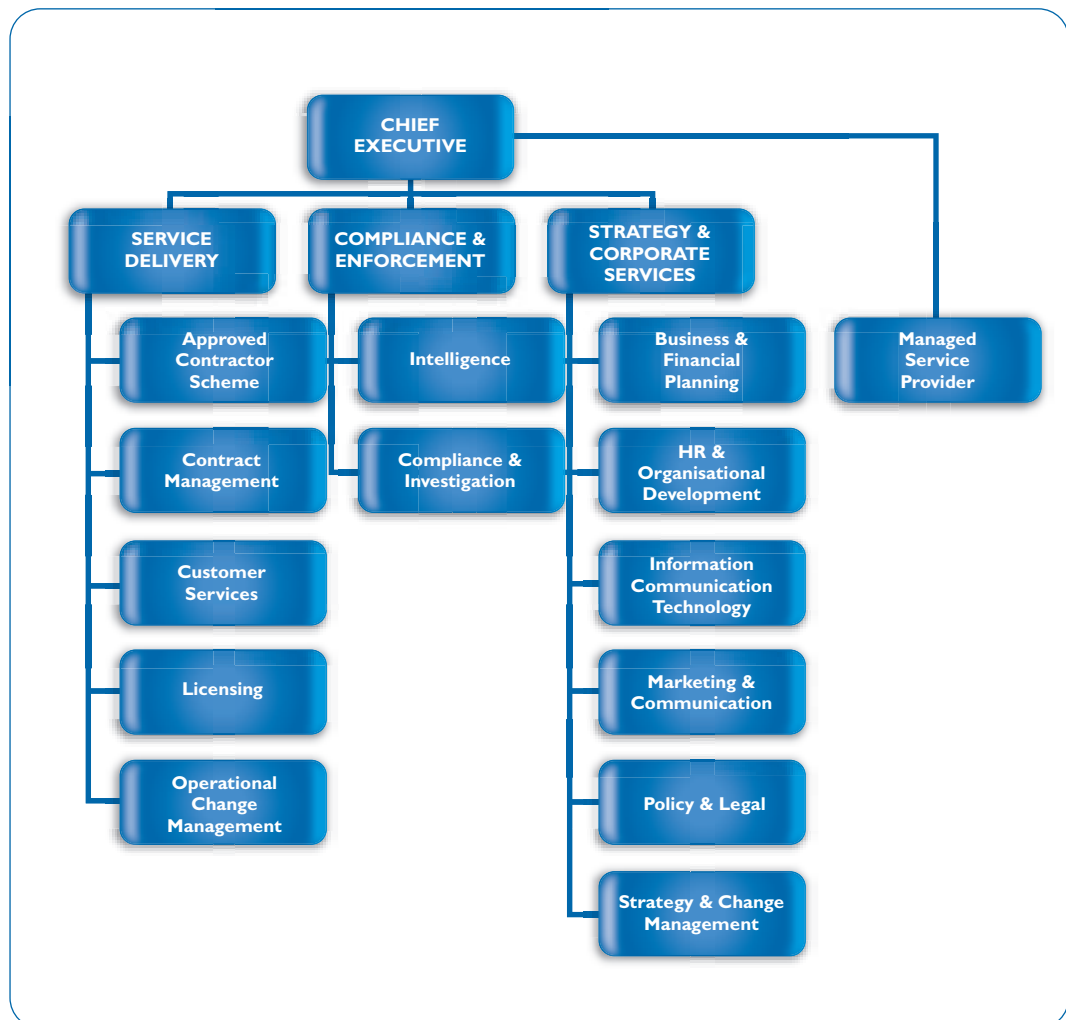
1. Develop strong and fit for purpose leadership
2. Build organisational capability
3. Build an effective planning and analytical capability
4. Strengthen delivery and performance management
5. Develop a stronger strategic working relationship with our managed service provider and further develop standards of customer care
6. Strengthen our impact and work more closely with our delivery partners to secure this.

In February 2009, we published the findings and recommendations of the Delivery Review, and outlined our action plan, which has been completed with some longer-term actions included in our Corporate and Business Plan.

## Organisation review

In August and September 2008, two independent consultants were commissioned to undertake a review of our organisational structure.

**Taking into consideration the outcomes of the review and discussions with our staff, we implemented a new structure, which came into effect on 1 February 2009.**



**The new structure has some substantial changes, designed to:**

- create an unambiguous separation between the regulation and customer service delivery roles
- bring together Strategy, Programme Management and Corporate Service functions under one director
- put under one director all of the in-house operational activities and the management of the outsourced managed service provider
- ensure there is greater cross-organisational focus on the re-tender of the managed service provider contract by appointing a project manager reporting directly to the Chief Executive
- strengthen resources and increase staff numbers in areas where there are identified gaps or inadequate resources.



## Governance

As part of these changes, the Chief Executive and directors formally joined the SIA Board which had been entirely non-executive. The Board now comprises the Chair; Chief Executive, non-executive Board members and executive directors. The Board meets bi-monthly as the strategic direction setting body for the SIA and in alternate months the Board meets with particular focus on Performance and Finance. Non-Executive Board members have designated responsibilities for key areas of governance. The Audit Committee, and Sub-Board Committees on Statutory Powers, Human Resources, Remuneration, Diversity and Information Assurance are chaired by non-executives.

The executive level decision-making forum is the monthly Senior Management Team meeting attended by the Chief Executive, executive directors and assistant directors.

Development and implementation of new activities such as regulating new sectors or regions is managed through corporate project boards reporting to the Business Development Programme Board, chaired by the Director of Strategy and Corporate Services.

Changes to the licensing system are managed through the Corporate System Change Management Group, chaired by the Director of Compliance and Enforcement. Developments that have a significant impact on business operations must also pass through the Release Authority meeting, chaired by the Director of Service Delivery.

## National Audit Office report

In October 2008, the National Audit Office published its report entitled **Regulating the Security Industry**, which highlighted a number of issues faced by the SIA including the delays and costs involved with the transition to a new licensing system. The report concluded that while improvements could have been made to make licensing more efficient, as a regulator, the SIA introduced regulation into a previously unregulated sector effectively.



“We found that the regulations for the security industry are proportionate and that the Authority (SIA) provides generally good advice for stakeholders. Since it was set up, the Authority has introduced regulations into a previously unregulated sector effectively. Evidence indicates a high level of compliance, which has delivered benefits in reducing the number of criminals engaged in private security activities. The Approved Contractor Scheme is a success.”



## Hampton Review

Like all national regulators, we are subject to a Hampton Implementation Review by the Department for Business, Innovation and Skills. This tests the extent to which we are compliant with the three cross-cutting themes that make up the Hampton vision – risk-based regulation, transparency and accountability, and economic progress. The review examines our design of regulations; advice and guidance; data requests; inspections; sanctions, and focus on outcomes.

In preparation for our review, which took place in February 2009, we closely followed the development of the review process. This enabled us to ensure that our approaches and policies are in line. The review has a value in developing our approach but, in our case, we saw it as an important preparatory step towards new sanctions. The results will be included in our next annual report.

## Security clearance

In October 2008, we identified that a number of temporary workers did not have confirmed security clearance prior to starting work and as a result we received significant criticism. This did not accord with our, or Home Office requirements for security clearance for SIA employees.

In response, we undertook an immediate and complete review of our current staff provider arrangements and verified the security clearance status for all SIA staff (temporary and permanent) through the Home Office Departmental Security Unit. The great majority of staff had been properly cleared and more rigorous procedures have been implemented to avoid the deployment of staff who have not been cleared.

We also took steps to ensure all recruitment agencies that we deal with are fully aware of requirements and can evidence security clearance levels of temporary staff deployed to the SIA.

## Right to work

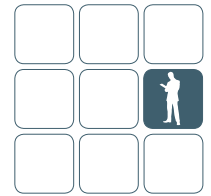
In 2008/09 we strengthened our process to check the right to work of all licence holders whose right to work had expired or was about to expire. In close liaison with our partners, we created a system to make these checks automatically. We have checked over 16,000 licence holders whose right to work expired before their licence expiry, leading to 2,800 licence revocations, either due to their right to work expiring or a failure to respond to the correspondence sent to them.

These right to work checks, along with those at the point of application, are now business as usual. Further system developments in the near future will smooth the administrative process. Longer term we are working closely with the UK Border Agency to develop this along with other initiatives and partnership projects.

# Financial Overview







We are required to operate on the basis of full cost recovery. The complexity of estimating licensable numbers has, in previous years, meant that we have not achieved full cost recovery. This year, fees have covered our costs for the first time and the surplus has enabled us to achieve close to a break-even position over the last three years.

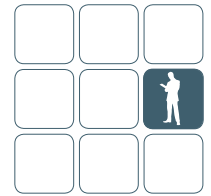
The SIA agreed a two year cycle with the Home Office so that the deficit position at the end of 2007/08 would be covered by the generation of a surplus in the following year.

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

	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Application numbers	136,240	77,268	102,495	99,475
<b>Income</b>				
Licence fees	31,727,871	18,782,990	19,474,340	18,900,250
ACS	2,134,852	2,052,889	2,097,316	207,664
Scotland	N/A	585,156	989,988	368,897
Northern Ireland	624,134	91,686	N/A	N/A
Other	841,328	43,257	55,591	74,465
<b>Total self generated income</b>	<b><u>35,328,185</u></b>	<b><u>21,555,978</u></b>	<b><u>22,617,235</u></b>	<b><u>19,551,276</u></b>
<b>Expenditure</b>				
Employment costs*	8,449,646	6,195,544	5,983,941	5,326,686
Accommodation	1,141,358	696,200	739,589	689,282
Advertising and publicity	995,276	905,624	1,157,960	1,207,328
Licensing costs	17,061,023	10,568,247	12,253,931	10,603,342
Depreciation	2,244,648	1,994,030	2,687,594	3,442,349
Other costs	2,346,794	1,806,320	1,618,531	1,405,328
<b>Total Expenditure</b>	<b><u>32,238,745</u></b>	<b><u>22,165,965</u></b>	<b><u>24,441,546</u></b>	<b><u>22,674,315</u></b>
<b>Surplus/Deficit</b>	<b><u>3,089,440</u></b>	<b><u>-609,987</u></b>	<b><u>-1,824,311</u></b>	<b><u>-3,123,039</u></b>

\* Employment costs include salary, pensions and taxes.

We have worked over the year to develop a more sophisticated approach to demand forecasting by means of a Business Profiling Model, which we have calibrated using historic data from the latter half of the year. We now have a much better understanding of how different factors interact to drive the operational workload for our licensing function, and we are able to plan against likely, low and high estimates of market size. As a result of this work, we have gained sufficient confidence in our predictions to support maintenance of the licence fee at its



current level for 2009/10. In the previous year, the ACS fee was reduced and we expect to maintain it at that reduced level next year. Both licence and ACS fees will continue to be reviewed each year and adjusted if necessary.

## Customer service and self-sufficiency

A key theme of our work this year has been to improve customer service whilst minimising cost to avoid a licence fee increase. We achieved improvements to service levels, and the ACS scheme was a considerable success. We were, to an extent, under resourced and so missed some opportunities to provide optimum service levels within our available resources; our surplus was higher than planned because we brought in new resources later than we might have done and because some service improvement initiatives were delayed.

We have, nevertheless, firmly established the SIA as self-sufficient and performing well against the targets that support attainment of our objectives.

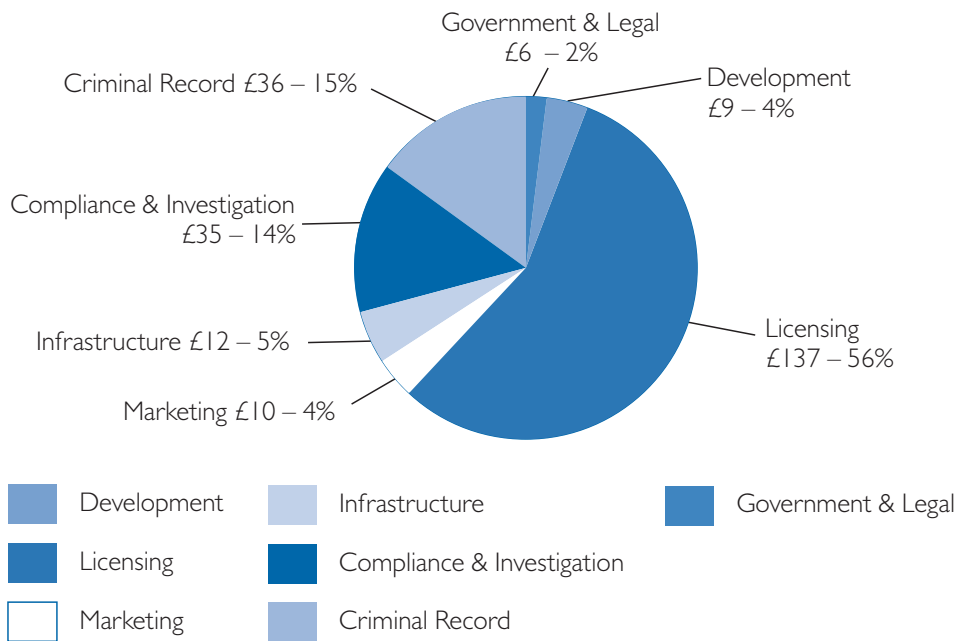
Towards the end of the year, we further strengthened our organisational capability through our re-structure. Under the new structure, the linkage between planning and finance enables stronger integration of planning, business management, risk management and financial management activities – and gives us a more integrated analytical capability that links volumetric planning and forecasting, business process assumptions, staffing and capacity planning and financial planning. This new structure gives strengthened capacity in both business planning and financial management.

The licence application fee has been maintained at £245, a level that was set in April 2007. This fee ensures that the SIA is self-sufficient into the future and is based on three key assumptions, which are also critical to the business profiling model.

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

**Breakdown of the £245 licence fee**

**Where does the licence fee go 2008–09?**

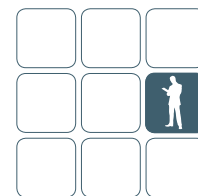


The continuing development of the SIA makes direct comparison of income and costs difficult between years and, as referred to above, there has been a lag between increase in activity and the cost of the appropriate level of capacity. The SIA is also mindful of the need to optimise the use of resources and ensure the right balance between customer service and financial efficiency.

Licence application numbers were 76% higher than in 2007/08. The consequent increase in licence income together with a stable level from other income sources represents a considerable level of growth. In comparison, costs have increased by only 55% with the resultant generation of a surplus. It is forecast that in 2009/10, as service improvement initiatives and the general strengthening of resources take effect, the organisation will move closer to its objective of achieving and maintaining full cost recovery.

**Future financing**

The SIA has now developed to the point where it has a business demand profiling model which enables improved forecasting of future licence renewal demand levels. This enables both an accurate level of income forecasting and the required level of capacity to support that demand. As an organisation, the SIA is able to flex capacity and its associated costs against demand levels and, as a consequence, there is a high level of confidence in its ability to remain self-financing. The 2009/10 Corporate and Business Plan demonstrates this.



## 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. The following table sets out the overall position. The slight increase in payment times during the year reflects higher volumes and a lag in building the resource capability to support the processing thereof. The payment target for the year was 97.5%.

	2008/09		2007/08	
	£	Number	£	Number
Total invoices paid in year	22,277,531	2,456	13,610,231	2,050
Total invoices paid within target	18,757,774	2,335	13,280,993	1,953
Percentage of invoices paid within target	95%		95.3%	

## Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed service provider	Annual fixed costs of £1.3m plus variable costs	30/09/2010

The SIA have a three year fixed term contract with BT, which expires in September 2010 as detailed above. They maintain the IT infrastructure for all the income collection processes along with processing all the licence applications.

## Personal data related incidents

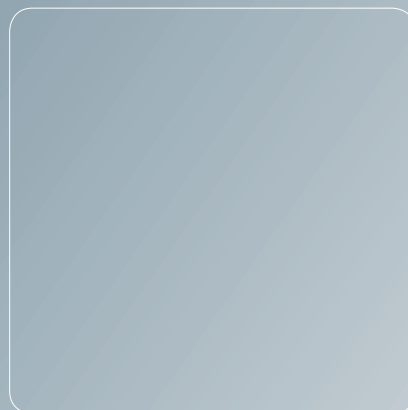
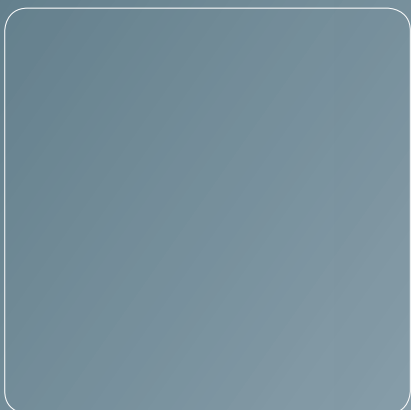
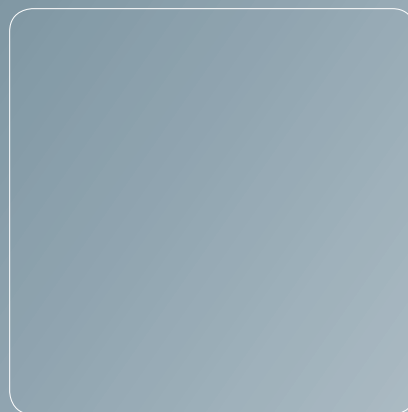
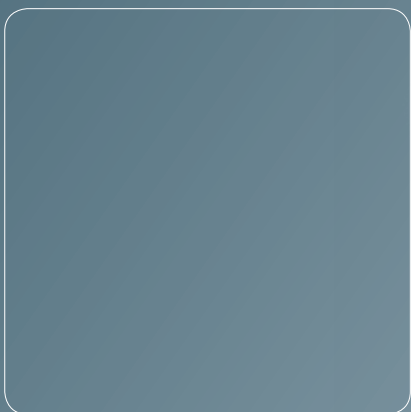
Due to the nature of our licensing process we do require applicants to send in prime identity documents e.g. passports, driving licences and birth certificates. Each year a small proportion of these go missing between us and the applicant and in some instances are delivered incorrectly. Between May and June 2008, we were made aware that the incidence of misdirected mail from our document handling centre was above our acceptable standards. We investigated these incidents fully and we informed the Information Commissioner's Office that appropriate measures were being taken to prevent further recurrence of these incidents. The SIA takes the safety of these documents very seriously and has introduced a number of measures to minimise any losses. Since the 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.

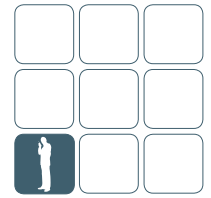
The SIA will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements to its systems.

### **Payment to auditors**

The audit fee for 2008/9, payable to the National Audit Office has been set at £28,500. No other payments were made to the National Audit Office for non-audit services during the year, however an additional fee of £2,500 was paid in respect of prior year work.

# 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 role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least once a year. The remuneration committee comprises of four non-executive Board members, Brendan O'Friel (Chair), Linda Sharpe, Bruce Warman and Wendy Towers.

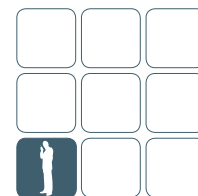


**SIA directors during the year 2008 to 2009**

Mike Wilson	Chief Executive	to 30 November 2008
Bernard Herdan	Interim Chief Executive	17 November 2008 to 31 March 2009
Peter Wheelhouse	Director of Customer Services	21 April 2008 to 23 December 2008
Graham Clark	Director of Corporate Services	to 31 January 2009
Hazel Banks	Director of Strategic Development Director of Strategic Development and Corporate Services	to 31 January 2009 from 1 February 2009
Andy Drane	Director of Compliance and Enforcement	
Stephen McCormick	Interim Director of Service Delivery	from 19 January 2009

**Non-Executive Board members during the year 2008 to 2009**

Baroness Ruth Henig	Chair
Robin Dahlberg	Vice Chair
Peter Dyke	
Brendan O'Friel	
Wendy Towers	
Bruce Warman	
Bill Matthews	
Linda Sharpe	



The salary payments to directors were as follows:

	2008/09	Compensation 2008/09	2007/08
	£000's	£000's	£000's
Bernard Herdan (Interim Chief Executive from 17 November 2008 to 31 March 2009) <sup>3</sup> 140-145 full year equivalent	55-60	N/A	N/A
Mike Wilson (Chief Executive to 30 November 2008) <sup>4</sup> 2007/08: 95-100 full year equivalent	100-105	30-35	50-55
Andy Drane (Director of Compliance and Enforcement)	95-100	N/A	105-110
Graham Clark (Director of Corporate Services to 31 January 2009) <sup>5</sup>	80-85	65-70	90-95
Hazel Banks (Director of Strategic Development, from 1 February 2009 Director of Strategic Development and Corporate Services) <sup>6</sup>	135-140	N/A	130-135
Peter Wheelhouse (Director of Customer Services from 21 April to 23 December 2008) 70-75 full year equivalent	55-60	N/A	N/A
Stephen McCormick (Interim Director of Service Delivery from 19 January 2009) 95-100 full year equivalent	15-20	N/A	N/A

<sup>3</sup> CEO received a travel and subsistence allowance to claim from home to work totalling £4,000. This is a benefit in kind which the SIA has paid the tax amounting to £2,666.

<sup>4</sup> CEO started employment on 3 September 2007 and left on 30 November 2008. A confidentiality clause was agreed as part of the redundancy terms and payments. However, he received a compensation payment in lieu of notice of four months notice of £32,585.

<sup>5</sup> Director left under Voluntary Redundancy on 31 March 2009. The final payment made included a settlement of £65,000 to £70,000.

<sup>6</sup> The payment made to the director, who was on secondment in respect of 2008/09, represented the full cost of employment including salary plus all employment on costs.

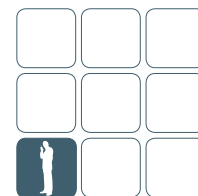
Director's contracts are permanent and open ended until they reach 60, including Hazel Banks who has had her secondment extended for an additional three years from the Prison Service.

Salary includes gross salary and bonuses. There are no other benefits in kind paid to directors.

## The non executive Board

The remuneration of the Board in the period ending 31 March 2009 is shown in the table below. Fees are based on Board members being paid £752 per month and the Vice Chairman £1,504 per month.

Board member	Directorship and significant interests		2008/09	2007/08
			£000's	£000's
<b>Ruth Henig</b> (Chair) Appointed January 2007 – January 2010	– Labour peer – President of the Association of Police Authorities	Fees	60-65	60-65
<b>Robin Dahlberg</b> (Vice Chair) Re-appointed May 2007 – March 2010	– Board member for the Local Better Regulation Office – Non executive member of Health and Safety Executive boards – Chair of the East End Citizens Advice Bureau – Board member of the Florence Nightingale Museum Trust – Member of the Risk and Security Management Forum	Fees	15-20	15-20
<b>Peter Dyke</b> Re-appointed April 2008 – March 2010	– Fellow of the Chartered Institute of Logistics and Transport	Fees	5-10	5-10
<b>Brendan O’Friel</b> Re-appointed April 2008 – March 2010	– Member of the Surveillance Commission for the Isle of Wight – Member of the Employment Tribunal for Manchester and the Isle of Man – Chair of Travelwatch Isle of Man	Fees	5-10	5-10



Board member	Directorship and significant interests		2008/09	2007/08
			£000's	£000's
<b>Wendy Towers</b> Re-appointed April 2008 – March 2011	<ul style="list-style-type: none"> <li>– Member of the British Transport Police Authority</li> <li>– Member of the National Policing Improvement Authority</li> </ul>	Fees	5-10	5-10
<b>Bruce Warman</b> Re-appointed April 2008 – March 2010	<ul style="list-style-type: none"> <li>– Director of Pebbleprime Ltd</li> <li>– Director of Devonshire House Management Club</li> <li>– Member of Senior Salaries Review Body</li> <li>– Member of Employment Appeal Tribunal</li> <li>– Tribunal Member Accountancy and Actuarial Disciplinary Board</li> <li>– Supervisory Board Member Union Modernisation Fund</li> </ul>	Fees	5-10	5-10
<b>Bill Matthews</b> Appointed March 2008 – March 2011	<ul style="list-style-type: none"> <li>– Director of M2M2 Ltd</li> <li>– Chair of NHS National Service Scotland</li> <li>– Member of the Scottish Police Services Authority</li> <li>– Non executive director within the Scottish government</li> <li>– Member of the Institute of Engineering and Technology (Chartered Engineer)</li> <li>– Member of the Chartered Institute of Marketing</li> </ul>	Fees	5-10	0-5
<b>Linda Sharpe*</b> Appointed April 2008 – March 2011	<ul style="list-style-type: none"> <li>– Fellow of the Chartered Institute of Personnel and Development.</li> <li>– Trustee of the National Council of YMCA's</li> </ul>	Fees	10-15	N/A

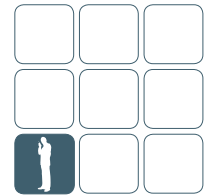
\*Board member worked 10½ additional days in 2008/09.

## Pension Benefits

	Accrued pension at retirement age as at 31/3/09 and related lump sum	Real increase in pension at retirement age and related lump sum	CETV at 31/3/09	CETV at 31/3/08 <sup>1</sup>	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
Bernard Herdan Chief Executive from 17/11/2008	N/A	N/A	N/A	N/A	N/A	N/A	£6,231
Ruth Henig, Chair	N/A	N/A	£21,818	£13,304	£1,949	N/A	£10,070
Mike Wilson <sup>2</sup> Chief Executive to 30/11/2008	£4,668 plus £14,005 lump sum	£1,347 plus £4,040 lump sum	£101,267	£70,217	£1,222	£27,783	N/A
Andy Drane Director of Compliance and Enforcement	£9,240	£774	£168,676	£142,012	£3,206	£10,931	N/A
Graham Clark Director of Corporate Services to 31 January 2009	£6,628	£1,072	£107,497	£82,800	£2,903	£14,485	N/A
Hazel Banks Director of Strategic Development & Corporate Services	£23,848 plus £71,544 lump sum	£182 plus £2,437 lump sum	£376,000	£342,000	£1,251	£12,000	N/A
Peter Wheelhouse Director of Customer Services from 21/04/2008 to 23/12/2008	£33,856 plus £101,567 lump sum	(£5) plus (£16) lump sum	£655,000	£630,000	£825	(£1,000)	N/A
Stephen McCormick Interim Director of Service Delivery from 19/01/2009	£447	£447	£4,799	N/A	£574	£4,225	N/A

<sup>1</sup> The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. This relates to Civil Service Pensions only.

<sup>2</sup> Mike Wilson was entered into Nuvos scheme in error in 2007/08. He is now in the classic scheme and the resulting lump sum and increase in CETV is reflected.



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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with 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). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the 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 buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

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

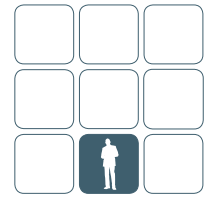


Bill Butler  
Chief Executive and Accounting Officer  
(Appointed 27 July 2009)

# Statement of Accounts







For the year ended 31 March 2009

## 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 I am required to:

- observe the Accounts Direction issued by the Secretary of State for the Home Office 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the SIA will continue in operation.

## The Accounting Officer's Responsibilities

The Accounting Officer for the Home Office has appointed me as the Authority's Accounting Officer from the 27 July 2009. The responsibilities of an Accounting Officer, include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records and for safeguarding the Authority's assets, as set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

I must also provide all relevant audit information to the auditors. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that our auditors are aware of that information. So far, as I am aware, there is no relevant audit information of which the auditors are not aware.

Signed on behalf of the Security Industry Authority



Bill Butler  
Chief Executive and Accounting Officer  
30 November 2009

## Statement on internal control

### Scope of responsibility

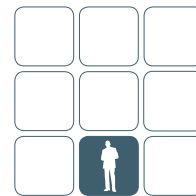
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities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

I took up the post of Chief Executive on 27 July 2009. During the financial year and to date there were the following changes in relation to the post:

Mike Wilson – Chief Executive	1 April 2008 to 30 November 2008
Bernard Herdan – Interim Chief Executive	17 November 2008 to 31 March 2009
Andy Drane – Acting Chief Executive	1 April 2009 to 26 July 2009
Bill Butler – Chief Executive	27 July 2009 onwards

The Corporate and Business Plan for 2008-09 had been developed earlier and included in year targets and objectives, which the Board had agreed. The Authority's annual budget was 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 set by the Home Office, which also recruits and appoints new members.



## 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 them efficiently, effectively and economically.

The system of internal control has been in place in the SIA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Leadership is provided to risk management 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 the Home Office) on the Authority's targets.

Staff members received risk training primarily through attendance at SIA-arranged seminars, which followed the Home Office approach to risk management. They also received 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 awareness of the organisation is reflected in this strategy. The Authority will take a pragmatic approach to risk. It will neither be risk-averse nor risk-seeking, 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 monitored and reviewed every month by the Senior Management Team Directorate. Programme and Project risk registers are similarly maintained and reviewed, with escalation to the main risk register as appropriate.

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 of the achievement of the Authority's objectives, together with recommendations for improvement.

### Information risk

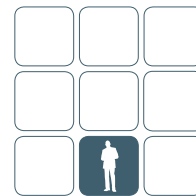
As the Accounting Officer for the SIA I have overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level. During 2008/9 the examination of matters of information assurance and security and the inherent risks therein, were specifically examined as part of the programme of internal audit. The recommendations made, including the appointment of an Information Risk manager, are being actively implemented. It is my intention that further work be carried out in 2009/10 to ensure the SIA continues to develop and fosters a culture that values, protects and uses information for the public good.

The terms of reference for the Information Assurance Sub-Board Committee have been revised in the light of an internal audit finding of limited assurance in the area of Information Governance. Underpinning Information and Communication Technology (ICT) systems are sophisticated and provide strong mitigation against risk of information loss, but areas of relative weakness in relation to policy and user procedure and staff training are being addressed. Progress is being closely monitored by the Information Assurance Committee, which will continue to meet under its current terms of reference until a substantial assurance level is achieved.

### Review of the effectiveness of the Internal Control Systems

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 department, 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. As part of the review of the system of internal control the internal auditors carried out a review of core financial controls, which did not identify any significant weaknesses but recommended a number of actions to be considered, which are now in the process of implementation. 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 of the system is in place. The following addresses some specific points.

In October 2008, a risk to the reputation of the organisation was identified when an individual rejected for basic level security clearance was found to have been working for the SIA whilst clearance was being processed. It was discovered that 25 – 30 temporary staff, sourced through three agencies on Home Office contract, had been engaged before security clearance had been confirmed. The agencies had not conformed to the terms of the contract, which required them to supply security cleared staff. The relevant staff were suspended pending clearance. We now submit clearance requests for all temporary staff joining the organisation, and ensure that agencies have robust identification and reference processes.



Last year, the then Chief Executive reported on the failure to properly identify and manage the risks associated with setting up a new managed service provider (MSP) contract and with the design and delivery of new licensing processes with new staff supported by a new IT system. Interim measures were taken to recover the position and the project was eventually completed. Lessons have been learned for the current managed service re-tender and proper project controls are in place that will give greater assurance. Revised, more robust, governance arrangements have been put in place in relation to the contract with the existing managed service provider; and work is ongoing to improve the effectiveness of information management and of the change programme.

During the course of the work on the 2008/9 annual accounts, we identified a need to improve the quality and controls around the reconciliation and recognition of income at the interface between the SIA and its managed service provider. Immediate action was taken to introduce an improved and robust set of procedures to ensure that the issue was overcome. Following a comprehensive test of the new arrangements, I am satisfied that these are working effectively.

## Responding to the NAO Value for Money Report to the SIA

During 2008/9 the NAO undertook a study to assess whether the SIA had achieved value for money in its work to regulate the security industry. The principal finding was that the SIA had effectively introduced regulation into a previously unregulated sector. Six specific recommendations were made, all of which are being pursued by the Authority. The recommendations were made in the following areas:

- Improved forecasting in relation to the demand for licensing.
- Improved planning to support the introduction of licensing in new sectors to cope with peaks of demand.
- Raising the required standard of training to be provided by members of the Approved Contractor Scheme.
- The formalisation of regulation by low cost registration of private security businesses separately from the voluntary registration under the Approved Contractor Scheme.
- The inclusion of further sanctions within the Authority's regulatory powers in relation to companies who persistently commit minor transgressions of the regulations.
- Improving relations with other enforcement partners, including the police and local authorities.

## Independent delivery review

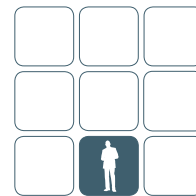
The Home Office and the SIA Board jointly commissioned an independent Delivery Review of the SIA in summer 2008 to assess the organisation's delivery capability to meet its objectives. A series of issues were found and all those with a priority rating have been resolved. In particular, we have delivered a revised organisational structure including new key appointments to support more effective leadership and decision-making. We have rationalised programme and project portfolios to better match the scope, scale and complexity of changes required. We have created a robust Business Plan for 2009/10 based on extensive analysis of different possible demand and capacity scenarios, a financial challenge process, which has meant that fees will continue to be held at 2007 levels in 2009/10, and a refreshed set of more relevant and challenging performance indicators.

The risk register was revised to identify current risks, develop counter measures and arrangements to monitor their impact. We have commissioned a customer survey, which will provide customer feedback on their experiences in 2008/09 and support any recommendations for change to the newly established customer forum.

The arrangements described in the risk and control section above are effective but any assessment, supported by the work of internal audit, shows that there is still scope for improvement which is being addressed. I am content that, overall, the Authority's managers are alert to risks and now understand the processes for their identification and assessment and for the development and application of risk mitigation measures. I am confident that the arrangements in place and those being developed, supported by improved management and the understanding and engagement of the Board, will substantially improve the efficiency of our risk management.

A handwritten signature in black ink that reads "Bill Butler". The signature is written in a cursive style with a period at the end.

Bill Butler  
Chief Executive and Accounting Officer  
30 November 2009



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

I certify that I have audited the financial statements of Security Industry Authority for the year ended 31 March 2009 under the Private Security Industry Act 2001. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and 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, which includes the Remuneration Report, and the financial statements in accordance with the Private Security Industry Act 2001 and directions made thereunder by HM Treasury and for ensuring the regularity of transactions. These responsibilities are set out in the Statement of Authority's Responsibilities and the Statement of 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 directions made thereunder by HM Treasury. I report to you whether, in my opinion, the information, which comprises the sections entitled Performance in 2008/09 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 sections in the Annual Report entitled Ministers' Statements, Statement from the Chair, Introduction, Challenges for the SIA, the unaudited part of the Remuneration Report and the subsections of the Statement of Accounts entitled the Authority's Responsibilities and the Accounting Officer's Responsibilities. 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.

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 2009 and of its surplus, recognised gains and losses and cash flows 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 directions made thereunder by the Secretary of State with the consent of HM Treasury; and
- information, which comprises the sections entitled Performance in 2008-09 and Financial Overview, included in 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.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

8 December 2009

## The Security Industry Authority

Year ended 31 March 2009

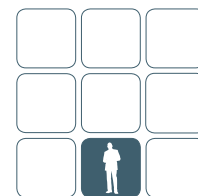
### Income and expenditure account for the period 1 April 2008 to 31 March 2009

	Note	2008/09		2007/08	
		£	£	£	£
Gross Income					
Income from activities	4	34,486,857		21,512,721	
Other	4	841,328		43,257	
<b>Total</b>			<b>35,328,185</b>		<b>21,555,978</b>
<b>Expenditure</b>					
Staff costs	5	8,449,646		6,195,544	
Running costs	6	21,517,749		13,976,391	
Depreciation	7&8	2,244,648		1,994,030	
<b>Total</b>			<b>(32,212,043)</b>		<b>(22,165,965)</b>
<b>Surplus Before Tax</b>			<b>3,116,142</b>		<b>(609,987)</b>
Corporation tax			(26,702)		-
<b>Net Surplus</b>			<b>3,089,440</b>		<b>(609,987)</b>
<b>Income from Investments</b>					
Interest receivable			127,153		106,361
Cost of capital (Notional)	1		(144,921)		(123,249)
<b>Surplus/(Deficit)</b>			<b>3,071,672</b>		<b>(626,875)</b>
Cost of capital reversal	1		144,921		123,249
Interest received and surrendered to the Home Office			(127,153)		(106,361)
<b>Surplus/(Deficit) for the Year</b>			<b><u>3,089,440</u></b>		<b><u>(609,987)</u></b>

#### Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the retained surplus for the period.

The notes on pages 89 to 109 form part of the financial statements.



# The Security Industry Authority

## Year ended 31 March 2009

### Balance Sheet as at 31 March 2009

	Note	2009		2008	
		£	£	£	£
<i>Fixed Assets</i>					
Intangible assets	7	3,349,014		4,796,276	
Tangible assets	8	<u>528,279</u>		<u>523,033</u>	
			<b>3,877,293</b>		<b>5,319,309</b>
<i>Current Assets</i>					
Debtors and prepayments	9	3,055,444		3,897,845	
Cash at bank and in hand	10	<u>7,073,892</u>		<u>196,629</u>	
			<b>10,129,336</b>		<b>4,094,474</b>
<i>Creditors</i>					
Amounts due within 1 year	11		<u>(9,747,685)</u>		<u>(4,908,733)</u>
Net current assets			<b>381,651</b>		<b>(814,259)</b>
Provision for licence discounts and compensations	20		(76,020)		(244,898)
<b>Total Assets Less Current Liabilities</b>			<b><u>4,182,924</u></b>		<b><u>4,260,152</u></b>
<b>Capital and Reserves</b>					
Government Grant Reserve	12		270,844		437,512
General Reserve	12		3,912,080		3,822,640
			<b><u>4,182,924</u></b>		<b><u>4,260,152</u></b>

The notes on page 89 to 109 form part of the financial statement.

Bill Butler  
Chief Executive and Accounting Officer

30 November 2009

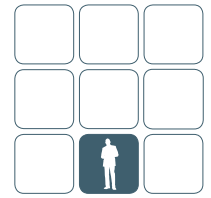
# The Security Industry Authority

## Year ended 31 March 2009

### Cash Flow Statement

	Note	2008/09	2007/08
		£	£
<b>Operating Activities</b>			
Net cash inflow/(outflow) from operating activities	13	7,677,645	(253,414)
<b>Returns on investments and servicing of finance</b>			
Interest received		127,153	106,361
<b>Capital expenditure</b>			
Cash outflow to acquire fixed assets	7 & 8	(802,632)	(2,010,886)
Cash inflow from sale of fixed assets		2,250	4,160
Net cash inflow/(outflow) before financing		<b>7,004,416</b>	<b>(2,153,779)</b>
<b>Analysis of Financing</b>			
Grant in Aid for capital expenditure	3 & 12	0	1,860,886
Grant in Aid for revenue expenditure	3 & 12	0	139,114
Grant from the Scottish Executive	12	0	150,000
Less amounts appropriated to Home Office		(127,153)	(822,009)
Increase/(decrease) in cash		<b>6,877,263</b>	<b>(825,788)</b>

The notes on page 89 to 109 form part of the financial statement.



# The Security Industry Authority

Year ended 31 March 2009

## Note 1

### ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements are drawn up in accordance with a direction given by the Secretary of State with the consent of 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 Government Accounting 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.

The accounts meet the following accounting conventions:

- 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 Standards Board
- disclosure and accounting requirements of HM Treasury
- the requirements of the Accounts Direction and the Financial Memorandum issued to the SIA by the Secretary of State for the 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, 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 reserve 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 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 which 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 set up income received from Scotland in the prior year ceased once the scheme went live with our own operations.

## Northern Ireland Income

The Private Security Industry Act has been amended to include Northern Ireland. The SIA is able to recover the costs of implementing licensing of the Private Security Industry from the Northern Ireland Office until May 2010.

## 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.

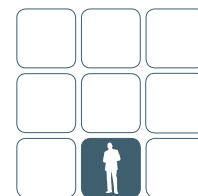
## Other Income

Other income is to be recognised at the point when it is awarded. It relates to income that cannot be allocated to any of the above mentioned categories such as Court Cost Awards, Grant Income and income streams for rechargeable projects.

## 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 materially different. There was no revaluation of assets for 2008/09 because (a) the amount for tangible assets was immaterial and (b) no appropriate index was identified for the intangible assets.

The SIA entered into a new contract with BT on the 20 March 2007. The contract includes the implementation of a number of new enhancements to the existing managed service provider database 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.



## 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 the MSP contract in Notes 7 and 15

## Provision for Bad Debt

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

In addition, the SIA may be 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 charged in full to the profit and loss account.

## 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 give second licence discounts 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% 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 Authority 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:

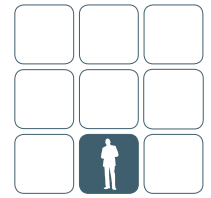
## Value Added Tax

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

## Corporation Tax

SIA is liable for corporation tax on interest received on investment income, this relates to the bank interest receivable on bank deposits.





## Note 2

### FINANCIAL TARGETS

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

The Financial target was established as 'To achieve SIA objectives whilst achieving revenue projections and operating within budget or better'. The SIA has generated a substantial increase over the levels of revenue forecast for 2008/09, in turn this has enabled us to reach a position whereby for the first time fees have covered our costs and generated a surplus. This has allowed us cumulatively to achieve better than break-even position over the last three years.

## Note 3

### GRANT IN AID

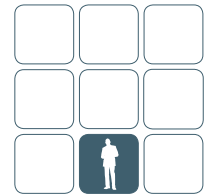
	Note	2008/09	2007/08
		£	£
Revenue Grant received from the Home Office	12	0	139,114
Grant in Aid used to fund capital purchases	12	0	1,860,886
		<u>0</u>	<u>2,000,000</u>

## Note 4

### INCOME

	2008/09	2007/08
Licensing	31,727,871	18,782,990
Approved Contractors Scheme (ACS)	2,134,852	2,052,889
Scotland	0	585,156
Northern Ireland	624,134	91,686
	<b>34,486,857</b>	<b>21,512,721</b>
Other Income *	841,328	43,257
	<b>35,328,185</b>	<b>21,555,978</b>

\* £550,000 of 'Other Income' relates to court costs recovered following a successful prosecution case in November 2008



## FEES AND CHARGES

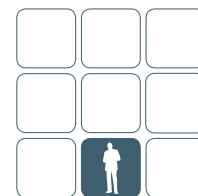
This note is to meet HM Treasury's disclosure requirements for fees and charges and not for the purpose of SSAP 25 which is not appropriate to the SIA. The SIA is required to set fees on a full cost recovery basis.

	2008/09			2007/08		
	Income	Full Costs	Surplus/ Deficit on Operating Activities before tax	Income	Full Costs	Surplus/ Deficit on Operating Activities before tax
ACS	2,134,852	1,953,452	181,400	2,052,889	1,875,362	177,527
Licensing	31,727,871	29,634,457	2,093,414	18,782,990	19,613,761	(830,771)
Other income	841,328	0	841,328	43,257	0	43,257
Scotland	0	0	0	585,156	585,156	0
Northern Ireland	624,134	624,134	0	91,686	91,686	0
<b>Total</b>	<b><u>35,328,185</u></b>	<b><u>32,212,043</u></b>	<b><u>3,116,142</u></b>	<b><u>21,555,978</u></b>	<b><u>22,165,965</u></b>	<b><u>(609,987)</u></b>

## Note 5

## STAFF COSTS

	2008/09	2007/08
<b>Board</b>	<b>£</b>	<b>£</b>
Salaries and emoluments	139,815	119,550
Social security contributions	11,864	9,631
Pension contributions	10,072	12,177
	<b>161,751</b>	<b>141,358</b>
<b>Staff</b>		
Salaries and emoluments	4,695,367	3,576,059
Social security contributions	363,650	292,481
Pension contributions	813,103	692,467
	<b>5,872,120</b>	<b>4,561,007</b>
<b>Other</b>		
Salaries and emoluments	2,506,351	1,496,913
Social Security Contributions	18,630	13,570
Pension Contributions	46,911	32,795
	<b>2,571,892</b>	<b>1,543,278</b>
<b>Total Gross Employment Costs</b>		
Salaries and Emoluments	7,341,533	5,192,522
Social security contributions	394,144	315,682
Pension contributions	870,086	737,439
	<b>8,605,763</b>	<b>6,245,643</b>
<b>Less: Recoveries in Respect of Outward Secondment</b>		
Salaries and emoluments	(145,222)	(32,962)
Social security contributions	(4,564)	(1,768)
Pension contributions	(6,331)	(15,369)
	<b>(156,117)</b>	<b>(50,099)</b>
<b>Total Net Costs</b>		
Salaries and emoluments	7,196,311	5,159,560
Social security contributions	389,580	313,914
Pension contributions	863,755	722,070
	<b>8,449,646</b>	<b>6,195,544</b>



At the 31 March 2009 the SIA employed seven Board members

The average number of full time equivalent employees during the period ending 31 March 2009 was:

	Staff		Consultants, Temporary and Seconded Staff	
	2008/09	2007/08	2008/09	2007/08
Executive	7	3	0	1
Enforcement	49	49	5	3
Licensing	27	18	25	18
Development	10	4	3	3
Admin/support staff	26	20	5	10
Approved Contractor Scheme	11	10	1	0
Staff employed on capital projects	0	0	0	3
	<b>130</b>	<b>104</b>	<b>39</b>	<b>38</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. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

For 2008/09, employers' contributions of £831,830 were payable to the PCSPS (2007/08 £721,252) at one of four rates, 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £25,694 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £95, 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.

Contributions due to the partnership pension providers at the balance sheet date were £6,231.

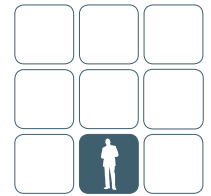
## Note 6

### RUNNING COSTS

	2008/09	2007/08
	£	£
Accommodation costs	1,141,358	696,200
Advertising and publicity	995,276	905,624
Audit fee - external	31,000	27,500
Audit fee - internal	25,240	28,783
Legal costs	94,513	73,547
Recruitment	281,100	241,573
Training	219,207	146,455
Information technology	225,081	215,018
Licensing costs	17,061,023	10,568,247
Office supplies and services	436,164	337,758
Operating lease payments - equipment	0	1,019
Financial costs	3,993	3,714
Bad and doubtful debts	300,623	59,008
Travel and subsistence	712,516	566,297
Catering	8,721	8,675
Hospitality	3,062	3,478
(Gain)/loss on disposal of fixed assets	(2,250)	(4,160)
	<b>21,536,627</b>	<b>13,878,736</b>
<b>Non Cash costs</b>		
Provision for licensing compensation claims	52,512	150,000
Reversal of provision for licence refunds	(71,390)	(52,345)
	<b>21,517,749</b>	<b>13,976,391</b>

Note:

Included in year 2008/09 audit fee – external is £2,500 relating to the extension of 2007/08 audit work charged in the year.



## Note 7

### INTANGIBLE FIXED ASSETS

	2008/09				
	Software Licences	Managed Service Provider Database	Managed Service Provider II Development	Approved Contractor Scheme Costs	Total
	£	£	£	£	£
Cost at 1 April 2008	180,939	9,966,970	3,729,871	1,075,316	14,953,096
Additions	113,104	0	528,393	0	641,497
Disposals	0	0	0	0	0
Cost at 31 March 2009	294,043	9,966,970	4,258,264	1,075,316	15,594,593

Amortisation at 1 April 2008	124,053	9,138,008	334,704	560,055	10,156,820
Provided during the year	59,135	315,795	1,445,005	268,824	2,088,759
Disposals	0	0	0	0	0
Amortisation at 31 March 2009	183,188	9,453,803	1,779,709	828,879	12,245,579

Net Book Value at 31 March 2009	<u>110,855</u>	<u>513,167</u>	<u>2,478,555</u>	<u>246,437</u>	<u>3,349,014</u>
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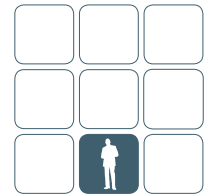
Net Book Value at 31 March 2008	<u>56,886</u>	<u>828,962</u>	<u>3,395,167</u>	<u>515,261</u>	<u>4,796,276</u>
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## Note 8

## TANGIBLE FIXED ASSETS

	2008/09			
	Leasehold Improvements	Furniture and Office Equipment	Computer Equipment	Total
Cost at 1 April 2008	326,171	233,744	517,174	1,077,089
Additions	0	58,102	103,033	161,135
Disposals	0	0	(78,912)	(78,912)
<b>Cost at 31 March 2009</b>	<b>326,171</b>	<b>291,846</b>	<b>541,295</b>	<b>1,159,312</b>
Depreciation at 1 April 2008	68,667	136,252	349,137	554,056
Depreciation provided during the year	51,500	28,043	76,346	155,889
Disposals	0	0	(78,912)	(78,912)
<b>Depreciation at 31 March 2009</b>	<b>120,167</b>	<b>164,295</b>	<b>346,571</b>	<b>631,033</b>
Net Book Value at 31 March 2009	<u>206,004</u>	<u>127,551</u>	<u>194,724</u>	<u>528,279</u>
Net Book Value at 31 March 2008	<u>257,504</u>	<u>97,492</u>	<u>168,037</u>	<u>523,033</u>





## Note 9

### DEBTORS (falling due within one year)

	2008/09	2007/08
	£	£
Trade debtors	2,715,474	3,545,445
Accrued income	198,512	91,686
Other debtors	203,894	34,777
Season ticket loans to staff	19,567	14,710
Prepayments	217,997	241,227
	<b>3,355,444</b>	<b>3,927,845</b>
Less provision for bad debts	(300,000)	(30,000)
<b>TOTAL DEBTORS</b>	<b>3,055,444</b>	<b>3,897,845</b>

The trade debtors figure includes amounts owed by the MSP to the SIA for licence applications of £2,400,933 in 2008/09 and £3,459,405 in 2007/8.

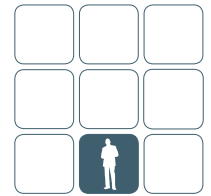
Intra-government balances		
Northern Ireland Office – NIO	198,511	127,580
BIS	18,173	
Home Office	33,373	
	250,057	127,580
Balances with local authorities, NHS Trusts, public corporations and trading funds	35,415	-
Balances with bodies external to government	2,769,972	3,770,265
<b>TOTAL</b>	<b>3,055,444</b>	<b>3,897,845</b>

## Note 10

### ANALYSIS OF CHANGES IN CASH

	2008/09	2007/08
	£	£
Balance at 1 April 2008	196,629	1,022,417
Increase (Decrease) in cash	6,877,263	(825,788)
Balance at 31 March 2009	<b>7,073,892</b>	<b>196,629</b>

The above balances are held in commercial bank accounts



## Note 11

### CREDITORS DUE WITHIN ONE YEAR

	2008/09	2007/08
Trade creditors	1,632,651	81,079
Other creditors	271,628	135,267
Monies due to the Home Office	3,000,000	0
Accruals and deferred income	4,675,502	4,575,033
Taxation and social security	167,904	117,354
	<b>9,747,685</b>	<b>4,908,733</b>

### INTRA-GOVERNMENTAL BALANCES

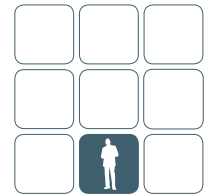
Amounts falling due within one year		
	2008/09	2007/08
Balances with other central government bodies	3,880,930	797,142
Balances with local authorities, NHS Trusts, public corporations and trading funds	760	0
Balances with bodies external to government	5,865,995	4,111,591
<b>Total</b>	<b>9,747,685</b>	<b>4,908,733</b>

## Note 12

### GENERAL RESERVE

	2008/09	2007/08
	£	£
Balance at 1 April 2008	3,822,640	2,432,627
Net surplus/(expenditure) for the financial year	3,089,440	(609,987)
Grant in Aid received toward resource expenditure	0	139,114
Grant in Aid towards fixed asset purchases	0	1,860,886
Grant in Aid appropriated to the Home Office	0	0
Monies due to be paid to the Home Office	(3,000,000)	0
Balance at 31 March 2009	<u>3,912,080</u>	<u>3,822,640</u>
<b>Government Grant Reserve</b>	<b>2008/09</b>	<b>2007/08</b>
	£	£
Balance at 1 April 2008	437,512	350,000
Additions	0	150,000
Less transfer to P&L	(166,668)	(62,488)
Balance as at 31 March 2009	<u>270,844</u>	<u>437,512</u>

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



## Note 13

### RECONCILIATION OF OPERATION SURPLUS TO CASH OUTFLOW FROM OPERATING ACTIVITIES

	2008/09	2007/08
	£	£
Decrease/(increase) in debtors	3,089,440	(609,987)
Depreciation	2,244,648	1,994,030
Decrease in debtors relating to operating items	846,572	(2,426,291)
Increase in creditors relating to operating items	1,834,781	1,024,084
Decrease in provisions	(168,878)	(168,602)
Gain on disposal of fixed assets	(2,250)	(4,160)
Release from reserves	(166,668)	(62,488)
Net cash inflow/(outflow) from operating activities	<b>7,677,645</b>	<b>(253,414)</b>

## Note 14

### CAPITAL COMMITMENTS

As at 31 March 2009 the SIA has no commitment to capital expenditure.

## Note 15

### COMMITMENTS UNDER OPERATING LEASES

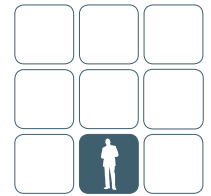
Operating leases which expire				
	2008/09		2007/8	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Within 1 year	0	0	0	1,486
Within 2-5 years	159,983	0	0	0
Over 5 years	415,335	0	409,921	0

The SIA's contract with its managed service provider, BT, is a mixture of fixed and variable service charges. The fixed element of this contract is £1,238,530 per annum, to expire in October 2010.

## Note 16

### CONTINGENT LIABILITIES

The SIA had no contingent liabilities as at 31 March 2009 (2007/08 – Nil).



## Note 17

### POST BALANCE SHEET EVENTS

There have been no events after the Balance Sheet date requiring an adjustment to the accounts. The financial statements were authorised for issue on the same date that the Comptroller and Auditor General certified the annual report and accounts.

The new Chief Executive Officer, Bill Butler, commenced on the 27 July 2009.

## Note 18

### RELATED PARTY TRANSACTIONS

The Home Office as the sponsoring Department of the SIA is regarded as a related party. 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 SIA 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

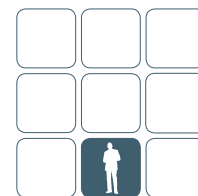
### PROVISIONS

	2008/09			2007/08		
	Licence Refunds	Compensation	Total	Licence Refunds	Compensation	Total
Balance at 1 April	94,898	150,000	244,898	413,500	0	413,500
Payments in year	0	(150,000)	(150,000)	(266,257)	0	(266,257)
Provided for in year	0	52,512	52,512	137,655	150,000	287,655
Unwinding of provision	(71,390)	0	(71,390)	(190,000)	0	(190,000)
Balance at 31 March	23,508	52,512	76,020	94,898	150,000	244,898

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

#### Financial Reporting Standard 26 Recognition and Measurement

Financial Reporting Standard (FRS) 26, relates to all derivatives and all assets and liabilities that are held for trading to be recognised and measured at fair value and all changes in those values to be recognised immediately in the profit and loss account.

The SIA has complied with FRS 26 as all financial statements reflect book value and fair value of all assets, liabilities and provisions.

#### Financial Reporting Standard 29 Financial Instruments: Disclosures

Financial Reporting Standard (FRS) 29, Financial Instruments: Disclosures. This relates to the significance of financial instruments for an entity's financial position and performance, details of exposure to risks arising from financial instruments and the entity's policies and procedures for managing capital. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the 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 Financial Reporting Standard (FRS) 29 mainly applies. The SIA has very limited powers to borrow or invest surplus funds, and consequently financial assets and liabilities are generated by day-to-day operational activities and are not deemed to change the risk facing SIA in undertaking its activities.

#### Liquidity risk

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

#### Interest rate risk

The SIA is not exposed to significant interest rate risk.

#### Foreign currency risk

The SIA is not exposed to significant foreign exchange risk.

#### Credit risk

The SIA is not exposed to significant credit risk.

#### Transfer to IFRS

In line with other government departments and NDPB's, the SIA is adhering to the Government timetable relating to the transfer of the annual accounts from UK GAAP to IFRS.

This year, a set of shadow accounts will be compiled reflecting the IFRS changes whilst next year will be the first full year of publication with Year 2008/09 being the comparison year.



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