UK Border Agency

Annual Report and Accounts

2010-11

HC 1242

Annual Report and Accounts 2010-11

(For the year ended 31 March 2011)

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CONTENTS

Foreword

1. Management Commentary

2. Statement of the UK Border Agency Accounting Officer’s and Chief Executive’s responsibilities

3. Remuneration Report for period ended 31 March 2011

4. Statement on Internal Control 2010-11

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

6. Accounts for the year ended 31 March 2011

FOREWORD

In the past 12 months, the UK Border Agency has continued to secure the UK border and control migration while responding to significant challenges, for example those posed by instability in countries across North Africa and the Middle East. We are also playing our part in helping to reduce the public deficit.

The agency's span of responsibilities is broad and demanding, and it has grown in recent years to include visa services previously delivered by the Foreign & Commonwealth Office and goods detection and seizure activities. Its activities help to protect the public from security threats and organised crime and its decisions affect people's lives and liberty, so it is constantly exposed to significant risks and intense scrutiny. It also has to balance these responsibilities with its important role in facilitating travel and trade and encouraging the brightest and best to come to the UK to assist the economic recovery.

We operate in around 130 countries across the world and, in 2010-11 alone, agency staff prevented almost 10,000 people entering the UK illegally, seized over half a billion cigarettes and over 3 tons of class A drugs, decided over 2.5 million visa applications, dealt with over 100 million arriving passengers and removed over 40,000 people. The agency also helped to deliver the government's reform programme – in particular our key objective of reducing net migration – by taking action to strengthen the system of granting student and spouse visas, limiting non-EU economic migration, ending the detention of children for immigration purposes, and speeding up the asylum system and substantially clearing the asylum backlog.

In spite of the challenges and the scale and complexity of its activities, in 2010-11 the agency continued to transform its operations to deliver all its objectives while reducing its staffing levels by around 1,900, achieving cashable efficiency savings exceeding £200m. This ensured that – adjusting for its new responsibilities – the agency improved its performance in a number of areas while reducing its expenditure in every year of the 2007 spending review period (2008-09 to 2010-11).

Looking forward, our overall aim is to continue securing the border and to reduce immigration. We will also promote the government's commitment to fairness and improved customer service and will continue to drive up efficiency and productivity to achieve almost £600m of savings in the 2010 spending review period (2011-12 to 2014-15).

Jonathan Sedgwick

Acting Chief Executive

7 July 2011

1. MANAGEMENT COMMENTARY

HISTORY

1.1 The UK Border Agency, an executive agency of the Home Office, achieved full executive agency status on 1 April 2009. The agency brings together work previously carried out by the Border and Immigration Agency, visa services provided by UKvisas and customs detection work at the border from Her Majesty's Revenue & Customs (HMRC).

GOVERNANCE

1.2 The agency reports jointly to the Home Secretary and the Chancellor of the Exchequer.

1.3 Damian Green MP is minister of state for immigration. He is the lead minister for all the work of the agency.

1.4 I was appointed acting chief executive on Monday 10 January 2011. Lin Homer was previously chief executive for the period to 7 January 2011. Strategic direction is set by the UK Border Agency board, which includes me as acting chief executive and a director from each of the operational and corporate service groups. The board is supported by seven non-executive directors including senior officials from the Foreign & Commonwealth Office (FCO), HMRC and a senior police officer representing key operational partners. The corporate governance arrangements are set out in greater detail in the statement on internal control 2010-11, at section 4 below.

1.5 Full details of the board are set out in the remuneration report for the period ending 31 March 2011, at section 3 below. The details of company directorships and other significant interests held by agency board members are held by the Home Office, which seeks biannual updates on any potential conflicts of interest. The information is held in a central register. While this register it is not accessible to the public, it is available for internal inspection in accordance with Cabinet Office guidelines.

1.6 To help secure and ensure continued public confidence in its work, the agency submits its work to independent scrutiny. The Independent Chief Inspector of the UK Border Agency, the HM Inspector of Constabulary, the HM Inspector of Prisons, the Independent Police Complaints Commission, the Office of the Surveillance Commissioner and the Interception of Communication Commissioner’s Office all have roles in inspecting what we do. The agency works collaboratively with all of them to respond constructively to their reports and to improve its performance by disseminating and incorporating the lessons learned from their inspections.

LEGAL

1.7 The Immigration Act 1971 is the foundation of the current legal framework. Subsequent legislation has provided vital additions and strengthening measures to respond to changes over the past 40 years. The relevant current acts of Parliament are:

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

ACTIVITIES

1.8 The purpose of the UK Border Agency is to regulate the flow of people and goods into and out of the United Kingdom (UK). The agency's objectives deliver the Home Office's priority to secure our border and reduce immigration.

1.9 The agency prevents drugs, weapons, terrorists, criminals and would-be illegal immigrants reaching the UK. It decides on the eligibility of foreign nationals to stay in the UK and enforces immigration law within the UK. At the same time, the agency facilitates legitimate travel and trade, helping to protect UK tax revenue and supporting economic recovery. Overseas, at the border and within the UK, the agency uses its skilled workforce, intelligence, technology, and a range of UK and international partners to deliver its objectives.

1.10 At the beginning of 2010-11, the agency operated with three strategic objectives. These were to:

1. protect our border and our national interests
2. tackle border tax fraud, smuggling and immigration crime
3. implement fast and fair decisions.

1.11 After the change of government in May 2010, the agency's objectives were amended to reflect the new priorities set out in the coalition programme for government. The new objectives reflect the emphasis on reducing net migration into the UK and on reducing costs to support the government's aim to cut the budget deficit. They are to:

1. secure the border
2. control migration
3. reduce costs and improve customer service.

1.12 To support the government's programme, set out in the Home Office business plan (section 4 of the Home Office structural reform plan (SRP)), the agency's priorities are to:

- work with the police and Serious Organised Crime Agency (SOCA) to create a border police command within the new National Crime Agency
- strengthen the system of granting student and spouse visas
- set an annual limit on the number of non-EU economic migrants admitted to the UK
- speed up the processing of asylum applications
- end the detention of children for immigration purposes
- support e-Borders and reintroduce exit checks
- stop the removal of asylum seekers whose sexual orientation or gender identification puts them at risk in particular countries.

1.13 The UK Border Agency delivered seven separate scheduled actions on time in 2010-11 as part of the SRP. We met one sub-action within the sixth priority – to review current measures for the detention of children for immigration purposes – in December 2010, rather than in August as originally planned. Further information on SRP performance across the Home Office is set out in the Home Office annual report and accounts for 2010-11.

Objective 1: Secure the border

1.14 The agency operates in around 130 countries to provide a frontline border control before people reach the UK. At UK ports and airports, our officers, aided by technology, check the identity of new arrivals and confirm their eligibility to enter the UK. We prevent and tackle the smuggling of weapons, drugs (including so-called 'legal highs'), alcohol, tobacco and other illicit goods. Intelligence and risk analysis underpin all border and visa operations. We continue to work closely with other UK and overseas law enforcement and security agencies.

1.15 To help secure the border, the agency uses an electronic system called e-Borders to carry out checks on travellers before they begin their journey. The system enables us to electronically collect and check individual passenger details against UK police, security and immigration watchlists. We will continue to support e-Borders to help protect the UK against terrorism, crime and illegal immigration. We will also use e-Borders to reintroduce exit checks to ensure that we improve our understanding of who is in the country and who has left. Following an announcement on 22 July 2010, we terminated the contract with the prime supplier to deliver the e-Borders programme and have made alternative delivery arrangements as the programme continues.

For further details and the impact of this on the agency, please see note 28 of section 6 below.

1.16 The agency continues to play a key role in addressing organised crime and takes tough action against people illegally in the UK. We are helping to establish a border policing command, as part of the new National Crime Agency. The government's drugs strategy commits the agency to working with the National Crime Agency against the threats presented by the full range of drugs, chemical cutting agents and precursors.

1.17 The agency has ended the detention of children for immigration purposes, closing Yarl's Wood to families with children in December 2010. We also rolled out nationally a new process for family returns. We will also meet the priorities of other government departments, in particular by seeking to maintain the level of tax revenue through intervention and detection at the border. We also published, with HMRC a renewed strategy to tackle the illicit trade in tobacco.

1.18 Actions during 2010-11 included:

- At the border, we seized around 550 million smuggled cigarettes, over 3,000kg of class A drugs and more than 5,000 weapons in 2010
- We prevented 9,700 individual attempts to illegally enter the UK from France or Belgium
- e-Borders checked around 125 million people travelling to or from the UK against watchlists, leading to more than 2,800 arrests
- 57,000 people who were not entitled to be in the UK were deported, removed or left voluntarily
- Working with others in the Home Office to establish a border policing command
- We rolled-out nationally a new family returns process from 1 March 2011 to implement the policy to end the detention of children for immigration purposes
- Development of the e-Borders system and reviewing the use of e-Borders to carry out exit checks.

Objective 2: Control migration

1.19 Making decisions on applications to travel to or stay in the UK is at the heart of the agency's business. Overseas, we issue visas to visitors, students, migrants and other people who wish to come to the UK.

1.20 The agency has been responsible for implementing an annual limit on the number of non-EU economic migrants from April 2011 onwards. As a result of this and other policies, we expect net migration will be in the tens of thousands in future.

1.21 The agency has reviewed the system of granting student and spouse visas and we will implement the outcome to reduce abuse of these visas.

1.22 The agency will continue to play a significant role in wider Home Office security plans. We enforce the UK's ability to deport or exclude foreign nationals who threaten our national security, and will help to ensure a safe and successful Olympic and Paralympic Games in 2012.

1.23 Actions during 2010-11 included:

- In 2010, we considered around 2.5 million applications for visas, mostly from tourists or other temporary visitors, and we refused approximately 400,000 of them
- In 2010, we handled more than 1 million applications from foreign nationals within the UK to extend their stay, seek asylum, become permanent residents or become British citizens
- On 31 March 2011, we introduced rule changes and published a statement of intent about future changes to strengthen the system of granting student visas
- In November 2010, we made changes to English language requirements for spouses to strengthen the system of granting spouse visas
- On 19 July 2010 we introduced an interim limit on the number of non-EU economic migrants we admit to the UK. On 23 November, the Home Secretary announced details of arrangements for a permanent limit, which were introduced on 6 April 2011
- We are putting in place new measures across the UK to speed up the processing of asylum applications. They include, for example, a new set of case triage tools and an evidence-based approach to reducing the number of appeals that are upheld
- We implemented the government's commitment to stop the removal of asylum seekers who had to leave particular countries because their sexual orientation or gender identification put them at proven risk of imprisonment, torture or execution.

Objective 3: Reduce costs and improve customer service

1.24 The agency has begun a major transformation of its organisation, which will continue over the next four years. The steps we have taken in 2010-11 ensure it will be smaller, but more efficient and capable of continuing to deliver its commitments. This includes making greater use of technology, using intelligence and focusing on the greatest risks, to enable us to deliver our commitments with a smaller workforce and lower budget. In 2010-11, the agency reduced its staff numbers by around 1,900 and delivered efficiency savings exceeding £200m.

1.25 The immigration casework programme (ICW) is changing the landscape for our customers and caseworkers, moving work from paper-based to online processing. We are consolidating multiple websites into a single site. We are seeking Customer Service Excellence accreditation across our operational business, with the New York visa section receiving accreditation in March 2011. Other operational parts of the agency will follow between now and 2014. The performance of our UK contact centres is improving steadily and we are offering an increased range of premium services, including a partnership with local authorities to help customers who are applying for settlement. Our new customer insight function is using customer feedback and other data to help us make better, evidence-based decisions on the design of new services.

1.26 Actions during 2010-11 included:

- We achieved cash-releasing savings of more than £200m in total while maintaining a high-quality service
- We reduced the cost of asylum support by more than £100m
- We reduced corporate back-office costs by around £15m and estate costs by £13m
- We reduced the backlogs of asylum and permanent migration applications, saving around £10m
- We achieved commercial savings of around £10m, including retendering haulage, storage and disposal contracts and renegotiating visa processing contracts
- In all four quarters of the reporting period, we met the service standard of deciding 90 per cent of visa applications submitted overseas within 15 working days of receiving them
- Our performance against the Cabinet Office's target to reply to 95 per cent of written ('treat official') correspondence from members of the public within 20 days improved during the year, reaching 94.5 per cent by March 2011. Performance on correspondence with Members of Parliament also improved and we met the Cabinet Office target for the first time for four consecutive months.

1.27 As part of the government's commitment to transparency, the agency is publishing information to enable the public to judge its performance. Currently, there are seven indicators of agency performance within the transparency section of the Home Office business plan. The indicators and the latest performance results (outturn performance information) are set out in figure 1 below.

1.28 These indicators appear in the Home Office business plan, which you can read at www.homeoffice.gov.uk. A detailed transparency section on the same website also:

- provides quarterly performance updates on the impact indicators
- sets out technical definitions for the indicators
- explains how the indicators will be measured
- explains what datasets will be published and where they can be found.

Input indicators	2010-11 outturn performance	2011-12 expected trend[1]
Cost per passenger processed at the border	£3.25[2]	⇩
Cost per decision for all permanent and temporary migration applications	£212[2]	⇩
Impact indicators		
Net migration to the UK	242,000[3]	⇩
Annual level of revenue protected through detecting goods where excise duty has not been declared	£268 million[2]	⇔
Clearance of passengers at the border within published standards	98%[2,4]	⇔
Percentage of migration applications decided within published standards	93%[2]	⇔
Percentage of asylum applications concluded in one year	55%[2]	⇔

Figure 1: UK Border Agency performance 2010-11

1.29 The cost per decision for permanent and temporary migration applications may be affected during 2011-12 by a smaller but more complex caseload. The cost per passenger processed at the border may also fluctuate as a result of deployment decisions in response to risk and operational requirements, which influence the balance between passenger processing and customs related activity.

RELATIONSHIPS WITH KEY PARTNERS AND ORGANISATIONS

1.30 We work closely with partners and other interested organisations that are key to the delivery of our business to:

- design policies and services that better meet the needs of customers and the public
- deliver services with or through partners
- communicate with our customers and the public, especially those we find it challenging to engage with directly.

[1] The arrows indicate the expected direction of travel of the performance indicator data:

⇧ we expect to see an increase

⇔ we expect to see levels consistent with 2010-11

⇩ we expect to see a reduction

[2] Figure quoted is based on internal management information

[3] The provisional estimate of net long-term migration to the UK in the year to September 2010; Migration Statistics Quarterly Report No 9: May 2011. Outturn for the year 2010 is planned to be published 24 November 2011

[4] This figure is calculated from the passengers observed within a statistical sample. On the basis of this performance, we can be reasonably confident that over 95% of all passengers in 2010-11 were processed within published service limits

1.31 Our partners are those groups, organisations or representatives who reflect the interests and views of those affected by our activities or who wish to influence them. We interact with a diverse range of organisations from different sectors of society, including:

- national organisations representing, for example, arts, business, the education sector and the aviation industry
- local authorities, port authorities and the police in each of our regions
- international stakeholders such as the United Nations High Commissioner for Refugees
- voluntary organisations providing advice and support to asylum seekers.

RISK

1.32 The agency manages risks to the delivery of its objectives at appropriate levels within the organisation, with clear processes for their escalation or de-escalation. More information on our ability to handle risk and our risk and control framework is in the statement on internal control, at section 4 below.

INFORMATION MANAGEMENT

1.33 The agency's work to embed good information management practice continues to be structured around the requirements of the Cabinet Office's Information Assurance Maturity Model (IAMM). The IAMM is designed to help operational boards benchmark current information assurance practice and senior information risk owners (SIROs) establish programmes to improve their organisations' information management culture, practices and compliance. The agency achieved the required level 3 compliance in January 2011 (out of a possible 5), which means that there has been a measured improvement in information risk management behaviours at all levels within our organisation, our delivery partners and our third-party suppliers.

1.34 More information on our progress on information management is also in the statement on internal control, at section 4 below.

PEOPLE

Staff numbers

1.35 The average number of full-time equivalent (FTE) active staff we paid for either directly or indirectly during 2010-11 was 23,426 (compared with 24,474 in 2009-10) The size of the agency's workforce reduced by around 1,900 (8 per cent) during 2010-11. We plan to achieve further efficiencies, resulting in further workforce reductions, in the period between April 2011 and March 2015. These are shown in figure 2 below:

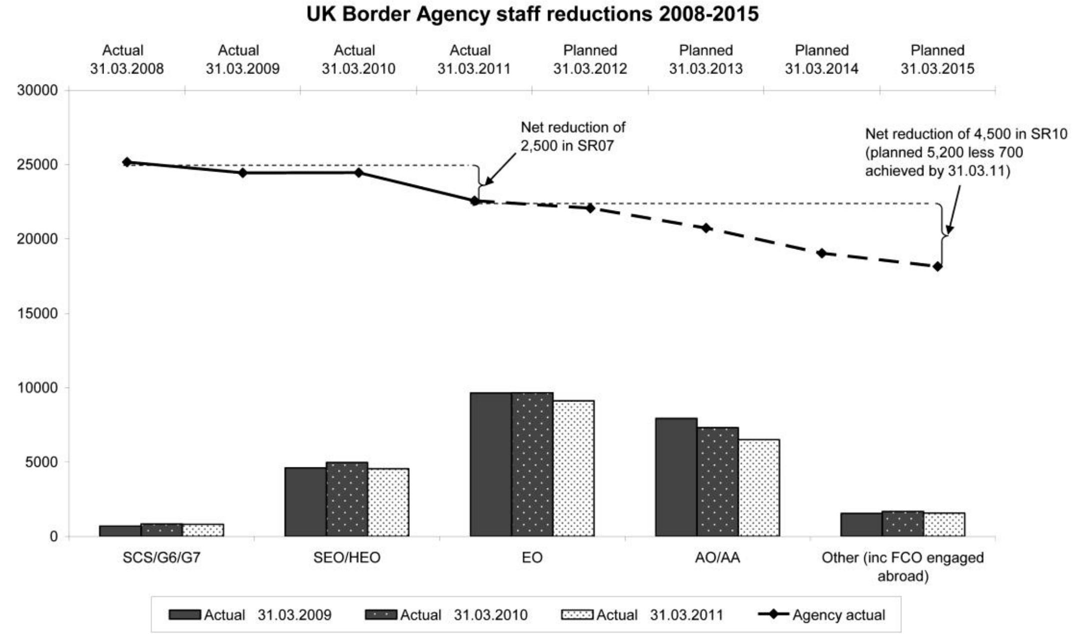

Figure 2: UK Border Agency FTE staff levels March 2008 – March 2015 (amended for function changes)[5]

Getting the best from our people

1.36 The agency's staff are highly committed to their role of protecting the public. As an employer, we aim to support staff by equipping them with the skills and tools to deliver for the public. To help us assess the effectiveness and professionalism of our people objectively, we are accredited by Investors in People.

1.37 We are committed to making sustainable progress on equality and diversity in all areas of our business. We continue to work to embed the Home Office diversity strategy within our business planning processes and will ensure that we fully implement the provisions of the Equality Act 2010, including the public sector equality duty which came into force on 5 April 2011, in our roles as policymaker, service provider and employer.

1.38 The diversity of our workforce, which is employed throughout the UK and overseas, compares favourably to census data. Diversity information is set out in figure 3 below:

[5] We have changed our method of counting our workforce from the civil service format, which includes staff who are on career breaks and secondments, because that can misrepresent the number of people we pay for. Instead, we now count the number of staff we pay for, whether through the pay bill directly or, in the case of staff working for us but engaged locally or centrally by the FCO, by transfer of funds to that department. For 2009-10, the civil service method gave an average figure of 23,652, whereas the new method gives an average of 24,474.

	March 2009	March 2010	March 2011
Black and minority ethnic (BME) staff[6]	25.8%	24.1%	26.0%
Disabled staff	6.0%	6.6%	6.3%
Female staff[7]	55.2%	50.9%	51.0%
Lesbian, gay or bisexual (LGB) staff	Not available	2.4%	2.5%
Part-time staff	17.7%	18.8%	19.0%

Figure 3: UK Border Agency staff diversity 2009-2011

1.39 Building on the agency's leadership and management development programme, we will continue to improve the capability and professionalism of our leaders and managers through Civil Service Learning, and through development based on day-to-day work experience.

1.40 In 2010-11, the agency piloted a capability planning process to help the business understand its current capabilities and plan to address any capability shortfalls. This will be rolled-out further across the agency and the central Home Office and we will use it to support the agency's 2011-12 capability strategy.

Communication and consultation

1.41 The agency is committed to engaging with its workforce. There are four recognised trade unions and employee representatives are given facility time to allow them to take part in industrial relations duties. Alongside this, the agency has specific bodies for consulting minority groups. We provide resources for these and other representative bodies. They include:

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

1.42 The agency also has a variety of communication channels to deliver information on organisation and business developments to staff, and to provide an opportunity for feedback. The channels used range from timely electronic communications to face-to-face briefings.

Sickness absence

[6] The fall between 2009 and 2010 was the result of HMRC staff joining the agency. The subsequent rise in 2010-2011 was the result of staff leaving under the voluntary early release scheme (VERS)

[7] The HMRC staff who joined the agency in 2009-2010 were 33 per cent female (compared with 55 per cent in the legacy Border and Immigration Agency), leading to a 5 per cent overall fall in female staff in the year to 2010.

1.43 The agency aims to reduce paid sickness absence by one day per staff year. We achieved this in 2010-11, with the number of days lost per staff year falling from 9.16 days in March 2010 to 8.00 in March 2011, thereby meeting the Cabinet Office target.

RESOURCES

Funding

1.44 In 2010-11 the UK Border Agency's total spend was £2,615m resource and £175m capital. The total resource budget was funded by £1,760m taxpayer funding and £855m income, including £813m from fees from migrant applications.

1.45 As set out in figure 4 below, in 2010-11 the agency's original net resource budget (excluding income) was £1,697m. The budget was increased to £1,762m by the end of the financial year to pay for:

- new functions and activities transferred to the agency, including Cyclamen (equipment that screens freight for prohibited radiological material) and the immigration and asylum biometric system (IABS); and
- one-off costs for e-Borders impairments and write-offs.

	£m	£m
Original Budget		**1,697.1**
Function changes	46.1	
Transfer to Ministry of Justice for tribunal appeals	(14.0)	
Emergency budget	(58.0)	
Abolition of Migration Impact Fund	(18.0)	
Other changes	(5.4)	
Additional funding from HO for e-Borders write offs and impairments	114.0	
		(64.7)
Final revised Budget		**1,761.8**

Figure 4: Budget changes 2010-11

1.46 The agency's net resource spend in 2010-11 was £1,731m (outturn), compared with £1,725m (outturn) in 2009-10. This excludes private finance initiative (PFI) expenditure and annually managed expenditure (AME), which are included in the figure of £1,757m recorded in the primary financial statements. The reason for excluding these from the financial outturn is that the PFI is a technical adjustment only included in financial statements and AME is extraordinary expenditure outside the control of the agency.

1.47 The apparent increase in spending from 2009-10 to 2010-11 reflects additional cost pressures and other substantial one-off expenditure to fund, for example, annualised hours working and early release payments. In 2010-11 we also had to manage a £58m reduction in funding for the emergency budget and significant inflationary pressures of around £40m.

1.48 These additional cost pressures mask the significant cost reductions we achieved in 2010-11, which total around £280m in real terms. A like-for-like comparison of spending in 2010-11 compared with 2009-10 is in Figure 5 below.

	2009-10 £m	**2010-11 £m**	**Difference £m**
Financial outturn (actual taxpayer-funded spending)	1,725	1,731	
Functions transferred to agency in 2010-11	39		
One-off expenditure in 2010-11: e-Borders write-off, annualised hours working, early release payments		(204)	
Adjusted outturn (shows 2009-10 and 2010-11 on a like-for-like basis)	1,764	1,527	237
Inflation between 2009-10 and 2010-11			40
Equivalent reduction in spend 2009-10 to 2010-11			**277**

Figure 5: Like-for-like spending in 2009-10 and 2010-11

1.49 As well as achieving significant cost reductions and absorbing pressures, the agency invested in:

- a programme to conclude 450,000 legacy asylum cases
- the modernisation of border controls and immigration caseworking operations
- further roll-out of biometric residence permits
- resources for dealing with foreign national prisoners who have served their sentences
- extra capacity at immigration removal centres and upgrades to facilities, including Tinsley House
- increased activity to counter organised crime by creating dedicated crime teams
- a new system for storing and matching biometric information from applicants for visas, residence permits and asylum against all fingerprints taken for immigration purposes.

1.50 The £813m income earned in 2010-11 comes from fees paid by foreigners who wish to visit, work, study or settle in the UK and by people who apply to become British citizens. This is an increase of £83m compared with 2009-10. The fees cover the cost of considering applications and raise the extra revenue we need to fund enforcement and other improvements to the immigration system. All fees are set within strict financial limits agreed with HM Treasury and Parliament.

1.51 The agency also raised £7m in fines from civil penalties on employers and hauliers for infringements of immigration law and penalty charges on carriers who bring to the UK passengers who do not have the correct documents. Together with other smaller amounts, this resulted in us surrendering £10m of income to the Consolidated Fund in 2010-11.

1.52 In 2010-11 the agency's capital spend was £153m compared with a revised budget of £169m. The original budget of £237m was reduced for changes in the e-Borders programme. The £175m capital spend recorded in the financial statements includes PFI spending.

1.53 Between 2008-09 and 2010-11 (the 2007 spending review period), we delivered a total of £460m of cashable efficiencies on our operating costs. In 2010-11, the agency achieved its target to deliver cashable savings of more than £200m. We achieved this by:

- streamlining corporate services
- rationalising IT and estates infrastructure (for example consolidating our estate in Croydon)
- improving productivity in frontline operations
- reducing the cost of providing support to asylum seekers.

1.54 As part of spending review 2010, the agency is targeting further savings of about £600m for the period 2011-12 to 2014-15. We will achieve this by:

- cutting overhead costs by more than one-third
- continuing to drive down the cost of asylum support by speeding up the asylum system
- making full use of technology to provide more services online, including applications
- benefiting from a risk-led approach by detecting and controlling threats that will enable us to make better use of existing resources and cope with increases in demand.

1.55 Figure 6 below illustrates the agency's expenditure and savings between 2008-09 and 2014-15:

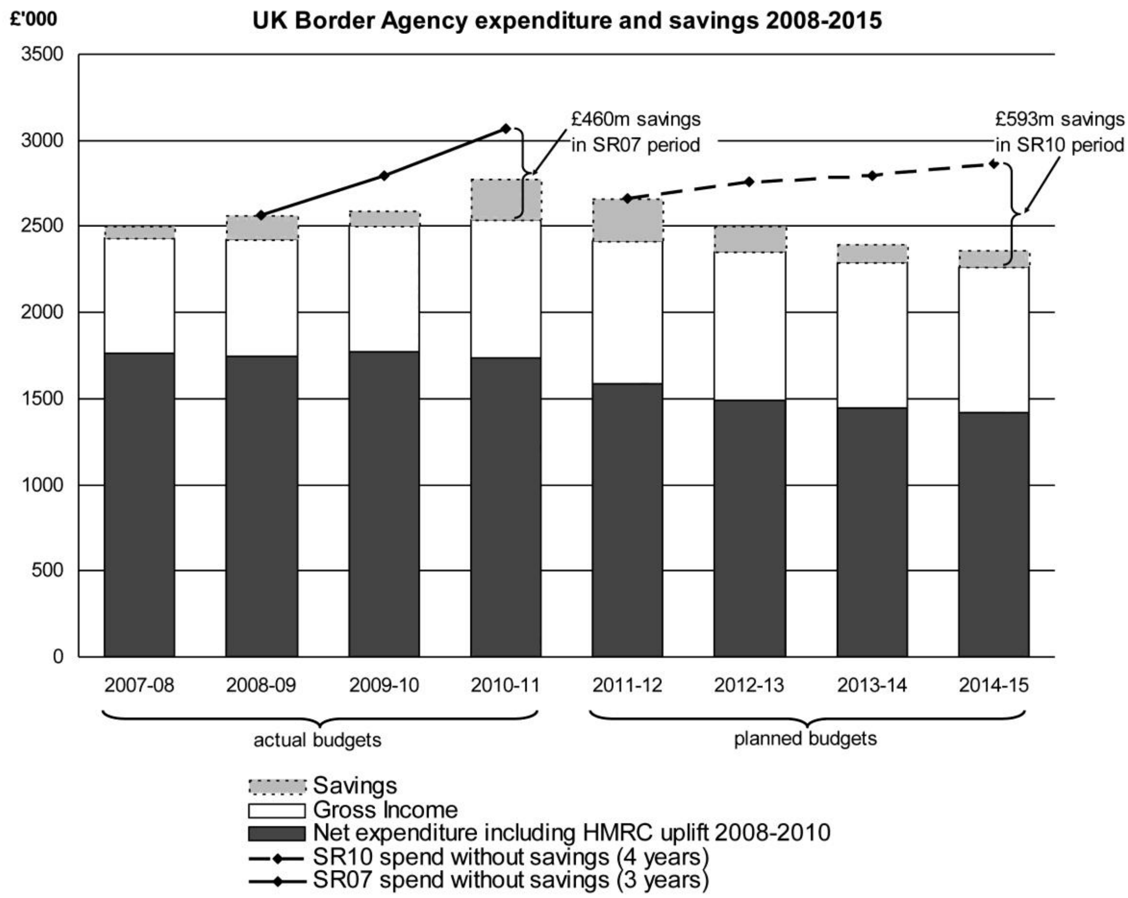

Figure 6: UK Border Agency budget requirement for SR07 and SR10 without cash savings

Estate management

1.56 The agency's estate management strategy focuses on:

- improving the way we manage the accommodation we use
- generating efficiencies and improving value for money by rationalising and making better use of the existing space
- reducing energy consumption
- contributing to cross-government sustainability targets.

1.57 In particular, in 2010-11 we completed programmes to rationalise our estate in Croydon, Plymouth, Rotherham, Glasgow, East Midlands Airport and Harwich and continued programmes to do the same in Liverpool, Greater London and Solihull.

1.58 The agency takes its environmental responsibilities seriously. We are currently measured annually on fuel and water consumption, the amount of waste we produce (together with the proportion recycled) and on driving environmental awareness with suppliers. The Department for Environment, Food and Rural Affairs (DEFRA) reported in February 2011 that 'the recycling rate for the Home Office in 2009-10 was 71.4 per cent. This already exceeds the 2010-11 target of 40 per cent. Our own recycling rate in 2009-10 was 68.3 per cent. There was also a significant reduction in carbon dioxide emissions from offices, 23.8 per cent below the baseline and well beyond the 2010-11 target of a 12.5 per cent reduction; and from road vehicles to 44 per cent below the baseline. In 2010-11, we worked closely with facilities management service providers to deliver a reduction in carbon emissions from our office estate by 12.7 per cent, as at end of March 2011. This performance is measured against a cross-government target of 10 per cent which remained in force until mid-May 2011.

Pension scheme

1.59 Pension benefits are provided through the civil service pension arrangements. The details of the benefit schemes available and information on liabilities are included in the remuneration report at section 3 below.

Creditor payment policy

1.60 The agency, as part of the Home Office, has signed up to the Confederation of British Industry's (CBI) prompt payment code and BS7890, the British standard for payment. Before February 2010 the contractual terms and conditions of payment required us to pay supplier's invoices within 26 days of accepting relevant goods and services, or from receiving a compliant invoice. The contractual terms were changed to 10 days from February 2010 and changed again to 5 days from June 2010. Our performance in 2010-11 against the 2009-10 requirement for payment in 26 days was 97 per cent (7 per cent above the target) compared with 89.9 per cent in 2009-10. Our performance in 2010-11 against the new 5 day payment terms was 84 per cent (4 per cent above target).

Research and development

1.61 The agency will continue to invest in research that supports key areas of its policy interest, in line with the Home Office science and research business plan. We will also continue to develop our statistical systems, including the future statistical benefits derived from e-Borders and the immigration casework programme, to produce timely and relevant statistics for both operational purposes and national statistics on migration and border control.

PREPARATION OF ACCOUNTS

Basis of accounts

1.62 The agency's financial statements cover the period from 1 April 2010 to 31 March 2011 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the government's 'Financial Reporting

Manual' (FReM). The management commentary and statement on internal control section of this report reference the agency financial statements.

1.63 As an executive agency of the Home Office, the agency's financial statements are consolidated within the resource accounts produced and published by the Home Office. These are made available online on the Home Office website at www.homeoffice.gov.uk.

Audit arrangements

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

Statement on disclosure of information to auditors

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

Jonathan Sedgwick

Acting Chief Executive

7 July 2011

2. STATEMENT OF ACCOUNTING OFFICER AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the government FReM, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis.

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

Jonathan Sedgwick

Acting Chief Executive

7 July 2011

3. REMUNERATION REPORT FOR THE PERIOD ENDED 31 MARCH 2011

REMUNERATION POLICY

3.1 Members of staff of the UK Border Agency hold substantive civil service contracts. Appointments may be terminated in accordance with the Civil Service Management Code.

3.2 The chief executive and the agency's executive directors are senior civil servants whose pay is set through recommendations made by the Review Body on Senior Salaries (SSRB), which provides independent advice to the Prime Minister. The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found at www.ome.uk.com. A public sector pay multiple was introduced in May 2010 which means that no public sector manager can earn over 20 times more than the lowest paid person in the organisation. The UK Border Agency complies with this requirement.

3.3 The Permanent Secretary to the Home Office (referred to as the Permanent Secretary below) has delegated authority to create/abolish posts or change the mix of grades of Home Office Senior Civil Servants (SCS), including those in the agency.

3.4 Performance pay is awarded in line with the procedures laid down and adopted across the Home Office. Additional performance-related pay is available to all civil servants via special pay awards and minor award schemes. Both schemes are administered in line with Home Office policy.

3.5 A two year pay freeze for SCS across Government commenced in 2010-11. Non-consolidated bonus awards were made which are subject to satisfactory performance of the duties assigned.

SERVICE CONTRACTS

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

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

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

REMUNERATION COMMITTEE

3.9 The salaries and performance pay of board members are agreed by a series of central Home Office remuneration committees. A performance assessment for each SCS employee and the chief executive's recommendations will be submitted for approval to the Home Office pay committee. The chief executive is a member of the Home Office pay committee.

3.10 In previous years, departments and agencies were asked to place their SCS into one of three performance tranches. These reflected the skills and competence of the job holder and were directly related to uplift in base pay. Bonus payments were separate to tranches and reflected the performance in-year.

3.11 The assessment and review of performance for SCSs is based on individual performance. Individuals are ranked in four performance groups in each pay band. The top groups representing around 25 per cent of staff, will receive a non-consolidated performance payment. In 2009-10 65 per cent of SCS staff received a bonus.

Remuneration (including salary) and pension entitlements

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

Salary

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

Benefits in kind

3.14 The monetary value of benefits in kind covers any benefits provided by the agency and treated by HMRC as a taxable emolument.

Bonuses

3.15 Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09. Given the current climate the UK Border Agency has decided, along with most other government departments, to limit the amount used for non-consolidated performance payments to under 5 per cent of the SCS pay bill.

	2010-11			2009-10		
Officials	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Lin Homer chief executive (until 9 January 2011)	160-165 (205-210 full year equivalent)	5-10	0	205-210	10-15	500
Jonathan Sedgwick Deputy Chief Executive Acting Chief Executive (from 10 January 2011)	105-110	5-10	0	100-105	10-15	0
Brodie Clark Director Border Force	130-135	5-10	2,500	130-135	10-15	5,700
Matthew Coats Director Immigration Group	145-150	5-10	0	145-150	10-15	0
Justin Holliday Director Resource Management Group	130-135	5-10	0	130-135	5-10	0
Joe Dugdale Director HR & Organisational Development	130-135	5-10	0	130-135	10-15	0
Tamara Finkelstein Director of UK Border Agency Programme (until 25 April 2010)	5-10 (85-90 full year equivalent)	0	0	85-90	0-5	0

	2010-11			2009-10		
Officials	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Martin Peach Director Intelligence Group	105-110	0	0	105-110	0	0
David Wood Director Criminality & Detention Group	100-105	5-10	0	100-105	10-15	0
Barbara Woodward Director International Group (from 4 March 2009)	100-105	5-10	0	100-105	5-10	0
Robert Yeldham Director Communi-cations	85-90	0-5	0	85-90	0	0
Jonathan Payne Chief of Staff (until 28 June 2009)	0	0	0	15-20 (65-70 full year equivalent	0	0
Zilla Bowell Chief of Staff (from 3 August 2009)	65-70	0-5	0	45-50 (65-70 full year equivalent)	0-5	0
Philip Duffy Acting Director Policy & Strategy (from 10 January 2011)	15-20 (80-85 full year equivalent)	0	0	0	0	0

Note:

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

Non-Executive Directors	**2010-11**			**2009-10**		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Mike Hawker	20-25	0	4,600	20-25	0	3,000
Mark Thomson (from 1 December 2009)	5 -10	0	0	1-5 (5-10 full year equivalent)	0	0
Graham Sims (from 25 March 2010)	10-15	0	1,300	0 (5-10 full year equivalent)	0	0
Kathryn Bishop (from 10 May 2010)	0-5	0	0	0	0	0

Note:

- Melanie Dawes and Martin Baker were also Non Executive Directors for the whole of 2010-11, as was James Bevan until 1 January 2011 when he was replaced by Nick Baird
- None of those named above received any salary or benefits in kind. They sit on the UK Border Agency board by virtue of their position, and they are paid by their home department.

APPOINTMENTS

3.16 Since the beginning of the last reporting year 1 April 2010, the following UK Border Agency board members have been appointed or left:

- Lin Homer left the post as chief executive and is now Permanent Secretary at the Department for Transport
- Tamara Finkelstein left the post as director of UK Border Agency Programme
- Jonathan Sedgwick was appointed acting chief executive on 10 January 2011 and Philip Duffy was appointed to the board in his existing capacity as policy and strategy director to cover these issues on the board while Jonathan Sedgwick acts as chief executive.

Pension Benefits

Officials	Accrued pension at pension age as at 31/3/11	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Lin Homer Chief Executive (until 9 Jan 2011)	95-100	(0-2.5)	1,491	1,443	(14)
Jonathan Sedgwick Deputy Chief Executive Acting Chief Executive (from 10 Jan 2011)	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 2.5-5	326	284	16
Brodie Clark Director Border Force	60-65 plus lump sum of 185-190	(0-2.5) plus lump sum of (0-2.5)	1,427	1,328	(7)
Matthew Coats Director Immigration Group	30-35	0-2.5	382	337	11
Justin Holliday Director Resource Management Group	30-35	0-2.5	295	262	7
Joe Dugdale Director HR & Organisational Development	5-10	0-2.5	145	104	28

Officials	Accrued pension at pension age as at 31/3/11	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Tamara Finkelstein Director, UK Border Agency Programme (until 25 April 2010)	25-30	0-2.5	291	286	0
Martin Peach Director Intelligence Group	60-65	(0-2.5)	1,113	1,035	(4)
David Wood Director Criminality & Detention Group	10-15	0-2.5	171	138	20
Barbara Woodward Director International Group	25-30 plus lump sum of 75- 80	0-2.5	411	372	7
Robert Yeldham Director Communications	5-10	0-2.5	44	26	14
Zilla Bowell Chief of Staff	5-10 plus lump sum of 25-30	0-2.5 plus lump sum of 0-2.5	64	54	4
Philip Duffy Acting Director Policy & Strategy	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	58	54	3

Note:

The actuarial factors used to calculate Cash Equivalent Transfer Values (CETV) were changed in 2010-11. For consistency, the CETVs at 31 March 10 and 31 March 11 have both been calculated using the new factors. The CETV at 31 March 10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Negative values for the 'Real increase in CETV' are caused by taking account of inflation and, in these cases, the CETV funded by the employer has decreased in real terms.

None of the non executive directors who have been board members in 2010-11 (Mike Hawker, Graham Sims, Mark Thomson, Kathryn Bishop, Melanie Dawes, Martin Baker, James Bevan and Nick Baird) made pension contributions via the agency, and the agency does not make contributions on their behalf.

Civil Service Pensions

3.17 Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

3.18 Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for **classic** and 3.5 per cent 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 initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos,** a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is increased in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

3.19 The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

3.20 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**.

3.21 Further details about the civil service pension arrangements can be found at the website http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values

3.22 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.

3.23 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

3.24 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.

Compensation for loss of office

3.25 No members of the UK Border Agency board were compensated for loss of office.

Jonathan Sedgwick
Acting Chief Executive
7 July 2011

4. STATEMENT ON INTERNAL CONTROL 2010-11

Scope of responsibility

4.1 As acting chief executive of the UK Border Agency and director of border revenue, I have responsibility for maintaining a sound system of internal control that supports the achievement of the agency's policies, aims and objectives, while safeguarding public funds and the agency's assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in *Managing Public Money*.

4.2 The UK Border Agency is a delivery agency of the Home Office. It attained full executive agency status on 1 April 2009. I was appointed as acting chief executive on 10 January 2011. I also became the agency's accounting officer on that date and formally assumed the above-mentioned responsibilities.

The purpose of the system of internal control

4.3 The UK Border Agency's system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve its policies, aims and objectives. The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness.

4.4 It is based on an ongoing process that is designed to:

- identify and prioritise the risks to achieving the agency's policies, aims and objectives
- evaluate the likelihood of these risks being realised and the impact should they be realised
- manage them efficiently, effectively and economically.

4.5 The system of internal control has been in place in the agency for the year to 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

4.6 Overall responsibility for managing risk within the agency lies with me as the acting chief executive, but it is shared with all of the agency's strategic, regional and unit-level directors. The corporate director for resource management has continued to be the risk champion on the UK Border Agency board and the agency's senior information risk owner (SIRO).

4.7 The agency adheres to the framework set out in the Home Office risk management policy and guidance document to identify, assess and manage its risks. It has supplemented this with a risk user guide that is available to all staff on the intranet. This guide was updated in September 2010.

4.8 Risk is a standing item on the agenda of the monthly meetings of the UK Border Agency strategic board. This has enabled the board to consider quarterly updates of the agency risk register, conduct more detailed reviews of individual strategic risks and to assess the agency's progress against the Home Office Risk Management Maturity Model (RMMM).

4.9 Risk management handling and capability within the agency has continued to improve during 2010-11. This is reflected in the achievement of the business continuity planning metric of Level 4 ('embedding') of the RMMM in December 2010. This continued capability building is supported by the governance and risk improvement team in the corporate centre and by a network of risk leads and managers based in individual business areas.

4.10 The agency's work to embed good information management practice and assurance across the business is structured around the requirements of the Cabinet Office's Information Assurance Maturity Model (IAMM). The agency achieved compliance with Level 3 of this model in January 2011.

4.11 On the IAMM's leadership and governance themes, the agency has worked closely with the Home Office's Office of the Chief Information Officer to identify its delivery partners whether specific to the agency or Home Office-wide and establish a satisfactory method of obtaining information assurance from them. This work was completed, and the necessary assurance was obtained by the end of March 2011.

4.12 On its training, education and awareness themes, the agency promotes the Cabinet Office's Protecting Information Level 1 e-learning course and assurance has been received from our information asset owners that all agency staff have now successfully completed this course.

4.13 Finally, on the IAMM's assured information sharing theme, the agency has finished mapping its large and smaller scale activities for sharing data externally. This has included ensuring the necessary approval for each of these activities is in place and that, where appropriate, it is supported by a memorandum of understanding or service level agreement.

The risk and control framework

4.14 The UK Border Agency strategic board plays a key part in the agency's risk and control framework. It monitors operational and financial performance, key risks and major change programmes by considering the monthly agency strategic performance report. This report is also the basis for monthly operating review discussions with the Home Office permanent secretary and is shared with ministers.

4.15 The strategic board is assisted by the following:

- The UK Border Agency audit and risk assurance committee, which provides independent advice to me, other board members and ministers on the adequacy of the agency's arrangements for corporate governance, risk management, internal control and performance.

- The joint approvals committee, which oversees the agency's investment approvals process for business cases over £1 million.
- A new programme integration board, which manages the key inter-dependencies and risks to delivering the agency's major programmes and projects.
- The Home Office audit and assurance unit (AAU), which provides the internal audit service for the agency. AAU produces an annual, independent opinion on how adequate, reliable and effective the agency's internal control system is. This opinion is based on the annual plan of risk-based and compliance audits that it completes, and the advice and guidance it is also asked to provide.
- The agency's SIRO, who provides an assessment of information risk exposure and assurance on this.
- The management boards of each of the agency's strategic director-led business areas.
- The scrutiny of the agency's work provided by the Independent Chief Inspector of the UK Border Agency, and by the National Audit Office (NAO).

4.16 The agency's risk and control framework also includes:

- the in-year controls assurance reporting exercise (CARE) process which requires individual strategic directors to report on their business area's adherence to the agency assurance framework
- governance arrangements with the FCO and HMRC which manage the agency's ongoing relationship with these departments, including memoranda of understanding and service level agreements across a range of operational and support services
- the framework agreement with the central Home Office
- the ongoing relationships with, for example, a number of other government departments, local authorities, the police and the Ministry of Justice which govern key operational partnerships right across the agency's business.

4.17 The agency continues to set its risk appetite at strategic board level and does so using a 'building block' approach by which the board sets the appetite rating for its four main risk types (control threats, business performance risks, programme and project risks and regularity risks).

Review of effectiveness

4.18 As accounting officer, I have responsibility for reviewing the effectiveness of the agency's system of internal control. My review is informed by:

- the work of the internal auditors and the executive managers within the agency who have responsibility for developing and maintaining the internal control framework
- the reports produced by the Independent Chief Inspector
- the comments made by the external auditors in their management letter and other reports.

The agency board and the audit and risk assurance committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control. I can confirm that a plan is in place to address identified weaknesses and ensure continuous improvement of the system.

Significant internal control issues

4.19 Further to the above and listed under the relevant strand of the agency assurance framework, the significant internal control issues that have been identified by my review are as follows:

Corporate governance

4.20 Security and anti-corruption activity has resulted in the arrest of six agency staff members over the past year. There have been six convictions over this period, with sanctions ranging from a caution to six years' imprisonment. One of these cases involved the prosecution and conviction of a contractor who had made false claims about his qualifications and employment history on his CV to secure employment with the agency and with other previous employers. He was sentenced to two and a half years' imprisonment at Birmingham Crown Court on 22 December 2010. During his employment here, the contractor exploited a loophole in systems operating between the agency and the Treasury Solicitor. This led to a range of people being engaged to work on resolving disputes and some of them did not have the necessary qualifications. This loophole has now been closed.

4.21 During 2010-11, the agency has worked closely with a range of partners to strengthen its capability in this area, including:

- contributing to the Centre for the Protection of National Infrastructure's profiling model for identifying insiders
- working on joint investigations with other enforcement bodies
- developing closer working relationships with police anti-corruption groups and across Government.

We have also had continued significant success in our use of data mining on our casework databases. This has led to reduced investigation times and the successful progression of a range of complex cases.

4.22 We expect the highest levels of integrity from our staff and the vast majority of them carry out their roles with professionalism and integrity. All allegations of corruption and misconduct are thoroughly investigated. We take swift and appropriate action following criminal and/or disciplinary procedures when we find that members of staff have broken the law or have otherwise behaved inappropriately.

4.23 Further to last year's statement on internal control and as referred to in paragraph 4.8 above, the agency has now achieved the business continuity planning (BCP) metric of the HO RMMM. Related improvement activities this year have included:

- delivering a business impact analysis training programme
- updating the agency's BCP policy
- introducing new BCP guidance and templates.

We began a programme of agency-wide continuity plan testing in October 2010 and undertook an assurance exercise to track progress against the British Standard (BS25999). An internal compliance audit has since identified some points that need attention. These involve BCP knowledge, communications and adherence. They are being addressed as part of the ongoing work in this area. The agency board also recently conducted a successful test of its continuity arrangements and ability to respond to a serious incident.

Policy development and legal compliance

4.24 Immigration is an inherently litigious area as policies and consequent case decisions can fundamentally affect people's lives, particularly when this involves detention or removal action. And, some of the core legal concepts, such as human rights, are open to evolving interpretation. However, failure to anticipate, mitigate and manage litigation risks effectively can increase the impact and cost of individual legal challenges, and the chances of mounting a successful defence. To address this, the litigation strategy board continues to meet monthly to review the agency's litigation risks, to ensure ownership of significant legal challenges, and to ensure that appropriate strategies are in place for managing new areas of challenge. This has led to new processes being rolled out to manage more routine, high volume litigation at lower cost and identify issues that lead to litigation at an earlier stage. We have also tightened the processes for authorising legal costs. The litigation strategy board is also responsible for embedding better awareness of legal risks in policy development, and for overseeing the production of improved information and guidance.

Delivery arrangements and performance management

4.25 The modernising guidance programme, which was referred to in last year's statement, was set up to address concerns about the accessibility of the agency's casework guidance and instructions. It closed at the end of August 2010. A new team has since been created to maintain the modernised guidance material that was successfully delivered under this programme, as well as undertaking further work of this nature (it has been operational since 1 October). Looking forward, we are seeking to undertake more radical reform of our casework guidance than we envisaged when the original programme was developed, including moving to an approach based on business rules which will minimise the need for guidance in text form. The new approach is in the process of being rolled-out, starting, from September this year, with students who are already in the UK and want to renew their visas. Oversight of the work programme on business rules, the underlying immigration rules and the accompanying guidance has been unified under the agency's immigration rules board.

4.26 In response to an internal audit assessment of the casework quality assurance processes for certain permanent migration routes, we introduced stronger quality sampling arrangements in January 2011. These address both the quality of the decision made and the related process of capturing the data. We have also developed a supporting database that enables managers to assess the overall results produced and those of individual caseworkers. It will help to identify any additional training needs.

4.27 Also on the subject of casework quality, the Independent Chief Inspector has expressed some concerns about the quality and consistency of visa application decisions. As a result:

- we have reviewed and revised the guidance and training for the officers who make these decisions
- visa decisions are now sampled using the methodology recommended by the Independent Chief Inspector
- new guidance was published in September 2010 to help visa applicants decide which documents they should submit to support their applications.

4.28 Reports on the points-based system (PBS) were produced by the Independent Chief Inspector (February 2011) and the NAO (March 2011). Both expressed some concern about the level of assurance the agency could provide in managing the risk that migrants and their sponsors would not comply with the immigration rules. The NAO report also concluded that PBS was not yet delivering its full potential for value for money. We have already put in place work to improve PBS efficiency and productivity. Introduction of the new immigration case work (ICW) system will increase our capability to identify and act against immigration abuse, and enable us to improve customer service and deliver better value for money to the public.

Financial management

4.29 Overpayments of asylum support to asylum seekers in 2010-11 were lower than in 2009-10 despite a higher number of support payments being stopped (ceased). These overpayments arise when we stop asylum support payments after the grace period set out in the rules has elapsed. Most of the 2010-11 losses were incurred in the first few months of the year. The subsequent reduction reflects the impact of more robust controls we introduced to address the root causes and drive business improvements, and the work of a central team which monitors and reports on performance to provide additional assurance. A recent internal audit assessment provided assurance that we have made progress and concluded with an 'amber/green' rating. While a small number of delayed cessations are still occurring, we expect further improvement in 2011-12.

4.30 Although we have also made significant progress this year in collecting civil penalties for employers who commit immigration offences, there is still potential for further improvement and for bad receivable write-offs. To address this, we are focusing on coordinated and robust enforcement that will drive up employer compliance and boost the current penalty collection rates, and we are pressing our specialist third party debt recovery agents to improve performance and take debt recovery action through the courts. We have also taken action to improve the processes and debt management for the civil penalties we impose on hauliers found to be carrying clandestine entrants into the country (these are people who hide or otherwise seek to evade border controls). We expect wider efficiency improvements to result from implementing recommendations from the accounts receivable review undertaken by the agency and the central Home Office.

4.31 The agency terminated the e-Borders contract with Raytheon on 22 July 2010. A full disclosure of the impact of this decision is set out in note 28, at section 6 below.

4.32 The agency is currently in dispute with seven accommodation providers (mostly former contractors but including one current provider and one sub-contractor) over its asylum support accommodation contracts. To minimise the scope for future disputes of this kind, we have introduced more robust controls which will also reduce the risk of us making duplicate and invalid payments to the accommodation providers. We have started re-procurement of these services for implementation in 2012 and, by dealing through a smaller number of regional aggregators, we will further minimise the opportunity for dispute.

4.33 Audits of entry clearance posts overseas have found some weaknesses in the accounting processes for visa payments, and we have therefore improved our income reconciliation control this year. In particular, a monitoring mechanism has been developed to validate the overall level of income we receive. We perform this validation process on a regular basis, record and review it, and, if appropriate, investigate any material variances. In the medium term, we are considering new payment arrangements.

People management

4.34 During 2010-11, the agency successfully recovered £1.1million in salary overpayments, but there were some further overpayments. We made an upward correction to the pre-April 2010 balances because we now have actual information instead of the estimated information we used in 2009-10. While there will always be a degree of apparent overpayment given the lead time in running the central Home Office payroll, we have taken a number of steps this year to address this issue, including forming a salary overpayments working group with representatives from individual business areas. Its role is to identify and address issues that result in salary overpayments and to promote consistency of process to reduce future occurrences. There is more to do and we are working with the central Home Office to improve the system of control and accounting.

Information management

4.35 There has been one serious information security breach over the past year. This involved inappropriate access by a contracted cleaner to some sensitive personal data in one of the agency's buildings. The incident was managed in accordance with the required procedures, and it was brought to the attention of ministers, the then agency chief executive, Cabinet Office and the Information Commissioner. We have since introduced mitigation actions to prevent a repeat.

4.36 There have been 11 lower level incidents, most of which involved information being found in offices that were being vacated during accommodation moves.

4.37 The agency continues to maintain two variations from the recommendations arising from the Hannigan Review on data handling procedures. These variations, which have been approved by the Home Office and agency SIROs, are concerned with our inability to secure all of our paper records and files; and to automatically encrypt all information being sent beyond the Government Secure Intranet (GSI) network. To help address the paper file security issue, we have undertaken a number of mitigation activities, including:

- Reviewing the paper record storage arrangements in our major casework units to make better use of the available storage.
- Producing a wide range of training instructions and guidance for our staff on improving security in storing, handling, and marking paper files.
- Gradually introducing a 'clear desk' policy across the agency estate.
- Signing a new paper casework storage contract. This includes providing an improved file tracking capability, with service planned to start in February 2012.

4.38 We are pursuing the encryption issue with the central Home Office because a strategic response is needed for the Home Office group, including the agency.

Programme and project management

4.39 To strengthen the agency's ability to deliver its change programme effectively, we have brought together existing internal and external standards and guidance in a new set of standards which all the major programmes and projects must now adhere to. These cover key areas of management control set out by the former Office for Government Commerce and Cabinet Office. They are being used to ensure that individual programmes and projects are subject, in particular, to robust planning, scrutiny and benefits management.

Assurance on adherence to the standards forms part of the monthly performance reporting to the agency strategic board. It is also used by the agency's joint approvals committee and programme integration board.

Summary

4.40 In summary, my review of the effectiveness of the system of internal control has indicated that it has improved over the past financial year. I am pleased that these improvements have been acknowledged by the agency's audit and risk assurance committee and by our internal and external auditors, in particular:

- the development and implementation of the coalition programme for government commitments on introducing a limit on non-EU migration and ending the detention of children
- the strong and sustained progress that we have made in responding to MPs' correspondence and subject access requests under the Data Protection Act
- the improvements we have made to our financial management controls, use of contractors and contingent labour, and casework guidance.

They have also acknowledged the scale of the challenge involved in creating the UK Border Agency and now being faced to significantly reduce the agency's cost to the taxpayer.

4.41 That said and as reported in this statement, some specific weaknesses and inconsistencies do persist. Also, some of the control improvements that the agency has made are yet to be fully embedded. Addressing this is important for the agency and I am confident that we will make further progress in the year ahead.

Jonathan Sedgwick
Acting Chief Executive
7 July 2011

5. THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

5.1 I certify that I have audited the financial statements of the United Kingdom Border Agency for the year ended 31 March 2011 under the Government Resources & Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

5.2 As explained more fully in the Statement of Accounting Officer's and Chief Executive's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources & Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

5.5 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.

Opinion on financial statements

5.6 In my opinion:
- the financial statements give a true and fair view of the state of the UK Border Agency's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources & Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter

5.7 Without qualifying my opinion, I draw attention to the disclosures made in note 28 which detail the impact on net expenditure and the financial position at 31 March 2011 of the termination of the e-Borders contract with Raytheon Systems Limited. Furthermore, the note describes the uncertainty as to the outcome of the arbitration process between UKBA and Raytheon, who are both claiming damages from the other party.

Opinion on other matters

5.8 In my opinion:
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the HM Treasury directions issued under the Government Resources & Accounts Act 2000; and
- the information given in the sections entitled the Foreword, and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
8 July 2011

6. ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE PERIOD ENDED 31 MARCH 2011

	Note	2010-11 Staff Costs £000	2010-11 Other Costs £000	2010-11 Income £000	Restated 2009-10 Total £000
Administration Costs					
Staff Costs	2	60,603			60,771
Other Administration Costs	3		33,194		47,230
Programme Costs					
Staff Costs	2	878,568			857,119
Programme Costs	4		1,486,581		1,504,675
e-Borders Impairment	28		156,279		0
Retained Income	5			(855,484)	(753,439)
Non Retainable Income	5			(2,546)	(4,854)
Total		**939,171**	**1,676,054**	**(858,030)**	**1,711,502**
Net Operating Cost				**1,757,195**	**1,711,502**

OTHER COMPREHENSIVE EXPENDITURE
FOR THE PERIOD ENDED 31 MARCH 2011

	Note		2010-11 £000	2009-10 £000
Gain/(loss) on revaluation of Gross Book Value of Property, Plant and Equipment	6	(20,602)		(4,386)
Gain/(loss) on revaluation of Accumulated Deprecation of Property, Plant and Equipment	6	11,699		721
Net gain/(loss) on revaluation of Property Plant and Equipment			**(8,903)**	**(3,665)**
Gain/(loss) on revaluation of Gross Book Value of Intangibles	7	(821)		3,062
Gain/(loss) on revaluation of Accumulated Deprecation of Intangibles	7	3,583		(451)
Net gain/(loss) on revaluation of Intangibles			**2,762**	**2,611**
Total Other Comprehensive Expenditure for the year ended 31 March			**(6,141)**	**(1,054)**

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2011

	Note	2010-11 £000	2009-10 £000
Cash Flows from Operating Activities			
Net Operating Cost		(1,757,195)	(1,711,502)
Less Non Retainable Income		(2,546)	(4,854)
Adjustments for non-cash transactions			
Depreciation	4	72,014	57,718
Amortisation	4	27,472	15,431
Impairment	4	22,438	9,253
e-Borders Impairment	28	206,375	0
(Profit)/loss on disposal of fixed assets	3,4	1,110	140
Write off of bookkeeping losses	4	8,943	0
Auditors' remuneration and expenses	3	222	235
Provision provided for in year	14	32,368	(1,148)
Unwinding of discount on Provisions	14	391	960
Non retainable element of bad receivable write off		0	160
Reversal of notional income		3,230	0
(Increase)/Decrease in trade and other receivables		(19,805)	(23,341)
(Increase)/Decrease in inventories		676	(1,198)
Increase/(Decrease) in trade payables		(61,926)	112,307
Less: Amounts not going through the OCS			
(Increase)/Decrease in capital payables		14,297	(17,448)
Change in accounting policy		13,933	0
Use of Provisions	14	(10,108)	(13,835)
Net Cash Outflow from Operating Activities		**(1,448,111)**	**(1,577,122)**
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		(156,369)	(133,547)
Purchase of Intangible Assets		(18,875)	(31,597)
Proceeds of disposal of property, plant and equipment		127	17
Net Cash Outflow from Investing Activities		**(175,117)**	**(165,127)**
Cash Flows from Financing Activities			
Capital element of payments in respect of finance leases		(3,069)	(3,521)
Capital element of payments in respect of on Balance Sheet PFI contracts - PPE		(9,644)	(4,211)
Capital element of payments in respect of on Balance Sheet PFI contracts - Intangible Assets		(1,621)	(1,024)
Net Cash Inflow from Home Office Resource Account		1,640,649	1,751,634
Net Financing		**1,626,315**	**1,742,878**
Net increase/(decrease) in cash and cash equivalents in the period		**3,087**	**629**
Cash and cash equivalents at the beginning of the period	12	8,248	7,619
Cash and cash equivalents at the end of the period	12	11,335	8,248

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Note		31-Mar-11 £000	31-Mar-10 £000	31-Mar-09 £000
Non Current Assets					
Property, Plant and Equipment	6	706,382		657,518	666,713
Intangible Assets	7	61,576		140,661	23,731
Total non current assets			**767,958**	**798,179**	**690,444**
Current Assets					
Inventories	10	2,137		2,813	1,615
Trade and Other Receivables	11	83,484		63,679	40,338
Cash and Cash Equivalents	12	11,335		8,248	7,619
Total Current Assets			**96,956**	**74,740**	**49,572**
Total Assets			**864,914**	**872,919**	**740,016**
Current Liabilities					
Trade and Other Payables	13	(432,484)		(504,978)	(389,721)
Total Current Liabilities			(432,484)	(504,978)	(389,721)
Non current assets less net current liabilities			**432,430**	**367,941**	**350,295**
Non Current Liabilities					
Provisions	14	(92,883)		(70,232)	(84,255)
Long Term Trade and Other Payables	13	(73,549)		(62,981)	(65,931)
Total Non Current Liabilities			(166,432)	(133,213)	(150,186)
Assets Less Liabilities			**265,998**	**234,728**	**200,109**
Taxpayers' Equity					
General Fund			184,460	129,812	76,610
Revaluation Reserve			81,538	104,916	123,499
Total Taxpayers' Equity			**265,998**	**234,728**	**200,109**

Jonathan Sedgwick
Accounting Officer
7 July 2011

The notes on pages 49 to 93 form part of these accounts.

STATEMENT OF CHANGES TO TAXPAYERS' EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011

	Note	Restated General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2009		**76,610**	**123,499**	**200,109**
Changes in accounting policy		0	0	0
Restated Balance at 1 April 2009		**76,610**	**123,499**	**200,109**
Changes in taxpayers' equity for 2009-10				
Net gain/(loss) on revaluation of property, plant and equipment	6	0	(3,665)	(3,665)
Non retainable income		(4,854)	0	(4,854)
Non retainable element of bad debt		160	0	160
Net gain/(loss) on revaluation of intangible assets	7	0	2,611	2,611
Non cash charges – auditor's remuneration	3	235	0	235
Transfers between reserves		17,529	(17,529)	0
Net operating cost for the year		(1,711,502)	0	(1,711,502)
Funding from parent department		1,751,634	0	1,751,634
Balance at 31 March 2010		**129,812**	**104,916**	**234,728**
Changes in taxpayers' equity for 2010-11				
Change in accounting policy: restatement of payable to the Home Office		13,933	0	13,933
Net gain/(loss) on revaluation of property, plant and equipment	6	0	(8,903)	(8,903)
Transfer in of new assets	6	139,118	0	139,118
Net gain/(loss) on revaluation of intangible assets	7	0	2,762	2,762
Reversal of Notional Income		3,230	0	3,230
Non retainable income		(2,546)	0	(2,546)
Non cash charges – auditor's remuneration	3	222	0	222
Transfers between reserves		17,237	(17,237)	0
Net operating cost for the year		(1,757,195)	0	(1,757,195)
Funding from parent department		1,640,649	0	1,640,649
Balance as at 31 March 2011		**184,460**	**81,538**	**265,998**

The notes of pages 49 to 93 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

1.0 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FreM) issued by HM Treasury. The accounting policies contained in the FreM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FreM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Border Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UK Border Agency for the 2010-11 financial year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In common with other government agencies, the future financing of the UK Border Agency's liabilities is accordingly to be met by future funding by the parent department, the Home Office. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting Convention

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

1.2 Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the year ending 31 March, and for amounts reported for income and expenses during the year.

In the process of applying the agency's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Service concession arrangements

The agency is party to Private Finance Initiatives (PFI). The classification of such arrangements as service concession arrangements requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure.

Leases

The agency is the lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Impairment of assets

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

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

1.3 Property, Plant and Equipment

Property, plant and equipment (PPE) is stated at the lower of replacement cost and recoverable amount. Expenditure on PPE of over £5,000 is capitalised, other than furniture, which is capitalised only when it comprises separately identifiable groups costing £25,000 or more. On initial recognition PPE assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

All PPE assets are restated to current value each year. Land and buildings are restated to current value using professional valuation in accordance with IAS (International Accounting Standard) 16 every 5 years (or more frequently if there is evidence of material changes in value, for example as a result of impairment). In the intervening years, land and buildings are revalued by the use of published indices appropriate to the type of land or building and other PPE assets have been stated at current cost using appropriate indices.

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

1.4 Intangible Assets

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

Any costs relating to consultancy and civil service staff working on a capital project (for example, software development) can be capitalised as intangible non current assets.

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

1.5 Depreciation

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

Lives are in the following ranges:

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

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

1.6 Assets Under Construction

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

1.7 Inventories

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

1.8 Third Party Assets

Third party assets are classed as such when the agency and central government more widely has no rights over or does not receive any financial benefit from the asset that is being held. The agency recognises part of the British Nationality application fee, which as not yet been given to the providers of citizenship ceremonies, as a third party asset which will either be forwarded to the Local Authority or returned to the applicant after the decision. See Note 23 for more details.

1.9 Research and Development Costs

Expenditure on research is not capitalised. Expenditure on development in connection with a project or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in IAS38. Other development expenditure is capitalised if it meets the criteria specified in the FreM which are adapted from IAS38 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Non current assets acquired for use in research and development are depreciated over the life of the associated project or according to the asset category if the asset is to be used for subsequent work.

1.10 Cash & Cash Equivalents

The UK Border Agency accounting policy is to disclose all cash and cash equivalents on the Statement of Financial Position.

During 2010-11, the agency transferred its banking processes from Nat West and Paymaster General (PGO) to the Government Banking Service (GBS) together with the Home Office. This has been a phased transition which has resulted in dual processes and Nat West accounts remaining open as at 31 March 2011.

Income received by the UK Border Agency is banked into Nat West or GBS bank accounts which are cleared (or 'swept') into the Home Office Bank account on a monthly basis. The income/receivable is recognised in the agency accounts, and the cash is recognised in the Home Office books. The movement between the two entities is through the reserves, and is reflected in the cash requirement of the agency.

The cash balance shown on the Statement of Financial Position comprises the cash held in the UK Border Agency GBS accounts, previously Nat West, that were banked too late in the day to be 'swept' into the Home Office Bank account.

The main cash outgoings of the agency are 'real time' funded through the Home Office PGO account, now GBS. For this reason the UK Border Agency element of the PGO account, now GBS, is taken to be zero at any given time, as effectively the agency is financed to the penny when it is required.

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

1.11 Income

Income received by the agency covers the following classifications: operating income, non retainable income and income from the European Union.

Operating income is income which relates directly to the operating activities of the agency, and comprises principally fees and charges for services. Work will not be undertaken on a case until payment has been received.

Some income streams are charged below the cost of delivery where the agency has to maintain its international competitiveness. To assist this, some fees are set above the cost of delivery. In particular, the agency income for certain in-country applications is set at a level that allows for a contribution towards immigration related activities, in addition to covering the cost of processing applications. In the past, some fees were set so that a contribution could be made to a Fund which was designed to manage the transitional impacts of migration, however this scheme ended in August 2010. The overall aim is to ensure the income contributes to the end-to-end costs of the immigration system.

Non retainable income includes money received for services in the past but which have now been deemed illegal by the Court of Human Rights as the fee was set too high. It also includes money received which the agency has tried to refund, but given the length of time that has passed since the cheque was raised the cash has now been surrendered to the Consolidated Fund.

The UK Border agency raises Civil Penalties and Immigration Penalties which, when received, are not permitted to be retained by the agency and are surrendered to HM Treasury as Consolidated Fund Extra Receipts (CFERs). The penalties are made up of fines imposed for employing people illegally and for illegal transportation across UK Borders. This income, and any related bad receivable write off expense, is not included in the account of the agency. The Civil and Immigration Penalties are disclosed in more detail in Note 29.

Income from the European Union is described in Note 1.12 below.

1.12 Grants from the EU

The UK Border Agency receives EU funding for a number of internal and external projects. These projects run on annual cycles, each project having a different start and end date. Expenditure in the OCS is allocated in equal months over the period of the project, and income from the EU is matched to the expenditure. Where income and expenditure do not exactly match, any excess income is paid to HM Treasury and accounted for as non retainable income. Any excess expenditure is shown as grant expenditure, and the agency incurs the cost.

1.13 Audit Fee

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

1.14 Foreign Exchange

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

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

1.15 Pensions

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

1.16 Operating Leases

The agency makes rental payments for all operating leases on a straight line basis. These are charged through the Statement of Comprehensive Expenditure.

1.17 Finance Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the UK Border Agency, the asset is recorded as a non current asset and a payable is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

1.18 Grants

Grants made by the agency are recorded on an accruals basis, with the grant funding attributed to the period in which the activity relates. The grants are paid only for appropriate and measurable activity that truly creates entitlement for the recipient.

1.19 Grant in Aid

The UK Border Agency funds the Office of the Immigration Services Commissioner (OISC), which is a Non Departmental Public Body of the agency. The grant in aid supplied is agreed in advance and accounted for on a cash basis. The agency receives certain income from OISC, see note 22 for more details.

1.20 Provisions

The agency provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date, but where it is judged likely that the agency will be required to make a payment on the basis of a best estimate of the expenditure required to settle the obligation, in accordance with IAS37. Provisions are charged to the Statement of Comprehensive Expenditure. Long term provisions are discounted at current prices by use of HM Treasury's discount rate, currently 2.2 per cent, where the time value of money is material. The discount is unwound over the remaining life of the provisions and is shown as a charge in the Statement of Comprehensive Expenditure. Where the probability of payment is not sufficient or the liability cannot be reliably estimated, the item is disclosed as a contingent liability.

1.21 Early Departure Costs

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

For new early departure schemes announced between 1 April 2010 and December 2010, the UK Border Agency funded the initial lump sum payments and costs for the first year, in addition to the remaining future payments. The addition to the provision in Note 14 reflects all agency liabilities for schemes announced in this period.

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

Provisions for early retirement have been discounted at 3.2 per cent as at 31 March 2009 and 1.8 per cent from 31 March 2010 in accordance with IAS19 and HM Treasury guidance.

1.22 Service concessions (PFI/PPP)

The agency accounts for PFI transactions on a control approach based on IFRIC12 *Service Concession Arrangements.* The agency is considered to control the infrastructure in a public-to-private service concession arrangement if:

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

Where it is determined that such arrangements are not in scope of IFRIC12, the agency assesses such arrangements under IFRIC4 *Determining whether an Arrangement contains a Lease.* Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach set out above at section 1.16 Leases.

Where it is determined that arrangements are in scope of IFRIC12, the agency recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under IAS17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

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

The agency recognises a liability for the capital value of the contract. The liability does not include the interest charge and service elements, which are expensed annually to the Statement of Comprehensive Expenditure.

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

Assets are revalued in accordance with the revaluation policy for Property, Plant and Equipment (Note 1.3 above) and Intangible assets (Note 1.4 above). Liabilities are measured using the appropriate discount rate. Revenue received under any revenue sharing provision in the service concession arrangement is recognised when all the conditions laid down in IAS18 *Revenue* have been satisfied.

1.23 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the agency discloses certain statutory and non-statutory contingent liabilities for parliamentary reporting and accountability purposes, where the likelihood of a transfer of economic benefit is removed, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

1.24 Reserves

Taxpayers' equity comprises the General Fund and Revaluation Reserve. The General Fund represents the total net assets of the agency to the extent that they are not represented by other reserves. Net funding from HM Treasury and realised gains and losses are reflected in the General Fund. The Revaluation Reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to non current assets.

1.25 Value Added Tax

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

1.26 Financial Instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS32, IAS39 and IFRS7.

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

1.27 Asset Transfers

A number of assets were transferred into the UK Border Agency due to changes in responsibility. The assets have been entered into the agency's accounts at the fair value for nil consideration.

2 Staff Numbers and Related Costs

Staff costs comprise:	2010-11			Restated 2009-10
	Permanently employed staff	**Others**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Wages and salaries	722,210	14,753	736,963	751,191
Social Security Costs	50,030	0	50,030	49,140
Other Pension Costs	118,252	0	118,252	118,012
Early Retirement Costs	34,638	0	34,638	475
Subtotal	925,130	14,753	939,883	918,818
Less recoveries in respect of outward secondments	(712)	0	(712)	(928)
Total net costs	**924,418**	**14,753**	**939,171**	**917,890**
Of Which:				
Admin Costs			60,603	60,771
Programme Costs			878,568	857,119

Note (1): The agency does not have any costs relating to ministers or special advisors.
Note (2): The total amount of capitalised staff costs not included in the figures above is £1,658k (2009-10: £928k).
Note (3): Some prior year figures have been restated, see note 27 for details.

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

For 2010-11, employers' contributions of £118m were payable to the PCSPS (2009-10: £118m) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £241,639 (2009-10: £181,601) were paid to one or more appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £14,502 (2009-10: £2,330), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due or prepaid to the partnership pension providers at the end of the reporting period.

18 individuals (2009-10: 2) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £37,554 (2009-10: £15,851).

2 Staff Numbers and Related Costs (Continued)

Average number of persons employed

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

	2010-11			Restated 2009-10
	Permanent Staff	**Others**	**Total**	**Total**
Directly Employed	20,879	3	20,882	21,480
Other	325	1,978	2,303	2,757
Staff Engaged on Capital Projects	241	0	241	237
Total	21,445	1,981	23,426	24,474

Not included in the figures above are 574 (2009-10: 701) non active staff, for example staff on maternity leave, career breaks and outward secondments.

Included in the figures are staff who work on behalf of the agency but who are not directly employed. For example, 1,426 (2009-10: 1,505) staff are locally employed overseas by the FCO and work on behalf of the agency.

Note: The 2009-10 staff numbers have been amended from the previously published figures. The comparative figure now includes staff who are engaged on the objectives of the UK Border Agency, where the agency is paying the whole or the majority of the costs. The staff numbers for 2009-10 have therefore been increased by 822.

Compensation for Loss of Office

Exit Package Cost Band	**Total number of exit packages by cost band 2010-11**	**Total number of exit packages by cost band 2009-10**
<£10,000	111	16
£10,000 - £25,000	346	14
£25,000 - £50,000	289	19
£50,000 - £100,000	307	34
£100,000 - £150,000	104	20
£150,000 - £200,000	27	8
>£200,000	2	1
Total number of exit packages	**1,186**	**112**
	£000	**£000**
Lump Sum Payments	29,216	2,232
Additional Pension Costs	26,963	5,305
Total resource cost	**56,179**	**7,537**

There were no compulsory redundancies in 2010-11 or 2009-10.

2 Staff Numbers and Related Costs (ctd)

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

Up to 31 December 2010 where an employee departed under the early retirement scheme the agency accounted for costs by creating a provision (Note 14) to cover the future years of expenditure to the pension provider. From 1 January 2011 following a Cabinet Office directive departure costs for early retirement have been accounted for and expensed to the pension provider in full at the date of departure.

For 2009-10, the first year's costs to the pension provider were paid by the Home Office and are not included in the reported expenditure in Note 2. These costs are included within the comparative figure of the total cost of the exit package above.

3 Other Administration Costs

	Note	**2010-11**	**Restated 2009-10**
		£000	**£000**
Office Supplies and Services		23,672	22,216
Professional and Legal Fees		5,747	5,921
Travel, Subsistence and Training		4,945	6,441
Consultancy		1,426	5,499
Utilities		117	314
IT Services		1,156	1,642
Banking and Payment Services		32	95
Other Administration Costs		78	0
Non Cash Items			
Auditors' remuneration and expenses		222	235
(Profit)/loss on disposal of asset		(8)	0
Movement in Bad Receivable Provision		22	258
Movement in Provisions	14	(3,801)	4,407
Unwinding of discount on Provisions	14	(414)	202
Total		**33,194**	**47,230**

During the period, the agency did not purchase any non-audit services from its auditor, the National Audit Office.

Note (1): The prior year figures have been restated due to changes in the mapping of notes 2, 3 and 4. See note 27 for more details.

Note (2): The split between administration and programme expenditure is due to change in 2011-12 as a result of HM Treasury redefining administration budgets as part of the 2010 Spending Review.

Administration budgets will be defined explicitly to capture policy, funding and regulation functions across the agency, and has been done to make a clear distinction between frontline services and other forms of current expenditure. The effect of the new definition is that the administration expenditure will be higher in 2011-12 and programme costs commensurately lower.

4 Programme Costs

	Note	2010-11 £000	Restated 2009-10 £000
Asylum Support		424,218	523,721
Overseas Visa Operating Costs		196,009	216,560
Detention & Removal Costs		205,830	210,687
IT Services – Business as Usual		79,045	57,009
IT Services – Change Projects		58,225	39,087
Rentals Under Operating Leases		73,291	77,153
Property Costs		62,007	52,540
Professional & Legal Fees		56,669	49,851
Office Supplies and Services		36,449	34,342
PFI Charges		26,910	30,745
Travel, Subsistence and Training		23,570	35,000
Border Force & Detection Contracts		20,978	20,481
Consultancy		14,203	44,464
EU Grants		14,478	10,880
UK Border Agency Expenditure Funded by EU Grants		7,496	3,621
Charges under Finance Leases		7,362	6,523
Other Current Expenditure		4,905	314
Grant in Aid to OISC		4,092	4,356
Banking & Payment Services		1,390	1,255
Write Offs		252	231
Other Grants –Capital		118	0
Non cash items			
Depreciation		72,014	57,718
Amortisation		27,472	15,431
Impairment		22,438	9,253
Bookkeeping losses on Non Current Assets		8,943	0
(Profit)/loss on disposal of asset		1,118	140
Movement in Bad Receivable Provision		125	8,110
Movement in Provisions	14	36,169	(5,555)
Unwinding of Discount on Provisions	14	805	758
Total		**1,486,581**	**1,504,675**

Note (1): For 2010-11, the programme note mapping has been revised with account codes moving between classifications so that the note now best reflects the nature of the agency. The prior year figures have therefore been restated, see note 27 for more details.
Note (2): PFI charges in 2009-10 have been re-mapped from IT Services – Business as Usual so that the note now best reflects the nature of the expenditure.
Note (3): The split between administration and programme expenditure is due to change in 2011-12 as a result of HM Treasury redefining Administration budgets as part of the 2010 Spending Review.
Administration budgets will be defined explicitly to capture policy, funding and regulation functions across the agency, and has been done to make a clear distinction between frontline services and other forms of current expenditure. The effect of the new definition is that the administration expenditure will be higher in 2011-12 and programme costs commensurately lower.

5 Income

	2010-11 £000	Restated 2009-10 £000
Migration, Visa and Border Force Income	(815,210)	(731,678)
EU Income	(21,974)	(14,473)
Miscellaneous Income	(11,390)	(7,288)
Retained Element of Penalties Raised	(6,910)	0
Total Retained Income	(855,484)	(753,439)
Non Retainable Income	(2,546)	(4,854)
Total Income	**(858,030)**	**(758,293)**

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

2010-11

Objective	Income £000	Full Cost £000	Surplus/ (Deficit) £000	Fee recovery actual %	Fee recovery target %
Visa income - Overseas	399,321	407,319	(7,998)	98%	100%
Temporary Migration	193,577	142,194	51,383	187%	184%
Permanent Migration	219,787	79,214	140,573		
Border Force Income	2,525	3,059	(534)	83%	100%
	815,210	**631,786**	**183,424**		

2009-10

Objective	Income £000	Full Cost £000	Surplus/ (Deficit) £000		
Visa income - Overseas	339,340	322,085	17,255	105%	100%
Temporary Migration	183,857	166,604	17,253	157%	140%
Permanent Migration	205,971	81,548	124,423		
Border Force Income	2,510	3,763	(1,253)	67%	100%
	731,678	**574,000**	**157,678**		

This analysis of income satisfies the Fees and Charges requirements of Her Majesty's Treasury rather than IFRS8.

Note (1): All income is programme income

Note (2): Non retainable income includes income not eligible to be offset against expenditure in the UK Border Agency.

Note (3): In its funding settlement from HM Treasury, the agency was permitted to recover £186m (2009-10: £145m) more than the full cost of its visa and migration decision-making operation as a contribution to the running costs of the immigration and border control operation and, to August 2010, the Government's Migration Impact Fund.

Note (4): The Fee recovery actual and target percentage for permanent migration is the total percentage for the Immigration Group (Temporary & Permanent Migration).

Note (5): The Border Force income has been re-mapped in 2010-11 from miscellaneous income into Migration, Visa and Border Force income so that all income for which a fee is applicable is disclosed together.

6 Property, Plant and Equipment

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2010	40,914	851,865	36,086	163,276	63,177	27,165	277,279	1,459,762
Additions	0	24,253	2,690	14,054	15,118	3,682	94,988	154,785
Disposals	0	(347,105)	(677)	(58,077)	(16,872)	(7,913)	0	(430,644)
Impairments	(278)	(15,671)	0	(6,107)	(3)	0	(96,492)	(118,551)
Transfers	0	0	305	51,475	79,519	0	21,006	152,305
Reclassifications	78	37,919	(9)	8,046	22,556	150	(91,758)	(23,018)
Revaluations	(5,993)	(24,034)	692	5,110	5,181	33	(1,591)	(20,602)
At 31 March 2011	34,721	527,227	39,087	177,777	168,676	23,117	203,432	1,174,037
Depreciation								
At 1 April 2010	0	(595,682)	(23,104)	(120,035)	(44,959)	(18,464)	0	(802,244)
Charged in Year	0	(19,194)	(3,115)	(25,525)	(20,230)	(3,950)	0	(72,014)
Disposals	0	347,106	612	58,077	15,699	7,913	0	429,407
Impairments	0	0	0	719	0	0	0	719
Transfers	0	0	(78)	(30,481)	(4,810)	0	0	(35,369)
Reclassifications	0	0	1	11,659	(11,513)	0	0	147
Revaluations	0	9,114	13	3,369	(779)	(18)	0	11,699
At 31 March 2011	0	(258,656)	(25,671)	(102,217)	(66,592)	(14,519)	0	(467,655)
Net Book Value at 31 March 2011	**34,721**	**268,571**	**13,416**	**75,560**	**102,084**	**8,598**	**203,432**	**706,382**
Net Book Value at 31 March 2010	40,914	256,183	12,982	43,241	18,218	8,701	277,279	657,518
Asset financing								
Owned	34,721	184,321	13,416	30,319	102,084	8,598	203,432	576,891
Finance Leased	0	84,250	0	0	0	0	0	84,250
On Balance Sheet PFI contracts	0	0	0	45,241	0	0	0	45,241
Net Book Value at 31 March 2011	**34,721**	**268,571**	**13,416**	**75,560**	**102,084**	**8,598**	**203,432**	**706,382**

6 Property, Plant and Equipment (ctd)

The most recent full valuations of the freehold land and building assets were completed in March 2011 by DTZ, and were completed in accordance with Royal Institution of Chartered Surveyors (RICS) regulations. Buildings which are classified as finance leases were valued as part of the implementation of International Financial Reporting Standards in 2009-10, and any new leases are valued when the lease commences. Other assets are revalued annually based on indices published by the Office of National Statistics.

The land and buildings were valued at existing use value. Building value was assessed by reference to depreciated replacement cost based on the cost to reprovide each facility to the same service potential, using modern materials, to a modern layout, in a single build operation and over a reasonable period of time. Depreciation allowance is applied according to the age of each asset. Furniture, equipment and VAT are excluded. The valuations are based on a change in methodology since the last valuation in 2006 now using Modern Equivalent Assessment , the change is attributed mainly to the move to International Financial Reporting Standards and the need for a consistent approach internationally. This has resulted in a significant reduction in valuation of buildings. Land values have also declined attributed to the current economic climate.

Included in transfers are assets which have been given to the UK Border Agency for nil consideration as part of changes of functions of the Home Office. Also included in Transfers are reductions for bookkeeping losses which have removed erroneous historical postings.

6 Property, Plant and Equipment (ctd)

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2009	44,197	863,575	46,363	149,370	73,039	38,832	242,710	1,458,086
Additions	0	6,815	506	16,392	4,517	1,866	128,631	158,727
Disposals	0	(447)	(2,912)	(1,788)	(17,399)	(13,677)	0	(36,223)
Impairments	(70)	(2,293)	(5,414)	(888)	(330)	0	0	(8,995)
Reclassifications	0	(1,214)	(2,736)	(15,040)	5,605	0	(94,062)	(107,447)
Revaluations	(3,213)	(14,571)	279	15,230	(2,255)	144	0	(4,386)
At 31 March 2010	40,914	851,865	36,086	163,276	63,177	27,165	277,279	1,459,762
Depreciation								
At 1 April 2009	0	(576,987)	(25,479)	(108,674)	(52,587)	(27,646)	0	(791,373)
Charged in Year	0	(22,902)	(2,668)	(20,349)	(7,372)	(4,427)	0	(57,718)
Disposals	0	431	2,786	1,789	17,383	13,677	0	36,066
Impairments	0	940	1,617	35	(2,849)	0	0	(257)
Reclassifications	0	98	2,720	10,309	(2,810)	0	0	10,317
Revaluations	0	2,738	(2,080)	(3,145)	3,276	(68)	0	721
At 31 March 2010	0	(595,682)	(23,104)	(120,035)	(44,959)	(18,464)	0	(802,244)
Net Book Value at 31 March 2010	**40,914**	**256,183**	**12,982**	**43,241**	**18,218**	**8,701**	**277,279**	**657,518**
Net Book Value at 31 March 2009	44,197	286,588	20,884	40,696	20,452	11,186	242,710	666,713
Asset financing								
Owned	40,914	168,729	12,982	32,046	18,218	8,701	273,188	554,778
Finance Leased	0	87,454	0	0	0	0	0	87,454
On Balance Sheet PFI contracts	0	0	0	11,195	0	0	4,091	15,286
Net Book Value at 31 March 2010	**40,914**	**256,183**	**12,982**	**43,241**	**18,218**	**8,701**	**277,279**	**657,518**

7 Intangible Assets

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

	31-Mar-11 Total £000	31-Mar-10 Total £000
Cost or valuation		
At 1 April	185,598	42,474
Additions	20,496	32,621
Disposals	(255)	0
Impairments	(111,278)	(6)
Transfers	15,407	0
Reclassification	22,810	107,447
Revaluations	(821)	3,062
At 31 March	131,957	185,598
Amortisation		
At 1 April	(44,937)	(18,743)
Charged in Year	(27,472)	(15,431)
Disposals	255	0
Impairments	297	5
Transfers	(2,039)	0
Reclassification	(68)	(10,317)
Revaluations	3,583	(451)
At 31 March	(70,381)	(44,937)
Net Book Value at 31 March 2011	**61,576**	
Net book value as at 31 March 2010	140,661	
Net book value as at 31 March 2009	23,731	

Asset financing	
Owned	136,219
On Balance Sheet PFI contracts	4,442
Net book value as at 31 March 2010	140,661
Asset financing	
Owned	53,989
On Balance Sheet PFI contracts	7,587
Net Book Value at 31 March 2011	61,576

8 Financial Instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS32, IAS39 and IFRS7.

8.1 Liquidity Risk

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

8.2 Market Risk

Interest Rate Risk

The financial assets held by the agency are trade receivables and other current assets (Note 11) and cash and cash equivalents (Note 12). The assets are not subject to interest rate risk.

The financial liabilities held by the agency are trade payables and other current liabilities (Note 13). The finance lease liabilities are at a fixed rate of interest until the repayment date, and therefore the interest rate risk is nil. The PFI lease liabilities are fixed as per the contract and, again, the interest rate risk is nil. No other creditors are subject to interest rate risk.

Currency Risk

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

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

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

3) The UK Border Agency's Border Force has a number of properties which are rented overseas. These properties are rented in their local currency, and all bills are paid for in the local currency. The agency bears the currency risk.

4) The agency receives grants from the EU, which funds projects carried out by Third Parties as well as projects carried out by the agency. The risk of currency fluctuation is borne by the agency, as the amounts are agreed in Euros and reported back to the EU in Euros.

8 Financial Instruments (ctd)

Sensitivity Analysis

The only items above which are deemed to have a significant currency risk relate to items (2), (3) and (4). A sensitivity analysis has been prepared below to show the net effect on the Statement of Comprehensive Expenditure of changes to the exchange rate.

	Value as per UKBA Accounts	Value if Exchange Rate Reduced by 1%	Value if Exchange Rate Increased by 1%
	£000	**£000**	**£000**
(2) One Commercial Partner	19,777	19,581	19,975
(3) Juxtaposed Properties	2,932	2,903	2,961
(4) EU Income	(21,974)	(21,756)	(22,194)
Net Charge to Statement of Comprehensive Expenditure	**735**	**728**	**742**

Valuation

Receivables are held at fair value, which is the same as amortised costs other than items provided for which are explained above.

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

8.3 Credit Risk

The agency is subject to some credit risk. The carrying amount of receivables, which is net of impairment losses represents the agency's maximum exposure to credit risk. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable and where customers have gone into liquidation. Receivables are written off when the chance of recovery of funds is remote.

The financial assets held by the agency are trade receivables and other current assets (Note 11) and cash and cash equivalents (Note 12). The only items that are subject to credit risk as at the end of the financial year are trade receivables in Note 11. See Note 11 for a detailed analysis of the trade receivables.

2010-11	**Receivables**	**Amortised Cost**	**Total Book Value**	**Fair Value**
	£'000	£'000	£'000	£'000
Financial Assets				
Cash	11,335	0	11,335	11,335
Trade and Other Receivables	100,964	(17,480)	83,484	83,484
Financial Liabilities				
Bank Overdraft		0	0	0
Finance Lease		(80,817)	(80,817)	(80,817)
PFI Contract		0	0	0
Trade and Other Payables		(425,216)	(425,216)	(425,216)

9 Impairments

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

	2010-11 £000	2009-10 £000
e-Borders: Charged to the Statement of Comprehensive Expenditure	206,375	0
e-Borders: Charged to the Revaluation Reserve	1,174	0
Other UK Border Agency: Charged to the Statement of Comprehensive Expenditure	22,438	9,253
Other UK Border Agency: Charged to the Revaluation Reserve	30,337	16,847
Total Impairment	**260,324**	**26,100**

Downward revaluation of assets is charged to the revaluation reserve if the asset has previously been revalued upwards. If no revaluation reserve exists, the charge goes directly to expenditure (see Note 4). The impairments have been analysed further in Note 21.

10 Inventories

	31-Mar-11 £000	31-Mar-10 £000
Inventories	2,137	2,813
Total	**2,137**	**2,813**

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

11 Trade Receivables and Other Current Assets

11	(a) Analysis by Type	31-Mar-11 £000	31-Mar-10 £000
	Amounts falling due within one year		
	Trade receivables	58,989	39,160
	Bad receivables provision	(17,480)	(16,130)
	Deposits and advances	7,680	6,003
	Prepayments	17,849	23,275
	Accrued Income - EU	13,802	7,321
	Accrued Income - Other	2,644	4,050
	Total receivables as at 31 March	83,484	63,679

All receivables are expected to pay within one year

11	(b) Intra-Government Balances	31-Mar-11 £000	31-Mar-10 £000
	Balances with other central Government Bodies	42,671	10,680
	Balances with local authorities	866	12
	Balances with Public Corporations and Trading Funds	18	0
		43,555	10,692
	Balances with bodies external to Government	39,929	52,987
	Total receivables as at 31 March	83,484	63,679

Of the £58,989k (2009-10: £39,160k) trade receivables, £25,167k (09-10: £25,013k) is due after 28 days, £33,189k (2009-10: £10,937k) is due after 30 days, and the remaining £633k (2009-10: £3,210k) is due after 60 days.

During the 2010-11 financial year, the agency has written off a total of £7,339k (2009-10: £3,334k) of bad receivables. This included £7,087k (2009-10: £3,102k) of receivables relating to penalty income, see note 27 for more details.

As shown above, the bad receivable provision relating to trade receivables is £17,480k (2009-10: £16,130k). This provision is calculated taking into account the age of the receivable, the solvency of the customer and any other relevant factors. Of the remaining trade receivable balance of £41,509k (2009-10: £23,030k), £5,817k (2009-10: £9,711k) relates to receivables that are past due as at 31 March but are not impaired.

12 Cash and Cash Equivalents

	31-Mar-11 £000	31-Mar-10 £000
Balance at 1 April	8,248	7,619
Net change in cash and cash equivalent balances	3,087	629
Balance at 31 March	11,335	8,248
The following balances at 31 March were held at:		
Commercial banks and cash in hand	0	8,248
Government Banking Service (GBS)	11,335	0
Balance at 31 March	11,335	8,248
Net increase/(decrease) in cash and cash equivalents in the period	**3,087**	**629**

Note (1): On 1 August 2010, banking facilities were transferred from Office of Paymaster General and Commercial Accounts to the Government Banking Service (GBS). See Note 1.10 for more details.

Note (2): In addition to the closing value above, cash of £nil (2009-10: £nil) was held in commercial banks on behalf of third parties. See Note 23 for more details.

13 Trade Payables and Other Current Liabilities

13 (a) Analysis by Type

Amounts due falling within one year	31-Mar-11 £000	31-Mar-10 £000
Trade payables	(35,027)	(38,761)
Other payables	(2,375)	(27,426)
Overdraft	0	(669)
Accruals	(282,461)	(315,628)
PFI Contracts	(15,092)	(2,305)
Deferred Income	(74,200)	(73,099)
Current part of finance leases	(7,268)	(10,431)
Amounts due to HO	(16,061)	(36,659)
	(432,484)	(504,978)
Amounts falling due after more than one year		
Finance leases	(73,549)	(62,981)
PFI Contracts	0	0
	(73,549)	(62,981)
Total payables as at 31 March	**(506,033)**	**(567,959)**

Note (1): The UK Border Agency does not have an overdrawn bank account, however some of the local bank accounts are technically overdrawn due to unpresented cheques.

13 (b) Intra-Government Balances

	31-Mar-11 £000	31-Mar-10 £000
Balances with other central Government Bodies	(25,184)	(48,480)
Balances with local authorities	(92,764)	(95,454)
Balances with NHS Trusts	(9)	0
Balances with Public Corporations and Trading Funds	(275)	(134)
	(118,232)	(144,068)
Balances with bodies external to Government	(387,801)	(423,891)
Total payables as at 31 March	**(506,033)**	**(567,959)**

14 Provisions for liabilities and charges

	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Balance at 1 April 2009	(8,252)	(30,301)	(45,702)	(84,255)
Provided in the year	(3,773)	(3,017)	(12,164)	(18,954)
Provisions not required written back	74	303	19,725	20,102
Provisions utilised in the year	1,002	484	12,349	13,835
Unwinding of discount	(202)	(643)	(115)	(960)
Balance at 31 March 2010	**(11,151)**	**(33,174)**	**(25,907)**	**(70,232)**
Provided in the year	(40,205)	(3,039)	(24,784)	(68,028)
Provisions not required written back	19,563	489	15,608	35,660
Provisions utilised in the year	1,731	730	7,647	10,108
Unwinding of discount	414	(708)	(97)	(391)
Balance at 31 March 2011	**(29,648)**	**(35,702)**	**(27,533)**	**(92,883)**

	2010-11 £000	2009-10 £000
Provided in year	68,028	18,954
Provisions not required written back	(35,660)	(20,102)
Total provision provided/(written back)	**32,368**	**(1,148)**
Provision utilised in year	(10,108)	(13,835)
Unwinding of discount	391	960
Total provision movement	**22,651**	**(14,023)**
Provision provided/(written back): administration expenditure	(3,801)	4,407
Provision provided/(written back): programme expenditure	36,169	(5,555)
Total provision provided/(written back)	**32,368**	**(1,148)**
Unwinding of discount charged to administration expenditure	(414)	202
Unwinding of discount charged to programme expenditure	805	758
Total unwinding of discount	**391**	**960**

Analysis of expected timing of discounted cash flows	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Not later than one year	7,084	10,870	20,976	38,930
Later than one year and not later than five years	17,727	18,685	6,148	42,560
Later than five years	4,837	6,147	409	11,393
Balance at 31 March 2011	**29,648**	**35,702**	**27,533**	**92,883**

All provisions are expected to be utilised before the period beginning 2051.

14 Provisions for liabilities and charges (Ctd)

Early Departure Costs

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

Building Dilapidations

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

Other Provisions

Other provisions include the following:

- Provisions for onerous contracts, where the agency has vacated buildings but it is still liable for the rental payments and service charges. The provision for onerous contracts has decreased in 2010-11 as we have successfully sublet some buildings and therefore will not incur so many future losses;
- Outstanding compensation claims for various legal claims against the agency. The value reflects all known claims where legal advice indicates that it is probable that the claim will be successful and the amount of claim can be reliably estimated; and
- Refunds of fees incorrectly charged.

15 Capital Commitments

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

	31-Mar-11 £000	31-Mar-10 £000
Property, plant and equipment	4,763	25,909
Intangible assets	36,690	424,918
	41,453	450,827

16 Commitments under Leases

16 (a) Operating Leases

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

Obligations under operating leases comprise:	31-Mar-11 £000	31-Mar-10 £000
Land		
Not later than one year	1,868	1,216
Later than one year and not later than five years	7,470	4,518
Later than five years	106,066	80,172
	115,404	85,906
Buildings		
Not later than one year	39,886	38,830
Later than one year and not later than five years	115,130	105,859
Later than five years	132,507	110,726
	287,523	255,415
Other		
Not later than one year	1,089	1,245
Later than one year and not later than five years	432	969
Later than five years	0	0
	1,521	2,214

16 (b) Finance Leases

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

	31-Mar-11 £000	31-Mar-10 £000
Buildings		
Not later than one year	7,268	10,431
Later than one year and not later than five years	36,904	35,269
Later than five years	133,393	127,612
	177,565	173,312

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

	31-Mar-11 £000	31-Mar-10 £000
Buildings		
Not later than one year	7,268	10,431
Later than one year and not later than five years	35,585	31,858
Later than five years	37,964	31,123
	80,817	73,412

17 Commitments Under PFI Contracts

In 2009-10, the UK Border Agency held one contract with ATOS Origin to supply IT infrastructure, development and support services that was classified as a PFI contract. The contract had commenced on 1 November 2004 for an initial period of six years. The contractual terms have been renegotiated at the Home Office level, and similar renegotiations have affected Fujitsu, who also had a PFI contract with the Home Office to supply IT infrastructure, development and support services.

There was a significant duplication between the services provided by both these suppliers, but the renegotiations at Home Office level have ensured that both ATOS and Fujitsu are now delivering a common IT infrastructure, development and support service which is used by both the UK Border Agency and the Home Office.

The figures shown in the 2010-11 agency accounts represent our share of the total assets and costs from the two PFI contracts with ATOS and Fujitsu for the common IT infrastructure, development and support services.

Over and above the shared costs, the disclosed figures also include some additional costs which the agency has with ATOS Origin.

This contract has been classified as a 'Service concession' and under IFRIC12 assets within the contract are treated as those of the agency.

The contract has a capital value of £102,262k (2009-10: £43,746k) and a net book value of £54,117k (31 March 2010: £23,056k) as at 31 March 2011. Comparative figures reflect the ATOS contract with the agency.

Obligations Under PFI Contracts

Total obligations under on-balance sheet PFI contracts for the following periods comprises:

	31-Mar-11	**31-Mar-10**	**31-Mar-09**
	£000	**£000**	**£000**
Not later than one year	65,822	23,372	36,815
Later than one year and not later than five years	251,960	0	19,643
Later than five years	0	1,695	0
	317,782	25,067	56,458

The interest element of the total obligations under on-balance sheet PFI contracts is £nil.

The payments the UK Border Agency is committed to make during 2011-12 in respect of on-balance sheet PFI contracts are as follows:

	31-Mar-11	**31-Mar-10**	**31-Mar-09**
	£000	**£000**	**£000**
Not later than one year	0	23,032	1,385
Later than one year and not later than five years	65,822	0	35,090
Later than five years	0	340	340
	65,822	23,372	36,815

The total amount charged in the Statement of Comprehensive Expenditure in respect of the service element of on-balance sheet PFI transactions was £26,910k (2009-10: £30,745k).

18 Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of detention services, asylum support costs including accommodation and the facilitation of worldwide Visa Application Centres. The payments to which the agency is committed are as follows.

	31-Mar-11 £000	31-Mar-10 £000
Not later than one year	94,196	142,368
Later than one year and not later than five years	109,237	386,962
Later than five years	2,912	108,990
	206,345	638,320

19 Contingent liabilities disclosed under IAS37

The agency has the following contingent liabilities:

- The agency has various legal claims which are currently outstanding. The liabilities described below covers all known claims where legal advice indicates that the criteria for recognition of a provision has not been met:
  - There are a number of cases of unlawful detention outstanding. Based on past experience these give rise to an overall contingent liability of £4m.
  - There are currently a number of court cases where the UK Border Agency is being challenged on what it classes as a fresh asylum claim and what are further submissions. If it is decided against the agency, then the agency will be liable for costs in cases where it has refused permission to work or has refused or reduced asylum support. The potential liability is £1m in total.
  - When the UK Border Agency changes the immigration rules and their implementation this may have a negative impact on institutions and individuals. This may result in legal challenges to these changes. The potential liability is £1m in total.
- The agency is currently in dispute with seven accommodation providers (mostly former contractors but including one current provider and one sub-contractor) relating to its asylum support accommodation contracts. The value of claims is difficult to quantify but, based on our best estimates, we believe that the claims against the agency are likely to be in the region of £20m, whilst any counterclaims submitted by the agency are currently estimated at £10m. The legal fees that have been incurred to date are £2m.
- The agency has terminated a contract with a supplier, see Note 28 for more details.

20 Contingent Liabilities not required to be disclosed under IAS37 but included for parliamentary reporting and accountability purposes

The agency has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS37 since the possibility of a transfer of economic benefit in settlement is too remote.

20.1 Quantifiable

The UK Border Agency has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- Indemnity provided to British Airport Authority (BAA) in respect of damage or injury caused to third parties from the UK Border Agency in their use of vehicles operating airside while transporting immigration officers between airside locations. £52m

20.2 Unquantifiable

The UK Border Agency has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- **New Detection Technology (NDT)**
  The following minutes have been used to notify Parliament of the contingent liability relating to the UK Border Agency NDT, dated 10 September 2003, 18 December 2003, 16 March 2004 and 2 July 2004.

  The minutes above refer to the following locations and NDT equipment which is loaned by the agency to recipients:

  i) **Calais**: Heartbeat equipment and building and Passive Millimetric Wave Imager trucks. Heartbeat equipment and two buildings in juxtaposed control zone commenced Spring 2004
  ii) **Coquelles**: Heartbeat Detection Unit at the Euro tunnel operated in the juxtaposed control zone by the agency. Passive Millimetric Wave Imager trucks. Shelter for and Heartbeat detection equipment which is under control of, and operated by, the UK Border Agency in the juxtaposed control zone.

  iii) **Dunkerque**: Heartbeat building commenced Summer 2005. Heartbeat equipment and building operated by the agency in the juxtaposed control zone and commenced operation in Spring 2004.

  iv) **Ostend and Zeebrugge**: Heartbeat shelters

  v) **St. Malo**: CO2 probes to be operated by French operators

  vi) **Vlissingen**: Heartbeat equipment and shelters

  vii) **Zeebrugge**: Two further Heartbeat buildings and one Passive Millimetric Wave Imager truck

20 Contingent Liabilities not required to be disclosed under IAS37 but included for parliamentary reporting and accountability purposes (ctd)

- **New Detection Technology (NDT) (ctd)**

  The minutes also refer to the following:

  Indemnity in respect of the deployment and/or demonstration of NDT by the UK Border Agency in Europe. Within the scope of this indemnity 'Europe' is defined as the member states of the Organisation for Security and Co-operation in Europe (OSCE); those North African and Middle Eastern countries with which the OSCE has special relationships (Algeria, Israel, Jordan, Morocco and Tunisia); and those countries which participate in Euro-Mediterranean dialogue with the Council of Europe (Libya, Syria, Lebanon and the Palestinian Authority).

- **Credit Industry Fraud Avoidance Service (CIFAS)** (Minute dated 1 July 2008)

  The indemnity granted to CIFAS is a condition on being part of the data sharing arrangements, and protects all parties (CIFAS, its Chairman and Directors, Members, etc) from claims resulting in erroneous data being supplied. For example, erroneous data resulted in financial services being withdrawn from an individual, the supplier of that information would become liable for any costs.

- **The UK Border Agency use of Foreign and Commonwealth Office Premises**

  Commitment to conditional support provided to the FCO against third party claims arising out of, or in connection with, the agency's occupation of the premises.

- **Cyclamen**

  Minute date 29 May 2009: Indemnities given to various ports and airport authorities during the installation stage of Cyclamen. The maximum exposure is £115m with no individual indemnity being above £10m

  Minute dated 17 July 2009: A further €10m, £8.8m, indemnity converted at the rate at 31 March 2011 from the European Central Bank website relating to the Cyclamen programme as at 31 March 2011

21 Losses and Special Payments

(a) Losses Statement - Non Cash Losses

	2010-11 £000	2009-10 £000
Details of cases over £250,000		
Bookkeeping Loss on Non Current Assets		
Write off of assets under construction to expense for transactions that relate to previous years and that should not have been capitalised, 32 cases. (2009-10: 0)	8,943	828
Downwards Revaluation		
Included within impairments are reductions in the value of five detention centres due to changes in the valuation methodology. Part of these losses are covered by the revaluation reserve and part of the loss has gone to impairments	40,887	0
Included within impairments is the downwards revaluation of assets which have been taken to the revaluation reserve	9,019	25,272
Impairments		
Included in impairments is a project for Lindholme detention centre which did not go ahead due to increased capacity in other detention centres. Costs incurred to date, including planning, professional fees and design costs, were impaired	358	0
Other cases		
Bookkeeping Loss 6 Cases (2009-10: 0)	1	0
Total non cash losses: 45 cases (2009-10: 2 cases)	**59,208**	**26,100**

(b) Losses Statement - Cash Losses

	2010-11 £000	2009-10 £000
Details of cases over £250,000		
Overpayments		
Overpayments to asylum seekers whose eligibility to support has ceased. These overpayments were made to individuals whose support should have ceased but were still receiving benefits and individuals whose cessation was delayed and therefore they continued to receive support, which has subsequently ceased.	2,195	3,507

21 Losses and Special Payments (ctd)

(b) Losses Statement - Cash Losses (ctd)

	2010-11 £000	2009-10 £000
Claimed Waived or Abandoned		
Included within write offs is an amount for entities which have entered administration and therefore the debt cannot be collected: 413 cases (2009-10: 698 cases)	1,982	1,216
Included within write offs is an amount for penalties which could not be enforced due to administrative errors. The penalty was appealed and the agency did not respond within the statutory deadline, and therefore the court could not enforce the penalty: 53 cases (2009-10: 138 cases)	50	1,703
Included within write offs is an amount for claims which can no longer be enforced due to the age of the debt: 0 cases (2009-10: 174 cases)	0	334
Included within write offs is an amount for claims which have had all recovery attempts exhausted: 2,768 cases (2009-10: 0 cases)	5,215	0
Fruitless Payments		
Included within the fruitless payments are payments by the agency for three (2009-10: five) empty properties. Unavoidable payments are made to landlords and others and properties after occupation has ended. These payments are the consequence of an estate management and rationalisation plan designed to increase the overall long term benefit of the estate to the business. Part of one of the remaining buildings has now been sublet reducing losses from April 2011	780	1,163
Included within fruitless is a case involving the prosecution and conviction of a contractor who had made false claims about his qualifications and employment history on his CV in order to secure employment with the agency and with other previous employers. He was sentenced to two and a half years' imprisonment at Birmingham Crown Court on 22 December 2010. During his employment here, the contractor exploited a loophole in systems operating between the agency and the Treasury Solicitor. This led to a range of individuals being engaged to take forward work to resolve disputes and some of them did not have the necessary qualifications. This loophole has now been closed.	1,841	0
Impairments		
As a consequence of the government decision to halt second generation biometric passports, the immigration and asylum biometric system has transferred to the agency. Included in this transfer was an element that was no longer required and was therefore impaired	2,200	0
Included in impairments is a project for detecting illegal goods at the border that was terminated following initial feasibility studies	311	0

21 Losses and Special Payments (ctd)

(b) Losses Statement - Cash Losses (ctd)

	2010-11 £000	2009-10 £000
Loss of Pay		
Overpayments to members of staff which have arisen from pay changes where notifications have been received after the cut off point for the payroll. We are continuing to seek recovery of these overpayments and are likely to receive a proportion of this balance in the future.	1,864	4,323
Other Losses		
Other losses 552 (2009-10: 804)	602	1,535
Total Cash Losses: 3,800 cases (2009-10: 1,823 cases)	**17,040**	**13,781**

Note: Impairments were not previously disclosed in the losses statement in 2009-10 therefore the number of cases and amounts has increased from the totals published.

(c) Losses relating to e-Borders

Details of cases over £250,000	2010-11 £000	2009-10 £000
Non Cash Loss		
Included within impairments are amounts written off in respect of the e-Borders contract, see Note 28 for details. The impairments are not all cash losses due to outstanding accruals with the supplier and elements of the revaluation reserve	50,096	0
Cash Loss		
Included within impairments are amounts written off in respect of the e-Borders contract, see Note 28 for details. Some impairments are cash losses	156,279	0
Revaluation		
Included with impairments is a downwards revaluation in respect of the e-Borders contract, see Note 28 for details	1,174	0
Total losses relating to e-Borders	**207,549**	**0**

21 Losses and Special Payments (ctd)

(d) Special Payments

	2010-11 £000	2009-10 £000
Details of cases over £250,000		
Compensation and adverse legal costs incurred due to unlawful detention of a family. Total costs amount to £293k paid over a two year period. (Compensation £110k, Adverse Costs £183k).	60	233
Compensation and adverse legal costs incurred due to unlawful removal and detention of a family. Total costs amount to £261k paid over a two year period. (Compensation £196k, Adverse Costs £65k).	31	230
Compensation and adverse legal costs incurred due to unlawful detention of a family. Total costs amount to £250k paid over a two year period. (Compensation £100k, Adverse Costs £158k).	158	100
Compensation and adverse legal costs incurred due to unlawful detention and personal injury of an asylum seeker while in custody. (Compensation £175K, Adverse Costs £100K)	275	0
Adverse legal costs incurred defending asylum policy in relation to sexual orientation of claimants	334	0
Ex-gratia payment made to a member of staff in relation to a personal injury claim	265	0
Compensation and adverse legal costs paid to a member of the public incurred due to a crime committed by a person residing in the UK unlawfully. Total costs of the case £295k paid over two years from 2008-2010. £75k of costs met by the Metropolitan Police. (Compensation £175k, Adverse Costs £100k)	0	120
Compensation and adverse costs to a member of the public who was unlawfully detained. (Compensation £200k, Adverse Costs £152k, Interest £2k).	0	354
Adverse legal costs incurred due to the agency defending its policy on European Convention Human Rights compatibility requirement for non-EEA nationals to obtain a Certificate of Approval for marriage in the UK.	0	696
Payments made to minors who were detained as adults (40 cases)	0	2,105
Other cases		
Compensation payments - 152 cases (2009-10: 837 cases)	4,055	4,446
Adverse legal costs – 1,004 cases (2009-10: 691 cases)	7,734	3,779
Ex-gratia payments - 479 cases (2009-10: 129 cases)	1,239	250
Other - 6 cases (2009-10: 0 cases)	64	0
Total: 1,644 cases (2009-10: 1,703 cases)	**14,215**	**12,313**

Note: Some of the disclosure items above have been restated as they were disclosed incorrectly in 2009-10.

22 Related party transactions

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

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

The chief executive (Lin Homer to 6 January 2011 and Jonathan Sedgwick as acting chief executive from 7 January 2011) sit on the Home Office board. In addition, the agency has a representative of the Foreign and Commonwealth Office (FCO) on its board. No board member, key managerial staff or other related parties have undertaken any material transactions with the agency during the reporting period other than those mentioned below.

Other Government Departments

The agency had significant transactions during the financial year with the FCO and HMRC.

The total income collected by the FCO on the agency's behalf in 2010-11 was £399,970k (2009-10: £339,340k), and the total expenditure incurred by the FCO on the agency's behalf was £201,758k (2009-10: £234,192k). The net receivable due from the FCO as at 31 March 11 was £26,898k (2009-10: £1,739k).

The total income received from HMRC in 2010-11 was £1,475k (2009-10: £1,694k), and the total expenditure incurred by HMRC on the agency's behalf was £29,232k (2009-10: £241,809k). The net payable to HMRC as at 31 March 11 was £2,402k (2009-10: £22,996k). The HMRC values above are as a result of historic agreements from the Machinery of Government transfer and therefore do not include tax and duties that would be payable to HMRC through business as usual activities.

22 Related party transactions (ctd)

Non Departmental Public Bodies

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

During the year, OISC had material transactions with the agency. The UK Border Agency supplied OISC with Grant in Aid in 2010-11 of £4,092k (2009-10: £4,356k), and received income from Advisors and Designated Professional Bodies of £1,201k (2009-10: £1,008k).

UK Border Agency Board Members

A number of agency board members have received season ticket loans or cycle scheme loans from the UK Border Agency which, in accordance with agreed repayment plans, remain partially outstanding as at 31 March 11. The amounts outstanding are:
Brodie Clark (Director, Border Force): £4,167 (2009-10: £3,302)
Justin Holliday (Director, Corporate Services): £2,694 (2009-10: £2,706)
David Wood (Director, Criminality and Detention Group): £2,273 (2009-10: £ 2,273)
Martin Peach (Director, Intelligence): £1,566 (2009-10: £0)
Philip Duffy (Director, Policy & Strategy): £242 (2009-10: £0)

23 Third Party Assets

(a) Citizenship Ceremony Fee

The UK Border Agency receives applications from foreign nationals to obtain British Nationality. The application money includes a ceremony fee of £80 (2009-10: £80), and the local authorities who carry out the ceremonies are entitled to the whole of the fee after the ceremony has been completed. The agency therefore holds the funds on behalf of the Local Authority until the ceremony has taken place. The money is collected in through the agency's GBS Bank account and is then incorporated into the Home Office GBS account so that control over the assets can be maintained.

These are not agency assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit. They are set out in the table below.

Note that of the balance below, £nil is held in UK Border Agency GBS Banks (2009-10: £nil), and the balance is held by the Home Office.

	31-Mar-11 £000	31-Mar-10 £000
Monetary Assets	5,280	4,502
	5,280	4,502

(b) Proceeds of Crime

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

Monies held, including interest comprise of the following:

	31-Mar-11 £000	31-Mar-10 £000
Monetary Assets - GBP	1,416	0
	1,416	0

	31-Mar-11 €'000	31-Mar-10 €'000
Monetary Assets - Euro	527	0
	527	0

	31-Mar-11 $'000	31-Mar-10 $'000
Monetary Assets - US Dollar	424	0
	424	0

23 Third Party Assets (ctd)

(c) Bail Bond Accounts

Under the legal system in Scotland, the agency has to hold monies for people who are cautioned at court for immigration offences. A bail bond is collected and held in a separate bank account(s). As at 31 March, the total held was £195k (2009-10: £217k).

24 Seized Assets

During the financial year, the agency received £1,970k (2009-10: £227k) of income in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation.

The agency also seized assets at the border. Tobacco and illegal substances are destroyed but the agency did raise £184k (2009-10: £432k) from the sale of seized vehicles with all proceeds going to HM Treasury.

25 Events after the Reporting Period

Post 31 March 2011, the following are disclosed as having an effect on the agency:

1) In accordance with IAS10, the chief executive duly authorised the issue of these financial statements on 8 July 2011.

26 Segmental Reporting

The primary level of segmentation, which is based on the UK Border Agency's management structure, comprises five segments: four major operating areas, plus the Corporate Services. The operating areas are Immigration Group, Criminality and Detention Group, Border Force and International Group.

The Corporate Services segment includes the centralised management of the agency relating to financial management, human resources, property management, policy, IT services and commercial. It also includes the agency's Intelligence Directorate.

The summarised Statement of Comprehensive Expenditure is shown below.

	2010-11					
	Immigration Group	**Border Force**	**Criminality and Detention Group**	**Inter-national Group**	**Corporate Services**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Migration, Visa and Border Force Income	(413,364)	(2,525)	0	(399,321)	0	(815,210)
EU Income	0	0	0	0	(21,974)	(21,974)
Miscellaneous Income	(4,734)	(1,646)	(3,851)	(642)	(517)	(11,390)
Retained Element of Penalties Raised	(6,910)	0	0	0	0	(6,910)
Non Retainable Income	(1,728)	(4)	0	(2)	(812)	(2,546)
Total Income	**(426,736)**	**(4,175)**	**(3,851)**	**(399,965)**	**(23,303)**	**(858,030)**
Staff Costs	309,001	394,013	44,123	67,604	124,430	939,171
Asylum Support	424,218	0	0	0	0	424,218
Overseas Visa Operating Costs	0	0	0	196,009	0	196,009
Detention & Removal Costs	44,002	2,994	157,696	305	833	205,830
e-Borders Impairment	0	0	0	0	156,279	156,279
Other Programme Expenditure	69,394	110,078	24,795	24,935	431,322	660,524
Admin Expenditure	1,524	1,008	675	182	29,805	33,194
Total Expenditure	**848,139**	**508,093**	**227,289**	**289,035**	**742,669**	**2,615,225**
Net Operating Costs	**421,403**	**503,918**	**223,438**	**(110,930)**	**719,366**	**1,757,195**

26 Segmental Reporting (ctd)

	2009-10					
	Immigration Group	**Border Force**	**Criminality and Detention Group**	**International Group**	**Corporate Services**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Migration, Visa and Border Force Income	(389,828)	(2,510)	0	(339,340)	0	(731,678)
Miscellaneous Income	(1,621)	(1,744)	(2,010)	(27)	(1,886)	(7,288)
EU Income	0	0	0	0	(14,473)	(14,473)
Non Retainable Income	(383)	0	(227)	0	(4,244)	(4,854)
Total Income	**(391,832)**	**(4,254)**	**(2,237)**	**(339,367)**	**(20,603)**	**(758,293)**
Staff Costs	329,546	389,051	39,539	63,920	95,834	917,890
Asylum Support	523,721	0	0	0	0	523,721
Overseas Visa Operating Costs	0	0	0	216,560	0	216,560
Detention & Removal Costs	62,461	2,917	144,993	59	257	210,687
Other Programme Expenditure	97,420	87,023	18,432	34,743	316,089	553,707
Admin Expenditure	5,172	1,163	1,529	0	39,366	47,230
Total Expenditure	**1,018,320**	**480,154**	**204,493**	**315,282**	**451,546**	**2,469,795**
Net Operating Costs	**626,488**	**475,900**	**202,256**	**(24,085)**	**430,943**	**1,711,502**

Note: The 2009-10 segmental reporting note has been updated to reflect accounting policy changes. See note 27 for more details.

27 Accounting Policy Changes

In 2009-10 and previous years, the agency has included a charge reflecting the cost of capital utilised by the agency within operating costs. The charge was calculated at the rate set by HM Treasury (3.5 per cent in 2009-10) on the average carrying amount of all assets less liabilities, except for property, plant and equipment and intangible assets where the cost of capital charge was based on opening values, adjusted pro rata for in year:

i) additions at cost

ii) disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)

iii) impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)

iv) depreciation of property, plant and equipment and amortisation of intangible assets.

This charge has been removed in 2010-11 as directed by HM Treasury in order to bring the agency accounts more in to line with budgets and estimates, as part of the 'Clear Line of Sight' project. The comparatives for 2009-10 have also been restated, and the table below shows the effect on the financial statements on this restatement.

The agency collects immigration penalties and civil penalties. In line with HM Treasury guidance, this income and any bad receivable write off expense is no longer shown on the Statement of Comprehensive Net Expenditure and is now disclosed separately within note 29. The comparatives for 2009-10 have also been restated. The payable the agency owes to the Home Office in respect of the penalties has not been restated, as this figure affects the supply funding of the department and has previously been reported to Parliament.

In addition, the reduction of costs reflecting the utilisation of provisions was previously shown in the 'movement in provision' line in note 3 and note 4, with the actual expenditure shown in the individual lines in note 2, 3 or 4. In 2010-11, we have amended the disclosure so that the 'movement in provision' line now purely reflects the increase or decrease required in the provision in year, and the utilisation has been netted off against the actual expenditure. Finally, some expenditure has been re-mapped from administration expenditure into programme expenditure as this more accurately reflects the nature of the costs. The prior year figures have all been restated in line with these changes.

The effect of these adjustments on the previously published figures is shown below. The Statement of Financial Position is not shown as the previously published figures have not changed.

Statement of Comprehensive Net Expenditure	Previously Published	Changes	Restated 2009-10
	£000	£000	£000
Admin Costs			
Staff Costs	61,773	(1,002)	60,771
Other Administrative Costs	48,993	(1,763)	47,230
Programme Costs			
Staff Costs	857,119	0	857,119
Programme Costs	1,511,988	(7,313)	1,504,675
Retained Income	(753,439)	0	(753,439)
Non Retainable Income	(34,096)	29,242	(4,854)
Net Operating Cost	**1,692,338**	**19,164**	**1,711,502**

28 Termination of the e-Borders contract

The e-Borders contract with Raytheon Systems Limited ("RSL"), a subsidiary of Raytheon Corporation, was terminated for cause on 22 July 2010, because, inter alia, RSL had failed to perform on key contractual milestones. The agency initiated arbitration proceedings and, in line with the agreed timetable, on 23 March 2011, submitted a detailed claim. The termination occurred before the 2009-10 accounts had been signed and disclosure of this termination was made in the 2009-10 accounts as a post balance sheet event.

The original basis for e-Borders Programme, which remains broadly unchanged, was to:

- help protect the UK from the threat of external terrorist attack;
- disrupt organised and cross border crime and identify fugitives from justice;
- identify and deter those who have, or seek to, abuse the immigration system; and
- manage our resources at the border in a more effective and co-ordinated way.

e-Borders' original two main functions were to:
• provide an 'early warning' system – to supply information about people before they travel so that we can identify and target individuals of interest before they enter and exit the country; and
• build travel histories to allow us to spot trends and patterns of illegal behaviour (terrorism, crime, immigration abuse) and monitor compliance with the immigration rules.

The e-Borders Programme started in 2003 and it developed a prototype which successfully tested the core concept of an intelligence led, multi agency, integrated border control. The full e-Borders contract with RSL was intended to enhance and replace this earlier prototype, in line with the business case agreed in October 2007.

Following a full external procurement, the e-Borders contract was signed in November 2007 with RSL as the prime contractor, heading the Trusted Borders consortium. The delivery was split into four release projects (RPs): RP1 - carrier gateway, RP2 – development of additional core software, RP3 - roll out to ports, and RP4 various enhancements.

At termination, the RP1 Carrier Gateway was in partial operation. The e-Borders programme is continuing and decisions have been made to build on legacy systems rather than try and make that which has been built to date work. The agency is, therefore not proceeding further with the development of RP2 Core software, RP3 roll out and the additional enhancements in RP4. The termination and the subsequent actions have impacted upon the UK Border Agency accounts in the following ways:

- Impairment Charges;
- Capital Commitments;
- Contingent Liabilities; and
- Contingent Assets.

Impairment Charges

Termination of the contract and the decisions subsequently taken to stabilise the systems have resulted in an impairment charge of £207,549k in the 2010-11 accounts of which the agency had paid £156,279k, not paid £50,096k and £1,174k going to the revaluation reserve. This includes costs in AUC related to RP2 and RP3, which the agency has decided not to complete, and an impairment of £111,962k against the book value of the RP1 live assets, arising because RP1 will now no longer be a further platform for the future development of the programme. The agency is pursuing, through arbitration, reimbursement for certain of these costs.

28 Termination of the e-Borders contract (ctd)

Impairment Charges (ctd)

The table below sets out the impact of these impairment charges on the RSL related e-Borders assets in the accounts at 31 March 2010 and during the 2010-11 accounting year.

	Balance	Net Movements	Impairment	Net Movements	Balance
	31-Mar-10	Apr 10 to Jul 10	22-Jul-10	Aug 10 to Mar 11	31-Mar-11
	£'000	£'000	£'000	£'000	£'000
RP1 Intangible	116,942	7,873	(109,513)	(3,530)	11,772
RP1 IT	4,308	(111)	(2,449)	(665)	1,083
Assets Under Construction	106,921	(11,334)	(95,587)	0	0
	228,171	(3,572)	(207,549)	(4,195)	12,855
Paid	168,372	4,957	(156,279)	(4,195)	12,855
Unpaid	59,799	(9,703)	(50,096)	0	0
Revaluation	0	1,174	(1,174)	0	0
	228,171	(3,572)	(207,549)	(4,195)	12,855

These impairments set out above have been included in the losses note. They represent the reduction in the net book value of the assets relating to e-Borders arising from the termination of the contract.

The total impairment charge was accounted for as follows:

	2010-11
	£000
Charge to Statement of Comprehensive Expenditure	206,375
Charge to Revaluation Reserve	1,174
Total Impairment	**207,549**

The total charge to the Statement of Comprehensive Expenditure is as follows:

	2010-11
	£000
Total Impairment	206,375
Less Unpaid elements	(50,096)
Net Cost	**156,279**

Capital Commitments

The e-Borders contract with RSL had an original value of £650,000k and provided for the provision of a managed outsourced technology service over 10 years.

As at 31 March 2010, the agency disclosed capital commitments of £393,853k representing commitments for PPE of £25,600k and a commitment of £368,253k for intangible assets.

Following termination on 22 July 2010, there are no capital commitments to RSL.

28 Termination of the e-Borders contract (ctd)

Contingent liability

The termination of the e-Borders contract with RSL was on the basis of material and repeated defaults committed by RSL, who are disputing the termination.

The issue is in arbitration and the UK Border Agency submitted its Statement of Case on 23 March 2011, which set out a detailed account of the alleged defaults committed by RSL. This Statement included a claim for substantial damages. On 23 June 2011, RSL submitted its full Defence and Counterclaim stating the grounds for termination by the agency were not valid and making a claim for substantial damages.

Whilst the agency is confident that it will succeed with its claim against RSL it recognises that there is an inherent risk in all litigation. Consequently, as at 31 March 2011 the agency has disclosed this issue as a contingent liability. Due to the complexity of our claim and RSL's counterclaim we are unable to quantify the amount of this contingent liability. A final decision in the arbitration is not expected until 2013.

In addition to the above, as part of the contract termination process with RSL, the agency has novated a contract between RSL and a sub contractor so that the contract is directly between the agency and the sub contractor. As part of this novation, the agency has provided an indemnity of £5,000k to RSL against losses arising from the infringement of intellectual property rights. The contract novated on 15 April 2011.

Contingent Asset

The agency had irrevocable letters of credit drawn on Nat West Bank and payable to the Home Office under certain events. At 31 March 2011 there were 9 letters of credit with a value of £49,862k.

The agency called the letters of credit on the 22 March 2011. RSL obtained an injunction on 29 March 2011 which blocked the release of the funds, but this injunction was ruled against on 5 April 2011 and the agency received the funds on 6 April 2011.

As at 31 March 2011, the funds represented by the letters of credit represent a contingent asset and are disclosed as such in the accounts.

Future developments

The UK Border Agency is proceeding with the e-Borders programme, and is working to ensure efficient commercial arrangements to support its delivery.

29 Penalty Income

The UK Border Agency collects immigration penalties and civil penalties. The agency is not permitted to retain this income; it is surrendered to the Consolidated Fund.

During the year, the agency collected the following income. These amounts are not included in Note 5 'Non Retainable Income'.

	31-Mar-11 £000	31-Mar-10 £000
Total Civil Penalties Raised	10,982	24,767
Less Element Retained by the agency	(6,910)	0
Total Civil Penalties Payable to the Consolidated Fund	4,072	24,767
Immigration Penalties	3,318	4,475
Total Penalties Raised	**7,390**	**29,242**

In 2010-11, the agency retained £6,910k of civil penalty income in order to increase investment in additional enforcement and collection activity. This was an arrangement agreed with HM Treasury for one financial year.

The agency had the following amounts still outstanding as at the 31 March. Receivables represent the amount due from those on whom financial penalties have been imposed prior to 31 March but have not been paid at that date. These balances are included in Note 11 ‘Trade Receivables and Other Current Assets’.

	31-Mar-11 £000	31-Mar-10 £000
Civil Penalties	26,389	31,010
Immigration Penalties	1,340	2,254
Total Receivables	**27,729**	**33,264**
Less Bad Receivable Provision	(15,136)	(13,933)
Net Receivables Due	**12,593**	**19,331**

A number of receivables have been written off during the year. The total amounts are shown below, and are included within note 21 Losses and Special Payments:

	31-Mar-11 £000	31-Mar-10 £000
Civil Penalties	7,011	2,780
Immigration Penalties	76	322
Total Write Off	**7,087**	**3,102**

The receivables still outstanding as at 31 March are due to the Consolidated Fund when collected. The £12,593k (2009-10: £19,331k) above therefore reflects the amount due to the Home Office in respect of penalty income.

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