



Security Industry Authority

SECURITY INDUSTRY AUTHORITY

Annual Report and Accounts 2019/20

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FOREWORD FROM THE CHAIR AND CHIEF EXECUTIVE

Our Annual Report and Accounts 2019/20 sets out our key achievements during the year and provides an overview of our financial position.

It has been a year of significant successes and challenges during which our staff at the SIA have again performed to a very high standard with dedication and professionalism. We thank them for this; their commitment, together with the engagement and support of the private security industry, has enabled us to achieve our objectives and to rise to the challenges and opportunities that we have faced.

At the time of writing the most pressing strategic issue facing the SIA is the impact of coronavirus and the associated COVID-19 illness on both us and the sector as a whole. Our robust business continuity plans and the investments we have made in ICT resilience meant we were quickly able to adapt to the new situation following the decision to move the majority of our staff to remote working in mid-March, with no detrimental impact on service or performance.

We responded to concerns raised by the industry at the start of the COVID-19 emergency by changing our processes and rolling out a number of key initiatives to support licence applicants and enable businesses to continue to operate while managing this crisis.

With the support of the Home Office we were quickly able to identify those in the sector who clearly met the Key Worker criteria and publish this widely. The SIA has been widely praised by the sector for our work in this space.

During 2019/20 we were able to reduce the licence application fee paid by individuals twice in quick succession, reducing the fee by £30 back to where it started when

regulation of private security first commenced 16 years ago. Our aim is to ensure that we can deliver a high quality, timely service whilst minimising our costs and keeping the licence application fee at the lowest level possible.

Despite the constraints resulting from the COVID-19 emergency we achieved Customer Service Excellence reaccreditation. We have been highlighted as an exemplar organisation. This is something of which we can rightly be extremely proud, especially in the current circumstances.

We remain committed to raising and improving standards in the industry and have continued to engage with our partners and people across the industry on issues and developments that matter to them.

We are grateful for that support and cooperation and look forward to continuing to work with the private security industry and our partners to deliver high quality regulation in the coming year.



A handwritten signature in black ink that reads "Elizabeth France".

Elizabeth France
Chair
Security Industry Authority



A handwritten signature in black ink that reads "Ian Todd".

Ian Todd
Chief Executive
Security Industry Authority

OUR ROLE

The Security Industry Authority (SIA) is a non-departmental public body sponsored by the Home Office. We were established under the Private Security Industry Act 2001, which covers England, Wales, Scotland and Northern Ireland, to regulate certain activities within the private security industry.

The regulated private security industry protects people, property and premises and comprises the following sectors:

- manned guarding:
 - cash and valuables in transit
 - close protection
 - door supervision
 - public space surveillance (CCTV)
 - security guarding;
- key holding; and
- vehicle immobilising (Northern Ireland).

We support the key priorities of the Home Office: reducing and preventing crime, and ensuring that people feel safe in their homes and communities.

We have a statutory responsibility to license individual security operatives. We do this by applying approved criminality and other 'fit and proper person' criteria, and we establish the minimum competency requirements that individuals have to meet before applying for a licence.

We work closely with the police, local authorities, other government agencies, training providers, trade associations and industry representatives to ensure that individuals and companies operating within the private security industry comply with the law. Our enforcement operations are part of this work.

We set and approve standards of conduct and training. We do this by specifying the learning and qualifications needed for

individual licensing. We require awarding organisations to have robust standards of assessment and appropriate processes for the awarding of qualifications recognised for licensing. The Office of Qualifications and Examinations Regulation is responsible for regulating qualifications in England; the Scottish Qualifications Authority regulates qualifications in Scotland; Qualifications Wales is responsible for regulating qualifications in Wales; and the Council for the Curriculum, Examinations and Assessment regulates all qualifications in Northern Ireland.

We manage the voluntary Approved Contractor Scheme (ACS), which measures private security companies against independently assessed standards. We do this by applying eligibility and other 'fit and proper' criteria, and we establish terms and conditions of approval. We specify management and operational

requirements in the ACS, and appoint independent assessing bodies to conduct assessments against this standard before awarding approved contractor status.

The Authority – our non-executive Board – is made up of a chair and five members. One member is appointed to represent the interests of Scotland, and one to represent the interests of Northern Ireland. The primary role of the Authority is to ensure that we meet our statutory responsibilities. It achieves this by setting our strategic direction and providing both support and challenge to an executive that is responsible for the discharge of these responsibilities on a day-to-day basis.



OUR VISION AND MISSION

We have developed a distinctive style of principled, proportionate and risk-based regulation, which we refer to as 'right-touch regulation'. This is underpinned by close working relationships with the Home Office, our partner stakeholders and members of the public who come into contact with our regulation or have an interest in it.

Our vision is one of a private security industry so committed to improving standards and protecting the public that it needs minimal regulation.

Our mission is to hold the private security industry to account for continuously improving standards in order to protect the public.



Security Industry Authority

PERFORMANCE REPORT

SIA: A year in numbers



We granted
124,173
licences



364,700
active
licence holders



We refused
1,523
applications



We revoked
984
licences



We undertook
and completed
570
intervention
cases



We
prosecuted
25
individuals
and
four
businesses



We issued
109
SIA warnings



We removed
ACS accreditation
from **35**
non-compliant businesses



We served Confiscation
orders worth
£106,208.21
of assets gained through
criminal activity.



We checked
2,181
individual licences
during inspections
of front line
operatives



We found **36**
offences of
undertaking
licensable
activity without
a licence



We processed
91% of licence
applications against
our aim of 80%
in 25 days



We made
600
site visits or
inspections



Digital
stats:
f **25,800**
'Likes'
13,600
followers
in **48,100**
followers



836
approved
contractors

We approved
64 new
companies



We issued **3**
improvement
notices



We retained
our Customer
Service
Excellence
award

PERFORMANCE ANALYSIS

We have a well-developed and established system of performance management and reporting, based on the following four strategic aims for the 2019/20 financial year:

1. To protect the public by delivering excellent regulation.
2. To maintain strong relationships with our partners and our stakeholders to improve the quality of our work.
3. To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives.
4. To seek continuous improvement in the way we run the SIA and provide value for money for licence holders, approved contractors and the public.

Our performance management system includes Key Performance Indicators (KPIs), which are linked directly to the achievement of our corporate objectives, and a cascade of performance indicators which, in turn, drive the KPIs. We continue to report on the progress of all KPIs to the Board on a monthly basis.

Achievements against strategic aims

Strategic aim 1: To protect the public by delivering excellent regulation

Ref.	Performance Indicator	Target 2019/20	Average 2019/20
	Percentage of all correctly completed individual licence applications processed within 25 working days.	≥80%	91%
	Percentage of all correctly completed simple licence applications processed within 15 working days.	≥95%	98%
	Percentage of all correctly completed complex licence applications processed within 40 working days.	≥80%	90%
	No more than 20% of individual licence applications at checks in progress will be older than 6 months old as at midnight on the last day of each month.	≤20%	8%
	Percentage of correct decisions to grant an individual licence against the SIA decision-making framework.	≥99%	100%
	Percentage of disclosures that indicate a public safety concern dealt with within five working days.	100%	99%
	Newly approved ACS companies inspected within 6-8 months of being granted approval.	100%	99%
	Percentage compliance with the licensing requirements, based on inspections of security operatives (based on at least 400 random, intelligence-led and sector-based inspections per quarter).	≥98%	99%
	Number of intelligence-led inspections of training providers per quarter.	≥5	50 in total (not average)

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

Maintaining effective and efficient operating systems

During 2019/20, we granted 124,173 licence applications. We completed 91% of licensing decisions within 25 working days of receiving a correct and complete application, against a target of 80%. This was a 3% improvement on 2018/19. To gain a better understanding of our performance in this area, we categorised licensing decisions depending on their

complexity. This enabled us to further analyse and provide more detailed reporting on our performance in the future.

Our target for measuring the accuracy of our licensing decision-making is that we ensure that no less than 99% of our decisions to issue licences are correct. During this year, we conducted a robust sample of only the most complex decisions. Of these, we made the correct decisions in 100% of cases.

Where we have a public safety concern, we aim to take action within 5 working days for 100% of cases. In the year 2019/20, we processed the information within the target timeframe for 99% of cases. In the vast majority of cases we took action within two to three days.

We assess intelligence as we receive it, and if we determine that there is an imminent threat, we take action immediately.

We aim to have 90% of eligible companies renewing their ACS status during the year. This year, we achieved 96% of companies re-registering.

We have also implemented three software updates (known as ‘maintenance releases’) to STeP (our online licensing system) to improve functionality and general operational efficiency. In response to the COVID-19 pandemic an update was quickly deployed in early April (with the groundwork being done in March), which removed the requirement for some renewing licence applicants to attend the Post Office.

Partnerships and Interventions

We undertake a range of inspections of front line operatives, some with partners, to check compliance with the licensing requirements. During 2019/20 we checked 2181 individuals (against a target of at least 1600 checks) and found a compliance rate of 99.3%.

We carried out 57 inspection operations across the UK to identify and tackle non-compliance and non-conformance. These included 42 with partners, and checks of licensing compliance at 600 sites and venues.

We also undertake intervention cases to address risks and actionable intelligence regarding non-compliance with the licensing requirements, or non-conformance with the ACS. We completed 570 intervention cases during the year, having addressed the intelligence and/or risk. Last year 93.8% of cases were closed within set timescales.

Prosecution is not our default option when people or businesses fail to comply with the Private Security Industry Act 2001. We aim to encourage compliance with the law in the first instance, and will support businesses to meet their obligations. However, in appropriate cases we have the will and capability to

prosecute offenders, not just for offences under the Private Security Industry Act 2001 (PSIA) but also for other offences where this supports our regulatory regime. Last year we successfully prosecuted 29 PSIA offences and 33 non-PSIA offences (under the Fraud Act 2006, the Forgery and Counterfeiting Act 1981, and Identity Documents Act 2010). We also seek the confiscation of assets that have been obtained as a result of criminal activity.

As of 31 March we were undertaking 62 criminal investigations into 60 businesses and 132 individuals. The number of criminal investigations has increased by 11%, from 56 at the same time last year.

Confiscation orders and the Proceeds of Crime Act

As a ‘designated body’ under the Proceeds of Crime Act (POCA), our Accredited Financial Investigators (AFIs) continue to have a significant impact. We obtained four court confiscation orders totalling £106,208.21 worth of assets gained through criminal activity. Confiscation is both an important sanction and deterrent. It also limits the ability of individuals to use money gained through criminality to re-enter the security industry as a new business.

Under the Asset Recovery Incentivisation Scheme (ARIS), the SIA can expect to receive 34% of confiscation payments. We received £45,681.38 during the year. We can use ARIS funds in three ways: to fund ongoing investigations, to compensate victims, or for ‘good causes’.

We used these funds to support ‘good causes’ related to the security industry:

- £20,000 was used to support The Prince’s Trust project ‘Get into Security’. The award funded a Northern Ireland initiative supporting 20 young men and women on a six week training programme to result in them obtaining an SIA licence as well as develop a wider range of people skills.

- £25,000 was used to support another charity, the EY Foundation (supported by the Security Institute) for an initiative called 'Secure Futures'. The initiative is identifying up to thirty 16-18 year olds from low income families. The aim is to support them through an employability programme that builds skills relevant for the security industry, followed by placements in security businesses and mentoring.

Improving industry standards

Qualifications Review

During this year we have worked extensively with industry, awarding bodies, and training providers to develop new licence-linked qualifications. We have engaged with approximately 6,000 operatives, employers, and expert stakeholders to ensure that the specifications we have developed help industry to keep the public safe and reflect the safety-critical knowledge and skills required for the workforce.

New content includes a first aid requirement, up to date guidance on how to counter the terror threat, and changes in line with updated use of technology. The content has been developed by expert working groups and has been subject to widespread consultation and, where linked to approved licensing criteria, a request for Ministerial approval.

New licence-linked qualifications are ready, but will not be implemented until April 2021, by which time we hope that COVID-19 restrictions will be lifted.

Quality monitoring of training providers

We made over 70 unannounced visits this year, many intelligence-led, to training providers to check on the quality of their delivery of training and assessments. We worked closely with awarding organisations to ensure that we were able to focus our efforts collaboratively. This work helped us to assure ourselves that the overwhelming majority of training

providers are doing a good job, with only relatively minor problems being found such as instances of poor record keeping, poor signage during exams and lack of documented policies for the transportation of exam scripts. This exercise allowed us to help improve practice at those training providers, and inform the development of rules for delivery of future qualifications.

ACS

We have implemented a new standard for businesses wishing to gain and maintain ACS approval. The new standard has been well received, and has allowed us to focus businesses on standards of delivery. The requirement to meet exacting standards on the treatment of staff has been retained, which will help make the industry one that delivers a good service and treats employees well.

In addition to the implementation of a new standard, we have worked with the assessing bodies to change some of the ways in which the quality assurance of the scheme takes place. This work is ongoing, and will continue in the next business year.

You Can Act

The pilot we ran with Police Scotland and NaCTSO to provide counter-terror training to individuals in the security industry produced some fantastic results. More than 800 operatives were trained over 11 months, with 98% of delegates feeling greater confidence in their ability to act in the event of a terror attack. The training itself was well received by the industry. This successful pilot shows that we are able to work closely with police partners to inform the future development of government counter-terrorism training products.

▶ Response to the COVID-19 Pandemic

Licensing operation

We were quickly able to adapt to the new situation following the decision to move the majority of our staff to remote working mid-March, with no detrimental impact on service or performance. We continued to facilitate individual and business calls by transferring our phone system.

Working closely with the Home Office and in step with temporary national guidance on identity validation we changed our processes. As a result most people who were renewing their licence did not need to go to the Post Office to have their documents checked.

Remote training pilot

We have worked with industry to pilot, under very carefully controlled conditions, the virtual delivery of training as well as the remote invigilation of assessments. It will cover qualifications for Security Guarding, Public Space Surveillance (CCTV) and Cash and Valuables in Transit.

We will be evaluating the pilot with a view to rolling this out more widely. This will be done only when we have assured ourselves that the systems of assessment are robust, and do not compromise the integrity of the qualification.

Temporary changes to the ACS

In response to concerns raised by approved contractors, we extended all annual assessments by an initial 3 months.

Those businesses due to pay fees in a fixed time period were given up to three months to pay, instead of the normal 21 days.

To make it easier for approved contractors to quickly deploy staff during the pandemic, we made temporary changes as to when Licence Dispensation Notices could be issued, and their duration.

We also made temporary changes to subcontracting arrangements and approvals for additional sectors.

Strategic aim 2: To maintain strong relationships with our partners and our stakeholders to improve the impact of our work

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply, and grow stakeholders to improve the impact of our work.

Strategic Threat Assessment

We have produced a Strategic Threat Assessment that outlines current and emerging threats, and intelligence gaps. We are developing a public version for our partners and stakeholders. This will be published in the second quarter of the next financial year.

Development of MOU with National Police Chiefs' Council

It is vital we continue to share relevant intelligence with our law enforcement partners, in a timely and appropriate way, to enable us to take action to protect the public. We are developing a memorandum of understanding with the National Police Chiefs' Council for intelligence sharing. A successful resolution is expected in the new business year.

Business Relationship Managers

We are forming strong relationships with the industry through our new Business Relationship Managers (BRM).

They provide guidance, via a strategy of collaborative engagement, on the tools and support available to businesses. They have successfully increased our understanding of business users' requirements, which has helped to increase our understanding of the industry we regulate. They moderate the newly-formed ACS LinkedIn group, which has been well-received by industry, particularly during the pandemic period.

Closer working with UK Visas & Immigration

In checking the right to work for individual licence applicants we have worked closely with UK Visas & Immigration (UKVI). We ensure that any individuals eligible for referral to the Windrush scheme are identified promptly and receive the appropriate support. We have also worked with UKVI to secure direct access to the new database providing confirmation of the EU settlement scheme applications as part of Brexit arrangements.

Closer working with HMRC

Our Decisions team are working jointly with Partnership and Intervention colleagues in liaising with HMRC. They ensure that referrals to HMRC now include the details of all known associated businesses of new applicants to the approved contractor scheme. All businesses applying to become approved contractors are referred to HMRC to ensure that the company meets the financial probity requirements which is part of the scheme's 'fit and proper' criteria. This is in order to tackle the issue of 'phoenixing'.

Working with partners

To improve our effectiveness, we have carried out joint operations with partners to train licensing officers in SIA regulation and how to undertake licensing checks.

- We granted powers of inspection to some of our partners to help fulfil the functions of the SIA. We authorised 130 partners – mainly local authority licensing teams. These partnerships increase the level of scrutiny that security in the night time economy receives, supporting compliance and public protection.
- Prior to and during significant public events we have proactively worked with partners and the industry to ensure public protection through the use of

correctly licensed security. Examples of this include at Glastonbury; the Cricket World Cup; the Open Golf Championship at Royal Portrush, Northern Ireland; Ed Sheeran's 'Divide' performances in Ipswich; the 'Y Not' Festival in Derbyshire; and Belladrum Festival in Inverness.

Working with partners to reduce violence

There have been a small number of fatalities related to the security industry that have been the subject of a Coroner's Inquest. In response we have undertaken two campaigns:

- Safer Nights Out. This was aimed at those working in the night time economy. Our investigators visited pubs, bars, and clubs in towns and cities across the UK to meet premises managers, pub chains and door staff. Our focus was to promote safer restraint techniques to door supervisors, whilst encouraging them to report violence or abuse that's directed towards them.
- Safer Workplaces. This was aimed at workers in the daytime economy, and encouraged security operatives to report violence against them. It also targeted employers and venue managers, to remind them of their role in ensuring the safety and well-being of their security staff. Investigators visited 25 towns and cities across the UK.

Skills summit

We organised the inaugural private security skills summit, which was held in London in March 2020.

The summit provided a unique opportunity for the industry to have their say in how the future skills needs of the private security industry are met, and how the industry could address the skills agenda. More than 120 delegates participated in various workshops and discussed:

- What an industry skills board could look like.

- How to develop commonly-recognised learning and development structures, including continuous professional development (CPD), apprenticeships, and other learning frameworks.
- How defined career pathways for security professionals can help make the private security industry a career of choice.

Apprenticeships for the industry

We have worked with the industry to develop apprenticeship standards that will allow businesses to obtain government funding for an occupationally relevant scheme. We have done this by facilitating the work of a 'trailblazer' apprenticeship group, which is in the stages of developing the content for an industry apprenticeship. We are engaging with the Institute for Apprenticeships to ensure the development process will lead to a government-recognised and funded scheme.

ACS Events

This year we again ran events designed to support approved contractors. The events included the opportunity for businesses to support each other by sharing best practice. Relevant examples included those where approved contractors had worked closely with clients to provide a service that added value to the client's business.

We have also started to set up regional stakeholder groups, where approved contractors can meet more regularly to network and exchange ideas.

Stakeholder and external communications

We have continued to engage with our partners and people across the industry on issues and developments that matter to them. Our #safernightsout campaign in July, to address violence in the night time economy, was the largest and most successful SIA campaign in recent years. In November, our #saferworkplaces campaign to address violence against security staff generated similar levels of engagement. Over half a

million people saw our social media posts and there were over a thousand shares and retweets, with businesses taking the lead in sharing the campaign messages. Media coverage included the trade press, local press, and two live radio interviews with BBC local stations. Our #SIAHeroes campaign to showcase individuals who are making a difference continues to grow in strength and popularity.

The commitment of the industry to improving standards was demonstrated by more than 4,000 people taking part in our consultation on a proposed code of conduct. This will set out the standards of behaviour we expect members of the industry to adhere to.

We remain committed to being more accessible and visible to the industry. We have delivered a range of events across the UK, such as open days and workshops, in support of our

Skills for the Future initiative. Ian Todd seized the opportunity to get to know the industry through podcasts, webinars, regional visits, and speaking engagements across the country. Our National conference, which was held in November, attracted a record attendance and received positive feedback. As one attendee remarked, “it felt like a meeting of minds between the industry and the regulator.”

In response to Coronavirus (COVID-19) we provided timely information such as operational updates with regard to the definition of critical worker and the inclusion of regulated (licence holding) security professionals, essential to national infrastructure; delivered regular updates from the Chief Executive to the industry; and provided briefings on the changes in our processes to enable businesses to continue to operate while managing this crisis.

Strategic aim 3: To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives

Ref.	Performance Indicator	Target 2019/20 (18/19)	Average 2019/20 (18/19)
KPI 7	Average rate of staff turnover	≤20%	11.7% (19%)
KPI 8	Number of vacant posts as a percentage of headcount	≤10%	11.4% (20%)

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

The SIA has an engaged and well-supported workforce. The staff survey, conducted in autumn 2019, had a 69.4% response rate against a target of 65% (70% response rate in 2019), with an overall satisfaction rating of 82% (78.9% in 2018). We are looking at how we can maintain and even improve this figure.

These survey results are a reflection of a number of factors, such as the new offices and maintaining a high level of service to our licence holders and ACS companies. This was recognised by a recent, highly positive Customer Service Excellence Re-accreditation report. Our new Chief Executive has played an important role in communicating his ideas to staff and involving them in a “big picture” exercise to help shape the future corporate strategy.

We developed and implemented a two-year people strategy for 2018-2020, and are completing the preparations for the follow-on strategy to take us through to the mid-2020s.

During 2019/20, staff turnover reduced from 19% to 11.4%. A few staff left during early 2019 because of the new office location.

We recognise that to fill as many of our staff vacancies as possible, and to ensure we meet our operational demands, we need to offer

employment opportunities that are not based on a traditional ‘office hours’ employment model. We have continued to pilot a large number of flexible working initiatives, including having part-time roles outside of standard working hours and remote working.

We repeated the exercise of engaging with local universities in London and promoted opportunities for their students to work part-time, primarily in the evening, in our Customer Service team. We successfully recruited a number of people via this route. Two individuals from the pilot group have now gone on to win places on the Civil Service Fast Stream scheme.

We have successfully offered a number of attractive part-time work opportunities to staff who were returning to work and looking to achieve a realistic work-life balance. We are also trialling alternatives with school term-time only contracts.

Finally, we are expanding the pilot scheme that has involved a number of our core processing roles being carried out remotely, with minimum attendance at the office.

Strategic aim 4: To seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public

New licensing system supplier

We have a new supplier for our online licensing system which has improved the service to our customers. Enhancements have led to faster data processing times, improvements to system response times and better functionality for businesses.

Enhanced decision making

We continue to make regular use of additional licence conditions, and issue advice letters, where we have concerns about an operative's conduct. In response to CCTV footage containing evidence of misconduct, we require the licence holder to confirm that they have received and understood our guidance on physical intervention and safer restraint. We may also require them to re-take the Conflict Management and Physical Intervention training modules within a specified period.

Customer Service Excellence

We have maintained our Customer Service Excellence award accreditation. Every year, we are assessed against a number of Customer Service Excellence criteria. Every 3 years, the assessment is more in-depth. The outcome this year was extremely positive, with the SIA being considered an exemplar organisation and achieving 12 'compliance plus' ratings. This is an increase on the five we received 3 years ago.

Updating the website

We are continuing to develop our digital services and expect to migrate our corporate website to GOV.UK in 2020/21

Operations Improvement Plan

This year, we implemented an operations improvement plan as a result of staff contributions to our 'ideas' platform. We received 76 improvement ideas, 43 of which have now been approved and implemented

thereby adding further value to our improved customer service approach. For example, changing the wording of 'next step' messages has reduced the level of contact from applicants chasing their documents.

Quality monitoring

An independent survey was commissioned by us to measure customer satisfaction of the online licensing service. The survey, which took place from May to July of 2019, covered both employers and individual licence applicants. The aim of the survey was to evaluate the customer experience with a view to improving the service.

The results found that satisfaction levels with the application process have increased significantly for individuals to 86%, and also increased for employers to 79%. The same survey found that favourability towards the SIA by both individuals and businesses was also increased (88% and 73% respectively).

Licence fee reduction

We continue to seek improvements in the way we run the SIA and provide value for money for licence holders, approved contractors and the public.

In October 2019 the licence fee was reduced by £10 having been held at the same level for 7 years.


With HMT approval, from 1 April 2020, the licence fee will be reduced further to £190 using our cash reserves. This brings the fee to the level it was 16 years ago when licensing was introduced.

We will continue to work hard to improve our efficiency to enable us to hold the licence application fee at the lowest level possible.

Summary of achievements

STRATEGIC AIM 1

To protect the public by delivering excellent regulation

 **KPI Percentage of all correctly completed individual licence applications processed within 25 working days.**

SUMMARY During 2019/20, we granted 124,173 licence applications. We completed 91% of licensing decisions within 25 working days of receiving a correct and complete application, against a target of 80%.

SUMMARY During 2019/20 we undertook 57 inspection operations to identify and tackle non-compliance and non-conformance. These included checks of licensing compliance at over 600 sites and venues. We checked 2181 individuals undertaking licensable activity (against a target of at least 1600 checks), and found a compliance rate of 99.3%.

 **KPI No more than 20% of individual licence applications at checks in progress will be older than 6 months as at midnight on the last day of each month.**

SUMMARY We comfortably met this indicator, achieving 8% through a series of enhancements to our online licensing system and development of our reporting capabilities. We have improved the way that we communicate with applicants, speeded up requests for information, and enhanced the clarity of application information available to our staff.

STRATEGIC AIM 2

To maintain strong relationships with our partners and our stakeholders to improve the impact of our work

 **KPI N/A**

SUMMARY We continued our partnership arrangements with HMRC to tackle incidents of tax fraud in the private security industry. We undertook casework into 45 businesses, including 17 businesses applying to join the Approved Contractors Scheme. The work resulted in 19 companies moving a total of 212 operatives to PAYE.

We work with a wide range of partners across the UK on a range of issues. Examples include:

- We undertook 42 inspection operations with partners to ensure industry compliance with licensing requirements.
- We held two SIA Festival and Event Forums, in May and November 2019. These involved working with enforcement partners, event organisers, security providers, and training providers to ensure safe and compliant security at festivals and events.
- We have worked with the National Counter Terrorism Security Office (NaCTSO) to promote their new ACT counter-terrorism awareness e-learning product. This is designed for all UK businesses, and is particularly relevant to shopping centres, entertainment venues, and other crowded places.
- Working in Buxton with Derbyshire Constabulary and High Peak Borough Council, we organised a demonstration of three simulated mass-casualty incidents - a mass stabbing, an acid attack, and a demonstration of an evacuation. This initiative involved over 50 volunteers from the police service, the SIA, the private security industry, and Chesterfield's Inspirations Theatre Company.

 **STRATEGIC AIM 3**

To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives

 **KPI N/A**

SUMMARY The staff survey, conducted in autumn 2019, had a 69.4% response rate (against a target of 65%), with an overall satisfaction rating of 82%.

 **STRATEGIC AIM 4**

To seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public

 **KPI N/A**

SUMMARY We have maintained our Customer Service Excellence award accreditation. Every 3 years, the assessment is more in-depth. The outcome this year was extremely positive, with the SIA being considered an exemplar organisation and achieving 12 'compliance plus' ratings.

Quality monitoring

SUMMARY We commissioned an independent survey to measure customer satisfaction of the online licensing service. The satisfaction levels with the application process have increased significantly, up to 86% for individuals and up to 79% for employers. The same survey found that favourability towards the SIA by both individuals and businesses had also increased (to 88% and 73% respectively).

Environmental, social and community performance

Sustainability

We are committed to working to ensure that we take proper account of the impact of our activities on the environment. Performance in relation to greenhouse gas emissions, waste management, and finite resource consumption is set out in the following tables.

Table 1: Greenhouse Gas Emissions

	2019/20		2018/19	
	Consumption kWh	Cost £	Consumption kWh	Cost £
Direct Emissions	-	-	-	-
Indirect Emissions:				
Electricity: Non-renewable*	754,068	Not Available	480,331	Not Available
Gas*	20,701	Not Available	78,423	Not Available

Table 2: Official Business Travel

	2019/20		2018/19	
	Consumption CO2	Cost £	Consumption CO2	Cost £
Private Fleet Business Travel	79.21	134,058	71.44	144,677
Rail Business Travel	Not Available	135,839	Not Available	143,262
Other Business Travel	Not Available	105,924	Not Available	129,875
Total Business Travel	79.21	375,821	71.44	417,814

Table 3: Waste Minimisation and Management

	2019/20		2018/19	
	Consumption kgs	Cost £	Consumption kgs	Cost £
Hazardous Waste	-	-	-	-
Non-hazardous Waste:				
Landfill**	4,367	Not Available	3,347	Not Available
Recycled/Reused*	8,325	Not Available	6,234	Not Available
Incinerated	-	-	-	-

** This information is only available to the SIA since office move.

Table 4: Finite Resource Consumption

	2019/20		2018/19	
	Consumption m ³	Cost £	Consumption m ³	Cost £
Water Supply*	2,262	Not Available	1,181	Not Available

* based upon calculations supplied by the landlord in relation to the proportion of SIA usage against that of the whole building.

Recycling

The use of recycling bins continues to be well supported during 2019/20, with 66% of total wastage recycled in the year.

Charity assistance

Staff continue to support charities selected by staff members. The charity group has been active during the year, and has raised and distributed a total of £614.60 to worthy causes (2018/19 £740).

Several food days, sweepstakes, and raffles were held during the year to help raise money for the charity Plastic Ocean.

Procurement

We invite tenders for goods and services through 'Buying Solutions', which is provided by the Government Procurement Service.

Approved Contractor Scheme (ACS)

In seeking accreditation as approved contractors, companies must comply with a set of corporate and social responsibility standards, which are laid out in the accreditation guidance. In this way we actively promote corporate and social responsibility in the regulated sector.

Equality and diversity

We are an equal opportunities employer. We give full and fair consideration to all applications for employment. We welcome applications from everyone, regardless of race, sex, disability, sexual orientation, religion or belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity.

We pay regard to the particular aptitudes and abilities of disabled persons. We continue the employment of, and arrange appropriate training for, employees of the SIA who have become disabled persons during the period. We promote the training, career development, and promotion of disabled persons employed by the SIA.

For the period 2018/19 our median average pay gap was 12.1% which shows that the hourly pay across the entire organisation for all male employees was 12.1% higher than the average for all female employees. The statistics also show that the median gap in hourly pay at 12.1% was better than the national average for the UK (18.4%). The figures for 2019/20 will be published by March 2021 in line with the Public Body Equality Duty.

We are proud of the diverse nature of our organisation and we seek to further develop a culture that recognises the value of diversity.

FINANCIAL REVIEW

Overview

The operating deficit of £2.4m was £0.4m more than expected, and £5.7m below the prior year (a surplus of £3.3m). The deficit was expected as this was a low year in the SIA's three year operating cycle. Income received in March 2019 was lower than expected due to the pandemic.

The prescribed licence fee was reduced by £10 in October 2019 to £210 and therefore only applied to the second half of the financial year. A further reduction of £20 was implemented in April 2020 (see note 9, page 62).

The service provider for the SIA licensing system changed, and it was successfully moved to the cloud. However some delays to implementation resulted in milestone payments being incurred in this financial year. In addition there was a period of dual running with the previous and new supplier to ensure a smooth transition. This resulted in higher licensing costs compared to the previous year.

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

Table 5: Summary of financial results, 2017/18 to 2019/20

	2019/20	2018/19	2017/18
Application numbers*	130,937	149,731	143,894
	£'000	£'000	£'000
Licence fees	26,370	30,939	29,745
ACS	2,309	2,267	2,219
Other	107	119	109
Total self-generated income	28,786	33,325	32,073
Staff costs	14,008	12,325	11,692
Licensing costs	8,058	6,823	6,703
Amortisation and depreciation	2,101	2,904	2,162
Other expenditure	7,008	7,991	4,757
Total operating expenditure	31,175	30,043	25,314
Operating surplus/(deficit)	(2,389)	3,282	6,759

*Paid for application number differs from number of licences issued.

Funding considerations

Our operation is funded through licence fees from individuals and ACS subscriptions. We are required by HM Treasury to operate on a full cost recovery basis. Regarding the setting of fee levels, in accordance with government regulations (*Managing Public Money*, section 6.3), HM Treasury consent is required for all proposals to extend or vary charging schemes. ACS is a voluntary scheme by which companies seek to attain SIA approved contractor status. All licences (excluding vehicle immobilisation) have a three-year lifespan, with the licence application fee paid in full in the first year. Income follows a three-year cycle. In making a decision about fee levels, our Board has to take into account the following factors:

- The fluctuation of income against a largely fixed cost base over the three-year licence demand cycle.
- The requirement to provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.
- The requirement in *Managing Public Money* only to recover costs and avoid making a surplus.

How the licence fee was spent

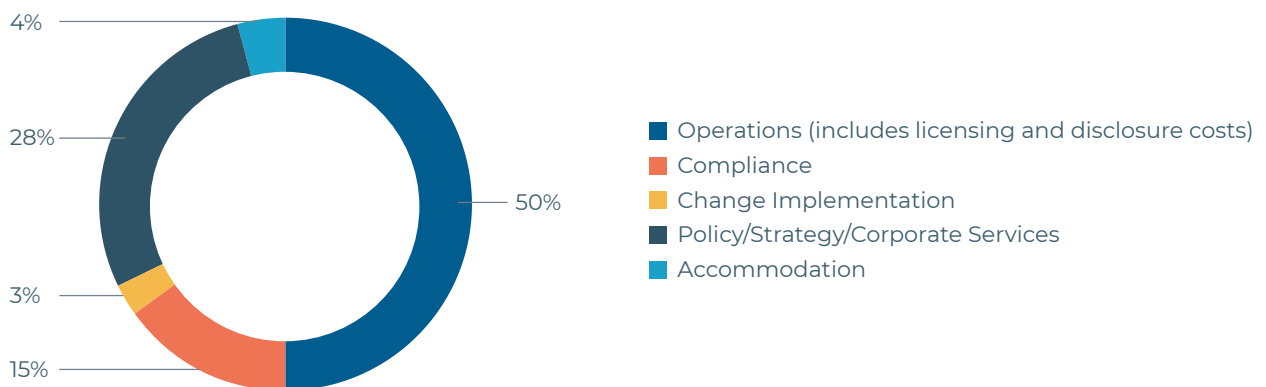
In 2019/20, the fee was reduced from £220 to £210 for a three-year licence (except for vehicle immobilising in Northern Ireland, which is a one-year licence). The fee had been set at this level since January 2012; if adjusted for inflation over this period using the Consumer Price Index, the licence fee would be £261 at March 2020.

A breakdown of the way the licence fee was spent in 2019/20 is set out in Figure 1.

Payment practice

We follow the principles of the Better Payment Practice Code, in accordance with HM Treasury guidelines. We aim to pay suppliers within ten days of the receipt of a valid invoice, provided that the relevant invoice is properly presented and is not subject to dispute.

Figure 1: How the licence fee was spent in 2019/20



THE ACCOUNTABILITY REPORT

Corporate governance report

Directors' report

Composition of the management Board

Directors during the year 1 April 2019 to 31 March 2020

Ian Todd	Chief Executive
Ed Bateman (to 31 December 2019)	Acting Director, Partnerships & Interventions
Michelle Russell (from 1 January 2020)	Director, Partnerships & Interventions
Stephen McCormick	Director, Operations & Standards
Dianne Tranmer	Director, Corporate Services

Authority Members (non Executive) during the year 1 April 2019 to 31 March 2020

Elizabeth France	Chair
Trevor Reaney	Chair of Audit and Risk Assurance Committee
David Horncastle	Deputy Chair (from January 2020) Member of Audit and Risk Assurance Committee Member of Human Resources and Remuneration Committee
Ian McKay	Chair of Human Resources and Remuneration Committee
Alex Wood (from February 2020)	Member of Audit and Risk Assurance Committee
Kate Bright (from February)	Member of Human Resources and Remuneration Committee
Geoffrey Zeidler (to December 2019)	Deputy Chair Member of Audit and Risk Assurance Committee Member of Human Resources and Remuneration Committee
Sir Ian Johnston (to February 2020)	Member of Human Resources and Remuneration Committee

Pension liabilities

Details of the pension schemes of which our staff are members can be found in note 1.7 (page 54).

Register of interests

A register of company directorships and significant interests held by Board members is maintained and refreshed throughout the year.

Significant interests *relevant to the SIA* are as follows:

Board member	Details
Geoffrey Zeidler*	Director of Kings Solutions Group Ltd; Kings Security Services Ltd and subsidiaries. Lead of the Police & Security Initiative on behalf of the British Security Industry Association (BSIA). Employed by GZC Ltd, an investment and advisory business. Member of the Security Institute. Honorary member of the BSIA. Advisory relationship with Prime Kings Ltd which also covers Cougar Monitoring Ltd and Defence Security Services Ltd.
Kate Bright	CEO of UMBRA International Group Ltd; Member of the Worshipful Company of Security Professionals (and subsequently, in May 2020, appointed a trustee) Member of the Security Institute, as well as a Companion of the Institute of Leadership & Management
Alec Wood	Former Chief Constable of Cambridgeshire Constabulary Ministry of Defence Police Committee - police adviser for England and Wales (from May 2020)
David Horncastle	Non-Executive Director at the National Crime Agency (from July 2019)
Ian Todd	Member, Professional Standards Committee, Chartered Institute of Management Accountants (CIMA) (from June 2019) Volunteer with the Emergency Ambulance Crew (COVID-19), London Ambulance Service NHS Trust (from April 2020)
Michelle Russell	Former Director at the Charity Commission for England and Wales Former voluntary appointments on the North East London Advisory Committee recruiting magistrates Ownership of a property on an estate which contracts security personnel

*Authority members are required to discuss with the SIA Chair any existing or prospective outside roles, which may on occasion present a conflict of interest. In February 2020 we appointed Alex Wood and Kate Bright as Authority Members. Kate Bright is the new industry representative. Until December 2019 Geoffrey Zeidler had been the industry representative (his interests had been previously declared). As an Authority Member Kate Bright is not involved in executive actions and does not have access to SIA information about individual security businesses. The onus is on her and all Board Members to declare relevant interests in dealing with SIA business and absent themselves from discussions in which they may be conflicted. The SIA Chair is aware of all declared outside interests and, as such, is satisfied that this takes place.

Statement of Accounting Officer's responsibilities for the SIA

Under the Private Security Industry Act 2001, the Secretary of State for the Home Office has directed the Security Industry Authority to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of our affairs and of our net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Permanent Secretary for the Home Office has designated me as Accounting Officer for the SIA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public

finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the SIA's assets, are set out in *Managing Public Money* published by HM Treasury. Details may be accessed online at www.hm-treasury.gov.uk.

Statement regarding disclosure of information to the auditors

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

I can confirm that, as far as I am aware, there is no relevant audit information of which the SIA's auditors are unaware.

I can confirm that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the SIA's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced, and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



Ian Todd

Chief Executive and Accounting Officer
Security Industry Authority

GOVERNANCE STATEMENT

As the Chief Executive and Accounting Officer of the Security Industry Authority (SIA), I have personal responsibility for maintaining a sound system of governance, internal control, and risk management to support the SIA's statutory functions and the achievement of the Home Office's policies, aims and objectives, whilst safeguarding public funds and SIA and departmental assets.

The system of governance, internal control, and risk management is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims, and objectives; it can therefore only provide high and not absolute assurance of effectiveness.

The SIA complies with the main principles for risk management in government, as described in 'The Orange Book – Management of Risk – Principles and Concepts' 2020.

Other than the data breaches mentioned in the relevant section of this report, I confirm that I am not aware of any issues occurring that have required additional funding, material loss or overspend, or have resulted in any significant loss.

I confirm that I have reviewed the governance, internal control, and risk management arrangements in operation within my area of responsibility and am able to provide the following assurances.

SIA Authority – the Board

The SIA is a non-departmental public body, created by the Private Security Industry Act 2001, which gives the 'Authority' responsibility for implementing the regulation of the private security industry. The statute passed by Parliament created the Authority, which is not the SIA but a group of appointed people who interpret the Act, set out strategy, and oversee its implementation.

The Authority appoints a Chief Executive and staff to undertake all the work needed to bring the Act into being. The Authority comprises five non-executive directors and the Chair.

The Authority complies with the HM Treasury Corporate Governance Code.

The Board and its sub-committees oversee the work of the SIA and provide scrutiny and assurance against controls, to ensure that corporate aims and objectives are met.

Figure 2: Provides an illustration of the high-level governance arrangements



Board effectiveness

The Authority completed an annual assessment of effectiveness in November 2019 against the following roles: independence, performance, relationships with stakeholders, integrity, delivery chain and project management, risk management, and auditing. This format aligns with that recommended by the National Audit Office and which is provided as a model for Public Sector bodies.

This is the fifth year in which we have completed a self-assessment questionnaire to assist us in looking at our performance as Members and to look at elements of the operational environment which might have affected that performance. We have again used a tailored version of an audit questionnaire produced by Mazars on behalf of the National Audit Office. This is provided as a model for Public Sector bodies.

The responses were used as the basis for discussion and the development of a collective view.

The questionnaire covered eight key areas.

These were:

1. Objectives, strategy and remit.
2. Performance measurement.
3. Relationship with key stakeholders.
4. Propriety, fraud and other leakage.
5. Delivery chain and project management.
6. Risk management.
7. Sub-committees, internal audit and corporate reporting.
8. The Authority.

Members considered that it had been another good year for the Authority within the context of a good year for the SIA as a whole. We noted, in particular the successful recruitment of our new Chief Executive who has approached

the development of the new corporate plan with energy and focus. As with last year, the challenge is now implementation.

For the year ahead members identified the need to improve effectiveness further by:

- Developing more challenging measures and consider what more we could do to ensure a clearer relationship between investment/cost and performance outcomes.
- Building on our understanding of the industry which is diverse complex and fragmented.
- Achieving reliable demand forecasts. We are confident that best efforts are being made to secure reliable information.
- Improve the gender/ethnicity balance of the Authority. We have begun to address this with the recruitment of two new Members and will explore the opportunity to develop a 'Board apprentice' scheme.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee reports to the Authority.

The committee's main functions are to support the development and maintenance of the SIA's Human Resources policies and frameworks, to oversee the development of pay and remuneration policies, to make recommendations on the pay and performance of the Chief Executive and Directors, overall strategies for pay and reward, and prepare an annual report on relevant matters. This Committee comprises a minimum of three non-executive members of the Authority.

Matters of Health and Safety are overseen by the Health and Safety Executive Group which reports to this Committee.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee (ARAC) reports to the Authority.

The committee's main functions are to consider and agree the internal and external audit plans, review and monitor progress on actions arising from audit reports, to support the Accounting Officer in respect of his responsibilities for risk and financial propriety, and to consider the annual report

and accounts and make recommendations to the Authority. This Committee is comprised of three non-executive members of the Authority.

Matters relating to Integrity and Fraud are overseen by the Integrity Lead who reports to this Committee.

Matters relating to Information Management (including security of our data and information assets) are overseen by the Knowledge and Information Assurance Group, chaired by the Senior Information Risk Owner which reports in this Committee.

Attendance

Name of Board member	SIA Board	Audit and Risk Assurance Committee	Human Resources and Remuneration Committee
Elizabeth France	8/8	N/A	N/A
Geoff Zeidler*	7/8	3/4	2/3
David Horncastle	8/8	4/4	N/A
Sir Ian Johnston*	7/8	N/A	3/3
Ian MacKay	8/8	3/4	1/1
Trevor Reaney	8/8	2/2	3/3
Kate Bright*	2/2	N/A	1/1N/A
Alec Wood*	2/2	N/A	1/1N/A

*1. Authority member terms ended December 2019.

*2. Authority member terms ended February 2020.

*3. Authority members' terms started February 2020.

Management assurances for all committees include:

- Performance and financial reporting
- Risk reporting
- Committee reports to SIA Board
- Change Portfolio reports to SIA Board
- Self- assessment of effectiveness reporting

Risk management

Our approach to risk management is aligned with the 'Management of risk in government framework' and the Home Office risk management policy.

Risks are identified with appropriate assessments of threats. Risk are proactively managed in line with an established risk framework.

The framework describes:




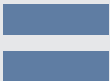
- who is responsible for the management of risks and at what level
- where our risks are captured
- where our risks are assured
- routes for escalation and overall governance




Management assurances include:

- Monthly risk reporting to SIA Board
- Quarterly risk assurance reporting to the Audit and Risk Assurance Committee
- Business Continuity Plans

Detail of the SIA's top level risks during 2019-20, and the steps we are taking currently to manage them are included at Figure 2.

Principal Risks and key mitigating factors 2019/20

Principal risks	What are we doing about them?	Trend
There is a risk that the controls put in place to mitigate threats to the SIA's information are not effective.	<ul style="list-style-type: none"> • Full reporting structure is in place to provide assurance that monitoring, compliance and policies are effective. • Accreditation process and associated controls reviewed with our external accreditor on a quarterly basis and when any changes occur within our structure. • Training on information security provided to all staff. • The SIA has the ability to manage operational, security or technical incidents and events. • The SIA has in place policies and processes that ensure the physical security of its offices. 	
There is a risk to our Legislative Remit. The Private Security Industry Act 2001 did not foresee a number of technological innovations or developments regarding the use/provision of private security by other third party organisations.	<ul style="list-style-type: none"> • Policy team develops solutions to issues that arise. We work closely with Home Office colleagues and other government departments as required when issues arise and to anticipate others. 	
Sports exemption – public safety risk caused by gaps in regulatory oversight.	<ul style="list-style-type: none"> • We have escalated this risk to Department. • Joint workshop with Home Office, DCMS, SGSA and SIA to review options to mitigate risk is to be planned. 	
Brexit – end to RTW for EU license holders.	<ul style="list-style-type: none"> • We maintain an open dialogue with Home Office officials in the Sponsor Unit and Policy, to ensure that the SIA is aware of any latest 'Exiting the EU' developments affecting the private security industry. To agree with the Home Office what may be communicated on to the regulated sector. 	

Principal risks	What are we doing about them?	Trend
There is a risk that due to the ongoing pandemic, the SIA will not be able carry out its core functions and effectively regulate the Security Industry.	<ul style="list-style-type: none"> We have a range of robust and recently re-tested business continuity controls in place which are maintaining almost full delivery of our responsibilities. We have re-configured some of our delivery process to support a return to normal running. We are now operating under a new normal and plan to develop opportunities as they arise. 	
We may not have sufficient resource to support the operational impact of a new code of conduct.	<ul style="list-style-type: none"> Consideration is being given to the approach needed to ensure an accurate operational assessment. 	
The availability of Door Supervisor Training Courses may not meet the required demand for new licensed operatives once licensed premises are reopened.	<ul style="list-style-type: none"> We are working with Awarding Bodies and training providers to mitigate this risk. 	

Disaster and contingency planning

In November 2019 we undertook an exercise to verify the contents of Business Continuity, Crisis Management and Crisis Communications Plans, identifying gaps and in doing so ensuring the plan is fit for purpose.

Fraud

We have internal controls in place to mitigate risk in relation to fraud, corruption, and wrongdoing. An Integrity Lead oversees governance, investigation, and reporting of any allegations or reported incidents. There were no reported instances of fraud in the year 2019-20.

Compliance checks

We have an internal risk-focussed second line compliance capability. This year it has concentrated on compliance checks relating

to risk with an impact on our people, such as completion of mandatory training modules, reading of mandatory policies, and completion of staff induction activities. The results from these compliance checks are reported to the relevant governance forum for discussion.

Financial management – Resource allocation, budget and asset management

We have a comprehensive budget and business plan in place that is reviewed and agreed by the Board. Monthly meetings are held with budget holders to discuss any material variances and key trends, with corrective action taken as appropriate.

A comprehensive finance report is produced on a quarterly basis along with monthly updates at the remaining Board meetings. In addition a compliance pack, which looks at key balance sheet accounts and transactions, is prepared monthly and reviewed by the Deputy Director of Finance.

A review of the individual licence fee is carried out on an annual basis. This led to the reduction of the fee in October 2019 and the further reduction in April 2020.

Programme and project management

The Portfolio Steering Group (via business planning) sets a new change portfolio every year.

Projects in the portfolio this year are:

- Instant Access Licence Checking
- Security Industry skills and qualifications review
- New Website
- Data Integration
- Microsoft Office 365
- Police National Database access
- Licence fee reduction
- STeP Transition

Assurance is provided through three tiers of oversight. The first is regular discussion between the PMO and individual project managers.

Secondly, projects follow the gated approval process, ensuring the right decisions are made at the right time by a group independent of the project.

Finally, the programme management office undertakes project audits and reviews as required.

People management – workforce planning and development

The senior management team (SMT) review each team's business and staffing plans every spring in preparing the budget for the coming

year. This includes a final sign-off by finance and executive directors. Each January the SIA prepares a Recruitment Envelope Dispensation Bid for approval by the Home Office CCL Board.

All staff are security cleared by the Home Office DSU (at DV, SC or CTC level) or by a third party contractor (at baseline level) before starting their employment. All new starters receive a thorough induction.

The HR team have developed and run workshops for managers to promulgate the revised Sickness and Health Management Policy, and work has started to establish a full programme of mental health awareness and support for our employees.

Incidents reported to the Information Commissioner's Office (ICO)

In July 2019, the SIA were alerted to two breaches, both caused by a third party; a licensee's employer and a courier company. The breaches were investigated and then reported to the Information Commissioner's Office (ICO) in line with agreed process. In both cases the ICO chose to take no further action.

In August 2019 there was a significant information data breach incident, in which evidence provided by the Procurator Fiscal to the SIA was disclosed to the licence holder in error.

Some initial actions were identified, including further training for members of staff involved in such processes and a review of our guidelines. We conducted a full formal investigation into the processes surrounding this work stream.

The Information Commissioners Office subsequently confirmed they have closed the incident and that no further action will be taken.

Information management

We have completed the migration of our online licensing services (STeP) to the cloud, utilising Microsoft Azure hosting services.

We are developing a revised strategy and delivery roadmap to modernise the technology and services used to deliver our online licensing services and wider IT services.

We have access to the National Crime Agency Joint Asset recovery Database (JARD) and to the Police National database (PND).

Internal audit

The internal audit service, provided by the GIAA, operating to the standards set out in Public Sector Internal Audit Standards, draws up its annual audit plans based on an analysis of the risk to which we are exposed and discussions with senior management. The plans are endorsed by the Audit and Risk Assurance Committee. Internal audit issues opinions and assurance ratings for completed audits.

4 audits were commissioned and completed during the year with the following assurance ratings. The overall opinion of GIAA was moderate, meaning that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Audit subject	Assurance rating
Consistency of enforcement activity	Moderate
Operational intelligence handling	Moderate
Re-procurement of the STeP licensing system	Substantial
Payroll	Substantial

Overall assessment

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the SIA's management team who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

In my opinion, the overall governance and internal control structures have been appropriate for SIA's business and have worked satisfactorily throughout 2019-20.

Ian Todd
Chief Executive and Accounting Officer
Security Industry Authority

REMUNERATION AND STAFF REPORT

Executive

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

Remuneration

The role of the Human Resources and Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chair on the pay of the Chief Executive. The Committee meets at least three times a year. The Human Resources and Remuneration Committee comprised three independent non-executive board members; Sir Ian Johnston (to February 2020), Geoff Zeidler (to December 2019) Trevor Reaney

(to December 2019), Ian McKay (from January 2020), David Horncastle (from January 2020) and Kate Bright (from February 2020). The Chief Executive and Executive Director of Corporate Services attend the meeting as executives.

Salary payments to directors

(Audited information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the financial year 2019/20 was £140k – £145k (2018/19: £135k – £140k). This was 4.2 times (2018/19, 4.2 times) the median remuneration of the workforce, which was £33,998 (2018/19, £32,775). No employees were paid more than the highest paid director.

Remuneration ranged from £20k – £25k to £140k – £145k (2018/19, £20k – £25k to £135 – £140k).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	Salary (£'000)		Performance payment (£,000)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Ian Todd Chief Executive	140-145	10-15 (FTE 135-140)	0-5	-	76,000	4,000	216-226	14-19
Stephen McCormick Director of Operations	100-105	95-100	0-5	-	36,000	34,000	136-146	129-134
Dianne Tranmer Director of Corporate Services	100-105	95-100	0-5	0-5	42,000	39,000	142-152	134-144
Michelle Russell Director of Partnerships & Interventions from 1 January 2020	20-25 (FTE 95- 100)	-	0-5	-	20,000	-	40-45	-
Ed Bateman Acting Director of Partnerships & Interventions from 5 November 2018 to 31 December 2019*	70-75 (FTE 95- 100)	40-45 (FTE 95- 100)	0-5	-	29,000	15,000	99-109	55-60
Band of highest paid Director's total remuneration	140-145	140-145		-				

*Ed Bateman was a Deputy Director in the period from 1 January 2020

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Salary

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 they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

Benefits in kind

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

Board Members are reimbursed for travel and accommodation costs associated with attendance at meetings and other duties in their role. Where such costs include travel from home to the SIA's office they are taxable as a benefit in kind. There were no benefits in kind for the executive directors; however, 'home to

office' expenses reimbursed to non-executive directors constituted a benefit in kind of £11,200 for the year ending 31 March 2020.

Performance payments

Performance payments are based on performance levels attained and are made as a result of the performance appraisal process. They relate to the performance in the year in which they become payable to the individual. The payments reported in 2019/20 relate to performance in 2018/19 and the comparative payments reported for 2018/19 relate to the performance in 2017/18.

The Non Executive Board

(Audited information)

The remuneration of the Board in the period ending 31 March 2020 is shown in the table below.

	Salary (£'000)		Benefits in kind* (to nearest £100)	
	2019/20 £'000	2018/19 £'000	2019/20 £	2018/19 £
Elizabeth France (Chair)	50 - 55	50 - 55	10,100	900
Sir William Ian Johnston to 4 February 2020	5 - 10 (FTE 5 - 10)	5 - 10	-	
Ian McKay	5 - 10	10 - 15		
Geoffrey Zeidler to 15 December 2019	5 - 10 (FTE 5 - 10)	5 - 10	600	
David Horncastle	5 - 10	5 - 10		
Trevor Reaney	5 - 10	0 - 5 (FTE 5 - 10)		
Katherine Bright from 3 February 2020	0 - 5 (FTE 5 - 10)	-		
Alexander Wood from 3 February 2020	0 - 5 (FTE 5 - 10)	-	500	

*The 2019/20 and 2018/19 benefits in kind figures relate to all travel and subsistence incurred on journeys to London.

Pension benefits

(Audited information)

	Accrued pension at 31/3/20 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/20	CETV at 31/3/19	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Ian Todd Chief Executive	60-65	2.5-5	753	676	10	39	-
Stephen McCormick Director of Operations	30-35	0-2.5	656	587	7	37	-
Dianne Tranmer Director of Corporate Services	30-35	0-2.5	499	450	7	23	-
Michelle Russell Director of Partnerships & Interventions	25-30	0-2.5	399	373	2	13	-
Ed Bateman Acting Director of Partnerships & Interventions	10-15	0-2.5	172	145	5	21	-

The non-executive directors do not receive pension benefits from the SIA.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. 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 their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying

additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is 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.

Ian Todd
Chief Executive and Accounting Officer

Staff report

(Audited information)

Staff costs comprise:

	2019/20			2018/19		
	Permanent staff	Other staff	Total	Permanent staff	Other staff	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	9,944	793	10,737	9,201	487	9,688
Social security costs	999	7	1,006	943	7	950
Other pension costs	2,250	-	2,250	1,677	-	1,677
Redundancy costs	-	15	15	-	10	10
Total costs	13,193	815	14,008	11,821	504	12,325

Consultancy costs

Expenditure on consultancy in 2019/20 was £724,912(2018/19: £728,000). External consultants were commissioned in year to provide expertise on the transition of the licensing system and other projects.

Trade union facility time

One employee, who was a relevant trade union official during 2019/20, spent 67.82 hours of facility time at a total cost of £1,513 representing 0.0108% of the total pay bill.

Number of employees who were relevant union officials during 2019/20	Full-time equivalent employee number (2019/20)	Number of employees who were relevant union officials during 2018/19	Full-time equivalent employee number (2018/19)
1	1	2	2

Percentage of time spent on facility time	Number of employees 2019/20	Number of employees 2018/19
0%	-	-
1-50%	1	2
51-99%	-	-
100%	-	-

	2019/20	2018/19
Total cost of facility time	£1,513.39	£316.55
Total pay bill	£14,008,884	12,325,313
% of pay bill spent on facility time	0.0108%	0.003%

Pension

Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme but we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservice-pensions.gov.uk. The PCSPS is now closed to new members.

Civil Servants and Other Pension Scheme

The Civil Servants and Others Pension Scheme, known as alpha, is a new unfunded, defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The alpha scheme started on 1 April 2015. Many PCSPS members transferred into alpha on that date, while others will transfer into it over the next few years. Those members who were less than ten years from retirement on 1 April 2012 are not required to move to alpha.

Further information on the PCSPS is included within the remuneration report.

Actual number of persons employed

(Audited information)

The actual number of whole-time equivalent persons employed (excluding the Non-Executive Board) during the period was as follows.

	2019/20			2018/19		
	Permanent	Other	Total	Permanent	Other	Total
Directly employed	254	-	254	237	-	237

Staff composition (head count) at 31 March 2020

(Audited information)

	2019/20			2018/19		
	Female	Male	Total	Female	Male	Total
Other employees	134	136	270	104	129	233
Senior Civil Servant or equivalent	2	2	4	1	3	4
Board	2	4	6	1	5	6
Total	138	142	280	106	137	243

Off-Payroll Engagements

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2020	2
Of which...	
No. that have existed for less than one year at time of reporting.	
No. that have existed for between one and two years at time of reporting.	2
No. that have existed for between two and three years at time of reporting.	
No. that have existed for between three and four years at time of reporting.	
No. that have existed for four or more years at time of reporting.	

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	2
Of which...	
No. assessed as caught by IR35	
No. assessed as not caught by IR35	2
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	
No. of engagements reassessed for consistency / assurance purposes during the year	
No. of engagements that saw a change to IR35 status following the consistency review	

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. (2)	0

Reporting of Civil Service and other compensation schemes – exit packages

(Audited information)

Exit package cost band	2019/20			2018/19		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000-£25,000	1	-	1	1	-	1
£25,000-£50,000	-	-	-	-	-	-
£50,000-£100,000	-	-	-	-	-	-
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	1	-	1	-	-	-
Total resource cost (£)	£15K		£15K	£10K		£10K

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. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirements costs are met by the pension scheme and are not included in this table.

Payment to auditors

The audit fee for 2019/20 payable to the National Audit Office has been set at £40K (2018/19: £40K). No other payments were made to the National Audit Office for non-audit services during the year.

Staff sickness and absence

During the 2019/20 financial year, an average of 7.1 days per employee was lost due to sickness absence which is below the SIA's target for the year of a maximum of eight days sickness absence per employee. This is an increase of 0.1 day per employee compared to the 2018-19 financial year when it was seven days per employee.

While our management of sickness absence has led to consistency year on year in the overall number of days lost, we are continuing to work with our occupational health provider to support those on sick leave and with health conditions.

Parliamentary accountability disclosures

(Audited information)

Losses and special payments

There have been no losses or special payments in the year (2018/19: nil).

Fees and charges 2019/20

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing	26,370	(28,286)	(1,916)	93	100
ACS	2,309	(2,703)	(394)	85	100
Total	28,679	(30,989)	(2,310)		

Fees and charges 2018/19

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing income	30,939	(27,348)	3,591	113	100
ACS income	2,267	(2,504)	(237)	91	100
Total	33,206	(29,852)	3,354		

Notes:

Licensing income is derived from the application fee for an individual SIA licence. Individuals working in specific sectors of the private security industry are required by law to hold an SIA licence.

The SIA individual licence lasts for three years and therefore the SIA operates with a three year cycle. This was the third year in the cycle where volumes are typically lower. This resulted in a lower fee recovery than achieved in the previous year. The individual SIA licence fee was reduced from £220 to £210 in October 2019.

To ensure that we do not hold unnecessary reserves (see Note 9, page 62), a further reduction was applied to the individual licence fee. From 1st April 2020, the SIA individual licences for all sectors reduced from £210 to £190. The reduction applies to both new applicants and those renewing existing licences. The reduction of £20 to the SIA individual licence fee agreed with HM Treasury is in order to benefit the industry and is being funded by accumulated reserves.

This fee rebate scheme will run for a maximum of two licensing cycles (6 years). The SIA individual licence fee will continue to be reviewed on an annual basis. A full review of the fee rebate scheme will be conducted at the end of the first cycle. We will seek to implement efficiencies during this time in order to maintain the fee level beyond this period.

ACS income is the registration and application fees for companies joining the voluntary scheme for providers of security services. Companies which satisfactorily meet the agreed standards may be registered as approved and advertise themselves as such.

Remote contingent liabilities

We had no remote contingent liabilities as at 31 March 2020 (2018/19: nil).

Ian Todd
Chief Executive and Accounting Officer
Security Industry Authority

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

Opinion on financial statements

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2020 under the Private Security Industry Act 2001. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Security Industry Authority's affairs as at 31 March 2020 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Act 2001 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Security Industry Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Security Industry Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Security Industry Authority have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Security

Industry Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Security Industry Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Security Industry Authority use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Security Industry Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Security Industry Authority to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Private Security Industry Act 2001;

- in the light of the knowledge and understanding of the Security Industry Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date: 17 July 2020**
Comptroller and Auditor General

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

THE FINANCIAL STATEMENTS

Statement of comprehensive net income for the year ended 31 March 2020

		2019/20	2018/19
	Note	£'000	£'000
Income			
Income from activities	4	28,679	33,206
Other income			
Other income from activities	4	64	16
Court costs recovered	4	43	103
Total operating income		28,786	33,325
Expenditure			
Staff costs	2	(14,008)	(12,325)
Depreciation	5	(141)	(180)
Amortisation	6	(1,960)	(2,724)
Other expenditure	3	(15,066)	(14,814)
Total operating expenditure		(31,175)	(30,043)
Net income before tax and interest		(2,389)	3,282
Interest receivable	4	98	89
Corporation tax		(19)	(17)
Net income after tax and interest		(2,310)	3,354
Other comprehensive net expenditure			
Net gain on revaluation of intangible assets		42	8
Net income after tax and interest		(2,268)	3,362

The notes on pages 53 to 65 form part of these accounts.

There are no other comprehensive income items. All income and expenditure relates to continuing operations.

Statement of financial position as at 31 March 2020

	Note	2019/20		2018/19	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	5	486		474	
Intangible assets	6	2,647		4,467	
Total non-current assets			3,133		4,941
Current assets					
Trade and other receivables	8	312		300	
Cash and cash equivalents	9	25,643		26,252	
Total current assets			25,955		26,552
Total assets			29,088		31,493
Current liabilities					
Trade and other payables	10	(3,256)		(3,393)	
Provisions	11	(839)		(839)	
Total current liabilities			(4,095)		(4,232)
Total assets less current liabilities			24,993		27,261
Total assets less total liabilities			24,993		27,261
Taxpayers' equity					
Revaluation Reserve			200		158
General reserve			24,793		27,103
Total equity			24,993		27,261

The notes on pages 53 to 65 form part of these accounts.

Ian Todd
Chief Executive and Accounting Officer

Statement of cash flows for the year ended 31 March 2020

		2019/20	2018/19
	Note	£'000	£'000
Cash flows from operating activities			
Net operating surplus for the year		(2,389)	3,282
Adjustments for non-cash transactions			
Amortisation	6	1,960	2,724
Depreciation	5	141	180
Increase in provisions	11	–	461
(Decrease) in provisions	11	–	–
Changes in working capital			
Increase in trade and other receivables	8	(12)	1,142
(Decrease) in trade and other payables	10	(137)	13
Corporation tax paid		(19)	(17)
Net cash inflow from operating activities		(456)	7,785
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(164)	(180)
Purchase of intangible assets	6	(98)	(659)
Loss on disposal of non-current assets		11	
Interest received		98	89
Net cash outflow from investing activities		(153)	(750)
Cash flows from financing activities			
Capital grant		–	–
Net cash inflow from financing activities		–	–
Net increase in cash and cash equivalents in the period		(609)	7,035
Cash and cash equivalents at the beginning of the year	9	<u>26,252</u>	<u>19,217</u>
Cash and cash equivalents at the end of the year	9	<u>25,643</u>	<u>26,252</u>

The notes on pages 53 to 65 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	Revaluation Reserve	General Reserve	Taxpayers' Equity
	£'000	£'000	£'000
Balance at 31 March 2018	150	23,749	23,899
Changes in taxpayers' equity 2018-19			
Comprehensive income for the year	–	3,354	3,354
Net gain on revaluation of STeP	8	–	8
Balance at 31 March 2019	158	27,103	27,261
Changes in Taxpayers' Equity 2019-20			
Comprehensive income for the year	–	(2,310)	(2,310)
Net gain on revaluation of STeP	42	–	42
Balance at 31 March 2020	200	24,793	24,993

The notes on pages 53 to 65 form part of these accounts.

Notes to the Financial Statements

1. Accounting policies, key accounting estimates and judgements

1.1 Statement of Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies adopted by the SIA are described below. 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 SIA for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the financial statements.

1.2. Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets. The accounts have been prepared under the direction issued by the Secretary of State under the Private Security Industry Act 2001.

1.3. Significant estimates and judgements.

In prior years, due to the basis of the contract with British Telecommunications PLC, some judgement was taken on the valuation of the STeP asset, based on milestone payments, information from BT and the programme team.

1.4. International Financial Reporting Standards (IFRS) and other changes that have been issued not yet effective

IFRS 16 Leases

The International Accounting Standards Board (IASB) has issued the final version of IFRS 16 which replaces IAS 17 for annual periods beginning on or after 1 January 2019. The FReM has deferred implementation of IFRS 16 until 1 April 2021, and therefore this standard does not affect the 2019-20 financial statements.

The full impact of the introduction of this standard will require assets and liabilities to be increased by the same amount, as operating leases will be treated in the same way as finance leases. The SIA is undertaking a programme of work to assess the impact of the introduction of IFRS 16 on the Statement of Financial Position. Preliminary analysis has indicated that there will be a material impact; the results of this piece of work should be published in the 2020-21 SIA annual report and accounts. IFRS 16 will be adopted by the SIA for the first time in 2021-22 with 2020-21 forming a comparative year.

1.5. Going Concern

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

1.6. Financing

SIA covers its expenditure by charging fees for licensing and ACS registration.

Accounting policies for expenditure

1.7. Pensions

- a) Principal Civil Service Pension Scheme (PCSPS):

The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

- b) Civil Servants and Others Pension Scheme (CSOPS):

CSOPS known as Alpha is a new unfunded, defined benefit scheme which started on 1 April 2015. The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS.

1.8. Leases

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

1.9. Value Added Tax on purchases

The SIA is not registered for VAT for its statutory functions but is registered for VAT in respect of certain ancillary activities. The amounts involved are not material.

1.10. Corporation Tax

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

Accounting policies for income

1.11. Licence Fee Income

Income is recognised at the point when payment is made for an application. At this point, the fee paid becomes non-refundable as the SIA is committed to paying third party providers for processing the application.

An individual who has more than one application accepted is entitled to a discount of 50% on subsequent accepted applications (but not renewals). This discount is included in licensing income.

1.12. Approved Contractor Scheme (ACS) Income

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

Application fee income is recognised at the point when the payment is made for an application and is non-refundable.

Annual registration income is charged to the Statement of Comprehensive Net Income on a straight line basis over the period covered by the by the registration.

Accounting policies for assets and liabilities

1.13. Property, Plant and Equipment

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year. Non-current assets are held at cost less accumulated depreciation.

There was no revaluation of Property, Plant and Equipment assets for 2019-20 because it is deemed immaterial and the depreciated historic cost basis is considered as a proxy for fair value for assets that have short useful lives.

1.14. Intangible Assets

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year.

STeP is reviewed annually for impairment and is revalued on the basis of depreciated replacement cost using published indices.

Any revaluation surplus is credited to the Revaluation Reserve.

1.15. Depreciation and Amortisation

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

Leasehold improvements	Fully depreciated in June 2018
Furniture	five years
IT Hardware	three to five years
Software Licences	three years
Approved Contractor Scheme (ACS)	ACS (fully amortised at February 2010)
STeP system	five years

1.16. Contract Liabilities

The SIA will defer ACS income where:-

Annual registration fees have been received prior to the awarding of approved status.

The annual registration fee covers a period extending over the financial year end.

1.17. Provision for Bad Debt

The SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding and a provision is made for debt which has been outstanding for more than 12 months.

1.18. Provisions

In accordance with IAS 37, provisions are disclosed in the Statement of Financial Position for legal and constructive obligations in existence at the end of the reporting period if the payment amount to settle the obligation is probable and can be reliably estimated. The amount recognised in provisions takes into account the resources required to cover future payment obligations. Measurement is based on the settlement amount with the highest probability.

2. Staff costs

	2019/20			2018/19		
	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	9,944	793	10,737	9,201	487	9,688
Social security costs	999	7	1,006	943	7	950
Other pension costs	2,250	–	2,250	1,677	–	1,677
Redundancy costs	–	15	15	–	10	10
Total staff Costs	13,193	815	14,008	11,821	504	12,325

Further staff disclosures can be found in the Staff Report section of the Annual Report.

3. Other expenditure

		2019/20	2018/19
	Note	£'000	£'000
Running costs			
Licensing costs		8,058	6,823
Accommodation costs		1,270	1,518
Travel and subsistence		533	547
Information Technology		2,397	2,724
Office supplies and services		589	583
Legal costs		188	170
Training		375	308
Advertising and publicity		204	238
Recruitment		240	262
Audit fee – internal		–	27
Audit fee – external		40	40
Catering		24	1
Financial costs		6	3
Consultancy		725	728
Home Office recharge		334	305
Non Cash Items			
Increase in provision for bad debts	8	33	(218)
Increase in provision for dilapidations	11	–	461
Bad and doubtful debts		39	294
Loss on disposal of Non-Current Assets		11	–
Total other expenditure		15,066	14,814

External audit fees for 2019/20 do not include any non-audit work undertaken by the NAO (2018-19 Nil).

4. Income

	2019/20	2018/19
	£'000	£'000
Operating Income		
Licensing	26,370	30,939
Approved Contractors Scheme (ACS)	2,309	2,267
Income from activities	<u>28,679</u>	<u>33,206</u>
Other income		
Other income from activities	64	16
Court costs recovered	43	103
Total operating income	<u>28,786</u>	<u>33,325</u>
Interest receivable on bank deposits	<u>98</u>	<u>89</u>

5. Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2019	–	–	791	791
Additions	–	–	164	164
Disposals	–	–	(94)	(94)
At 31 March 2020	–	–	861	861
Depreciation				
At 1 April 2019	–	–	317	317
Charged in year	–	–	141	141
Disposals	–	–	(83)	(83)
At 31 March 2020	–	–	375	375
Net book value at 31 March 2020	–	–	486	486
Net book value at 31 March 2019	–	–	474	474
Asset financing:				
Owned	–	–	486	486
Net Book Value at 31 March 2020	–	–	486	486
Cost or valuation				
At 1 April 2018	484	283	1,065	1,832
Additions	–	–	180	180
Disposals	(484)	(283)	(454)	(1,221)
At 31 March 2019	–	–	791	791
Depreciation				
At 1 April 2018	484	275	599	1,358
Charged in year	–	8	172	180
Disposals	(484)	(283)	(454)	(1,221)
At 31 March 2019	–	–	317	317
Net book value at 31 March 2019	–	–	474	474
Net book value at 31 March 2018	–	8	466	474
Asset financing:				
Owned	–	–	474	474
Net book value at 31 March 2019	–	–	474	474

6. Intangible assets

	Software Licences	STeP	Assets Under Construction	ACS	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2019	843	10,420	–	1,075	12,338
Impairment	–	–	–	–	–
Additions	8	44	46	–	98
Disposals	–	(1,476)	–	–	(1,476)
Revaluation	–	150	–	–	150
At 31 March 2020	851	9,138	46	1,075	11,110
Amortisation					
At 1 April 2019	790	6,006	–	1,075	7,871
Charged in year	33	1,927	–	–	1,960
Revaluation	–	108	–	–	108
Disposals	–	(1,476)	–	–	(1,476)
At 31 March 2020	823	6,565	–	1,075	8,463
Net book value at 31 March 2020	28	2,573	46	–	2,647
Asset financing:					
Owned	28	2,573	46	–	2,647
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
Net book value at 31 March 2020	28	2,573	46	–	2,647

6. Intangible assets (continued)

	Software Licences	STeP	Assets Under Construction	ACS	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2018	823	9,762	–	1,075	11,660
Impairment	–	–	–	–	–
Additions	20	639	–	–	659
Revaluation	–	19	–	–	19
At 31 March 2019	843	10,420	–	1,075	12,338
Amortisation					
At 1 April 2018	746	3,315	–	1,075	5,136
Charged in year	44	2,680	–	–	2,724
Revaluation	–	11	–	–	11
At 31 March 2019	790	6,006	–	1,075	7,871
Net book value at 31 March 2019	53	4,414	–	–	4,467
Asset financing:					
Owned	53	4,414	–	–	4,467
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
Net book value at 31 March 2019	53	4,414	–	–	4,467

7. Financial Instruments

Due to the largely non-trading nature of the activities of the SIA and the way in which it is financed, the organisation is not exposed to the degree of financial risk faced by a non-public sector body. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The SIA has very limited powers to borrow or invest surplus funds, and consequently financial assets and liabilities are generated by day-to-day operational activities and are not deemed to change the risk facing the SIA in undertaking its activities.

Financial instruments only relate to contracts to buy non-financial items in line with the SIA's expected purchase requirements.

Liquidity risk

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

Interest rate risk

The SIA is not exposed to significant interest rate risk.

Foreign currency risk

The SIA is not exposed to any foreign exchange risk.

Credit risk

The SIA is not exposed to significant credit risk, other than the bad debt provision that is identified in note 1h.

8. Trade receivables and other current assets

	2019/20	2018/19
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	–	–
Other receivables	43	59
Court debts	143	193
Prepayments and accrued income	255	144
	441	396
Less provision for bad debts	(129)	(96)
	312	300

9. Cash and cash equivalents

	2019/20	2018/19
	£'000	£'000
Balance at 1 April 2019	26,252	19,217
Net change in cash and cash equivalent balances	(609)	7,035
Balance at 31 March 2020	25,643	26,252
The following balances at 31 March 2020 were held at:		
Barclays bank and cash in hand	25,643	26,252

With HMT approval, cash reserves are to be utilised to subsidise the SIA prescribed licensing fee. This reduces the amount payable from £210 to £190 from 1st April 2020 for a maximum period of six years.

10. Trade payables and other current liabilities

	2019/20	2018/19
	£'000	£'000
Amounts falling due within one year		
Other taxation & social security	292	276
Trade payables	795	491
Other payables	30	18
Accruals	1,105	1,445
Contract liabilities	1,034	1,163
	3,256	3,393

11. Provisions for liabilities and charges

	Provision for Dilapidations
	£'000
Balance at 1 April 2019	839
Provided in the year	–
Provisions written back as not required	–
Balance at 31 March 2020	839
Balance at 1 April 2018	378
Provided in the year	461
Provisions written back as not required	–
Balance at 31 March 2019	839

Dilapidation

The SIA makes provision to cover its obligations for the reinstatement of its leasehold buildings to their original state before its occupation.

Some judgement was required for the dilapidations provision which represents the sum required to reinstate the High Holborn premises to a state required under the lease following HQ relocation in June 2018. The provision was based on industry standard and the floor space occupied by the SIA. This estimate remains unchanged for the 2019-20 financial statements.

The Government Property Agency has advised that dilapidations will cost £461,000 to reinstate our Canary Wharf premises. This is in relation to repairs arising from damage to the property. The liability has been recognised over the life of the occupancy agreement.

12. Capital Commitments

SIA had no capital commitments at 31 March 2020.

13. Commitments under leases

13.1 Operating leases

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

	2019/20	2018/19
	£'000	£'000
Obligations under operating leases comprise		
Buildings		
Not later than one year	521	521
Later than one year and not later than five years	2,085	2,085
Later than five years	3,769	4,290
	6,375	6,896
Office Equipment		
Not later than one year	–	1
Later than one year and not later than five years	–	–
	–	1

13.2 Finance Leases

The SIA does not have any finance leases.

14. Contingent Liabilities Disclosed Under IAS 37

The SIA had no contingent liabilities as at 31 March 2020. (2018/19 – Nil).

15. Related-party transactions

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

- Disclosure and Barring Service
- Disclosure Scotland
- The Home Office (includes a recharge)

Geoff Ziedler is a Director of Kings Security Systems Ltd which is an ACS registered company.

During 2019/20 the SIA recognised £2,287.50 ACS fees from Kings Security Systems Limited (£2,265 2018/19).

No board member, key manager or other related parties has undertaken any material transactions with the SIA during the year. The Remuneration report provides information on key management compensation.

16. Events after the reporting period

There have been no events after the reporting date requiring an adjustment to the accounts.

The outbreak of COVID-19 has not had any material impact on the financial statements.

The financial statements were authorised for issue on the same date that the Comptroller and Auditor General certified the annual report and accounts.

