

Security and Intelligence Agencies

Financial Statement 2019-20

(For the year ended 31 March 2020)

Presented to the House of Commons pursuant to
Section 6(4) of the Government Resources and
Accounts Act 2000

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Introduction

This Statement summarises the use of resources by the Security and Intelligence Agencies ('the Agencies') for the year ending 31 March 2020. Each of the Agencies produces its own full set of annual accounts in accordance with the Government Financial Reporting Manual and HM Treasury directions but, for reasons of national security, they are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Committee of Public Accounts in accordance with the procedure for handling such material set down by the relevant Secretary of State under the Intelligence Services Act 1994. In line with these arrangements this Statement comprises only a Statement of Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes and a Governance Statement.

Accountability Report

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Security and Intelligence Agencies to prepare, for each financial year, a Financial Statement detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agencies during the year.

The individual Agency accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency's applications of resources, changes in taxpayers' equity, cash flows and net resource outturn by way of a note for the financial year.

For reasons of national security, these accounts are not published. They are audited by the Comptroller and Auditor General and shown to the Chair of the Committee of Public Accounts in accordance with the procedure for handling such material set down by the Secretary of State under the Intelligence Services Act 1994.

As a consequence of these arrangements, HM Treasury has directed that a Financial Statement should be published in accordance with Section 5 (2) of the Government Resources and Accounts Act 2000,

and that this should comprise only a Statement of Parliamentary Supply and Consolidated Statement of Net Expenditure together with appropriate notes.

In preparing the Financial Statement, the Accounting Officer is required, within the limitations imposed by the interests of national security, to comply with the Government Financial Reporting Manual prepared by HM Treasury, and in particular to:

- i. observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii. make judgements and estimates on a reasonable basis;
- iii. 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 Statement;
- iv. prepare the Financial Statement on a going concern basis; and
- v. confirm that the Financial Statement as a whole is fair, balanced and understandable and take personal responsibility for the Financial Statement and the judgements required for determining that it is fair, balanced and understandable.

Sir Mark Sedwill, the previous Cabinet Secretary and National Security Adviser, was Principal Accounting Officer (PAO) for the Security and Intelligence Agencies during the financial year 2019-20. Simon Case replaced Sir Mark Sedwill as Cabinet Secretary on 9 September 2020 and was subsequently appointed by HM Treasury as the PAO for the Security and Intelligence Agencies. Consequently, Simon Case is responsible for approving this set of financial statements for the financial year 2019-20.

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 Security and Intelligence Agencies' assets, are set out in *Managing Public Money* published by HM Treasury.

Accounting Officer's Declaration

I consider there to be no relevant audit information of which the NAO auditors have not been made aware. I have taken all steps necessary to make myself aware of any relevant audit information and to establish that NAO auditors are aware of that information.

I can confirm that the financial statement as a whole is fair, balanced and understandable and that I take personal responsibility for the financial statement and the judgement required for determining that it is fair, balanced and understandable.

Governance Statement

Scope of Responsibility

This Governance Statement for the period ending 31 March 2020, covers the Single Intelligence Account (SIA), which is the funding vehicle for the Security and Intelligence Agencies (the Agencies): the Secret Intelligence Service (SIS), Government Communications Headquarters (GCHQ) and the Security Service (MI5).

The Agencies' operations are conducted within a framework of legislation that defines their roles, activities, and arrangements for their oversight. The main statutes are the Security Service Act 1989, the Intelligence Services Act 1994, the Regulation of Investigatory Powers Act 2000 (RIPA), the Justice and Security Act 2013, and the Investigatory Powers Act 2016 (IPA 2016).

The SIA, in covering non-ministerial departments, is managed differently to accounts in other parts of Government. The Prime Minister has overall responsibility for intelligence and security matters and is accountable to Parliament for matters affecting the Agencies collectively. The Agency Heads have a statutory duty to provide annual reports on the work of the Agencies directly to the Prime Minister as well as to their respective Secretaries of State, and may at any time report to either of them on

any matter relating to their work¹. The Secretary of State for Foreign, Commonwealth and Development Affairs is the responsible Secretary of State for SIS and GCHQ,² and the Secretary of State for the Home Department for MI5³. The Agencies ensure that the appropriate Secretary of State is briefed on matters that could become the subject of Parliamentary or public interest and on issues which they need to be aware of in discharging their wider Ministerial responsibilities. There are well-established arrangements for seeking Ministerial clearance for operations when required.

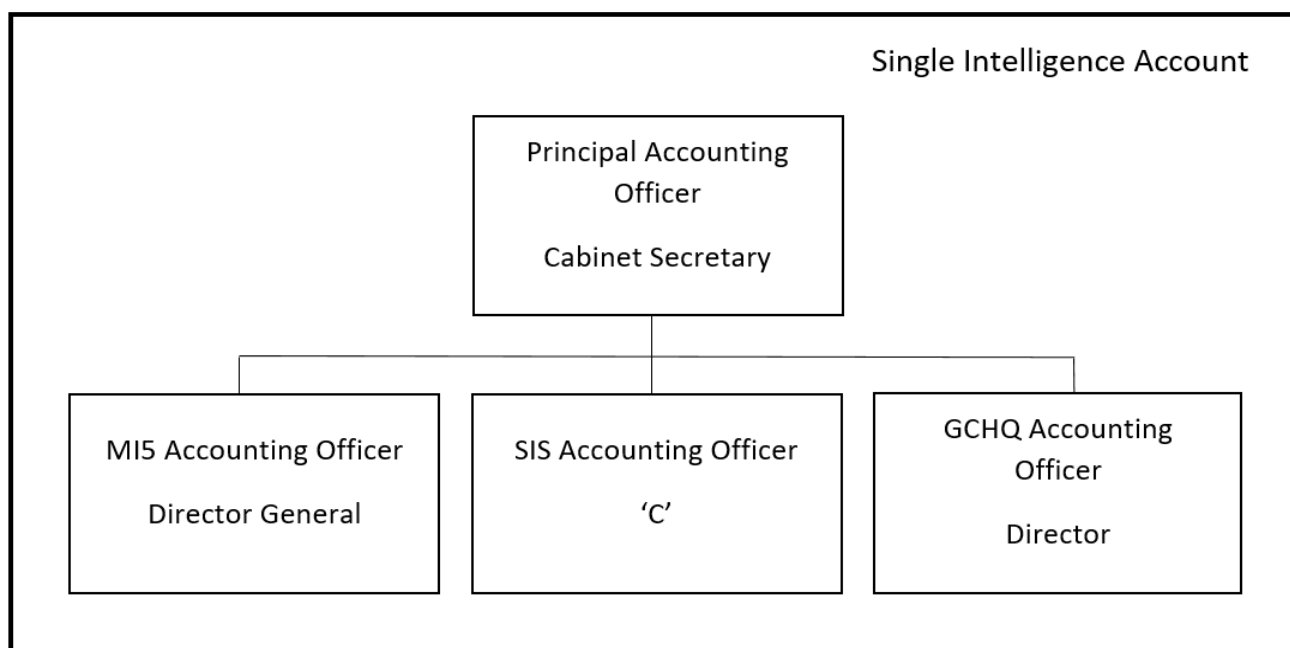
In line with the responsibility assigned to Accounting Officers in Managing Public Money, my role as PAO is to ensure that the SIA operates effectively and efficiently in support of national security policies, aims and objectives. My predecessor Sir Mark Sedwill, as PAO, delegated authority for spending in 2019-20 to the Heads of Agencies who are each Accounting Officers (AOs) in their own right.

1 s2(4) The Security Service Act 1989; s2(4), s4(4) The Intelligence Services Act 1994

2 s1(1), s3(1), The Intelligence Services Act 1994

3 s1(1) The Security Service Act 1989

Structure of the SIA



Employees of MI5 and SIS are Crown Servants, whilst employees of GCHQ are Civil Servants.

The oversight framework for investigatory powers helps to ensure that public authorities, including the Agencies, act in ways that are compatible with the Human Rights Act 1998. The Investigatory Powers Tribunal was established in October 2000 under RIPA and provides a right of redress for anyone who believes they have been a victim of unlawful action by a public authority improperly using covert investigative techniques. The Tribunal is also the appropriate forum to consider claims brought against the Agencies alleging the infringement of human rights.

The IPA 2016 created the Investigatory Powers Commissioner role, to approve and oversee the use of investigatory powers by public authorities. The Investigatory Powers Commissioner, Sir Brian

Leveson, assumed his responsibilities on 21 October 2019 and is responsible for the constitutional function of independently balancing the public interest and the rights of the individual, particularly in assessing when it is justifiable for these rights to be interfered with. The Investigatory Powers Commissioner has assumed the functions of the former Intelligence Services Commissioner, Chief Surveillance Commissioner, and Interception of Communications Commissioner, as well as additional functions provided for by the IPA 2016.

Parliamentary oversight of the three Intelligence Agencies is provided by the Intelligence and Security Committee (ISC), which examines the expenditure, administration and policy of the Agencies⁴. The ISC can also oversee certain operational matters in specific circumstances, subject to the parameters set out in the Memorandum of Understanding between the Government and the ISC⁵. The ISC's independence from Government was enhanced in July 2013 with the Justice and Security Act which makes the ISC a statutory Committee of Parliament and formalises its remit⁶. Additionally, the Chair of the House of Commons' Public Accounts Committee sees the Annual Report and Accounts of the Agencies through the National Audit Office.

4 s10 Intelligence Services Act 1994

5 s2(2) Justice and Security Act 2013

6 Part 1 Justice and Security Act 2013

The Governance Framework

Financial responsibility for the SIA lies with the Cabinet Secretary as the Principal Accounting Officer. The Prime Minister and the Cabinet Secretary are supported in their engagement with the Agencies by a small team in the Cabinet Office, which includes a professional accountant. The governance at the centre is complemented by comprehensive governance structures in each of the three Agencies.

There are different governance arrangements in place for the Agencies to ensure appropriate oversight and accountability for Agency spending, without compromising the need for operational secrecy necessary to protect national security. Special arrangements have been agreed for the implementation of the Government's transparency agenda by the Agencies. To help drive good financial management, the Agencies are required to produce all the data required of other government departments for the transparency agenda and share it with the relevant teams in HM Treasury and the Cabinet Office. However, this data is not published because of risks to national security. In line with other departments the Agencies are also required to produce and maintain a business plan. These plans are discussed with the ISC at a strategic level and there is regular reporting from the Agencies to the ISC.

As with other departments, where specific investment plans either exceed the delegated financial authority given to Agency Heads by the Chief Secretary to the Treasury (CST) through the PAO or fall within the HM Treasury definition of complex, Agency Heads must seek prior approval from the PAO and HM Treasury.

For reasons of national security, the Cabinet Office runs parallel arrangements for the Agencies, through the Deputy National Security Adviser, with regards to the Cabinet Office controls. Within these arrangements, the Agencies ensure that taxpayers get the best possible value from SIA spending whilst protecting operational sensitivities.

Each of the Agencies produces their own Annual Report and Accounts and these are independently audited, in full, by the Comptroller and Auditor General. The Agencies also produce their own Governance Statements which reflect their individual circumstances. For this reason, this Governance Statement focuses on the SIA level structures and aggregated risk position, making reference to the individual statements of the Agencies as necessary.

Each Agency complies with the 'Corporate governance in central government departments: code of good practice'⁷, where it is appropriate to do so. Since each Agency operates independently under the direction of

⁷ ['Corporate governance in central government departments: code of good practice'](#), (HM Treasury, Cabinet Office, 2017)

its Accounting Officer, the governance structures for the Agencies are different to that of standard governance frameworks. The Agency Heads, supported by Deputies, meet regularly to discuss strategic issues affecting the Agencies. Each Agency also has their own Board which comprises both the senior management and Non-Executive Directors, and an Audit and Risk Assurance Committee (ARAC), which meet regularly. The Cabinet Office-led structures in place outlined below enable effective management of finances and complement those of the Agencies.

Cabinet Office Governance of Intelligence Agencies

The Financial Steering Group (FSG) is the highest level of financial governance and is made up of the Cabinet Secretary (Chair), Agency Heads, the DNSA and Agency Finance Directors. The Group meets a minimum of three times a year, and provides the opportunity for the PAO to meet with their Accounting Officers and discuss key financial and strategic issues, such as the setting of future budgets, business and associated financial risks, progress on efficiency plans and in-year financial management. The FSG also considers significant cross-SIA collaborative investments and efficiencies. In 2019-20, the FSG met three times in June 2019, October 2019 and March 2020, chaired by the then Cabinet Secretary, Sir Mark Sedwill.

Frequent working-level meetings support these structures. Each month, the Cabinet Office chairs a meeting of Agency Finance Directors to monitor financial management and risk. The Cabinet Office also chairs a monthly meeting with representatives from across the Agencies and HM Treasury to provide peer review and discussion of the spending forecasts, cash management, and application of HM Treasury policy papers.

Governance of the National Cyber Security Programme (NCSP)

This Governance Statement also covers the NCSP, which is a five-year £1.3 billion investment in cyber announced in 2015, the total funding for which in FY 2019/20 was £306m. The NCSP is managed by a team in the Cabinet Office, which reports to the DNSA, who is the Senior Responsible Owner (SRO) for the fund.

NCSP funding is allocated to support the National Cyber Security Strategy 2016-2021 and uses a governance framework set up to ensure performance against delivery. The Senior Responsible Officer for the NCSP is the Deputy National Security Adviser and the Cabinet Office manages and provides oversight for the programme. The National Cyber Security Strategy and the National Security Council guide the NCSP's strategic direction. Accountable Departments must submit business cases for approval by the Cabinet Office Programme Board before resources are

released. The NCSP works with the Infrastructure and Projects Authority (IPA) and follows good practice set out by the National Audit Office to ensure this programme is being managed effectively and delivers value for money. The NAO carried out a VfM audit of the NCSP, which was published in March 2019 and was the subject of a Public Accounts Committee inquiry in April 2019. The IPA also carried out a review of the NCSP in February 2019.

Compliance with the ‘Corporate governance in central government departments: code of good practice’ (2017)

As non-ministerial departments, the individual Agencies follow the principles of the ‘Corporate governance in central government departments: code of good practice’ (2017) where relevant and practicable. Any areas of departure are set out in each of the Agency’s own governance statements. The Agencies collectively are not a ministerial department and so are not accountable to Parliament in the way described by the Code. Parliamentary oversight mechanisms are as described above. As each Agency has its own Accounting Officer, there is no SIA management board as described by the Code. The FSG (see above) has responsibility for those financial issues requiring Cabinet Office oversight or co-ordination.

Information Security and Protection

No information security incidents were reported to the Information Commissioner's Office during 2019-20.

Risk Assessment

The Cabinet Office regularly discusses individual Agency and cross-SIA strategic and financial risks with Agency Finance Directors, working-level Agency finance contacts and HM Treasury, which inform the discussion with the Cabinet Secretary at the FSG.

The Agencies formally report their top risks to the Cabinet Secretary through the Accounting Officer's Quarterly Report which is prepared for review and discussion at each FSG meeting. These look at the key business, strategic and financial risks faced by the Agencies and include the risks to delivery of their collaborative transformation programmes, their missions, their efficiencies targets set at SR15, and their underpinning core capabilities. No Ministerial Directions were issued in 2019-20.

Review of the Effectiveness of Risk Management and Internal Control

As Principal Accounting Officer for the SIA, I have responsibility for reviewing the effectiveness of governance structures. I have been provided with the full, unpublished, versions of the individual Agency

Governance Statements. I am content that these Governance Statements represent a true picture of each Agency's position.

Accounting Officer Systems Statement

A separate Accounting Officer Systems Statement (AOSS) has not been produced for the SIA as it has been judged that all the relevant information, within national security constraints, is contained within the Governance Statement.

Parliamentary Accountability and Audit Report

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2019-20

	2019-20						2018-19	
	Estimate			Outturn			Outturn	
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate saving/ (excess)	Net Total
Departmental Expenditure Limit								
- Resource	2,804,235	0	2,804,235	2,755,052	0	2,755,052	49,183	2,534,770
- Capital	644,100	0	644,100	636,423	0	636,423	7,677	602,208
Annually Managed Expenditure								
- Resource	39,050	0	39,050	438	0	438 ⁸	38,612	15,482
- Capital	0	0	0	0	0	0	0	0
Total Budget	3,487,385		3,487,385	3,391,913	0	3,391,913	95,472	3,152,460
Non-Budget								
- Resource	0	0	0	0	0	0	0	0
Total	3,487,385		3,487,385	3,391,913		3,391,913	95,472	3,152,460
Total Resource			2,843,285			2,755,490	87,795	2,550,252
Total Capital			644,100			636,423	7,677	602,208
Total			3,487,385			3,391,913	95,472	3,152,460

⁸ AME is much lower than the budgeted figure because the figure is comprised of a number of provisions which are recognised and crystallised at different times. The small expenditure total reflects the fact that in 2019-20 many more provisions have crystallised rather than have been recognised leading to a very small positive balance. The timing of these events is largely outside of SIA control.

**Net Cash Requirement
2019-20**

£000

2019-20 Estimate

3,145,025

2019-20		2018-19
Outturn	Outturn compared with Estimate saving/ (excess)	Outturn
2,936,579	208,446	2,754,236

**Administration Costs 2019-
20**

£000

2019-20	Estimate
----------------	-----------------

79,335

2019-20		2018-19
Outturn	Outturn compared with Estimate saving/ (excess)	Outturn
77,541	1,794	73,486

Figures in the areas outlined in bold are voted totals subject to Parliamentary control

Notes to the Statement of Parliamentary Supply

For the Year ended 31 March 2020

Reconciliation of outturn to net operating expenditure

Reconciliation of net resource outturn to net operating expenditure

	2019-20	2018-19
	£000	£000
Total resource outturn in Statement of Parliamentary Supply		
Budget	2,755,490	2,550,252
Non-Budget	0	0
	<u>2,755,490</u>	<u>2,550,252</u>
Less:		
Income Payable to the Consolidated Fund	(604)	(987)
Other Net Adjustments	183,631	161,807
	<u>183,027</u>	<u>160,820</u>
Net Operating Costs in Consolidated Statement of Net Expenditure	2,938,517	2,711,072

Reconciliation of net outturn to net cash requirement

	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/(excess) £000
Resource Outturn	2,843,285	2,755,490	87,795
Capital Outturn	644,100	636,423	7,677
Accruals to cash adjustments:			
Adjustments to remove non-cash items	(492,360)	(442,317)	(50,043)
Other Adjustments	0	(7,240)	7,240
Adjustment to reflect movements in working balances	150,000	(5,777)	155,777
Net Cash Requirement	<u>3,145,025</u>	<u>2,936,579</u>	<u>208,446</u>

Parliamentary Accountability Disclosures

Income Payable to the Consolidated Fund

Analysis of Income Payable to the Consolidated Fund

In addition to income retained by the department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2019-20		Outturn 2018-19	
	Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Income outside the ambit of the estimate	513	<i>513</i>	573	<i>573</i>
Excess cash surrenderable to the consolidated fund	91	<i>91</i>	414	<i>414</i>
Total income payable to the Consolidated Fund	604	<i>604</i>	987	<i>987</i>

Losses and Special Payments

	2019-20	2019-20	2018-19	2018-19
	No. of cases	£000	No. of cases	£000
Losses and Special Payments	1,586	32,650	302	4,285
Total	1,586	32,650	302	4,285



Simon Case CVO
Principal Accounting Officer
2 December 2020

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on Financial Statement

I certify that I have audited the Financial Statement of the Security and Intelligence Agencies for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The Financial Statement comprises of the Consolidated Statement of Net Expenditure and the related notes. The Financial Statement has been prepared under the accounting policies set out within it.

I have also audited the Statement of Parliamentary Supply and the related notes.

In my opinion:

- the Financial Statement properly presents the Security and Intelligence Agencies' net operating cost for the year ended 31 March 2020;
- the Financial Statement has been properly prepared in accordance with the Government Resources and

Accounts Act 2000 and HM Treasury directions issued thereunder; and

- the Financial Statement is consistent with the unpublished audited accounts of the individual Security and Intelligence Agencies for the year ended 31 March 2020.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the Financial Statement 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 and Intelligence Agencies 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 and Intelligence Agencies' use of the going concern basis of accounting in the preparation of the Financial Statement is not appropriate; or
- the Security and Intelligence Agencies have not disclosed in the Financial Statement any identified material uncertainties that may cast significant doubt about the Security and Intelligence Agencies' 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 Accounting Officer for the Financial Statement

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

Auditor's responsibilities for the audit of the Financial Statement

My responsibility is to audit, certify and report on the Financial Statement in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statement sufficient to give reasonable assurance that the Financial Statement is 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 Statement, 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 and Intelligence Agencies' 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 Statement, 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 and Intelligence Agencies' 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 and Intelligence Agencies 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 and Intelligence Agencies 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.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental

Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

The Financial Statement discloses the use of resources by the Security and Intelligence Agencies. As explained in the introduction, for reasons of national security it does not comply fully with International Financial Reporting Standards or the Government Financial Reporting Manual. The unpublished constituent accounts, which I audit in accordance with International Standards on Auditing (UK) are, however, fully compliant. My opinion on each of these is unqualified.

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 Statement is 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
Comptroller and Auditor General

3 December 2020


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

Financial Statement

Consolidated Statement of Net Expenditure

For the Year ended 31 March 2020

£000	2019-20	2018-19
Income	<u>(156,188)</u>	<u>(160,919)</u>
Total operating income	(156,188)	(160,919)
Staff costs	1,184,695	1,084,661
Other costs	1,910,010	1,787,330
Total operating expenditure	<u>3,094,705</u>	<u>2,871,991</u>
Net Operating Expenditure	<u>2,938,517</u>	<u>2,711,072</u>



Simon Case CVO
Principal Accounting Officer
2 December 2020

Notes to the Consolidated Statement of Net Expenditure

For the Year ended 31 March 2020

1. Statement of accounting policies and disclosure

This is the consolidated Financial Statement of the individual Security and Intelligence Agencies. The individual Agency accounts have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to the particular circumstances of the Agencies for the purpose of ensuring the Financial Statement is presented properly, has been selected.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts are based upon a consolidation of the individual Security and Intelligence Agencies' accounts. Transactions between entities included in the consolidation have been eliminated in accordance with IFRS10 – Consolidated Financial Statements.

2. Events after the reporting period

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Principal Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate

Annex A: Unaudited Core Tables

Tables 1 to 4 – Core Tables (unaudited)

The SIA comprises the budgets of the three Security and Intelligence Agencies – the Security Service, the Secret Intelligence Service and the Government Communications Headquarters. The Cabinet Secretary is PAO for the SIA. During the financial year 2019-20, the PAO delegated authority to spend to the three Agency Heads, who are themselves Accounting Officers, at levels agreed with HM Treasury. The Security and Intelligence Agencies operate within a separate statutory framework.

Table 1 – Total departmental spending for the Security and Intelligence Agencies - The years from 2012-13 to 2014-15 are part of the SR10 settlement, 2015-16 is part of the SR13 settlement. 2016-17 to 2020-21 are part of the SR15 settlement, as modified by SR19.

Table 2 – Administration budget for the Security and Intelligence Agencies - Administration budgets in line with the SR10, SR13, SR15 and SR19 settlements.

Table 3 – Outturn 2019-20 - This table shows the outturn against plans.

Table 4 – Staff Numbers for the Security and Intelligence Agencies - This table shows staff numbers from 2012-13 to 2019-20 and reflects plans for 2020-21 agreed in SR19, by function expressed in full-time equivalents.

Table 1 - Security and Intelligence Agencies total departmental spending

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Resource DEL	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS
	£'000								
Security and Intelligence Agencies	1,944,820	1,966,545	2,031,604	2,173,700	2,267,877	2,389,986	2,541,410	2,779,346	2,842,926
Total Resource DEL	1,944,820	1,966,545	2,031,604	2,173,700	2,267,877	2,389,986	2,541,410	2,779,346	2,842,926
Of which:									
Staff costs	750,727	766,598	757,231	809,870	879,983	929,585	999,545	1,091,730	1,130,112
Purchase of goods and services	845,933	831,942	983,256	1,083,835	1,106,913	1,198,390	1,222,707	1,356,772	1,504,000
Income from sales of goods and services	-102,054	-93,974	-199,144	-191,690	-135,113	-176,737	-156,277	-181,426	-189,286
Rentals	29,320	30,922	32,888	34,712	38,016	39,398	39,206	42,213	0
Depreciation ¹	388,570	402,874	425,255	405,766	347,470	369,997	407,351	441,787	398,100
Other resource	32,324	28,183	32,118	31,207	30,608	29,353	28,878	28,270	0
Resource AME									
Spending in Annually Managed Expenditure	40,680	18,722	41,163	134,973	13,396	19,122	22,115	20,786	39,050
Total Resource AME	40,680	18,722	41,163	134,973	13,396	19,122	22,115	20,786	39,050
Of which:									
Depreciation ¹	44,718	24,439	43,134	139,274	16,805	11,463	18,002	15,233	39,050
Take up of provisions	-4,038	-5,717	-1,971	-4,301	-3,409	7,659	4,113	5,553	0
Total Resource Budget	1,985,500	1,985,267	2,072,767	2,308,673	2,281,273	2,409,108	2,563,525	2,800,132	2,881,976
Of which:									
Depreciation ¹	433,288	427,313	468,389	545,040	364,275	381,460	425,353	457,020	437,150
Capital DEL									

Security and Intelligence Agencies

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS
	£'000								
Security and Intelligence Agencies	476,144	498,530	550,049	574,897	603,273	575,858	606,682	636,511	808,591
Total Capital DEL	476,144	498,530	550,049	574,897	603,273	575,858	606,682	636,511	808,591
<i>Of which:</i>									
Purchase of goods and services	128,258	139,252	171,428	175,510	186,571	187,744	199,549	213,500	124,000
Capital grants to persons & non-profit bodies (net)	1,957	0	0	0	0	0	11,102	13,763	0
Capital grants to private sector companies (net)	-1,959	0	0	0	0	0	0	0	0
Purchase of assets	365,628	396,539	391,282	405,760	444,214	435,677	466,577	460,229	733,391
Income from sales of assets	-2,597	-25,435	-539	-544	-6,646	-584	-21,260	-237	0
Other capital	-15,143	-11,826	-12,122	-5,829	-20,866	-46,979	-49,286	-50,744	-48,800
Capital AME									
<i>Of which:</i>									
Total Capital Budget	476,144	498,530	550,049	574,897	603,273	575,858	606,682	636,511	808,591
Total departmental spending²	2,028,356	2,056,484	2,154,427	2,338,530	2,520,271	2,603,506	2,744,854	2,979,623	3,253,417
<i>Of which:</i>									
Total DEL	2,032,394	2,062,201	2,156,398	2,342,831	2,523,680	2,595,847	2,740,741	2,974,070	3,253,417
Total AME	-4,038	-5,717	-1,971	-4,301	-3,409	7,659	4,113	5,553	0

¹ Includes impairments

² Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2 - Administration budget for the Security and Intelligence Agencies

	£'000									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS
Resource DEL										
Security and Intelligence Agencies	65,511	58,922	58,474	63,118	67,240	69,931	74,803	79,062	77,000	
Total administration budget	65,511	58,922	58,474	63,118	67,240	69,931	74,803	79,062	77,000	
<i>Of which:</i>										
Staff costs	49,754	47,038	37,667	40,230	44,266	48,018	54,567	63,685	60,500	
Purchase of goods and services	28,940	24,687	20,687	22,787	22,848	21,650	20,010	14,984	16,500	
Income from sales of goods and services	-13,385	-13,064	-134	-157	-200	-87	-103	29	0	
Other resource	202	261	254	258	326	350	329	364	0	

Table 3 - Outturn, 2019-20

	2019-20 Final Plans		2019-20 OUTTURN	
	Resource	Capital	Resource	Capital
Spending in Departmental Expenditure Limits (DEL)				
Voted expenditure	2,804,235	644,100	2,755,052	636,423
<i>Of which:</i> Security and Intelligence Agencies	2,804,235	644,100	2,755,052	636,423
Total Spending in DEL	2,804,235	644,100	2,755,052	636,423
Spending in Annually Managed Expenditure (AME)				
Voted expenditure	39,050	0	438	0
<i>Of which:</i> Spending in Annually Managed Expenditure	39,050	0	438	0
Total Spending in AME	39,050	0	438	0
Total	2,843,285	644,100	2,755,490	636,423
<i>Of which:</i> Voted expenditure	2,843,285	644,100	2,755,490	636,423

Table 4 Staff numbers for the Security and Intelligence Agencies

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
CS FTEs	12,328	12,190	12,196	12,669	13,335	13,967	14,776	15,548	15,833
Total	12,328	12,190	12,196	12,669	13,335	13,967	14,776	15,548	15,833

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