



Security Industry Authority

# Security Industry Authority

Annual Report  
& Accounts 2020-21

HC 568



# SECURITY INDUSTRY AUTHORITY

Annual Report and Accounts 2020/21

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# Foreword from the Chair and Chief Executive

For the SIA, as for others, 2020-21 has been a unique and challenging year, due to the impact of the continuing pandemic that changed the landscape for the private security industry. It has also been a year of change for us, including changes of Chair and Chief Executive mid-year. We were, however, determined on our part to prioritise the continued delivery of our frontline services that so many depend on.

We also made the safety and welfare of our own people a priority as they dealt with the impact of the pandemic on both their work and personal lives. Our staff rose magnificently to the challenge of delivering in a dispersed, remote-working environment.

Overall, performance-wise, we have ended the year in a good place. We performed well against our key measures and indicators, despite setting new, stretching targets. We delivered on key

plans, including launching the new licence-linked training standards to improve public safety on 1 April 2021. We consulted widely on this initiative, and worked in partnership with the industry to raise standards to better protect the public.

Those public-facing services and core functions stood up well to the strain. We identified and reacted promptly to pressure points. With unprecedented volumes of applications in the latter half of the year, we diverted resources and created taskforces to manage high demand.

There is now a record number of SIA licence holders and active licences on the register. Among them are many who have continued to work throughout the pandemic protecting supermarkets, offices, construction sites and hospitals; others have been furloughed or had to adapt to different environments and working arrangements. Some have suffered illness themselves, and some the grief of loss. Many have distinguished themselves and their profession with individual acts of heroism or compassion. Security officers have continued to serve and protect the public with quiet valour and professionalism.

We have responded with creativity and agility to the challenges faced by security businesses



and partners we depend on. We worked with the industry and training providers to make sure that licence applicants could still complete the training required in lockdown. We re-engineered our approvals processes to maintain the robust quality of the Approved Contractor Scheme (ACS) with blended and virtual inspection arrangements.

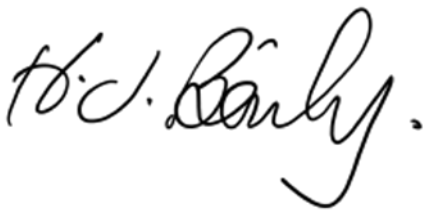
We adapted the way that we conducted our own field work, licence inspections and investigations. We ensured prosecutions continued in remote hearings. We had some excellent results which we shared widely. This assured the public that our compliance activities continued, and was a strong signal to those seeking to abuse the regime and damage public trust in security that they will be caught.

Financially, we reduced the licence fee by £20 to £190 from April 2020 and continued to look for efficiencies. This was always anticipated as a surplus-generating and 'high' demand year in our three-year financial cycle.

This last year has shown the SIA to be an adaptable organisation, as well as the commitment and dedication of its people. Necessity created innovation that has made us sharper and open to new ideas. We look forward

to bringing new ways of thinking to familiar challenges as the UK opens up again, at a time when public trust in security is more important than ever.

On behalf of the SIA, we thank security officers for their continued service. We also thank the Authority members, the executive and all employees of the SIA for their hard work and continued commitment in supporting them to protect the public.



**Heather Baily QPM**

Chair

Security Industry Authority



**Michelle Russell**

Chief Executive

Security Industry Authority

# Who we are

The Security Industry Authority (SIA) is a public body reporting to the Home Secretary. We were established under the Private Security Industry Act 2001 to contribute to public protection by setting and improving standards in the regulated private security industry. The Act covers England, Wales, Scotland and Northern Ireland and the following activities:

- Cash and valuables in transit
- Close protection
- Door supervision
- Public space surveillance (CCTV – closed circuit television)
- Security guarding
- Key holding
  
- Vehicle immobilisation (in Northern Ireland only)

Through effective delivery of our statutory responsibilities, we support the key priorities of the Home Office: reducing and preventing crime and ensuring that people feel safe in their homes and communities.

# What we do

We have a statutory responsibility to license individual security operatives. We do this by applying criteria relating to identity, conduct and criminality. We establish the minimum competency requirements that individuals have to meet before applying for a licence.

We work closely with the police, local authorities and other government agencies 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 work with training providers, trade associations and industry representatives on standards and the operation of our regime.

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. While we are not responsible for regulating the delivery of qualifications, we collaborate with the UK's regulatory qualifications

bodies where a threat may arise to our regulatory regime.

We have a statutory responsibility to recognise those businesses wanting to meet increased standards. We do this by managing the voluntary Approved Contractor Scheme (ACS). We apply eligibility and other 'fit and proper' criteria, and we establish terms and conditions of approval. We appoint independent assessing bodies to conduct assessments against the ACS standard before awarding approved contractor status.

Our regional intervention teams work with individuals, businesses and venues to raise standards and ensure compliance with regulation. Where encouragement fails, investigators employ a range of formal interventions. The small percentage of cases which remain unresolved are escalated to a Criminal Investigation Team and, in appropriate cases, lead to prosecution. Increasingly, SIA financial investigators are successfully applying to courts for confiscation orders against the assets of persons or businesses convicted of offences.

We work with police, partner agencies, security providers, buyers and venue owners to understand, identify and successfully mitigate a range of public safety and safeguarding risks. These include terrorism, serious and organised crime, modern

slavery, labour exploitation and child sexual exploitation and abuse.

Our work is dependent on partnerships not just with the police and other public bodies, but increasingly with security providers. We seek, and continue to benefit from, the support and co-operation of those working in the private security industry and our many partners to provide effective regulation, and to pursue robustly those who choose not to comply.

## Our purpose

Protecting the public through effective regulation of the private security industry and working with partners to raise standards across the sector.

# Our values

Our staff developed these values; they are the guiding force in how we deliver our work. These values direct our behaviour towards our stakeholders, partners and each other. We consider how well we reflect these values through performance reviews, recognition schemes and annual awards.

## **Courageous**

We are confident in our approach, integrity and independence. We enforce proportionately without fear or favour. We are not afraid to challenge.

## **Responsive**

We listen and we continually strive to improve.

## **Efficient and Professional**

We deliver increasing value for money every year. We recognise and enjoy success; we are brave by recognising poor performance or failure. We put it right, share the learning and move on to the next success.

## **Together, United**

We are one team working with a common purpose. Everyone has value.



# Performance report

# SIA: A year in numbers

**934**

licences  
revoked

**121**

SIA warnings  
issued

**157,921**

licences granted



**88%**

of licensing applications  
processed within 25 working days

**1,047**

applications  
refused

We  
found

**72**

offences of  
undertaking  
licensable  
activity  
without  
a licence



We retained  
the Customer  
Service  
Excellence  
standard

**375,111** active licence  
holders

**55**

new  
companies  
approved

**439,568**

licences in circulation



**15**

improvement notices issued

**4,765** intelligence and other reports of concern received

**833**

approved contractors

Social media audiences:

**29,572**

Facebook 'likes'

**15,016**

Twitter followers

**64,410**

LinkedIn followers



**93%**

of prosecutions led to a successful conviction

**36**

cases progressed towards a criminal prosecution

**9**

non-compliant businesses had ACS accreditation removed

**293**

site visits or inspections

**896**

individual licences checked

**689**

intervention cases undertaken and completed

**236,984**

service requests responded to



# Key performance indicators

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. The KPIs show at a glance how the SIA is working to:

- protect the public through operating an efficient and effective licensing function
- protect the public through effective compliance and enforcement activity
- be an efficient and effective customer-focused organisation
- support its people to ensure we perform well as an organisation

This was the first year of a new set of stretching KPIs that sit alongside our new three-year corporate plan. The new KPIs now reach across all areas of the SIA. We report on the progress of all KPIs to the executive directors' group on a monthly basis, and to the Authority on a quarterly basis.

The SIA protects the public through operating an efficient and effective licensing function

Achieved rate in 2020-21

1	<b>Improving timeliness of decisions</b>	85% of all complex individual licence application decisions are made within 25 working days	<b>82.4%</b>
2	<b>Implementing efficiencies</b>	Maximise straight through (automatic) individual licence processing by increasing the number of applications (by 25% over three years) that require no manual intervention	<b>8.96%</b>
3	<b>Reducing avoidable customer contact</b>	Reduce the amount of avoidable contact from applicants by 20%	<b>2%</b>
4	<b>Reducing threat to public safety</b>	100% of initial decisions to suspend a licence are made within five working days from receipt of sufficient information	<b>99%</b>
5	<b>Increasing ACS standards</b>	Increasing the percentage of the SIA licence population that are employed by an ACS business by 5%	<b>-3%</b>

The SIA protects the public through effective compliance and enforcement activity

Achieved rate in 2020-21

6	<b>Providing assurance on high standards of compliance</b>	Maintaining or improving compliance with the Private Security Industry Act (PSIA); 98% (or above) compliance with the requirement to hold a valid licence (or licence dispensation notice) for the activity being undertaken	<b>99%</b>
7	<b>Securing timely (willing) compliance</b>	80% of those businesses issued with formal warnings and/or Improvement Notices for non-compliance are assessed as compliant on follow-up inspections	<b>100%</b>
8	<b>Taking robust action against non-compliance</b>	80% success rate for prosecutions brought for PSIA and non-PSIA offences	<b>93%</b>
9	<b>Taking robust action against non-compliance</b>	Report on value of criminal funds successfully awarded for confiscation in proceedings	<b>£16K</b>

The SIA is an efficient and effective customer-focused organisation

Achieved rate in 2020-21

10	<b>Improving our core costs and efficiency</b>	Make savings or efficiencies of 1.5% per annum (over £480,000) on our overall resource expenditure	<b>£1,157K</b>
11	<b>Improving IT services availability</b>	Providing at least 98% service availability at optimum levels for our IT-STeP licensing system, by rolling month, quarter, and 12 months	<b>99.41%</b>

The SIA supports its people to ensure we perform well as an organisation

Achieved rate in 2020-21

12 (a)	<b>Managing staff turnover and wellbeing</b>	a) Staff turnover rates not to exceed 15%	<b>12.47%</b>
12 (b)	<b>Managing staff turnover and wellbeing</b>	b) 98% of welfare check responses (as carried out by Chief Executive quarterly) are positive	<b>96%</b>

We ended the financial year with a very good performance outturn. Performance held up well, notwithstanding COVID-19 related challenges and new, stretching targets and increased volumes.

The SIA achieved a significant surplus in 2020-21. A surplus was expected in the financial year but will be offset by deficits in subsequent financial years as the SIA aims to break even across the three-year licensing cycle.

The majority of our KPIs were met or were within 5% of target, including for our front-line licensing services.

There are some areas where we know we have more work to do over the three years of the Corporate Plan, such as KPI 3. Our priority for KPI 3 in 2021-22 is to obtain a better understanding of what drives our contact, be in a better position to understand contact behaviour, and implement a new contact strategy. This strategy will include a mix of technology and licence process improvements over the next two years.

COVID-19 made a few KPIs particularly challenging. This included KPI 5, which was set before the pandemic, and proved unworkable due to the impact of COVID-19 on the industry, particularly within the night-time economy and



events sector. Moving forward, an updated KPI 5 will focus on the retention of ACS businesses and be a more realistic, but still challenging, measure.

We are also pleased to include measures on staff welfare for the first time.

A handwritten signature in black ink, appearing to read 'MR', with a stylized, cursive flourish.

**Michelle Russell**

Chief Executive and Accounting Officer

Security Industry Authority

15 July 2021

# Performance analysis

# Core statutory responsibilities

## Licensing

In 2020-21 we granted 157,921 licences, 33,000 more than the total number we granted the previous year. This was an increase of 27% year-on-year. The previous financial year was a low year in the three-year cycle, so an increase was expected this year. We achieved this despite the unprecedented challenges of managing licensing operations during a lockdown, a number of serious service issues experienced by delivery partners, and our own resourcing pressures following a temporary halt on recruitment due to the pandemic.

We completed 88% of licensing decisions within 25 working days of receiving a correct and complete application. This is 3% lower than in 2019-20, although against a far higher volume of licence applications. To gain a better understanding of our performance in this area, in 2020-21 we also began to track performance

by categorising licensing decisions depending on their complexity. Prior to the onset of the COVID-19 pandemic we set ourselves the target of completing 85% of 'complex' licensing decisions within 25 working days. Despite the operational difficulties we faced over the last year, many of which were outside our control (such as the closure of foreign embassies preventing applicants from obtaining overseas criminality checks), we achieved 82% against this target.

Where there is a public safety concern, whether we identify it ourselves or it is brought to our attention, we aim to take action within five working days. In 2020-21 we processed information relating to public safety concerns within that five-day target for 99% of cases. For 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 immediate action. In 2020-21 we suspended 734 licences and revoked 934 licences. These actions are resource-intensive, often requiring multiple engagements with the licence holder and police partners. We do not reactivate licences unless we have obtained sufficient assurance that the licence holder does not pose a risk to public safety.

As a result of the COVID-19 pandemic, we decided to move most of our staff to remote working. We quickly adapted to the new working situation with no detrimental impact on service or performance. By transferring our phone system we were able to continue facilitating calls from both individuals and businesses. We also dealt with 236,984 service requests from customers. Where we previously requested that any additional physical documents required as part of the integrity checks be sent to us by post, we established a system for receiving scans of original documents which we can subsequently verify. This change has been of benefit to both licence applicants and our operational processes.

We also worked closely with the Home Office to modify our processes, in step with the temporary national guidance on identity validation. For example, UK passports were checked with HM Passport Office via an automated verification system. Foreign passports were checked via verification software. As a result, from April 2020, most people who were renewing their licence did not need to go to the Post Office to have their documents checked.

## Approved Contractor Scheme (ACS)

Our role is to ensure only fit and proper companies gain entry to the ACS. At the end of the year there were 833 approved contractors: 540 re-registrations (annual event), 265 renewals (triennial event) and 43 new applications. Where companies do not conform to the standard, we provide appropriate support and guidance to highlight the required improvement. If companies do not achieve this, they will not be allowed to join the scheme or will be removed from it to maintain its integrity.

External assessing bodies carry out the assessment of ACS applications. Our role is to assure those bodies. We have continued to do this by reviewing the assessment reports, holding quarterly meetings with each of the four assessing bodies, and training and witnessing assessors from those bodies.

We have been responsive and flexible in our management of the scheme this year. Our flexibility was well received by industry, and has afforded many contractors the ability to stay in the scheme until their businesses recover. It has also allowed those who have diversified during the pandemic the opportunity to enhance

their approved contractor status with the ability to include additional sectors during their assessments.

## Qualifications and Standards

Our role is to set the standards for the baseline qualifications required to obtain a licence. 68,598 qualifications were awarded by external training providers during the year in support of licence applications. It is the responsibility of the approved awarding organisations to assure the providers of training leading to those qualifications. It is our responsibility to assure the performance of the awarding organisations. We do this by engaging with awarding organisations through separate quarterly meetings and joint forums. We also made 250 virtual unannounced visits to training providers during the year. Where there is suspected malpractice or criminality such as fraudulent activity relating to obtaining or issuing licence-linked qualifications, we will take action.

## Compliance, inspections and intelligence

We undertake a range of inspections of frontline operatives, some with partners such as the police and local authorities, to check compliance with the licensing requirements in the Private Security Industry Act 2001 and our regulatory regime. Our ability to conduct operational field work during 2020-21 was impaired by the restrictions arising from the COVID-19 pandemic, which had a dramatic impact on the night-time economy and the festivals and events calendar. These are both sectors which rely heavily on security operatives. However, we prioritised our intelligence-led work, and continued our inspections when the rules relaxed in other areas such as retail, office and health.

During 2020-21 we checked 328 individuals via random licence checks and found a compliance rate of 99.4%. We carried out eight significant inspection operations across the UK to identify and tackle non-compliance and non-conformance. These included two operations with partners, and checks of licensing compliance at 194 sites and venues.



In addition to the random inspections undertaken, and driven by our assessment of threat, risk and harm, we undertook 12 intelligence-led inspection operations. These resulted in 319 individuals being checked and a compliance rate of 98.12%.

We received over 4,765 intelligence reports and concerns during the year. We assess all of them and, where appropriate, allocate for further exploration and/or action. Over 87% of the reports we receive are forwarded for action. Even if we decide to take no further action, the report is logged and considered if further intelligence materialises.

We also undertake desktop and field intervention cases to address risks and actionable intelligence regarding non-compliance with the licensing requirements, or non-conformance with the ACS. We opened 665 intervention cases against a target of 600 and completed 689 intervention cases against a target of 650 during the year, having addressed the intelligence and/or risk. Last year 96% of cases were closed within set timescales.

## Criminal investigations

The vast majority of those working with or in the industry know about the requirements of the Private Security Industry Act 2001, which is coming up to its 20th anniversary. However, there are those who choose not to comply and who abuse the trust and confidence in the private security industry. Depending on the circumstances we may issue a warning. Where we need to, we have the will and capability to prosecute offenders, not just for offences under the PSIA but also for other offences where the regulatory regime is undermined, and where the public have been put at risk.

Last year, 46% of our cases involved offences under the Private Security Industry Act 2001. 54% involved wider criminal activity. This included complex and serious offending under the Fraud Act 2006, the Identity and Documents Act 2010, the Bribery Act 2010 and the Forgery and Counterfeiting Act 1981. Where we undertook a prosecution, 93% of cases, resulted in a successful conviction. This year we prosecuted 36 individuals and 12 businesses, an increase of 66% on the previous year. Successful prosecutions this year have resulted in over £13,000 of fines, 92 weeks

of suspended custodial sentences, and six community orders. These included 400 hours of unpaid work, 20 days' rehabilitation, and two curfew orders. We were also awarded over £25,000 of costs.

At the end of the year, we had 81 live criminal investigations into 82 businesses and 190 individuals. The number of criminal investigations has increased by 31%, from 62 at the same time last year.

## **Confiscation orders and the Proceeds of Crime Act**

The SIA is a 'designated body' under the Proceeds of Crime Act (POCA). This year, our team of Accredited Financial Investigators helped us obtain three court confiscation orders totalling £15,811 worth of assets gained through criminal activity. Confiscation acts as a deterrent to others and ensures that those who engage in criminal activity within the private security industry do not financially benefit from their crimes. 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 the value of the confiscation orders. We are able to use the ARIS funds for 'good causes' connected with the security industry. This year we made an award of £9,372.23 to the Worshipful Company of Security Professionals' Charity Trust Crisis Fund. The fund supported anyone working within the security industry who suffered as a result of the COVID-19 pandemic. This included anyone who was hospitalised, and the immediate dependents of any individual working in a frontline security role who died.

# Our strategic priorities

In addition to our core activities of licensing, standards and compliance, we measure our progress against the four strategic priorities set out in our Corporate Plan:

## 1. Improving standards

To improve standards in the private security industry.

## 2. Our people

To develop our people so individual, team and corporate performance continually improves in achieving our purpose.

## 3. Adding value

To deploy and develop our people and assets to optimise their value.

## 4. Highlighting the industry's capability

To support government, police and others to work with us and the private security industry to shape and evolve the sector to respond to future challenges and opportunities.

# Achievements against strategic priorities

## 1. Improving standards

To improve standards in the private security industry.

### **New standards of qualifications for the industry**

At the end of the year, we launched new licence-linked qualifications for the industry that are raising standards of skills and professionalism. We consulted on the new qualifications and developed them with experts across the industry to include updated and more safety-critical content. We ran a programme of four webinars designed to upskill the private security industry on the new qualifications. These were well attended, with almost 500 delegates in total. We had already put back the timing of the changes due to the impact of COVID-19 on the industry. The changes will help operatives to keep people safe and contribute to driving industry

performance. We also worked in parallel to prepare the standards for the top-up training due to start in October 2021.

## **Code of conduct**

We published a response to the public consultation on the Code of Conduct on 14 January 2021, following analysis of nearly 4,000 responses. We started as a result to plan further work to explore whether and how a code of conduct would work as a proportionate regulatory approach, in light of the impact it would have on the private security industry.

## **Regional networks and online events for approved contractors**

This year we delivered on our commitment to establish regional networks for approved contractors. Network events, run by industry figures, have taken place regionally and have been supported by a national event. Between September (official launch) and March, we had around 100 attendees across three network events. They covered some of the critical business issues of the day and gave businesses the opportunity to share best practice and improve. We also ran a programme of four webinars for

approved contractors, which drew more than 150 participants.

## **Continuity of training provision during COVID-19**

We worked with training providers and awarding organisations to pilot, and then roll out, virtual classroom delivery of licence-linked training. This enabled training to continue for many sectors during lockdown. This meant that people could get qualified, obtain a licence, and enter the industry without compromising safety. We anticipate that virtual classrooms will become a cost-effective way of delivering industry training within a tight quality framework.

## **Quality monitoring of training providers**

We delivered a comprehensive programme of quality activity for qualifications. To combat the challenges of COVID-19 restrictions, we took an innovative approach which allowed us to make over 250 virtual unannounced visits to training providers.

## **Career pathways models**

We worked with leaders from the private security industry to scope out models of career pathways.



In the coming year we will seek to take this work forward as we develop and deliver on important aspects of our work to drive skills.

## **Skills Board**

We set up structures that will help us to work with industry to improve standards. We are very grateful to the experts who have helped us by influencing our thinking in the advisory groups we have set up. The Strategy and Standards Group is already playing a key role in helping us to consider how we can improve the standards we require for licence-linked qualifications and approved contractors. This group, which is made up of senior industry representatives and stakeholders from education, training and professional associations, helps steer our work on standards. We have also set up two new groups that will help us to deliver key areas of work. These are looking at setting up systems of continuing professional development and centres of excellence respectively. We will finalise the establishment of a Skills Board next year.

## **Apprenticeship trailblazer group**

We continue to work with the private security industry to help the development of a funded apprenticeship route for security businesses. The

group has shown the benefits of collaboration, and we are really grateful for their ongoing participation.

## **Revised quality arrangements**

This year we further refined our approach to assessment. Despite the restrictions on activity brought about by COVID-19, we started to re-focus on allowing businesses to demonstrate delivery of their service.

## **Business Relationship Managers**

We are forming strong relationships with the industry through our new Business Relationship Managers (BRM). The BRMs provide guidance to all businesses, through a strategy of collaborative engagement, on the tools and support that are available to them. They have further improved our understanding of business users' requirements. The BRMs also moderate the newly-formed ACS LinkedIn group, which has been well received by industry, particularly during the pandemic period. In 2021-22 we will be building on the success of these roles by further strengthening the supporting structure to ensure our services continue to meet business needs.

## 2. Our people

To develop our people so individual, team and corporate performance continually improves in achieving our purpose.

### People services

The SIA has a diverse and engaged workforce. The staff survey, conducted in autumn 2020, had a 69.4% response rate against a target of 65%. It found an overall satisfaction rating of 78% (82% in 2019). We are looking at how we can maintain and improve this figure.

The survey results were taken in a year of uncertainty with challenges such as COVID-19, office closure during lockdown, and changes in the senior leadership team. We are pleased to note that 91% of our employees believe that we managed the impact of COVID-19 well.

We have developed and started the implementation of our people strategy; this looks to build on the cultural changes and flexible working arrangements that have enabled our staff to work so effectively over the last year.

We have set up an Employee Engagement Group to provide support and engagement and enable staff to interact more fully.

We have also set up a Diversity and Inclusion Committee. We will be developing a new equality, diversity and inclusion strategy which covers all protected characteristics. We have established staff networks for BAME, mental health, gender, disability, parents and carers and LGBT+. The networks are staff-led. We are working closely with other government networks to share resources and learn from best practice.

## **Mental health first aiders**

Our mental health first aider team have been busy over the last year supporting our employees during the pandemic. We have run several seminars on mental health topics to raise awareness of mental health issues and encourage our staff to reach out and access support. We have an employee assistance scheme which is available to our employees and their friends and family members.

## 3. Adding value

To deploy and develop our people and assets to optimise their value.

### Customer Service Excellence

We retained the Customer Service Excellence standard in March 2021. This means that we have held the accreditation continuously since 2011. The standard tests delivery, timeliness, information, professionalism and staff attitude. It also emphasises customer insight, understanding the user experience, and robust measurement of service satisfaction. Our level of compliance with the standards, as assessed by the auditor, surpassed our previous performances.

### Working with partners

To ensure we maximise our reach and continue to improve our effectiveness, we carried out various joint operations with police licensing teams to train licensing officers in SIA regulation and how to undertake licensing checks.

This year we authorised and granted powers of inspection to 120 partners – mainly local authority licensing teams. These partnerships increase the level of scrutiny of security in the night-time

economy, supporting compliance and public protection.

## **Data and technology**

This year we worked on developing a new three-year combined digital and data strategy. This sets out how we intend to improve our capabilities on the use of data and technology in future years. This will entail more information sharing where it is lawful and appropriate to do so. It will also develop our ability to analyse our performance and the impact of our regulatory regime on the private security industry. We have plans to make all of our internal and public-facing services digital and more accessible, while completing the migration of all of our technical infrastructure to the cloud in line with government strategy.

We also started to review the internal operation of the licensing process following the operational changes we made in response to the COVID-19 pandemic early in the year. This was to explore what further opportunities exist to improve service and reduce costs. This baseline work fed into the development of the digital and data strategy.

## **Sharing more data**

This year we started publishing more data on our public-facing website relating to SIA licence holders and approved contractors. For licence holders, this now includes a breakdown by age, gender, nationality, licensing sector and UK region. Data on approved contractors includes the total number of approved contractors and a breakdown by licensing sector and UK region.

## **Demographic data**

During the year we reviewed the demographic data we collect about licence applicants and holders and how we use this information. Since December 2020 we have been asking new applicants, and those renewing, for more demographic data on a voluntary basis. We have also invited all current licence holders to do so. We will not be using individual responses but are using aggregated data to inform our engagement with the industry as part of our work to promote diversity and inclusion. This will also enable us to improve our own ability to monitor the impact of our processes and operations from an equality perspective. We intend to publish the high-level data in due course.

## **Improving accuracy of licence demand forecasting**

We reviewed and updated our licence application prediction model. We have now replaced it with one that improves accuracy and allows additional analysis and modelling through the manipulation of key variables. Early indications suggest this is accurate to 1% of predictions, but we will monitor this closely in the future.

## **New website**

We successfully completed the migration of our website to the GOV.UK platform in December 2020. This included a complete reorganisation of all the material on the external site. We also rewrote and repurposed more than 200 web pages in order to meet GOV.UK standards of accessibility. The new website is easier to navigate, and the material is easier to understand.

## **In-house legal services**

We have been seeking to bring legal work in-house during 2020-21 in order to reduce costs and provide a more responsive service to the business. We have removed the need for numerous external legal suppliers and are continuing efforts to develop our expertise and bring more cases in-house.



## **4. Highlighting the industry's capability**

To support government, police and others to work with us and the private security industry to shape and evolve the sector to respond to future challenges and opportunities.

### **Ministerial endorsement of 2020-23 corporate plan**

Our corporate plan for 2020-23 was approved by the Minister for Safeguarding (Victoria Atkins) in October 2020.

### **Strategic threat assessment**

We started work with our partners to enable us to share our understanding of the strategic threats the industry faces. We carried out the work to refresh our strategic threat assessment. The new strategic assessment centres around four strategic threats and various sub-threats. The four strategic threats are:

- protecting the public
- integrity of individual licensing
- integrity of the Approved Contractor scheme
- serious and organised crime within the private security industry

During the process we used the Management of Risk in Law Enforcement (MoRiLE) intelligence programme for the first time. Using MoRiLE has further aligned our strategic assessment, and other processes, to those of our law enforcement partners. It will facilitate an improved and seamless collaborative working approach.

## **Intelligence sharing**

We are finalising a memorandum of understanding with the National Police Chiefs' Council for improved intelligence sharing. We expect a successful resolution by July 2021. We have also begun the delivery of a 'Working better together' plan. This is intended to raise awareness of the SIA, including its purpose and work, across the policing and law enforcement landscape. The aim is to promote collaborative working and the timely sharing of information and intelligence. This will start in September 2021 and become core activity.

## **Recognising achievement within the private security industry**

We have been making sure we play our part in recognising the individual and collective achievements of security officers and the industry. Our Communications team worked on

the SIA Heroes initiative, sharing the stories of security operatives who went above and beyond to protect the public and key infrastructure during the COVID-19 pandemic. This campaign highlighted inspiring stories and the unseen work carried out by security operatives across the UK on a daily basis. Senior executives have also been supporting various industry award schemes as judges. These include the Women in Security awards, and the Outstanding Security Performance awards (OSPAs).

## **Stakeholder engagement and communications**

We delivered our engagement and communications with partners and people across the private security industry in the context of the COVID-19 pandemic. In the first half of the year we focused on providing timely updates on operational changes to assist the industry to respond to this crisis, and ensure the SIA remained visible and responsive.

Industry preparedness for the launch of the new licence-linked qualifications has also been a key priority for our communications and engagement this year. In spite of the restrictions we have supported an ongoing dialogue with our stakeholders through a range of virtual

and online activities using podcasts, webinars and live Q&As on LinkedIn and Facebook. Our engagement through social media continues to grow, with figures for the licence-linked content showing a much higher than average engagement.

We have been conducting a review of how much, and by what means, the SIA interacts with its stakeholders. These include licence holders, businesses, our enforcement partner organisations, our sponsor department, and society in general. The findings of this review will underpin a new strategy and activity plan that will refresh our approach to stakeholder engagement. It will also ensure that all our engagement activity is rooted in a sound and evidence-based understanding of the range of our stakeholders. We will present a three-year strategy and implementation plan for 2021-22 to the SIA board for approval in July.

## **Working closer with UK Visas & Immigration (Right to Work)**

We worked closely with UK Visas & Immigration (UKVI) on the updated right-to-work checks required for individual licence applicants as a result of the EU exit. This meant we put in place a smooth and effective process for handling

licence applications from EU nationals during the six-month EU exit transition period ending 30 June 2021. In addition, we ensured that we will capture all data relating to EU settlement scheme applications within the existing set of reports provided to us by UKVI from 1 July 2021. This will help to further streamline our licensing operations.

## **Partnership with HM Revenue and Customs**

The SIA has been working more closely with HM Revenue and Customs. They help us ensure that businesses applying to become approved contractors meet the financial probity requirements of the scheme's 'fit and proper' criteria. All 107 applicants in 2020-21 were therefore checked by HMRC. Together with HMRC's Employment Status & Intermediary (ES&I) team we have interacted with 47 security companies under our joint due diligence approach, and expect 607 employees to be put onto their payrolls as a result.

We also co-hosted webinar sessions with HMRC aimed at businesses in the private security industry who provide specialist dog handling services. The purpose was to raise awareness of the specific tax and National Insurance

implications arising from the unique services these businesses deliver.

## **Online counter-terrorism training**

In February, in partnership with National Counter Terrorism Security Office (NaCTSO), we made it possible for all individual SIA licence holders to directly access the free counter terrorism Action Counters Terror (ACT) e-learning application through their SIA accounts. Previously, the application had only been available to employed security operatives through their security companies. Now all licensed security operatives can get updates on the latest protective advice 24 hours a day – wherever they are, whoever they are working for on the day, where and when it matters most. This easy-to-navigate application is downloadable from a mobile phone or tablet.



### **Michelle Russell**

Chief Executive and Accounting Officer  
Security Industry Authority

15 July 2021

# Our actions in support of the private security industry during the pandemic

## Licensing operation

We were quickly able to adapt to the new situation to minimise impact on the service to licence applicants. We updated our processes to accommodate the supply of documents electronically, which enabled licence holders to renew their licence without attending the Post Office. We allowed applications to remain open longer, giving customers more time to obtain criminality checks from overseas embassies. We rapidly built a new online process for cases requiring a Disclosure Scotland criminality check to take advantage of emergency COVID legislation.

We communicated proactively with applicants for whom we were awaiting Disclosure Scotland and Disclosure & Barring Service check results, requesting that they provide a scan or photograph of their copy of the results so we could progress their applications. We also applied the Home Office grace period to licence holders whose right to work had expired but who were unable to return to their country of residence due to travel restrictions.

## **Remote training**

We worked with awarding organisations and training providers to pilot, under controlled conditions, the virtual delivery of training as well as the remote invigilation of assessments. This covered qualifications for Security Guarding, Public Space Surveillance (CCTV) and Cash and Valuables in Transit. This was rolled out more widely once we had evaluated the pilot and assured ourselves that the systems of assessment were robust and did not compromise the integrity of qualifications.



## Industry engagement and guidance

Members of the SIA executive took part in industry-led webinars on the industry's approach to the pandemic. We maintained a comprehensive set of frequently asked questions for security operatives and security businesses, including links to the latest government advice. We set up a LinkedIn group, managed and moderated by us, to support approved contractors and allow them to easily communicate with each other. We also propagated relevant guidance via our channels from government and bodies such as the Disclosure and Barring Service. This related to topics such as updated COVID-19 advice, support for individuals and businesses, and temporary changes to ID checking guidelines. We also created new guidance on how the Private Security Industry Act 2001 may affect the management of queues and access to premises.

### Support to approved contractors

We extended all annual assessments by an initial three 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. We made temporary changes as to when licence dispensation notices could be issued, and their duration. This made it easier for approved contractors to quickly deploy staff during the pandemic. We also made changes to subcontracting arrangements and approvals for additional sectors.

For the remainder of 2020 we allowed for annual assessments to be done in two parts: part 1 was fully remote, with part 2 to be done on-site within six months. When it was clear in early 2021 that restrictions would remain, we adapted our assessment practices again to accommodate those who had not been able to have their part 2 assessment. We allowed them to roll this into their 2021-22 assessment year and have a full indicator assessment.

We have also incorporated some flexibility into our existing policy around dormant sectors. We have extended this from 12 to 20 months on a case-by-case basis. We have done this in part to support the night-time economy, events, and hospitality sectors.

# 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

	2020-21		2019-20	
	Consumption kWh	Cost £	Consumption kWh	Cost £
<b>Direct Emissions</b>	–	–	–	–
<b>Indirect Emissions</b>				
Electricity: Non-renewable*	377,905	Not Available	754,068	Not Available
Gas*	8,771	Not Available	20,701	Not Available

Table 2: Official Business Travel

	2020-21		2019-20	
	Consumption CO2	Cost £	Consumption CO2	Cost £
Private Fleet Business Travel	14.8	31,480	79.21	134,058
Rail Business Travel	Not Available	5,145	Not Available	135,839
Other Business Travel	Not Available	3,933	Not Available	105,924
Total Business Travel	14.8	40,558	79.21	375,821

Table 3: Waste Minimisation and Management

	2020-21		2019-20	
	Consumption Kgs	Cost £	Consumption Kgs	Cost £
Hazardous Waste	-	-	-	-
Non-hazardous Waste:				
Landfill**	800	Not Available	4,367	Not Available
Recycled/Reused*	3,500	Not Available	8,325	Not Available
Incinerated	-	-	-	-

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

Table 4: Finite Resource Consumption

	2020-21		2019-20	
	Consumption M <sup>3</sup>	Cost £	Consumption M <sup>3</sup>	Cost £
Water Supply*	261.5	Not Available	2,262	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 2020-21, with 81% of total waste recycled in the year.

## Charity assistance

Staff continue to support charities selected by staff members. Staff selected Dementia UK as the charity to support during 2020-21; however, due to lockdown restrictions, we have put charity and fundraising events on hold. Staff have expressed the wish to extend the period supporting this charity into this coming year.

## 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 ACS status, 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**

The SIA is fully committed to the principles of equality, diversity and inclusion.

We are an equal opportunities employer. We give full and fair consideration to all applications for employment and 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.

We are proud of the diverse nature of our organisation and continue seeking to develop a culture that reflects the strong value we place on the importance of diversity.

# Financial review

# Overview

The operating surplus was £4.4m, increasing £6.8m against the prior year deficit of £2.4m. This was also £6m above our forecast deficit of £1.6m. It is worth noting that without the licence fee rebate scheme, the surplus would have been £3.1m greater. The £4.4m surplus was predominantly driven by the unexpected impact on finances of COVID-19.

Following a downturn in the demand for licences during the first half of the year, we took measures to reduce expenditure. However, application rates recovered and exceeded expectations in the final quarter. At the end of the financial year, income was 4% higher than expected. This was driven by the increased need for security guards at vaccination and testing centres. There was also further demand from applicants in industries impacted by COVID-19.



Expenditure in the financial year was 11% lower than expected. The material variances within expenditure were mainly COVID-19 related, with underspends occurring in the following categories:

- travel and subsistence  
(2020-21 – £60k, 2019-20 – £530k)
- training and recruitment  
(2020-21 – £0.3m, 2019-20 – £0.6m)
- legal costs (2020-21 – £40k, 2019-20 – £200k)
- licensing costs (2020-21 – £7.3m, 2019-20 – £8m)
- consultancy spend for projects delayed until 2021-22 (2020-21 – £0.1m, 2019-20 – £0.7m)

Following an extension in the contract of the managed service provider of our licensing system, we took a management decision to extend the useful life of the asset. This resulted in a reduction in amortisation costs in the financial year.

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

Table 5: Summary of financial results: 2018/19 to 2020-21

	2020-21	2019-20	2018-19
Application numbers*	163,173	130,937	149,731
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Licence fees	29,359	26,370	30,939
ACS	2,046	2,309	2,267
Other	39	107	119
<b>Total self-generated income</b>	<b>31,444</b>	<b>28,786</b>	<b>33,325</b>
Staff costs	14,856	14,008	12,325
Licensing costs	7,258	8,058	6,823
Amortisation and depreciation	866	2,101	2,904
Other expenditure	4,111	7,008	7,991
<b>Total operating expenditure</b>	<b>27,091</b>	<b>31,175</b>	<b>30,043</b>
<b>Operating surplus/ (deficit)</b>	<b>4,353</b>	<b>(2,389)</b>	<b>3,282</b>

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

In 2021-21 we anticipated a rise in licence applications when compared to 2019-20, as this was a 'high' year in the SIA's three-year operating cycle. Accordingly, in 2021-22, income is anticipated to fall to £28.6m and in 2022-23

further decline to £26.1m. We are in the process of an exercise which will re-baseline our forecasts and factor in any long-term impact resulting from COVID-19 on our licensing demand and expenditure.

Following this, a full annual fee review will be conducted in 2021-22 to assess whether the fees are set at the appropriate level.

## **Funding considerations**

Our operation is funded through licence fees from individuals and Approved Contractor Scheme (ACS) subscriptions. We are required by the 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), 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:

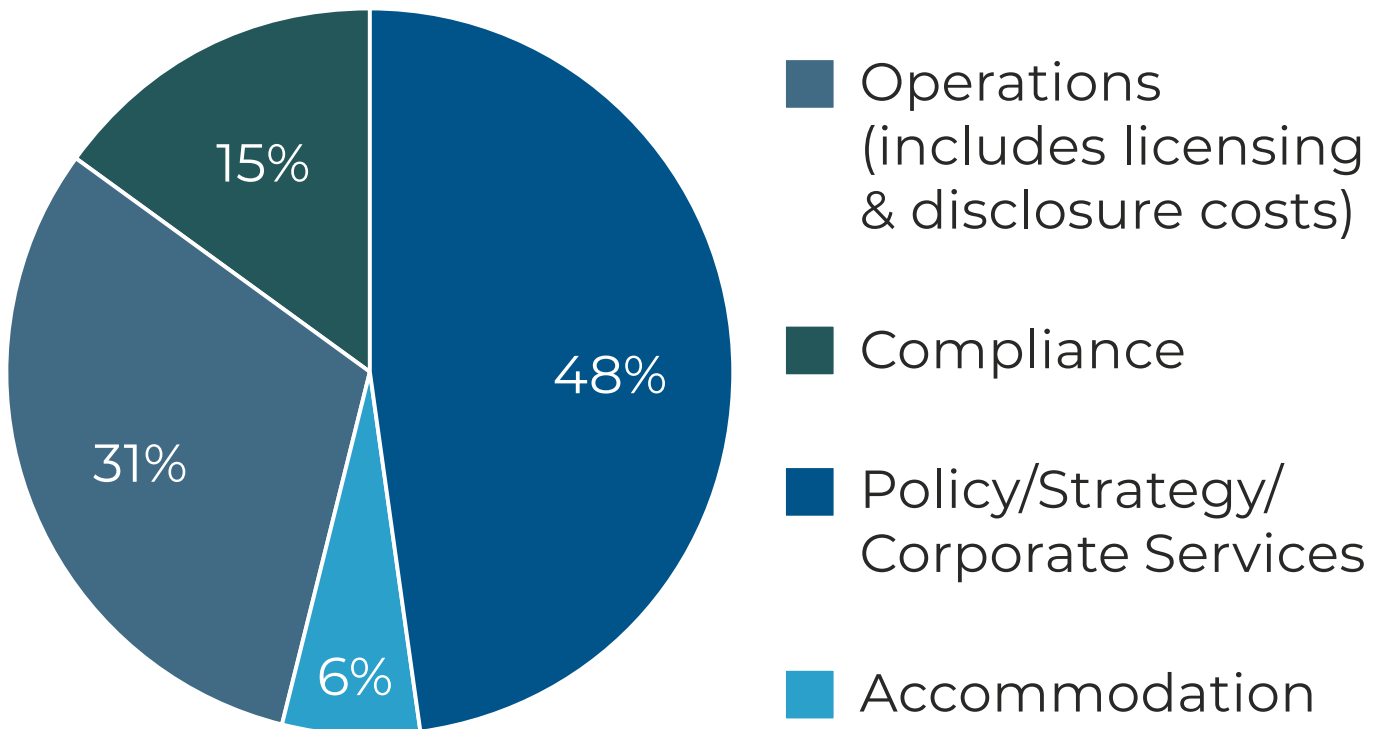
- the fluctuation of income over the three-year licence demand cycle
- the requirement to provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis
- the requirement in ‘Managing Public Money’ to recover only costs and avoid making a surplus

## How the licence fee was spent

In 2020-21 we reduced the fee from £210 to £190 for a three-year licence (except for vehicle immobilising in Northern Ireland, which is a one-year licence). The fee is now at its lowest level since 2004; if adjusted for inflation over this period using the consumer price index, the licence fee would have been £298 at March 2020.

A breakdown of the way the licence fee was spent in 2020-21 is set out in Figure 1.

Figure 1



## Payment practice

We follow the principles of the Better Payment Practice Code, in accordance with 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.

# Accountability report

# Corporate governance report

## Director's report

### Composition of the management board

Directors during the year 1 April 2020 to 31 March 2021

<b>Ian Todd</b> (to October 2020)	Chief Executive
<b>Michelle Russell</b> (from October 2020)	Acting Chief Executive
<b>John Montague</b> (from October 2020)	Acting Director of Inspections and Enforcement
<b>Michelle Russell</b> (to October 2020)	Director of Inspections and Enforcement
<b>Stephen McCormick</b>	Director of Licensing and Standards
<b>Dianne Tranmer</b>	Director of Corporate Services

## Authority members (non-executive) during the year 1 April 2020 to 31 March 2021

<b>Elizabeth France</b>	Chair (to Jan 21)
<b>Trevor Reaney</b>	Chair of Audit and Risk Assurance Committee Assurance Committee Member of Remuneration Committee (from Jan 21)
<b>David Horncastle</b>	Acting Chair (from Jan 21) Deputy Chair (until Jan 21) Member of Audit and Risk Assurance Committee (until Jan 21) Member of Remuneration Committee (until Jan 21)
<b>Ian McKay</b>	Chair of Remuneration Committee (to Dec 20)
<b>Alec Wood</b>	Member of Audit and Risk Assurance Committee Member of Remuneration Committee (from Jan 21)
<b>Kate Bright</b>	Member of Remuneration Committee (to Jan 21) Chair of Remuneration Committee (from Jan 21) Member of Audit and Risk Assurance Committee (from Jan 2021)



## Pension liabilities

Details of the pension schemes of which our staff are members can be found on page 110.

## Register of interests

A register of company directorships and significant interests held by board members is maintained and refreshed throughout the year. It is also published on our website.

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

Board member	Details
<b>Kate Bright</b>	<p>CEO of UMBRA International Group Ltd</p> <p>Member of the Worshipful Company of Security Professionals (and subsequently, in May 2020, appointed a trustee)</p> <p>Member of the Security Institute, as well as a Companion of the Institute of Leadership &amp; Management</p>
<b>Alec Wood</b>	<p>Former Chief Constable of Cambridgeshire Constabulary</p> <p>Ministry of Defence Police Committee – police adviser for England and Wales (from May 2020)</p>

Board  
member

## Details

<b>David Horncastle</b>	Non-Executive Director at the National Crime Agency
<b>Ian Todd</b>	Member, Professional Standards Committee, Chartered Institute of Management Accountants (CIMA) Volunteer with the Emergency Ambulance Crew (COVID-19), London Ambulance Service NHS Trust (from April 2020)
<b>Michelle Russell</b>	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
<b>Elizabeth France</b>	Chair: Police Advisory Board for England and Wales, Police Pension Schemes Advisory Board and Police Consultative Forum Member of Ofgem Enforcement Decision Panel (EDP) Deputy Chair of Financial Conduct Authority's Regulatory Decision Committee (RDC) and Enforcement Decision Committee (EDC)

## 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 income and expenditure, statement of financial position 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

– 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 the Treasury. Details may be accessed online at [hm-treasury.gov.uk](https://www.hm-treasury.gov.uk).

## **Statement regarding disclosure of information to the auditors**

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.

A handwritten signature in black ink, appearing to read 'MR', with a stylized, cursive flourish.

**Michelle Russell**

Chief Executive and Accounting Officer

Security Industry Authority

15 July 2021

# 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, while safeguarding public funds and SIA and departmental assets.

The system of governance, internal control, and risk management is designed to manage the risk of failure to achieve our aims, objectives, and compliance with policies.

Michelle Russell was appointed as Interim Chief Executive and Accounting Officer on 19 October 2020 following the departure of Ian Todd. An assurance statement from Ian Todd was provided to Michelle Russell as part of the handover.

The SIA board is updated on material strategic risk issues at its quarterly board meetings through the Chief Executive's report. The board has delegated responsibility for routine monitoring of risk management arrangements to the Audit and Risk Assurance Committee, which is presented with the strategic risk register at each meeting and carries out deep dives into specific risks.

The setting of risk appetite for all strategic risks is the responsibility of the SIA board. Processes are in place for risks to be escalated within the organisation and to the Home Office where necessary. The senior executive regularly discusses and reviews risks at executive director and senior leadership team meetings.

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 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 and board

The SIA is a non-departmental public body, and body corporate, created by the Private Security Industry Act 2001, also known as “the Authority”. The Act gives the ‘Authority’ responsibility for implementing the regulation of the private security industry.

The Authority comprises five non-executive directors and the Chair. The members of the Authority are office holders not employees. The Authority appoints a Chief Executive and staff to undertake all the work needed to bring the Act into being. The Authority members come together alongside the Chief Executive, and the senior executives of the SIA, at the board.

The Authority complies with the *Corporate Governance in Central Government Departments: Code of Good Practice*. 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.

Figure 2



## Board effectiveness

The Authority completed an annual assessment of effectiveness in November 2020 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 sixth 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. On this occasion we added a ninth set of questions relating to the staff survey, staff matters and current working arrangements (in light of COVID-19).

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

## The questionnaire covered nine key areas

<b>1</b>	Objectives, strategy and remit
<b>2</b>	Performance measurement
<b>3</b>	Relationship with key stakeholders
<b>4</b>	Propriety, fraud and other leakage
<b>5</b>	Delivery chain and project management
<b>6</b>	Risk management
<b>7</b>	Sub-committees, internal audit and corporate reporting
<b>8</b>	The Authority
<b>9</b>	Staff survey, staff matters and current working arrangements (in light of Covid-19)

## Summary of outcome

It has been a challenging year with the restrictions relating to COVID-19 and the unexpected departure of the Chief Executive just as a planned restructuring of the senior leadership team was being put in place. That said, we consider that the SIA has managed well and that the Authority has been appropriate and effective in its oversight. We have a new key performance indicator (KPI) reporting process this year which we have welcomed, and all

considered seems to be effective and appropriate. Two new members have joined the Authority and have contributed well.

For the year ahead members identified the need to improve effectiveness as follows:

- while reporting to the Authority at board meetings follows a clear pattern, we can see benefit in linking the quarterly reports more directly to the strategic objectives to assist in judging progress
- an opportunity exists for the Acting Chief Executive to develop and improve how performance in differing areas of business link together and provide a holistic view of organisational performance
- there is still work to be done in ensuring we understand the industry we regulate. A stakeholder engagement plan would help the Authority to measure progress
- lack of data to inform compliance with the statutory equality duty was being addressed. A review of compliance with other statutory duties was being undertaken and considered by the Audit and Risk Assurance Committee (ARAC)
- if the current recruitment of the Chair and two new members does not increase diversity, then the proposal for an apprentice should be looked at again

## Remuneration Committee

The Remuneration Committee (formerly called the Human Resources and Remuneration Committee) reports to the Authority board and comprises a minimum of three members. The purpose of the committee is to support the board, and Chief Executive, by:

- reviewing the performance and remuneration of the Chief Executive
- considering staff annual pay and reward proposals
- providing, on request, advice and appropriate scrutiny and strategic direction on strategic employment and remuneration matters

The committee also receives and reviews relevant reports on health and safety matters from Health and Safety Executive Group. This year it also considered the then-draft people strategy, the staff survey on working arrangements post COVID-19, and reports on diversity and inclusion initiatives.

## **Audit and Risk Assurance Committee (ARAC)**

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

The committee's main functions are to consider and agree the internal and external audit plans; to review and monitor progress on actions arising from audit reports; to support the Accounting Officer in respect of their responsibilities for ensuring the adequacy of risk management, internal controls (including financial propriety) and governance; and to scrutinise the integrity of the annual report and accounts. This committee is comprised of at least three members.

Matters relating to integrity (including fraud, bribery and corruption) are overseen by the Executive Director Integrity Lead who reports to this committee.

Matters relating to information management (including security of our data and information assets) are overseen by the CIO function and Head of Risk and Assurance with reports provided to this committee.

## Board attendance in FY2020-21

Name of Board member	SIA Board	Audit and Risk Assurance Committee	Human Resources and Remuneration Committee
Elizabeth France	6/8 ✓	N/A	N/A
David Horncastle	8/8 ✓	4/4 ✓	4/4 ✓
Ian MacKay	6/8 ✓	N/A	3/4 ✓
Trevor Reaney	8/8 ✓	4/4 ✓	N/A
Kate Bright	8/8 ✓	N/A	4/4 ✓
Alec Wood	8/8 ✓	4/4 ✓	1/4 ✓ *Jan 2021

\* Authority Member, Ian McKay (last day in post, 31 December 2020). Chair, Elizabeth France (last day in post, 14 January 2021)

Management assurances for all committees include:

- performance and financial reporting
- risk reporting
- committee reports to SIA Board
- self assessment of effectiveness reporting



## Risk management

The SIA continues actively to evaluate and monitor the management of risk within the SIA on a regular basis. The senior executive regularly discusses and reviews risks at executive director and senior leadership team meetings.

In April 2021 we reviewed and updated our risk management policy, which summarises the SIA's approach to risk. Our approach is that the management of risk is a key organisational responsibility and that Authority members, the Chief Executive and the senior executive and leadership have an important role to play in promoting and embedding an effective risk management culture. Risk is integral to all aspects of our business planning, management and decision making. However, to fulfil its basic purpose, the SIA must accept a degree of risk, so our appetite cannot be universally low. The current agreed risk appetite is reflected in our risk statement.

Our risk statement sets out how we balance risk and opportunity in pursuit of our objectives. It forms a key element of our governance and reporting framework and is set by the board, which also reviews the statement annually. The next review of our corporate risk appetite is due;

it has been awaiting the arrival of the new Chair. This risk appetite statement is supported by a risk strategy and guidance for all SIA employees.

The strategic (corporate) risk register is presented to the regular Audit and Risk Assurance Committee meetings with comments and proposed actions. Detail of the SIA's corporate level risks during 2020-21, and the steps we are taking to manage them, are summarised at Figure 3.

## Principal risks and key mitigating factors

Figure 3

Principal risks	What are we doing about them?
<p>There is a risk that we do not comply with our legal and statutory responsibilities.</p>	<p>We carried out a review of our compliance against key legal responsibilities which was scrutinised by ARAC. Follow-up actions include better information, education and awareness training for SIA staff, including on the Regulators' Code. We are also improving our collection of demographic data to ensure we are better informed to comply with our equality act duties.</p>

## Principal risks

## What are we doing about them?

Sports exemption – public safety risk caused by gaps in regulatory oversight.

Sports and entertainment are currently restricted so this risk is currently reduced. The Sports Grounds Safety Authority and SIA meet every quarter and are working together to produce a guide / flowchart for when the different regulatory regimes apply. We continue to raise the issue and options to mitigate with the Home Office.

There is a risk that morale at the SIA will decrease leading to less efficiency, loss of staff, or increased sickness and mental health issues.

Regular mental health communications, both general and targeted campaigns, and welfare checks to ensure staff feel supported and aware of the support that is available to them, including mental health first aiders.

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.

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 processes to support a return to normal running with some temporary and some permanent adjustments.

We are closely and regularly reviewing KPI, operational and financial performance at executive director meetings each month.

Principal risks

What are we doing about them?

There is a risk that we do not understand the operational output that the new code of conduct will generate and therefore we may not have the resources or processes in place to support it.

We are considering the approach needed to ensure an accurate operational assessment.  
The first round of public consultation has taken place with the report published in January 2021 – this is informing our next steps

There is a risk to the effectiveness of the support the Authority can provide to the executive due to the delayed appointment of a new Chair and other Authority members

An interim Chair was appointed in January 2021. The risk has been escalated to the Home Office who are responsible for the appointment processes. We have asked for the terms of office for new Authority members to be staggered to manage future appointment termination dates.

There is a risk that the findings from the Manchester Arena Inquiry will be reputationally damaging to the SIA.

Regular meetings with the Home Office officials are taking place to discuss potential areas of anticipated focus and our responses.

## Declarations of interest

The SIA has a policy for the declaration and management of interests in place for all staff. An employee of the SIA must sign up to the SIA's code of conduct and Civil Service code. Under the codes, employees agree:

- not to misuse their official position or information acquired in their official duties to further their private interests or those of others
- to ensure that any possible conflicts of interest are identified at an early stage and that appropriate action is taken to resolve them.

These requirements apply to all staff, including contingent hires (such as temporary workers and contractors).

All SIA employees must declare upfront interests which do or might give rise to a conflict of interest situation in light of their role with the SIA, so it can be decided if action needs to be taken to manage them. Guidance is provided to all staff about what constitutes a conflict of interest. An annual declaration is required by all staff through our software (NETConsent) and staff are made aware that outside of the annual reporting cycle, there is an ongoing requirement for them to

declare any actual, potential or perceived conflicts for the duration of their employment.

Relevant interests declared by senior officials, including any external employment, are published in the annual report. Interests declared by others, including contractors, consultants and other staff will not be published, but will be reviewed upon receipt to help identify any action that may need to be taken to mitigate the interest. These are held on file and reported to the Audit Committee on a regular basis.

## **Disaster and contingency planning**

Crisis management/business continuity plans and a network of champions supported the successful management and mitigation of risks impacting the SIA due to the global pandemic this year. The Crisis Management Team was mobilised at the beginning of the year on a daily, weekly and then monthly basis. It proactively monitored risks to the SIA caused by the pandemic and directed suitable mitigating actions. It was stood down in January 2021, when management of the risks was moved into business as usual and functional and directorate ownership, alongside the oversight of the Health and Safety Group.

## Fraud

We have internal controls in place to mitigate risk in relation to fraud, corruption, and wrongdoing. An executive director-level Integrity Lead, with support from a deputy, oversees governance, investigation and reporting to ARAC of any allegations or reported incidents. There were no reported instances of fraud in the year 2020-21. There were no whistleblowing reports received during this period, and there were no ongoing investigations in this regard.

## Compliance checks

We have an internal risk-focused second line compliance capability. This is 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 for both senior executive oversight and the board, along with monthly updates at executive director meetings. In addition, a compliance pack, which includes key balance sheet accounts and transactions, is prepared monthly and reviewed by the Head of Finance and Procurement.

A review of our licensing fee is carried out on an annual basis. This review led to a reduction of the fee in April 2020.



## Programme and project management

The projects delivered in 2020-21 were as follows:

- SIA website
- Microsoft 365
- Select HR upgrade
- fee reduction
- STeP service continuation
- return to normality planning

A new approach to programme and project management was adopted from October 2020 following a restructure. A three-tiered assurance approach has now been taken as follows:

- first line of defence – this is performed mainly by project managers and project officers. In addition, subject matter experts including IT and procurement staff may identify risk as part of managing their objectives in project delivery tasks
- second line of defence – this is performed by Risk and Assurance. A new assurance framework for projects is under development by the Risk and Assurance function. Also, the Finance, Legal and Procurement teams, for example, provide the policies and processes to enable first line management. Project executives and project boards also perform

- the second-line function in respect of project governance
- third line of defence – this is performed by the Audit and Risk Committee, the Home Office when required and external auditors

In addition, IT programme updates have been a regular standing agenda item at executive director meetings since October 2020. A project report is also provided to the board quarterly.

## **People management – workforce planning and development**

Each area's business and workforce plans were reviewed as part of the business planning cycle and in preparing the budget for the coming year. This included scrutiny and approval by Finance, the Head of HR and the executive directors.

In March 2021, the SIA submitted a Recruitment Envelope Dispensation Bid for approval by the Home Office CCL Board for the next financial year.

Since October 2021, there has been a standing 'people matters' item on the agenda at monthly executive director meetings. Workforce reports are also submitted and scrutinised quarterly

at board level through the Remuneration Committee.

All staff are security cleared by the Home Office Departmental Security Unit (at DV, SC or CTC levels) or by a third-party contractor (at baseline level) before starting their employment. All new starters go through an onboarding process, which was updated and improved this year.

We also provided a full programme of mental health awareness and engagement support for our employees. In the last quarter of the year, we established a Diversity and Inclusion network comprising the following groups:

- Mental Health and Wellbeing
- BAME
- Gender
- LGBTQ+
- Parents and Carers

## **Incidents reported to the Information Commissioner's Office**

Two issues were reported. A notification of a potential breach was made to the Information Commissioner's Office in October 2020, following a report that material posted to the SIA's

offices by a member of the then investigations function could not be located. The incident was investigated internally and the Information Commissioner's Office has since confirmed that they would be taking no further action. The incident was closed in November 2020.

An information security breach in March 2021 resulted in a self-referral to the Information Commissioner's Office. This incident related to a list of names and email addresses, associated with one company, being sent in error to an individual at another company. This was investigated as part of standard internal procedures and followed by a 'lessons learned' exercise. The appropriate mitigations have been identified and put in place.

We also we rolled out mandatory information security training for all staff in April 2021.

## **Information management**

The SIA's Data Protection Officer (DPO) provides independent assurance that the SIA processes the personal data of its staff, customers, providers or any other individuals in compliance with the applicable data protection regulations. The DPO provides a quarterly report directly to the SIA

executive directors and SIA board, and is also responsible for reporting any serious information incidents to the Information Commissioners Office.

## Internal audit

The 2020-21 internal audit programme was produced in line with a risk assessment and was agreed by the Audit and Risk Assurance Committee.

Four planned internal audit reviews were completed in 2020-21: identity document handling, procurement of low/medium value contracts, key systems operational outages and information technology strategy. All audits were given a moderate assurance.

No critical or high priority recommendations were received, and, of the 11 medium priority recommendations, all had been completed at 31 March 2021.

## 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 senior executive and leadership teams, 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 2020-21.

A handwritten signature in black ink, appearing to read 'MR', with a stylized flourish at the end.

**Michelle Russell**

Chief Executive and Accounting Officer

Security Industry Authority

15 July 2021

# 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 Chair recommends the pay award of the Chief Executive which is submitted to ministers for approval.

## Remuneration

The role of the 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: Ian McKay (to December 2020), David Horncastle (to January 2021), Kate Bright



and Alec Wood (from January 2021). 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 2020-21 was £140k – £145k (2019-20: £140k – £145k). This was 4.1 times (2019-20, 4.1 times) the median remuneration of the workforce, which was £34,493 (2019-20, £33,998). No employees were paid more than the highest-paid director.

Remuneration ranged from £20k – £25k to £140k-£145k (2019-20, £20k – £25k to £140-£145k).

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.

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	Salary (£'000)		Performance payment (£'000)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
<b>Michelle Russell</b> Acting Chief Executive from 19 October 2020*	110-115 (FTE 125-130)	20-25 (FTE 95-100)	–	0-5	151,000	20,000	260-265	40-45
<b>Ian Todd</b> Chief Executive until 18 October 2020	75-80 (FTE 140-145)	140-145	–	0-5	29,000	76,000	105-110	215-220
<b>Stephen McCormick</b> Director of Licensing and Standards	100-105	100-105	0-5	0-5	40,000	36,000	140-145	135-140
<b>Dianne Tranmer</b> Director of Corporate Services	100-105	100-105	0-5	0-5	45,000	42,000	145-150	140-145
<b>John Montague</b> Acting Director of Partnerships & Interventions from 19 October 2020 to 31 March 2021	45-50 (FTE 95-100)	–	0-5	–	80,000	–	125-130	–
<b>Band of highest paid Director's total remuneration</b>	140-145	140-145						

\*Michelle Russell was Director of Partnerships and Interventions in the period to 19 October 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 decrease 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 or non-executive directors for the year ending 31 March 2021.

## **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 2020-21 relate to performance in 2019-20 and the comparative payments reported for 2019-20 relate to the performance in 2018-19.

## The Non-Executive Board

*(Audited information)*

The remuneration of the board in the period ending 31 March 2021 is shown in the table below.

	Salary (£'000)		Benefits in Kind* (to nearest £100)	
	2020-21	2019-20	2020-21	2019-20
	£'000	£'000	£	£
<b>David Horncastle</b> (Interim Chair from 15 January 2021)	10 – 15 (FTE 25 – 30)	5 – 10	–	–
<b>Elizabeth France</b> (Chair to 14 January 2021)	40 – 45 (FTE 50 – 55)	50 – 55	–	10,100
<b>Ian McKay</b> (to 31 December 2020)	5 – 10 (FTE 5 – 10)	5 – 10	–	–
<b>Trevor Reaney</b>	5 – 10	5 – 10	–	–
<b>Katherine Bright</b>	5 – 10	0 – 5 (FTE 5 – 10)	–	–
<b>Alexander Wood</b>	5 – 10	0 – 5 (FTE 5 – 10)	–	500

\*The 2019-20 benefits in kind figures relate to all travel and subsistence incurred on journeys to London.

# Pension benefits

*(Audited information)*

	Accrued pension at 31/3/21 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/21	CETV at 31/3/20	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Michelle Russell</b> Acting Chief Executive from 19 October 2020	35 – 40	7.5 – 10	528	399	8	108	–
<b>Ian Todd</b> Chief Executive until 18 October 2020	60 – 65	0 – 2.5	795	753	6	14	–
<b>Stephen McCormick</b> Director of Licensing and Standards	30 – 35	0 – 2.5	708	656	7	41	–
<b>Dianne Tranmer</b> Director of Corporate Services	35 – 40	2.5 – 5	550	499	7	27	–
<b>John Montague</b> Director of Partnerships & Interventions from 19 October 2020 to 31 March 2021	20 – 25	2.5 – 5	479	395	3	79	–

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: three 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 five months from their normal pension age on 1 April 2012 will switch into alpha some time 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with 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 [civilservicepensionscheme.org.uk](https://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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in black ink, appearing to read 'MR', with a stylized, cursive flourish.

**Michelle Russell**

Chief Executive and Accounting Officer

Security Industry Authority

15 July 2021

# Staff Report

## Staff costs comprise (audited information):

	2020-21			2019-20		
	Permanent staff	Other staff	Total	Permanent staff	Other staff	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	10,400	766	11,166	9,944	793	10,737
Social security costs	1,029	25	1,054	999	7	1,006
Other pension costs	2,406	–	2,406	2,250	–	2,250
Redundancy costs	–	229	229	–	15	15
<b>Total costs</b>	<b>13,835</b>	<b>1,020</b>	<b>14,856</b>	<b>13,193</b>	<b>815</b>	<b>14,008</b>

## Consultancy costs

Expenditure on consultancy in 2020-21 was £107,073 (2019-20: £724,912). External consultants were commissioned in year to provide expertise on various projects.

## Trade union facility time

One employee, who was a relevant trade union official during 2020-21, spent 17.27 hours of facility time at a total cost of £402 representing 0.0027% of the total pay bill.

Number of employees who were relevant union officials during 2020-21	Full-time equivalent employee number (2020-21)	Number of employees who were relevant union officials during 2019-20	Full-time equivalent employee number (2019-20)
1	1	1	1

Percentage of time spent on facility time	Number of employees 2020-21	Number of employees 2019-20
0%	–	–
1-50%	1	1
51-99%	–	–
100%	–	–

	2020-21	2019-20
Total cost of facility time	£402	£1,513.39
Total pay bill	£14,854,854	£14,008,884
% of pay bill spent on facility time	0.0027%	0.0108%

## 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 [civilservice-pensions.gov.uk](http://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.

## Persons employed

*(Audited information)*

The actual number of whole-time equivalent persons employed (excluding the non-executive board) during the period was as follows.

	2020-21			2019-20		
	Permanent	Other	Total	Permanent	Other	Total
Directly employed	258	–	258	254	–	254

Staff composition (head count) at 31 March 2021

*(Audited information)*

	2020-21			2019-20		
	Female	Male	Total	Female	Male	Total
Other employees	131	135	266	134	136	270
Senior Civil Servant or equivalent	2	1	3	2	2	4
Board	1	3	4	2	4	6
<b>Total</b>	<b>134</b>	<b>139</b>	<b>273</b>	<b>138</b>	<b>142</b>	<b>280</b>



## Off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day

<b>No. of existing engagements as of 31 March 2021</b>	<b>4</b>
Of which...	
No. that have existed for less than one year at time of reporting.	2
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 off-payroll engagements between 1 April 2020 and 31 March 2021, for more than £245 per day

<b>No. of temporary off-payroll workers engaged between 1 April 2020 and 31 March 2021</b>	<b>6</b>
Of which...	
No. not subject to off-payroll legislation	
No. subject to off-payroll legislation and determined as in-scope of IR35	
No. subject to off-payroll legislation and determined as out of scope of IR35	6
No. of engagements reassessed for compliance or assurance purposes during the year.	
Of which, number of engagements that saw a change to IR35 status following review.	

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	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. This figure must include both on payroll and off-payroll engagements.	11

## Reporting of Civil Service and other compensation schemes – exit packages

*(Audited information)*

Exit package cost band	2020-21				2019-20		
	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	1	–	1	–	–	–	
£10,000-£25,000	–	–	–	1	–	1	
£25,000-£50,000	–	–	–	–	–	–	
£50,000-£100,000	3	–	3	–	–	–	
£100,000-£150,000	–	–	–	–	–	–	
£150,000-£200,000	–	–	–	–	–	–	
<b>Total number of exit packages</b>	<b>4</b>	<b>–</b>	<b>4</b>	<b>1</b>	<b>–</b>	<b>1</b>	
<b>Total resource cost (£)</b>	<b>£229K</b>		<b>£229K</b>	<b>£15K</b>		<b>£15K</b>	

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 the table above.

### **Payment to auditors**

The audit fee for 2019-20 payable to the National Audit Office has been set at £41.5K (2019-20: £40K). No other payments were made to the National Audit Office for non-audit services during the year.

### **Staff sickness and absence**

During the 2020-21 financial year, an average of five 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 a decrease of 2.1 days per employee compared to the 2019-20 financial year when it was 7.1 days per employee.

While our management of sickness absence has led to an improvement 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 was one special payment made in the year, amounting to £65,000 (2019-20: nil).

### Fees and charges 2020-21

Income stream	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£'000	£'000	£'000	£'000	target
Licensing	29,359	(24,762)	4,597	119	100
ACS	2,046	(2,289)	(243)	89	100
Total	31,405	(27,051)	4,354		

### Fees and charges 2019-20

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

## 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 on a three-year cycle. This was the first year in the cycle, when volumes are typically higher. This resulted in a higher fee recovery than achieved in the previous year.

To ensure that we do not hold unnecessary reserves (see Note 9, page 166), a reduction was applied to the individual licence fee. From 1 April 2020, the price was reduced from £210 to £190.

The reduction applied to both new applicants and those renewing existing licences. The reduction agreed with Treasury is designed to benefit the industry and is being funded by accumulated reserves.

Following this reduction, a full review of the licensing fee was conducted in 2020-21. This determined that the fee would remain at its current level of £190 for the rest of the financial year, due to the ongoing uncertainty surrounding COVID-19, which has a direct impact on our income and expenditure forecasts. If the fee

were to be changed prematurely, there is a risk that a further change would be required soon after, causing disruption to the industry. Any surplus accrued over the licensing cycle would be transferred to the Home Office consolidated fund. A comprehensive fee review will take place each year to ensure the fee is set at the correct level.

The review also addressed the licensing rebate scheme, which reduced the licensing fee from £210 to £190, and provided an update on progress. The scheme is in place for a maximum of two licensing cycles (six years) and utilises accumulated reserves. The rebate was set at £20 based on the volume of applications expected over the six-year period (circa. 800,000 applications) with the reduction applied at the point of payment.

The review established that based on the current run rate in 2021-21, the historic accumulated reserves of £18m were diminished by £3.1m (see income note 4.1, page 160) as a result of the fee rebate. Had expenditure remained consistent with prior years, accumulated reserves were on course to be fully diminished over the next five accounting periods (at approximately £3m per year) and the rebate was therefore set at the correct level.



However, because a surplus of £4.4m was generated in 2020-21, a full annual fee review will be conducted in 2021-22 which will re-baseline our forecasts and factor in any long-term impact resulting from COVID-19 on our licensing demand and expenditure. This will then inform the level of future fees.

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 2021 (2019-20: nil).



**Michelle Russell**

Chief Executive and Accounting Officer  
Security Industry Authority  
15 July 2021

# The Certificate and report of the Comptroller and Auditor General to the House 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 2021 under the Private Security Industry Act 2001. The financial statements comprise: 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as

interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the Security Industry Authority's net income for the year then ended;
- have been properly prepared in accordance with the Private Security Industry 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Security Industry Authority in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Security Industry Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Security Industry Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Security Industry Authority is adopted in consideration of the requirements set out in International Financial Reporting Standards and interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of

accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## 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. The Board and the Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material

misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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 material misstatements in the performance and Accountability report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.



## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities for the SIA, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Security Industry Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipates that the services provided by the Security Industry Authority will not continue to be provided in the future.

## **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Government Internal Audit Agency and those charged with governance, including obtaining and reviewing supporting documentation relating to the Security Industry Authority’s policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Security Industry Authority’s controls relating to the Private Security Industry Act 2001 and Managing Public Money;
- discussing among the engagement team and where required, involving relevant internal specialists, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, appropriateness of expenditure and posting of unusual journals;

- obtaining an understanding of the Security Industry Authority’s framework of authority as well as other legal and regulatory frameworks that the Security Industry Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Security Industry Authority. The key laws and regulations I considered in this context included the Private Security Industry Act 2001, Managing Public Money and relevant employment law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the

business rationale of any significant transactions that are unusual or outside the normal course of business.

- assessment of the Security Industry Authority’s revenue recognition policy against accounting standards and substantive testing of income streams to address the risk of fraud in revenue recognition.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

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.

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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General

19 July 2021

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9S

# Financial statements

# Statement of comprehensive net income for the year ended 31 March 2021

		2020-21	2019-20
	Note	£'000	£'000
<b>Income</b>			
Income from activities	4	31,405	28,679
<b>Other income</b>			
Other income from activities	4	12	64
Court costs recovered	4	27	43
<b>Total operating income</b>		<b>31,444</b>	<b>28,786</b>
<b>Expenditure</b>			
Staff costs	2	(14,856)	(14,008)
Depreciation	5	(175)	(141)
Amortisation	6	(691)	(1,960)
Other expenditure	3	(11,369)	(15,066)
<b>Total operating expenditure</b>		<b>(27,091)</b>	<b>(31,175)</b>
Net income before tax and interest	–	4,353	(2,389)
Interest receivable	4	6	98
Corporation tax	–	(1)	(19)
Net income after tax and interest		<b>4,358</b>	<b>(2,310)</b>
<b>Other comprehensive net expenditure</b>			
Net gain on revaluation of intangible assets	–	(4)	42
Net income after tax and interest		<b>4,354</b>	<b>(2,268)</b>

The notes on pages 149 to 170 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 2021

	Notes	2020-21 £'000	2019-20 £'000
<b>Non-current assets</b>			
Property, plant and equipment	5	330	486
Intangible assets	6	2,291	2,647
<b>Total non-current assets</b>		<b>2,621</b>	<b>3,133</b>
<b>Current assets</b>			
Trade and other receivables	8	532	312
Cash and cash equivalents	9	30,263	25,643
<b>Total current assets</b>		<b>30,795</b>	<b>25,955</b>
<b>Total assets</b>		<b>33,416</b>	<b>29,088</b>
<b>Non-current liabilities</b>			
Provisions	11	(917)	(839)
<b>Total non-current liabilities</b>		<b>(917)</b>	<b>(839)</b>
<b>Current liabilities</b>			
Trade and other payables	10	(3,152)	(3,256)
<b>Total current liabilities</b>		<b>(3,152)</b>	<b>(3,256)</b>
<b>Total Liabilities</b>		<b>(4,069)</b>	<b>(4,095)</b>
<b>Total assets less current liabilities</b>		<b>30,264</b>	<b>25,832</b>
<b>Total assets less total liabilities</b>		<b>29,347</b>	<b>24,993</b>
<b>Taxpayers' equity</b>			
Revaluation Reserve		196	200
General reserve		29,151	24,793
<b>Total equity</b>		<b>29,347</b>	<b>24,993</b>

The notes on pages 149 to 170 form part of these accounts.



**Michelle Russell**

Chief Executive and Accounting Officer  
Security Industry Authority  
15 July 2021

# Statement of cash flows for the year ended 31 March 2021

		2020-21	2019-20
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
<b>Net operating surplus for the year</b>		<b>4,353</b>	<b>(2,389)</b>
<b>Adjustments for non-cash transactions</b>			
Amortisation	6	691	1,960
Depreciation	5	175	141
Increase in provisions	11	78	–
(Decrease) in provisions	11	–	–
<b>Changes in working capital</b>			
Decrease in trade and other receivables	8	(220)	(12)
Increase in trade and other payables	10	(104)	(137)
Corporation tax paid		(1)	(19)
<b>Net cash inflow from operating activities</b>		<b>4,972</b>	<b>(456)</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of PPE		20	
Purchase of property, plant and equipment	5	(19)	(164)
Purchase of intangible assets	6	(339)	(98)
(Gain)/Loss on disposal of non-current assets		(20)	11
Interest received		6	98
<b>Net cash outflow from investing activities</b>		<b>(352)</b>	<b>(153)</b>

		2020-21	2019-20
	Note	£'000	£'000
<b>Cash flows from financing activities</b>			
Capital grant		–	–
<b>Net cash inflow from financing activities</b>		–	–
<b>Net increase in cash and cash equivalents in the period</b>		<b>4,620</b>	<b>(609)</b>
Cash and cash equivalents at the beginning of the year	9	25,643	26,252
Cash and cash equivalents at the end of the year	9	30,263	25,643
	Movement	4,620	(609)
	Rounding difference	0	0

The notes on pages 149 to 170 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
<b>Balance at 31 March 2019</b>	<b>158</b>	<b>27,103</b>	<b>27,261</b>
<b>Changes in taxpayers' equity 2019-20</b>			
Comprehensive income for the year	–	(2,310)	(2,310)
Net gain on revaluation of STeP	42	–	42
<b>Balance at 31 March 2020</b>	<b>200</b>	<b>24,793</b>	<b>24,993</b>
<b>Changes in Taxpayers' Equity 2020-21</b>			
Comprehensive income for the year	–	4,358	4,358
Net gain on revaluation of STeP	(4)	–	(4)
<b>Balance at 31 March 2021</b>	<b>196</b>	<b>29,151</b>	<b>29,347</b>

The notes on pages 149 to 170 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 the 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 and affect the 2020-21 accounts**

### **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 2022, and therefore this standard does not affect the 2020-21 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 2021-22 SIA annual report and accounts. IFRS 16 will be adopted by the SIA for the first time in 2022-23 with 2021-22 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 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, the online licensing system, is reviewed annually for impairment and is revalued on the basis of depreciated replacement cost using published indices. The revaluation of the STeP asset was effective from 1<sup>st</sup> April 2020.

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. 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

	2020-21			2019-20		
	Permanently Employed Staff £'000	Others £'000	Total £'000	Permanently Employed Staff £'000	Others £'000	Total £'000
Wages and salaries	10,400	766	11,166	9,944	793	10,737
Social security costs	1,029	25	1,054	999	7	1,006
Other pension costs	2,406	–	2,406	2,250	–	2,250
Redundancy costs	–	229	229	–	15	15
<b>Total staff Costs</b>	<b>13,835</b>	<b>1,020</b>	<b>14,856</b>	<b>13,193</b>	<b>815</b>	<b>14,008</b>

Further staff disclosures can be found in the Staff Report on page 103.

### 3. Other Expenditure

		2020-21	2019-20
	Notes	£'000	£'000
<b>Running costs</b>			
Licensing costs		7,258	8,058
Accommodation costs		1,653	1,270
Travel and subsistence		59	533
Information Technology		1,047	2,397
Office supplies and services		339	589
Legal costs		43	188
Training		217	375
Advertising and publicity		67	204
Recruitment		129	240
Audit fee – internal		–	–
Audit fee – external		42	40
Catering		0	24
Financial costs		7	6
Consultancy		107	725
Home Office recharge		333	334
<b>Sub Total</b>		<b>11,301</b>	<b>14,983</b>
<b>Non Cash Items</b>			
Increase in provision for bad debts	8	10	33
Increase in provision for dilapidations	11	78	–
Bad and doubtful debts		–	39
(Gain)/Loss on disposal of Non-Current Assets		(20)	11
<b>Total other expenditure</b>		<b>11,369</b>	<b>15,066</b>

External audit fees for 2020-21 do not include any non-audit work undertaken by the NAO (2019-20 Nil).

## 4. Income

	2020-21	2019-20
	£'000	£'000
<b>Operating Income</b>		
Licensing	32,446	26,370
License Rebate Scheme	(3,087)	0
Approved Contractors Scheme (ACS)	2,046	2,309
<b>Income from activities</b>	<b>31,405</b>	<b>28,679</b>
<b>Other income</b>		
Other income from activities	12	64
Court costs recovered	27	43
<b>Total operating income</b>	<b>31,444</b>	<b>28,786</b>
Interest receivable on bank deposits	6	98

### 4.1.

The income relating to the licence rebate scheme (£3m) is derived from the rebate per application (£20) received in 2020-21. The scheme was implemented from April 2020 and utilises accumulated reserves. The scheme will run for a maximum of six financial years or until the accumulated reserves are fully diminished (if within this period). The rebate amount was set based on expected number of applications (800,000) in the six years. For further information, please see the Parliamentary Accountability Disclosures section on page 125.



## 5. Property, plant and equipment

	Information Technology	Total
	£'000	£'000
<b>Cost or valuation</b>		
At 1 April 2020	861	861
Additions	19	19
Disposals	–	0
<b>At 31 March 2021</b>	<b>880</b>	<b>880</b>
<b>Depreciation</b>		
At 1 April 2020	375	375
Charged in year	175	175
Disposals	–	0
<b>At 31 March 2021</b>	<b>550</b>	<b>550</b>
<b>Net book value at 31 March 2021</b>	<b>330</b>	<b>330</b>
<b>Net book value at 31 March 2020</b>	<b>486</b>	<b>486</b>
<b>Asset financing</b>		
Owned	330	330
<b>Net Book Value at 31 March 2021</b>	<b>330</b>	<b>330</b>
<b>Cost or valuation</b>		
At 1 April 2019	791	791
Additions	164	164
Disposals	(94)	(94)
<b>At 31 March 2020</b>	<b>861</b>	<b>861</b>
<b>Depreciation</b>		
At 1 April 2019	317	317
Charged in year	141	141
Disposals	(83)	(83)
<b>At 31 March 2020</b>	<b>375</b>	<b>375</b>

	Information Technology	Total
	£'000	£'000
<b>Net book value at 31 March 2020</b>	<b>486</b>	<b>486</b>
<b>Net book value at 31 March 2019</b>	<b>474</b>	<b>474</b>
<b>Asset financing</b>		
Owned	486	486
<b>Net book value at 31 March 2020</b>	<b>486</b>	<b>486</b>

## 6. Intangible assets

	Software Licences	STeP	Assets Under Construction	ACS	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2020	851	9,138	46	1,075	11,110
Impairment	–	–	–	–	–
Additions	–	194	145	–	339
Transfer	–	46	(46)	–	–
Disposals	–	–	–	–	–
Revaluation	–	(17)	–	–	(17)
<b>At 31 March 2021</b>	<b>851</b>	<b>9,361</b>	<b>145</b>	<b>1,075</b>	<b>11,432</b>
<b>Amortisation</b>					
At 1 April 2020	823	6,565	–	1,075	8,463
Charged in year	21	670	–	–	691
Revaluation	–	(13)	–	–	(13)
Disposals	–	–	–	–	–
<b>At 31 March 2021</b>	<b>844</b>	<b>7,222</b>	<b>–</b>	<b>1,075</b>	<b>9,141</b>
<b>Net book value at 31 March 2021</b>	<b>7</b>	<b>2,139</b>	<b>145</b>	<b>–</b>	<b>2,291</b>

	Software Licences	STeP	Assets Under Construction	ACS	Total
	£'000	£'000	£'000	£'000	£'000
<b>Asset financing</b>					
Owned	7	2,139	145	–	2,291
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
<b>Net book value at 31 March 2021</b>	<b>7</b>	<b>2,139</b>	<b>145</b>	<b>–</b>	<b>2,291</b>
<b>Cost or valuation</b>					
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
<b>At 31 March 2020</b>	<b>851</b>	<b>9,138</b>	<b>46</b>	<b>1,075</b>	<b>11,110</b>
<b>Amortisation</b>					
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)
<b>At 31 March 2020</b>	<b>823</b>	<b>6,565</b>	<b>–</b>	<b>1,075</b>	<b>8,463</b>
<b>Net book value at 31 March 2020</b>	<b>28</b>	<b>2,573</b>	<b>46</b>	<b>–</b>	<b>2,647</b>
<b>Asset financing</b>					
Owned	28	2,573	46	–	2,647
Finance leased	–	–	–	–	–
On balance sheet PFI contracts	–	–	–	–	–
<b>Net book value at 31 March 2020</b>	<b>28</b>	<b>2,573</b>	<b>46</b>	<b>–</b>	<b>2,647</b>

## 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 1.17 on page 157.

## 8. Trade receivables and other current assets

	2020-21	2019-20
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade receivables	–	–
Other receivables	15	43
Court debts	168	143
Prepayments and accrued income	488	255
	<b>671</b>	<b>441</b>
Less provision for bad debts	(139)	(129)
	<b>532</b>	<b>312</b>

## 9. Cash and cash equivalents

	2020-21	2019-20
	£'000	£'000
Balance at 1 April 2020	25,643	26,252
Net change in cash and cash equivalent balances	4,620	(609)
Balance at 31 March 2021	30,263	25,643
<b>The following balances at 31 March 2021 were held at</b>		
Barclays bank and cash in hand	30,263	25,643

With Treasury approval, cash reserves are being 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

	2020-21	2019-20
	£'000	£'000
<b>Amounts falling due within one year</b>		
Other taxation & social security	291	292
Trade payables	126	795
Other payables	26	30
Accruals	1,521	1,105
Contract Liabilities	1,188	1,034
	<b>3,152</b>	<b>3,256</b>

## 11. Provisions for liabilities and charges

	Provision for Dilapidations
	£'000
Balance at 1 April 2020	839
Provided in the year	78
Provisions written back as not required	–
<b>Balance at 31 March 2021</b>	<b>917</b>
Balance at 1 April 2019	839
Provided in the year	–
Provisions utilised in the year	–
<b>Balance at 31 March 2020</b>	<b>839</b>

### 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 2020-21 financial statements.

The Government Property Agency has advised that dilapidations will cost £539,000 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 2021.

## 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.

Obligations under operating leases comprise	2020-21	2019-20
	£'000	£'000
<b>Buildings</b>		
Not later than one year	663	521
Later than one year and not later than five years	2,652	2,085
Later than five years	4,131	3,769
	<b>7,446</b>	<b>6,375</b>
<b>Office Equipment</b>		
Not later than one year	–	–
Later than one year and not later than five years	–	–
	–	–



## **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 2021. (2019-20 – Nil).

## **15. Related-party transactions**

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

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

No board member, key manager or other related party 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 financial statements were authorised for issue on the same date that the Comptroller and Auditor General certified the annual report and accounts.



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