



Security Industry Authority

# Annual Report and Accounts

2004/05



# Security Industry Authority

## ANNUAL REPORT & ACCOUNTS 2004-05

Presented to Parliament by the Secretary of State for the Home Department and by the Comptroller and Auditor General, in pursuance of Section 16 (4)(b) and Section 17 (2) of Schedule 1 of the Private Security Industry Act 2001.

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## Chairman's statement

The year 2004/05 was the year the SIA started to deliver the regulation envisaged in the Private Security Industry Act. An enormous amount of detailed planning and policy creation preceded the roll-out of door supervisor licensing which was the first focus of our operational activity. Our early predictions of the number of people who would come forward to be licensed did not meet expectations and there was initial complacency amongst too many door supervisors to undertake their training and submit their applications. This was despite a successful and comprehensive communications effort to ensure that people knew what was expected. So how did we proceed?

We constantly tried to work with the industry in designing a licensing process that would encourage good practice. We received support from Home Office Ministers who took a robust stance in their insistence that licensing dates would not slip. Proportionate and focussed compliance work by the SIA and its partners from the police and local authorities was highly successful in persuading and encouraging people to get licensed and where there have been flagrant breaches of the law prosecutions have followed. Due to the lower than expected numbers applying for door supervisor licences we found that budget predictions were not met, so we achieved savings and received support from the Home Office. Such actions epitomise the SIA's approach to regulation. We plan, we work collaboratively, we seek to solve real problems and we work to create an environment in which the industry can flourish since a successful and well regulated private security industry can play a significant part in tackling crime and disorder. As we move into our second year of operation we must continue to relate to the commercial needs of the industry and the public policy agenda of the government and Home Office Ministers. Achieving this balance is not easy and requires rigorous debate and agreement on strategic priorities.

As the year progressed we continued to prepare the ground for ongoing regulation and began the process of licensing individuals working as vehicle immobilisers and security guards. Security guarding is the biggest single sector to be licensed. It embraces organisations that range from large international companies through to medium and small sized enterprises all of which have to manage the process of licensing. The SIA has again spent considerable effort in communicating the requirements for licences. We are also planning to stick to our licensing date in 2006 and will be focussed in our subsequent compliance activity.

The SIA has looked beyond the narrow remit of licensing in judging its success. I have been impressed by the collaborative approach of many individuals, firms and representative bodies within the industry to establish clear standards of personal

integrity and improved standards of knowledge and skill. We have never lost sight of the fact that to be successful, the industry has to work commercially with customers and we have therefore taken business considerations into account when undertaking our work. We have further judged our success by examining the impact the industry makes in its contribution in tackling crime and disorder – anecdotal evidence already shows that a regulated door supervisor sector can reduce significantly the problems associated with the night-time economy.

In conclusion I must place on record my gratitude to all those who work for the SIA. Their professional competence, continued commitment and boundless energy in the face of many challenges have been the powering force that has enabled us to become an effective and respected regulator.

Peter Hermitage QPM  
Chairman

## Chief Executive Review and Report

### Background to the Security Industry Authority

The Private Security Industry Act 2001 (PSIA) provided for the creation of the Security Industry Authority (SIA) as a Non Departmental Public Body. The SIA was created in April 2003 by Order of the Secretary of State.

The SIA's statutory functions are to:

- licence individuals in specific sectors and to approve security companies;
- keep under review the private security industry and the operation of the legislative framework;
- monitor the activities and effectiveness of those working in the industry;
- conduct inspections;
- set and approve standards of conduct, training and supervision within the industry; and
- make recommendations to improve standards.

In addition, the SIA can:

- do those things it considers necessary or helpful in discharging its functions; and
- make proposals to the Secretary of State to modify any provision contained in the Act, and to undertake, arrange or support research relating to the provision of security services.

The explanatory notes accompanying the PSIA assert that:

- regulation would help to raise standards, and ensure greater consistency, building upon progress that the industry has already achieved over recent years through self-regulation;
- arrangements should be introduced to vet people working in the industry, again to ensure consistency and, in particular, to exclude criminal elements, who abuse positions of trust in which the industry places them by committing offences, and who as a consequence tarnish the image of the industry as a whole; and
- companies providing a satisfactory service measured against relevant agreed standards should receive recognition, and be able to demonstrate such recognition to customers, through a voluntary inspection scheme.

Much of the private security industry enthusiastically campaigned for and welcomed the introduction of regulation. It is seen as an opportunity for fundamental change that will improve industry standards to contribute to public protection whilst overhauling industry competitiveness and enhancing commercial prospects.



## Strategic overview

The private security industry can increasingly contribute in many ways to public protection. To truly harness this opportunity for the benefit of society, the business community, and the security industry itself there is a recognised need across stakeholders of the imperative to raise industry standards.

The regulation of the industry provides a unique opportunity for an industry and its stakeholders to work collaboratively with the regulator to stimulate and implement the necessary changes. The strategic direction of the SIA is consequently designed around working with the industry to bring about fundamental and sustainable improvements, to increase the protection of the public.

We recognise the impact of regulation on the industry, and indeed its customers, and acknowledge our responsibility to manage it in a way that does not intrude into commercial decision making or unnecessarily increase administrative burdens but is consistent with supporting legitimate industry aspirations such as:

- Reduced staff turnover in the industry (retention and development of experienced staff).
- Increasing the attraction of the industry as a rewarding career.
- An industry the public recognises as continually driving up its own professionalism and performance.
- A competitive, flourishing and dynamic industry consolidating existing and expanding into new markets.
- An industry where financial investment is more easily obtainable to drive growth and opportunities.
- An industry in which well-qualified people wish to participate at all levels.
- Improving performance by businesses in the industry.
- An industry nationally and internationally recognised for its access to reliable knowledge and expertise.
- The industry fully exploiting the opportunities for accredited community safety schemes under the Police Reform Act 2002.
- The industry actively involved and contributing to a wider government agenda of a co-ordinated approach to national security.

Fundamental to our success as a regulator is our continued ability to balance the public purpose of the regulation with the commercial implications and opportunities facing the private security industry. This approach underpins everything we do.

## Home Office aims and objectives

As an independent NDPB with the sponsorship of the Home Office, the SIA contributes to the overall aims and objectives of the department. The Home Office Crime Reduction and Community Safety Group Plan 2004/05 – Planning for a Safer Future, sets out the department’s aims. The work of the SIA contributes to the following:

1. To reduce crime and the fear of crime.
2. To reduce organised and international crime, and to combat terrorism and other threats to national security.
3. To reduce the availability of dangerous drugs.

In particular the private security industry plays an increasingly important role in tackling crime and anti-social behaviour. Such a role is evolving as the police reform programme of shaping a modern, efficient and accountable service develops.

Quote: from Home Office Crime Reduction and Community Safety plan 2004/05:

*“The co-ordinated engagement of those who are working in the streets and in communities is essential to reducing crime, the fear of crime and misuse of drugs”.*

## Our mission, vision and aims

The SIA's strategic response to analysis of the Private Security Industry (PSI) in 2003 created a clear mission, vision and aims. In early 2005 we reviewed the validity of our direction and focus in the light of greater understanding of the industry and its operating environment. We also believe it correct to reflect the Government's and our determination to recognise effective regulation. We have consequently adapted our vision and aims from 2005/6 onwards and these changes are displayed here. The mission and direction of the SIA remain unchanged and we continue to report against the business plan objectives as set out in the 04/05 Business Plan.

### Our mission

To help protect society by collaboratively developing and achieving high standards in the private security industry.

### Our vision

To create a Security Industry Authority that is a model of good regulation and internationally recognised as a major contributor to the quality and effectiveness of the private security industry thus helping to reduce crime, disorder and the fear of crime.

### Our aims

- Enhanced protection of the public through increased public trust and confidence in the private security industry by reducing criminality, setting and maintaining standards of probity, and improving the professionalism of all who work in the industry.
- Businesses in the private security industry improving their standards through the creation of a framework for developing, promoting and spreading best practice.
- A private security industry centre of knowledge and expertise enabled, which supports and encourages effective industry development and investment.
- A strengthened extended police family by encouraging and supporting further engagement of the private security industry.
- Recognition, by all our stakeholders, of the SIA as a model of good practice.

## Mission

To help protect society by collaboratively developing and achieving high standards in the private security industry.

## Vision

To create a Security Industry Authority that is internationally recognised as a major contributor to the quality and effectiveness of the private security industry thus helping to reduce crime, disorder and the fear of crime.

## Aims

The SIA focuses firmly on its aims:

- Increasing public trust and confidence in the private security industry by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry
- Encouraging businesses in the industry to improve their standards by creating a framework for developing, promoting and spreading best practice
- Creating a security industry centre of knowledge and expertise which enables and encourages effective industry development and investment
- Strengthening the extended police family by encouraging and supporting further engagement of the private security industry.

In pursuing these aims the authority will work in partnership with the industry and its customers, the police and the public.

## The critical success factors (csfs) In Delivering On The Aims Are:

**Aim: Increasing public trust and confidence in the private security industry by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry.**

CSFs:

- Reduced criminality associated with the industry.
- Reduced staff turnover in the industry (retention and development of experienced staff).
- Increasing the attraction of the industry as a rewarding career.
  - Consistently trained and qualified security personnel.
  - Public, Police and Stakeholder recognition of improvement and thus increased confidence.

**Aim: Encouraging businesses in the industry to improve their standards by creating a framework for developing, promoting and spreading best practice.**

CSFs:

- Approved contractor scheme that is valued by contractors and widely recognised as a “hallmark” of quality by customers.
- A PSI that the public recognises continually driving up its own professionalism and performance.
- The adoption of and adherence to Industry Good Practice standards.

**Aim: Creating a security industry centre of knowledge and expertise, which enables and encourages effective industry development and investment.**

CSFs:

- A flourishing and dynamic PSI consolidating existing and expanding new markets.
- An industry where financial investment is more easily obtainable to drive growth and opportunities.
- An industry in which well-qualified people wish to participate at all levels.
- Improving performance by businesses in the industry.
- A nationally and internationally recognised centre of knowledge and expertise.

**Aim: Strengthening the extended police family by encouraging and supporting further engagement of the private security industry.**

CSFs:

- The police service recognises the PSI as an indispensable partner in helping to tackle crime and disorder, and reduce the fear of crime.
- The PSI fully exploits the opportunities for accredited community safety scheme under the Police Reform Act 2002.
- A PSI recognised by Communities as a major contributor to the extended police family.

## Progress and Performance 2004/05

The year 2003/04, the first in the life of the SIA, delivered a planning and development agenda centred on:

- The identification of strategic and operational targets
- The design and build of business systems and processes
- The design and development of SIA infrastructure and resources
- The foundation and development of partnerships and alliances
- The design and development of SIA services and delivery mechanisms

The year 2004/05 has seen the challenging transition from an organisation that plans, designs and develops to fully fledged delivery but still with a significant design and development portfolio.

Our key 2004/05 objectives, which reflect this organisational shift:

1. To operate an effective, efficient licensing programme
2. To achieve compliance with the licensing requirements working with our partners
3. To deliver a development programme which advances PSI regulation
4. To manage SIA financial resources effectively and efficiently

Our performance:

### 2004/05 objective 1: To operate an effective, efficient licensing programme

Licensing of individuals in the private security industry relies on the efficiency of the licensing system, its associated processes and the partners who assist in its delivery. Key delivery partners include:

- Awarding bodies – responsible for competency qualifications
- Training companies – deliver training leading to competency qualifications
- Criminal Records Bureau – checks criminality against Police National Computer data
- BT – the SIA managed service provider responsible for managing the licence system, all document handling, licence processing and call centre operation

The licensing system was collaboratively designed and delivered in just over a year by a combined SIA and BT Syntegra team. The call centre went live in October 2003 and licence applications were accepted from 1 March 2004.

The licensed individuals hold positions of trust and responsibility. The public must have faith in the licensing process. This is undertaken with thoroughness and accuracy. Licensing criteria require verification of: identity, competency, criminality and other 'fit and proper' person criteria such as mental health status. Consequently, the end to end licensing system is unavoidably complex. There are a considerable number of links in the chain and ensuring connectivity and a seamless process is vital to an efficient service. Despite this complexity the system works satisfactorily. A number of teething problems were experienced in the early months as the system bedded down and a programme of continuous improvement exists which seeks to enhance service standards. The system is designed to process up to 150,000 applications per annum and in excess of one million documents.

### System Performance – Year to 31/03/05

Licences processed within 6 weeks – 73%

Licences processed within 7 weeks – 82%

Licences processed within 8 weeks – 89%

The level of application rejection is currently running at over 50%, including multiple rejections of the same application. Although not within our service standard measure, which starts with a correctly completed application, rejection rates are a significant problem for applicants. A number of changes have been introduced to reduce rejection rates such as clearer guidance notes and contacting applicants by phone to correct or complete application forms. Further improvements are being considered.

In March 2005, the SIA commissioned a customer survey to establish levels of satisfaction with the process of obtaining a Door Supervisors licence. Half of the door supervisors interviewed were satisfied with the service they received from the SIA throughout the process of applying for a licence. Most requested an application form over the phone and of those 88% were satisfied with the service they received from the call centre but only half were satisfied with the amount of time taken to answer the call. This was also the case among those who contacted the call centre for something other than an application form request.

The survey concluded that although the licensing scheme is viewed positively, there is room for improvement in the following areas:

- The length of time taken to get through to someone who can help with their enquiry at the call centre
- The length of time taken for the overall process of obtaining a licence particularly when the application form is incomplete or incorrect

The SIA call centre has seen the number of enquiries almost treble in seven months to 31,000 calls (March 2005), making it difficult to keep pace with the rate of increase. A number of actions are currently being implemented, to increase capacity, reduce unnecessary calls and therefore reduce customer waiting times.

The existing contract with BT Syntegra ends in 2007, and options for the future will be reviewed during 2005/06. The current limited remaining life of the contract, it should be noted, is a major inhibitor to further developments, process improvements and necessary enhancements.

## 2004/05 objective 2: To achieve compliance with the licensing requirements working with our partners

### Door Supervisors

The first 'security guarding' personnel to benefit from licensing were door supervisors delivering security at licensed premises, arguably the most difficult and unpredictable sector to regulate. The introduction of SIA licensing for door supervisors was phased in on a regional basis starting with the pilot region, Hampshire and the Isle of Wight, and ending in London. By April 11 2005, an SIA licence for door supervision was required throughout England and Wales.

Region	Applications accepted from	SIA Licence required by
Hampshire & Isle of Wight	1 March 2004	4 June 2004
South West	1 June 2004	13 September 2004
Wales	14 June 2004	27 September 2004
Midlands	5 July 2004	18 October 2004
North West	9 August 2004	15 November 2004
North East	6 September 2004	13 December 2004
East	4 October 2004	3 January 2005
South East	25 October 2004	28 February 2005
London	3 January 2005	11 April 2005



Original estimates supplied by the industry and local authorities put the total licensable population of door supervisors at licensed premises at over 70,000 but there are significantly less than this number actively working. Total licensable numbers for the year 2004/05 have now been set at 46,000 based on estimates from the field of those actively working and a further 24,000 providing security at events and sports venues. This reduced total supersedes flawed early estimates and takes account of part-time second jobbers, those possibly working the informal economy, and those with criminal records who by opting to seek alternative employment, help us deliver positive change. In 2004/05 we processed some 25,000 applications, with a balance deferred to 2005/06. Time will tell regarding the degree to which the employment footprint of the industry has changed as a result of the regulation.

#### Licensing Statistics April 2004 to March 2005

Number of Licence Packs Requested = 64,989

Number on the Qualification Database = 48,866

Number of Licences Issued to –

Door Supervisors = 13,551

Vehicle Immobilisation = 11

Security Guarding = 0

Number of Applications Refused = 1,067

Across the door supervisor community and among employers and licensed venues, awareness of the need for licensing and its application process is 100%. Despite this, the community has been slow to submit applications, with many applications submitted far too late and with high levels of inaccuracy. These problems have been compounded by mixed messages from stakeholders, not least from the licensed trade itself. Nevertheless, compliance levels of 80% and above were achieved in our early roll-out regions in 04/05 (although it has taken longer than planned to reach these levels).

The SIA with the support of local authorities and the Police held a series of free regional Open Days to help door supervisors fill out their licence application forms. Representatives from the SIA and the Police were on hand to talk through the application process and answer any queries or concerns.

The SIA endorsed five awarding bodies to offer qualifications and approve trainers:

- British Institute of Innkeeping
- City and Guilds

- NCFE
- Edexcel
- NOCN (National Open College Network)

We also negotiated with the Learning and Skills Council to provide funding for training courses in addition to local authority initiatives and contributions from the EU. In some cases, training was provided for free as in the SIA supported scheme in London which addressed the growing demand for female security personnel to work in the private security industry. Women interested in a career in security were offered fully funded SIA approved training in door supervision and security guarding by Lambeth College.

Although early implementation was limited to premises licensed for the sale and consumption of alcohol, regulation is intended to apply to a wider range of licensed premises, including those used by other types of regulated entertainment. This wider implementation which covers a range of public entertainment events including music concerts, takes effect in September 2005. The date was deferred to support the industry through the transition period.

In September 2004, the SIA announced that the Door Supervisor licence would allow the individual to also assume the activities of a holder of a security licence. This allows an individual to work in two sectors with one licence creating workforce flexibility for employers and job opportunities for employees.

#### Vehicle Immobilisers and Security

The next sector to be licensed was vehicle immobilisers – those who wheel clamp, block-in or tow away on private land for a release fee. Applications were accepted from 1 November 2004 but the offence deadline of 28 February 2005 was extended to 3 May 2005. This was due to reports from individual vehicle immobilisers and vehicle immobiliser companies that there was a problem with the issuing of the qualification certificates for the new national Level 2 qualification. The SIA acknowledged that it would be unfair to criminalise people or damage legitimate businesses where people have sincerely tried to comply with the law, and received ministerial approval to extend the offence deadline to 3 May.

In response to government and general public concerns the VI licence is renewable annually. This position will be kept under continuous review as evidence becomes available of reduced criminality and increased probity.

From 10 January 2005, the SIA accepted applications from the security and cash & valuables sectors. Security companies were advised to licence their staff in tranches in the run up to the offence date. From January 2005, the SIA introduced

an interim bulk application process to help speed up and simplify the submission of multiple applications, which was then replaced by a full bulk application process from 1 April 2005.

In both the security and vehicle immobiliser sectors, take-up has been slower than anticipated, with less than 500 licences issued by the end of March 2005 and this will be one of our challenges for 2005/06.

### 2004/05 objective 3: To deliver a development programme which advances PSI regulation

The year 2004/05 heralded the commencement of licensing operations for the SIA, but of equal importance was the continued programme of development. This includes projects designed to both deliver licensing and business accreditation to all sectors and, in keeping with our mission, aims and partnerships to facilitate the transformation of the industry.

#### Projects and progress:

#### **3.1. The Extended Police Family**

In seeking to progress our fourth aim of strengthening the extended police family, a review of our stakeholders' attitudes to the concept of such a family was undertaken. This revealed a wide variation in thinking and a lack of shared vision. The SIA has issued a consultation paper, included a proposed vision, to a wide range of interested parties. The consultation feedback will be analysed during 2005/06 to determine the next steps to achieve the SIA's aim.

#### **3.2. The Approved Contractor Scheme (ACS)**

The development of ACS was on schedule at March 05 for launch later in the year. The design and development of the scheme has involved the comprehensive engagement of stakeholders.

#### **3.3. Licensing of 'In-House' Security Guards**

An analysis of the issues and options was issued in August 2005. A statement will be issued by the SIA in early 2005/06 and the legislative and related environment, monitored closely.

#### **3.4. Exemptions from Licensing**

An exemptions strategy was approved by the SIA Board in September 2004. Because of extensive development work between the Home Office, DCMS and football bodies, announcement of final arrangements were delayed. Delivery of the framework detailing a process for application for exemption is expected during early 2006.

### **3.5. Sector Skills**

In the absence of any other suitable agency, the Sector Skills Strategy for the PSI was developed on schedule. A steering group, facilitated by the SIA and involving industry leaders and stakeholder specialists was introduced in June 2004. Industry representatives are now considering the establishment of a sector skills body for the industry. The existing and related sector skills bodies for 'justice' or 'retail' do not satisfy the specific security industry needs. This important body would be a useful source of competency expertise for use by both the industry, in its transformation needs and the SIA in deciding competencies for licensing in the future. In the absence of a Sector Skills Body for the PSI, the SSDA entrusted research funds to the SIA. Working with the SSDA, industry and research specialists, the SIA is undertaking a Labour Market Research study. We will aim to quantify the size of the industry and its constituent sectors UK wide. This baseline data will be vital to the understanding of industry trends and forecasts. (Note: Skills for Security was subsequently established on 1 January 2006)

### **3.6. Knowledge Management**

This relates to the development of a knowledge base and the utilisation of that knowledge to enable and encourage industry good practice and to enhance the effectiveness of the SIA by reducing duplication of effort and effective sharing of knowledge. Research has commenced but the development of an overarching knowledge management strategy has been deferred because of other priorities. A research strategy and priorities have been identified for 2005/06 and implementation is underway. Our research will inform our strategic direction and our contribution to effective industry development and transformation

### **3.7. Scotland**

The implementation of licensing for Scotland has been agreed with the Scottish Executive and is on schedule for implementation in late 2006/7.

### **3.8. Impact Measurement**

This will form part of the delivery of the Research Strategy. We will assess the impact of regulation and licensing on the sectors involved.

We have stretched our resources to the limits in 2004/05 in pursuit of our ambitions. We must be careful to balance our aspirations, industry aspirations and our own capacity in the future.

#### 2004/05 objective 4: To manage SIA financial resources effectively and efficiently

Our financial objective of achieving self-sufficiency in 2004/05 relied very heavily on the accuracy of base data (previously uncollected), ability to predict statistics and the speed of response of the industry. These forecasts and expectations have turned out to be too high. Additionally, because of requests for exemptions from certain sections, it was necessary to defer the licensing of 24,000 security staff at events and sports venues to 2005/06. These factors coupled with the slow application rate for all sectors resulted in reduced 2004/05 numbers from an optimistically projected 135,000 to 25,000. A very considerable shortfall for 2004/05.

This shortfall translates to a gross income reduction in 2004/05 of £21m, or £16m after deducting variable licensing costs of £5m (£49.50 per licence). Early identification of the shortfall and prudent financial management enabled cost savings of c£4m. Additional grant in aid funding of £13m was provided by the Home Office. The major risk of accurately predicting Door Supervisor numbers and the reliance on the response of the licensed trade and hospitality industry was fully identified. Contingency plans existed but were only partly effective in addressing the licensing shortfall and slow take up.

## Compliance and Investigation Strategy

Whilst many in the private security industry welcome regulation, there are others who would prefer to operate without it and some who are insufficiently prepared. Inevitably there will be some that will seek to test the resolve of the SIA and other authorities to make compulsory licensing effective. Those that embrace licensing, and invest in it, will rightly expect the SIA to ensure that non-compliance is not tolerated.

Compliance is essential to help drive the market transformation that the SIA, Government, purchasers, and the industry itself desire. The SIA has a compliance and investigation strategy built around four key elements:

- Designing in compliance
- Selective, consistent and proportional enforcement
- Intelligence-led operations
- Engaging partners

Designing in compliance is about making it more attractive in business terms for the security industry, and its purchasers, to comply. This includes encouraging insurers to make compliance a condition of insurance. We also aim to coordinate legislation. For example the Licensing Act 2003, covering liquor and public entertainment makes it a requirement that licence conditions include that any door supervisors used must be SIA licensed. This means that non-compliance jeopardises a venue's liquor and/or entertainment licence, arguably much more powerful than the threat to an individual security operative.

We know that prosecuting offenders can be expensive and not always the most effective way of gaining compliance. We will however, prosecute when we think the circumstances demand it. We also have a range of other sanctions available including written warnings and improvement notices. Such measures can be effective in encouraging compliance and the individual or organisation response to these measures can be used to determine future SIA targeting and licence decisions. Our partners may also choose to prosecute offenders where it assists them in achieving their own objectives e.g. safer entertainment venues and reductions in violent crime.

The National Intelligence Model tools provides a common platform for sharing intelligence with Police and other partnership agencies such as Local Authorities, HM Customs & Excise, Inland Revenue, Department of Work & Pensions, etc. We use the National Intelligence Model to produce strategic and tactical assessments, to prioritise and inform targeted compliance activity and identification of potential criminality. We enable industry involvement – 'whistle blowing' is strongly encouraged.

We work closely with national and local partners with whom we have mutual and overlapping objectives. We will seek to exploit the strengths and specific focus of ourselves and each partner to enable each of us to achieve our goals. The partners are likely to be those with whom we will share intelligence. Our compliance and investigation team is coordinated nationally but regionally deployed to ensure good liaison with compliance partners and the private security industry.

We will continue to invest significantly in proactive marketing to ensure individuals and their employers are aware of their obligations regarding licensing. In particular, we will communicate:

- What they need to do.
- When they need to do it by.
- The non-compliance penalties.
- The benefits of licensing to individuals, suppliers and purchasers of security services, and other stakeholders such as communities, the police service and the commercial sector generally.

Operation Badge was the first multi-agency operation involving the SIA, Avon and Somerset Constabulary, HM Immigration Service and local authority officials. Eighty licensed premises were visited in Bristol and 250 door supervisors checked.

The Operation resulted in 75 warning notices, the removal of two door supervisors who were also given a police caution, the arrest of one illegal immigrant and the investigation of twelve other immigration offences.

The work invested in developing and supporting our compliance partnerships has enhanced our national enforcement capability. Over 830 local authority officers have requested and been granted with the powers to demand and inspect an SIA licence. Sworn Police have this right conferred through the legislation, but we have also granted this authority to another 117 non sworn Police officers.

### [A Quality Approach to Marketing: the message is clear](#)

The smooth implementation of licensing can only be achieved when everyone operating within the designated sectors under the PSIA 2001 is made aware of their obligations. This means they need to understand what they need to do, why they need to do it and when they need to do it by. They also need to appreciate the benefits that licensing will bring to themselves, the industry, the public, commercial sectors and communities. They must be aware of the penalties for non-compliance. This is a huge challenge and one that can only be met through effective marketing.

A fully integrated holistic marketing strategy ensured that the marketing objectives were achieved. The activity comprised direct marketing, advertising, newsletters and information guides, plus attendance at a broad range of seminars, exhibitions and conferences. Close engagement with the press and broadcast media generated several hundred press articles, around 30 television interviews and over 70 radio interviews.

The awareness achieved within the door supervisor, vehicle immobiliser and the guarding sectors was exceptionally high. In fact, research revealed that within the door supervisor community, an awareness level of 100% was achieved.

The transformation of the private security industry has begun. However, for the full benefits to be realised it is vital that the buyers of services, within the public sector and corporate Britain, recognise the tremendous investment that has been made to provide a more capable and professional private security industry. To get the message across the marketing team harnessed the publications of trade organisations and generated articles in an array of sector-specific journals. They also produced case studies and a set of newsletters that addressed the public sector, corporate Britain and, even, MPs so that they had the latest facts on licensing to hand when working within their constituencies.

### From obligation to opportunity

The next stage in our drive to raise standards even higher is the introduction of the SIA Approved Contractor Scheme (ACS) for companies providing private security services. This is a voluntary scheme, whereas licensing is mandatory. Therefore, the marketing approach had to focus upon commercial advantage rather than legal obligation. A multi-phased marketing campaign comprising direct mail, advertising and PR resulted in more than 1,450 private security companies registering an interest in joining the scheme.

The SIA marketing team continues to build awareness and promote the organisation's core values and aims. Their work spans internal and external communications that connect with a phenomenal number of stakeholders, organisations and individuals. To achieve the marketing goals they have to apply the full marketing mix: database management, digital media, direct marketing, advertising, newsletters, collateral, online communications, sales promotion, PR and events.



### The highest level of achievement

It's a credit to the planning, budgeting, management and control capabilities of the entire marketing team that such a high level of awareness, compliance and support has been achieved. Their thorough professionalism was further endorsed following a January 2005 audit\* when the marketing department was awarded 'Outstanding Achievement'; the highest attainable level of performance.

\* Internal Audit Report

## Key Operational Objectives 2005/06

As we enter our second full year of operations the SIA's work continues to combine the delivery of licensing, the management of our considerable development programme, and the strengthening of our organisation. These themes shape our seven objectives for 2005/06.

Objective 1 – Deliver the licensing programme

Objective 2 – Achieve compliance with the licensing requirements working with our partners

Objective 3 – Successfully implement the Approved Contractor Scheme

Objective 4 – Deliver a development programme that continues to progress the regulation of the private security industry

Objective 5 – Achieve stakeholder engagement and support

Objective 6 – SIA to be recognised externally and internally as a model of good practice

Objective 7 – Achieve SIA objectives whilst achieving revenue projections and operating within budgets (or amended budgets) or better

Our objectives are explained in more detail in the SIA Corporate and Business Plan 2005/06 to 2008/09.

## Looking forward to new sectors, new initiatives

During 2004/05 the development activities of the SIA were focussed on the licensing criteria for the licensable population of the private security industry and essential to foundation building for some potentially key partnerships and agents of transformation from within the PSI (such as the preparatory work undertaken by the SIA for the new Sector Skills Body). Operation implementation in 2004/05 was achieved according to the published timetable. During 2005/06 the SIA will deliver its published implementation programme covering:

- Security guarding licensing
  - Door supervisors (London)
  - Security
  - Cash and valuables in transit
  - Close protection
  - Public space surveillance CCTV
- Vehicle immobilisers
- Approved Contractor Scheme
- Key holding licensing

We will work to gain Ministerial approval for wider acceptance of our exemptions strategy during 2005/06, allowing sectors which can demonstrate “equivalence for all practical purposes” to seek and receive an exemption from the Private Security Industry Act 2001.

Year 2005/06 will also see the development and implementation planning phases (with completion in 2006/07) for the licensing of:

- Private investigators
- Security consultants
- Scotland (existing PSI sectors except vehicle immobilisation plus pre-cognition officers)

Overall, this development and implementation work will be managed within tried and tested project management methodologies. Elements of these projects, including new initiatives, will require disciplined and formal research.

The SIA’s research strategy is the result of a dearth of consolidated, reliable and independent data on the private security industry. There are no agency/agencies currently able to provide the necessary labour market or industry trend data for current or future development of the regulatory regime for the industry. Our research strategy will be implemented throughout 2005/06. Research will be of use inside the organisation (for understanding the licensable population and trends

[possibly] attributable to licensing) and outside it (eg in contributing to base data for a new sector skills body). Research will be funded both by the SIA and by external agencies such as the Sector Skills Development Agency.

The SIA will keep the following under review in 05/06:

- In-house security licensing
- Our contribution, if any, to private military (security) company regulation
- Comparative regulatory regimes for private security services in EU member states and other countries
- Criminality criteria
- Simplification of our regulation and the continuation of designed-in minimisation administrative burden.

Meanwhile, we will be actively involved in negotiating and preparing our response and contribution to:

- EU recognition of licences
- EU recognition of qualifications
- EU services directive
- EU harmonisation of standards
- EU judicial co-operation
- The establishment of a Sector Skills Body (Skills for Security Ltd)
- The possible establishment of a Security Industry Strategic Body (British Security Council)

## Financial overview 2004/05

### Introduction

The establishment and early development of the SIA was funded by the Home Office through grant in aid in 2003/04. It is intended that the SIA will be a non-profit making NDPB financed through income generated from regulatory activities. Financial details of year 2004/05 are shown on page 28.

### Finances 2004/05

Based on estimated licensable numbers and the cost of running the organisation the three year licence application fee of £190 was set in 2003. This was designed to achieve financial self-sufficiency from 2004/05, as demonstrated in the 2004/05 Corporate Plan. However, the risk relating to take-up estimates based on varying qualities of data – or no data at all for one third of the country – was recognised.

Early operational activities indicated that licence numbers were going to be significantly lower than the plan, with the causes identified as unreliable base data and licensing inertia. The 2004/05 licensing numbers shortfall has been exacerbated by a very slow take up by the security guarding sector, begun in January 2005, and delays to the licensing of sport and event stewards. The net effect has been a 110,000 downward adjustment in licence numbers for the year and a gross income reduction of £21m. Cost savings of £9m have been achieved, but £13 million replacement Home Office funding was necessary.

### Finances 2005/06 to 2008/09

Operational experience in 2004/05 has guided our estimates for future licence numbers which have been revised downwards in the light of actual data. This primarily affects door supervisor numbers and the new licences resulting from employee turnover (churn), which are now considered too high. The licensable population over the next three-year licence cycle is 10% lower than previous plans, and income is consequently adjusted downward by £6.1 million.

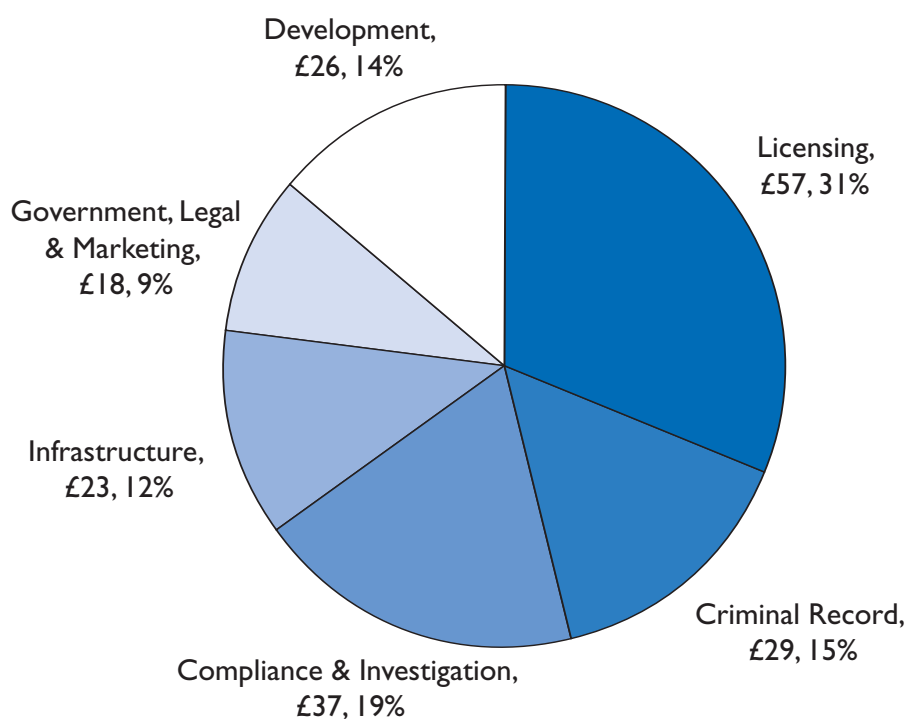
As scheduled the SIA undertook a review of its business model and forecasts during 2004/05. This review has resulted in some adjustments to the SIA structure with improved productivity and resource usage. In 2005/06 the SIA will review its income sources and projections, including the licence fee.

### Challenges 2005/06

Licensable population figures are now based on operational experience. Although all the supporting data shows these figures to be achievable, two risks prevail:

- A) The ability of the organisation to consistently operate at reduced resource levels. The demands are considerable and must be kept under review.
- B) Home Office ministers have decided to exempt (subject to the achievement of certain conditions) from the remit of the Private Security Industry Act 2001 'in-house' stewards with a security function at certain football grounds. A further Home Office consultation exercise is to be undertaken for stewards undertaking security functions at other sports and events. Depending on the ultimate Home Office decisions and timing, there is a risk to SIA licensing volume and financial projections which may impact on the wider private security industry.

### Where the licence fee goes



Taking a three-year licence cycle the total licence fee is spent as follows:

**Licensing – £58 (31%)**

These are the costs of processing the licence applications by BT and the cost of the SIA licensing function.

**Criminal Records Bureau – £29 (15%)**

This is a charge per licence application made by the CRB to cover criminality checks.

**Compliance & Investigation – £37 (19%)**

This is the cost of enforcing the licensing regime via a team of 49 incorporating investigators and a central unit intelligence function.

**Infrastructure – £23 (12%)**

This covers SIA corporate management and support functions plus the running of the London-based central unit.

**Government, Legal and Marketing – £18 (9%)**

These are costs that cover communication with SIA stakeholders, in particular potential licence applicants, and ensuring SIA operations are not compromised by legal considerations or external Home Office policy actions.

**Development – £26 (14%)**

Costs of developing a number of programmes to deliver the licensing programme and act as a catalyst for change within the private security industry.

# SECURITY INDUSTRY AUTHORITY

Statement of Accounts for the period  
ended 31 March 2005



# Statement of accounts

## Foreword

### 1 Introduction

This statement of accounts reports the results of the Security Industry Authority (The Authority) for the year 1 April 2004 to 31 March 2005. It has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office, with the consent of the Treasury in accordance with Schedule 1 paragraph 16 (2) of the Private Security Industry Act 2001 (the Act).

### 2 History

The Authority was established on 1 April 2003 as a body corporate by authority of the Act. The Act established the Authority to make provision for the regulation of the private security industry. A pilot of the door supervisors licensing scheme commenced in March 2004 with the roll-out scheduled to commence in June.

The Authority has the status of an Executive Non-Departmental Public Body (NDPB) established by statute. It is currently financed by Grant in Aid through the Home Office Main Estimate (Resource 1, subhead AB3). The Secretary of State for the Home Office is answerable to Parliament for the Authority and is responsible for making financial provision to meet its needs.

The Act provides that the Authority shall consist of such number of members as the Secretary of State may determine. As at the 31st March 2005 there are six members, including the Chairman.

During the first year of the Authority's existence as an NDPB, the Board had a co-opted member from the Association of Chief Police Officers (ACPO). The co-opted member received no fees for attending meetings, but had full voting rights. Following the retirement of the post holder, ACPO were invited to consider the continuation of such representation. With a change in Board business from the creation of the organisation to actual regulation and the appointment of two new Board members, the co-opted position has not been renewed. Regular dialogue is maintained with ACPO and the possibility of renewing the co-opted arrangements remains.

### 3 Principal Activities

The Authority carries out the statutory functions set out in the Act:

- (a) to carry out the functions relating to licensing and approvals that are conferred on it by this Act;
- (b) to keep under review generally the provision of security industry services and other services involving the activities of security operatives;
- (c) for the purpose of protecting the public, to monitor the activities and effectiveness of persons carrying on businesses providing any such services as are mentioned in paragraph (b) above;

- (d) to ensure the carrying out of such inspections as it considers necessary of the activities and businesses of -
  - (i) persons engaged in licensable conduct; and
  - (ii) persons registered under section 14 as approved providers of security industry services;
- (e) to set or approve standards of conduct, training and levels of supervision for adoption by -
  - (i) those who carry on businesses providing security industry services or other services involving the activities of security operatives; and
  - (ii) those who are employed for the purposes of such businesses;
- (f) to make recommendations and proposals for the maintenance and improvement of standards in the provision of security industry services and other services involving the activities of security operatives;
- (g) to keep under review the operation of this Act.

#### 4 Board Members and Directors

Members are appointed under the Act for four years. During the year ended 31 March 2004 the members were:

<b>Members</b>	<b>Period</b>
Peter Hermitage (Chairman)*	
Robin Dahlberg	
Peter Dyke	from 01/11/04
Brendan O’Friel	
Wendy Towers	from 01/11/04
Bruce Warman	

\* Acting chairman until 30/06/04

Board members were provided with a copy of the revised **Code of Best Practice for Members** on appointment which they are required to follow.

A register of Board members’ interests is kept by the Security Industry Authority and can be inspected by prior arrangement with the Director of Corporate Services (Tel: 0207 227 3600).

<b>Directors</b>	<b>Name</b>	<b>Period</b>
Chief Executive	John Saunders <b>OBE</b>	
Deputy Chief Executive	Andy Drane	
Director of Corporate Services	Graham Clark	from 21/04/04
Director of Strategic Development	Kaye Law	from 01/07/05
Director of Communications	Steve Sidaway	from 31/08/04
Director of Policy	Graham Titcombe	from 31/08/04
Director of Corporate Services (Interim)	Nick Lewis	from 20/04/04

A register of Director’s interests is kept by the Security Industry Authority and can be inspected by prior arrangement with the Director of Corporate Services. (Tel: 0207 227 3600).

## 5 Board Responsibilities

The Chairman and other members of the Authority's Board have corporate responsibility for ensuring that the Authority properly discharges its statutory functions and complies with any statutory or administrative requirements for the use of public funds. In particular, the Chairman and Board Members are collectively responsible for:

- (a) establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State;
- (b) ensuring that the Authority discharges its functions as laid out in the Act, and achieves its objectives;
- (c) monitoring the delivery of planned results and reporting to the Secretary of State on these in the annual report at the end of each financial year;
- (d) ensuring that high standards of corporate governance are observed at all times;
- (e) ensuring that the Authority operates within the limits of its statutory authority and any delegated authority agreed with the Home Office, and in accordance with any other conditions relating to the use of public funds;
- (f) ensuring that in reaching decisions, the Authority has complied with any directions given by the Secretary of State and has acted in accordance with any guidance given by him;
- (g) appointing, subject to the Secretary of State's approval, a Chief Executive to the Authority; and

Members of the Authority Board must not give the Chief Executive instructions which conflict with the latter's duties as the Authority's Accounting officer. Board members are from time to time required to be members of the Authority's Audit Committee.

## 6 Corporate Governance

This statement of accounts includes on page 36 a Statement on Internal Control. During the year ended 31 March 2005 the Authority has further developed its risk assessment and risk management processes in accordance with the Government's decision that public bodies implement the Combined Code and the Turnbull Report.

The Authority's systems of internal control have been designed to manage the risks the Authority faces; to safeguard its assets against unauthorised use or disposition; to maintain proper accounting records and to communicate reliable information for internal use or publication. Whilst no system of internal control can provide absolute assurance against material mis-statement or loss; the Authority's systems are designed to provide the Authority with reasonable assurance that suitable procedures are in place and are operating effectively. These systems have been in place and have continued to be developed during the year ended 31 March 2005.

The Authority appointed Bentley Jennison to provide internal audit services for two years from 1 April 2003. The contract with Bentley Jennison has now been extended for a further 12 months until 31st March 2006. Arrangements for external audit are provided under Schedule 1, paragraph 16 (4) of the Act which require the Comptroller and Auditor General to examine, certify and report on the statement of accounts, and to lay copies of it together with his report before each House of Parliament.

The Audit Committee monitors audit activity and the Authority's process for assessing and managing risk. The Audit Committee meets three times a year and comprises:

<b>Members</b>	<b>Period</b>
Bruce Warman (Chairman)	
Robin Dahlburg	until 16/03/05
Peter Dyke	from 16/03/05
Brendan O'Friel	

## **7 Results for the Year**

In accordance with Schedule 1, paragraph 16 (1) the Authority's statement of accounts covers the year ending on 31 March 2005. The Authority's statement of accounts is prepared on an accruals basis in accordance with the Accounts Direction issued to the Authority by the Secretary of State for the Home Office with the consent of the Treasury. The Accounts Direction issued to the Authority is the model Accounts Direction published by the Treasury in **Executive Non-Departmental Public Bodies – Annual Reports and Accounts Guidance**.

The accounts for the year ending 31 March 2005 are set out on pages 40 to 55. The Notes on pages 43 to 55 form part of the accounts.

The Authority received £18,500,000 in Grant in Aid in the year ending 31 March 2005 consisting of £14,476,536 for the operational activities of employment and running costs and £4,023,464 for capital expenditure. There was a surplus of £706,777 during the period which was transferred to the Income and Expenditure Reserve.

Fixed assets during the year increased by £4,023,464. Of this amount £3,492,911 has been spent on developing the software system to enable the licensing of the private security industry.

Bank interest receivable in the year to 31 March 2005 was £41,114 and at 31 March 2005 the Authority had a cash balance of £1,543,197. Neither income nor expenditure is sensitive to subjective judgement to a material extent in any one year.

## **8 Auditors**

The Comptroller and Auditor General was appointed as the external auditor to the Authority by the Private Security Industry Act 2001 Schedule 16 (4). Fees of £26,000 are due to the Comptroller and Auditor General for his work on the 2004-5 accounts.

## **9 Research and Development**

During the year the Authority has worked with BT Syntegra to develop a system to process licence applications. The system is currently operational although there is further continuing development. Additionally, in keeping with its statutory remit, the Authority's is developing an Approved Contractors Scheme. Work began during the year and the project is due for completion in Summer 2005.

## 10 Charitable Donations

No charitable donations were made in the period ending 31 March 2005.

## 11 Post Balance Sheet Events

There are no post-balance sheet events to report for the year ended 31 March 2005.

## 12 Compliance with Public Sector Payment Policy

The Authority follows the principles of the Better Payment Procedure Code, in accordance with Treasury Guidelines. The Authority aims to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute.

	£	Number
Total invoices paid in year	13,210,190	1866
Total invoices paid within target	13,181,036	1848
Percentage of invoices paid within target	99%	

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

## 13 Environmental Policy

The Authority seeks to minimise the impact of its activities on the environment. It has adopted the Home Office Environmental Policy in as far as it applies to the Authority. The Authority benefits from energy-saving lighting in its office premises and seeks to use recycled materials where such alternatives are available and provide value for money. It is seeking to reduce the use of paper by maximising the use of the intranet and website for the dissemination of information.

## 14 Employment Policies

The employment policies adopted by the Authority seek to create an environment in which all employees can give of their best and can contribute to the Authority's and to their own success.

## 15 Equal Opportunities

In accordance with the Code of Practice on the Duty to Promote Race Equality published by the Commission for Race Equality, the Authority monitors compliance of its employment duties and regularly analyses the make up of the workforce.

## 16 Staff Involvement and Development

The Authority is committed to keeping its staff informed of performance, development and progress. It makes every effort to ensure that all staff are kept informed of the Authority's plans. The main channels of communication include the intranet and presentations to all staff.

## 17 Employees with Disabilities

The Authority gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of their employment. Similarly the Authority intends to seek to enable members of staff who become disabled to continue their employment.

## 18 Future Developments

All door supervisors will be required to hold a SIA Licence by 11th April 2005. All vehicle immobilisers will be required to hold a SIA Licence by 3rd May 2005. We are currently developing a licensing programme for security guards; key holders; public space surveillance CCTV operators and those working in close protection. After 20th March 2006 it will be illegal to work in these capacities without an Authority's licence. This applies to contract staff only. The Authority is also expecting to begin licensing security consultants and private investigators in 2006 and will be conducting extensive consultations with industry stakeholders in due course.

The Authority's Approved Contractor Scheme is scheduled to launch in the latter half of 2005. The objective of the Approved Contractor scheme is to raise performance standards and to assist the private security industry in developing new opportunities. The scheme has been developed in consultation with representatives from across the industry and will only cover those parts of the industry that are regulated by the Authority's and the Private Security Industry Act. We expect the Home Office to issue a Regulatory Impact Assessment on the Approved Contractor Scheme mid 2005. Launch of the ACS is scheduled for the end of 2005.

In March 2004 the Scottish Executive announced its intention to use the Authority to regulate the private security industry in Scotland. We are working with the Scottish Executive and the Home Office to establish a programme plan and a target date for licensing in Scotland.



**John Saunders OBE**

*Chief Executive*

*29 March 2006*

# Statement of the Authority's and the Accounting Officer's Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 1, paragraph 16 (2) of the Private Security Industry Act 2001, The Authority is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Home Office, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Authority is required to:

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Security Industry Authority will continue in operation.

## The Accounting Officer's Responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Security Industry Authority as the Authority's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility under the Authority for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the **Non-Departmental Public Bodies' Accounting Officers' Memorandum** issued by the Treasury and published in **Government Accounting**.

Signed on behalf of the Security Industry Authority



**John Saunders OBE**

Chief Executive  
29 March 2006

# Statement on the System of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's objectives and goals and safeguards the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Government Accounting".

During the year from 01/04/04, I have met regularly with representatives of our sponsor unit in the Home Office, Criminal Reduction and Community Safety Group to discuss matters of interest, including, if appropriate, any issues from the Risk Register. The Home Office provides our annual budget until the Authority is self-financing from licence income and sets targets for the Authority's performance. The Authority reports cash expenditure monthly and annually to the Home Office.

The Authority's system of internal control is designed to manage, rather than eliminate, the risks it faces; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process that seeks to identify the principal risks to the achievement of the Authority's objectives and goals, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The process, which accords with Treasury Guidance, has been in place during the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the executive managers within the Authority. They have responsibility for the development and maintenance of the internal control framework. Comments made by the internal and external auditors in their management letter and other reports will also inform my review. I have been advised on the implication of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee. A plan to address any weaknesses and ensure continuous improvement of the systems is in place.

The Authority has established the following processes:

- a Board, comprising of non-executive members, one of whom is the Chairman, which meets monthly to consider the plans and strategic direction of the Authority, review the monthly management accounts and consider the high profile risks identified in the risk register;
- a meeting of the senior management team on a monthly basis to review the finance reports, risk register and current progress against targets;
- project Boards which meet on a monthly basis to monitor the progress and associated risks of significant projects e.g. the Approved Contractor Scheme and Security Guarding;
- periodic reports from the Chairman of the Audit Committee, to the Board, concerning internal control, and its further scrutiny of the whole risk register;
- regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's risk management, control and governance processes to management the achievement of the Authority's objectives together with recommendations for improvement;
- monthly reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;



- a programme of risk awareness training; and
- maintenance of an organisation-wide risk register.

In addition to the actions mentioned above the Authority plans to further develop a formal risk management strategy and to undertake further training throughout the organisation;

Directors have taken responsibility during the year to further develop staff awareness of the risk register and to report to them new risks or changes to the status of current risks.



**John Saunders OBE**

*Chief Executive*

*29 March 2006*

## Security Industry Authority

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

I certify that I have audited the financial statements on pages 40 to 55 under the Private Security Industry Act 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 43 to 45.

## Respective Responsibilities of the Accounting Officer and Auditor

As described on page 35, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Annual Report. My responsibilities, as independent auditor are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 36 and 37 reflects the Security Industry Authority's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Security Industry Authority's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Security Industry Authority's circumstances, consistently applied and adequately disclosed.

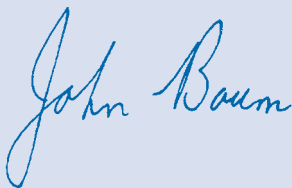
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Security Industry Authority at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Private Security Industry Act 2001 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**John Bourn**

*Comptroller and Auditor General*

**National Audit Office**

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

Date: 06/04/06

## Income and expenditure account for the period 1 April 2004 to 31 March 2005

	Note	2004/05 £	2003/04 £
Grant in Aid	3	<b>14,476,536</b>	<b>7,113,279</b>
Employment costs	5	4,439,825	3,714,478
Running costs	6	9,330,337	3,104,300
Depreciation	7/8	2,719,065	390,161
Total operating costs		<b>16,489,228</b>	<b>7,208,939</b>
Operating deficit		<b>(2,012,692)</b>	<b>(95,660)</b>
Licensing	4	4,637,558	1,102
Other income	4	5,185	0
Interest receivable	4	41,114	22,406
Less notional cost of capital		<b>(276,129)</b>	<b>(132,246)</b>
Loss on disposal of fixed assets		<b>(3,376)</b>	<b>(30,676)</b>
Retained surplus/deficit		<b>2,391,660</b>	<b>(235,074)</b>
Notional cost of capital reversal		276,129	132,246
Grant in Aid Advance repayable to the Home Office		<b>(4,642,439)</b>	<b>(1,102)</b>
Interest received and repayable to the Consolidated Fund via the Home Office		<b>(41,114)</b>	<b>(22,406)</b>
Transfer from reserves	12	2,722,441	420,837
Retained surplus for the financial year		<b>706,677</b>	<b>294,501</b>
<b>Movement on income and expenditure reserve</b>			
Surplus brought forward		294,501	
Retained surplus for the year		706,677	<b>294,501</b>
Surplus carried forward		<b>1,001,178</b>	<b>294,501</b>

All operations are continuing

## Statement of total recognised gains and losses

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

## Balance sheet as at 31 March 2005

	Note	2005		2004	
		£	£	£	£
<b>Fixed Assets</b>					
Intangible assets	7	7,389,646		5,890,589	
Tangible assets	8	502,414		700,448	
			<b>7,892,060</b>		<b>6,591,037</b>
<b>Current Assets</b>					
Debtors and prepayments	9	903,606		266,619	
Bank	11	1,543,197		824,000	
			<b>2,446,803</b>		<b>1,090,619</b>
<b>Creditors</b>					
Amounts due within 1 year	10	1,445,625	<b>1,445,625</b>	796,118	<b>796,118</b>
Net current assets			1,001,178		294,501
<b>Total assets less current liabilities</b>			<b>8,893,238</b>		<b>6,885,538</b>
<b>Capital and Reserves</b>					
Income and expenditure reserve			1,001,178		294,501
Other reserves	12		7,892,060		6,591,037
			<b>8,893,238</b>		<b>6,885,538</b>



**John Saunders OBE**

Chief Executive

29 March 2006

# Cash flow statement

	Note	2004/05 £	2003/04 £
<b>Operating activities</b>			
Net cash inflow from operating activities	13	652,344	815,244
<b>Returns on investments and servicing of finance</b>			
Interest received		36,119	20,765
<b>Capital expenditure</b>			
Cash outflow to acquire fixed assets		(3,964,866)	(6,136,721)
Net cash (outflow) before financing		<b>(3,276,403)</b>	<b>(5,300,712)</b>
<b>Add financing</b>			
Grant in Aid for capital expenditure	12	4,023,464	6,136,721
Licence/Other income received		4,166,794	
Less amounts appropriated to Home Office		<b>(4,194,658)</b>	<b>(12,009)</b>
Increase in cash		<b>719,197</b>	<b>824,000</b>

## NOTE I

# Accounting policies

## Basis of Accounts

The Statement of Accounts set out on pages 40 to 42 together with the Notes on pages 43 to 55 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State with the consent of Treasury in accordance with Schedule 1 Paragraph 16 (2) of the Private Security Industry Act 2001. The Accounts Direction issued to the Authority is the model Accounts Direction published by the Treasury in Executive Non-Departmental Public Bodies - Annual Reports and Accounts Guidance.

## Accounting Conventions

The accounts meet:

- the disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the SIA;
- accounting standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury; and
- the requirements of the Accounts Direction and the Financial Memorandum issued to the SIA by the Secretary of State for the Home Department.

## Grant in Aid

Grant in Aid received is credited to income for the period, except that a proportion of the Grant in Aid received, equal to expenditure on fixed assets acquisitions, is transferred to the Deferred Government Grant Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

## Fixed Assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual item is £1,000 or more or on a grouped basis, is £5,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office of National Statistics, except in their year of disposal and acquisition when their current and historical costs are not materially different. There was no revaluation of assets for 2004-5 as this was immaterial.

## Depreciation and Amortisation

Depreciation and Amortisation is provided on all fixed assets on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated life as follows:

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP) Database	over the remaining life of the contract
Approved Contractor Scheme (ACS)	four years

## Fee Income

From 1 April 2004 Income is to be recognised at the point when an application is accepted. At this point, the fee paid becomes non-refundable and the SIA is committed to paying BT Syntegra the full amount for processing the application.

This differs from 2003-4 when income was recognised as and when the work on the application had been completed. As amounts received in 2003-4 were immaterial no prior year adjustment was required.

## Deferred Income

The SIA has provided a bulk payment facility for Security Guarding Companies. This enables companies to pay fees in advance which is then used to pay for applications as they are received and accepted by BT Syntegra. Where money has been received, but no application, the income is deferred.

## Provision for Bad Debt

A provision is made of 1% of fee income due from BT Syntegra, to cover uncleared cheques. Additionally debts due from courts cost that are outstanding for more than 12 months will be charged in full to the profit and loss account.

## Notional Charges

In accordance with the Treasury publication "Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance", a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account, along with an equivalent reversing notional income to finance the charge.

The charge for the period is calculated using the Treasury's discount rate of 3.5 per cent applied to the mean value of capital employed during the period.

## Operating Leases

Payments made under operating leases on equipment and buildings are charged to expenditure on a straight line basis.



## Pension Costs

Pension contributions are accounted for on an accruals basis.

## Value Added Tax

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

### NOTE 2

## Financial targets

The Authority had no formal agreed financial targets with the Home Office for 2004/05.

### NOTE 3

## Grant in aid

The SIA received a payment of Grant in Aid from the Home Office Request for Resources 1, Subhead AB3, amounting to £18,500,000.

	Note	2004/05 £	2003/04 £
Revenue Grant received from the Home Office (Subhead AI)	P/L	14,476,536	7,113,279
Capital Grant received from the Home Office	12	4,023,464	6,136,721
		<b>18,500,000</b>	<b>13,250,000</b>

### NOTE 4

## Income

	2004/05 £	2003/04 £
Licensing	4,637,558	1,102
Interest receivable	41,114	22,406
Other Income	5,185	
	<b>4,683,857</b>	<b>23,508</b>

## NOTE 5

# Employment costs

	2004/05 £	2003/04 £
<b>Board Members</b>		
Non-Executive Fees	88,750	103,415
Salaries and Emoluments	-	-
Social security contributions	9,039	11,347
Pension contributions	6,806	-
	<b>104,595</b>	<b>114,762</b>
	<b>2004/05 £</b>	<b>2003/04 £</b>
<b>Staff</b>		
Non-Executive Fees	-	-
Salaries and Emoluments	2,430,895	1,180,483
Social security contributions	208,599	104,962
Pension contributions	353,868	164,285
	<b>2,993,362</b>	<b>1,449,730</b>
	<b>2004/05 £</b>	<b>2003/04 £</b>
<b>Other</b>		
Non-Executive Fees	-	-
Salaries and Emoluments	1,291,707	2,038,303
Social security contributions	18,233	41,403
Pension contributions	31,928	70,280
	<b>1,341,868</b>	<b>2,149,986</b>
	<b>2004/05 £</b>	<b>2003/04 £</b>
<b>Total</b>		
Non-Executive Fees	88,750	103,415
Salaries and Emoluments	3,722,602	3,218,786
Social security contributions	235,871	157,712
Pension contributions	392,602	234,565
	<b>4,439,825</b>	<b>3,714,478</b>

In addition £1,076,797 of consultancy expenditure has been capitalised as part of the Managed Service Provider and Approved Contractor Scheme Projects.

In the period ending **31 March 2005** the salaries and emoluments of the Board were:

<b>Board</b>		<b>Age</b>	<b>2004/05 £</b>	<b>2003/04 £</b>
Peter Hermitage (Chairman)	Fees	56	56,707	22,500
Peter Hermitage (Chairman)	Travel		10,382	3,179
	<b>Total</b>		<b>67,089</b>	<b>25,679</b>
Molly Meacher (Chairman until 04/12/03)	Fees	64	Nil	57,050
Molly Meacher (Chairman until 04/12/03)	Travel		Nil	Nil
	<b>Total</b>		<b>Nil</b>	<b>57,050</b>
Richard Childs	Fees		N/A	N/A
Richard Childs	Travel		N/A	N/A
	<b>Total</b>		<b>N/A</b>	<b>N/A</b>
Robin Dahlberg	Fees	52	5,228	8,400
Robin Dahlberg	Travel		Nil	Nil
	<b>Total</b>		<b>5,228</b>	<b>8,400</b>
Peter Dyke (from 22/09/04)	Fees	58	3,443	Nil
Peter Dyke (from 22/09/04)	Travel		1,300	Nil
	<b>Total</b>		<b>4,743</b>	<b>Nil</b>
Brendan O'Friel	Fees	64	9,435	10,375
Brendan O'Friel	Travel		8,502	5,827
	<b>Total</b>		<b>17,937</b>	<b>16,202</b>
Wendy Towers (from 22/09/04)	Fees	58	3,722	Nil
Wendy Towers (from 22/09/04)	Travel		460	Nil
	<b>Total</b>		<b>4,182</b>	<b>Nil</b>
Bruce Warman	Fees	56	8,160	7,625
Bruce Warman	Travel		537	308
	<b>Total</b>		<b>8,697</b>	<b>7,933</b>

### Senior Staff

John Saunders (Chief Executive)	Consent to disclosure withheld.
Andy Drane (Deputy Chief Executive)	Consent to disclosure withheld.
Graham Clark (Director of Corporate Services)	Consent to disclosure withheld.
Kaye Law (Director of Strategic Development)	Consent to disclosure withheld.

Peter Hermitage was appointed Acting Chairman with effect from the 9 December 2003 and confirmed as Chairman with effect from 1 July 2004. Board members are appointed for a fixed period of four years.

At the 31 March 2005 the SIA employed 96 staff including 6 Board Members.

The average number of employees during the period ending 31 March 2005 was:

	Staff		Consultants, Temporary and Seconded Staff	
	2004/05	2003/04	2004/05	2003/04
Executive	3.8	1	0	4
Enforcement	36	11	0	1
Licensing	9.8	5	0	2.5
Development	4.9	4	10	10
Admin/support staff	22.8	12	10	11.5
	<b>77.3</b>	<b>33</b>	<b>20</b>	<b>29</b>

## Audit Committee

Bruce Warman (Chairman), Brendan O'Friel, Robin Dahlberg (until March 2005) and Peter Dyke (from March 2005), members of the SIA Board, have been appointed to sit on the Audit Committee. They are paid £255 per day plus travel costs for attendance at these meetings up to three times a year.

## Pension

The PCSPS is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-05, employers' contributions of £384,550 were payable to the PCSPS (2003-4 £234,565) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every years following a full scheme valuation. From 2005-6, the salary bands will be revised and the rates will be in a range between 16.2 and 24.6%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,052 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £742, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £795.

## Salary and pension entitlements

With the exception of the Chairman Board members fees are not pensionable.

	<b>Salary, including performance related pay £</b>	<b>Real increase in pension and related lump sum at aged 60 £</b>	<b>Total accrued pension at age 60 at 31/03/04 and related lump sum where applicable £</b>	<b>CETV at 31/03/04 £</b>	<b>CETV at 31/03/05 £</b>	<b>Real increase in CETV after adjustment for inflation and changes in market investment factors £</b>
Graham Clark	Consent to Disclosure withheld					
Andy Drane	Consent to Disclosure withheld					
Peter Hermitage (from 01/07/04)	41,250	688	688		9,028	7,587
Kaye Law*	Consent to Disclosure withheld					
John Saunders	Consent to Disclosure withheld					

\* Kaye Law has been employed at the SIA since 1.4.2003 and was promoted to Director of Strategic Development on the 1.7.2004. Her accrued pension is for the whole of her employment with the SIA.

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## NOTE 6

### Running costs

	Note	2004/05 £	2003/04 £
Accommodation costs		651,782	596,502
Advertising and publicity		1,578,565	1,098,652
Audit fee – external		26,000	26,000
Audit fee – internal		18,713	18,160
Legal costs		52,309	49,924
Recruitment		462,815	334,837
Training		202,864	103,701
Information technology		370,162	255,956
Licensing costs		5,381,316	275,487
Office supplies and services		202,190	149,532
Operating lease payments – equipment	15	5,965	5,380
Financial Costs		604	755
Bad and Doubtful Debts		4,797	0
Travel and subsistence		346,124	171,232
Catering		14,120	0
Hospitality		12,011	18,182
		<b>9,330,337</b>	<b>3,104,300</b>

## NOTE 7

# Intangible fixed assets

2004/05

	Software Licences	Managed Service Provider Database	Approved Contractors Scheme Development Costs	Total
	£	£	£	£
Cost at 1 April 2004	80,638	5,975,817		6,056,455
Additions	12,146	3,492,912	458,607	3,963,665
Disposals	0	0	0	0
<b>Cost at 31 March 2005</b>	<b>92,784</b>	<b>9,468,729</b>	<b>458,607</b>	<b>10,020,120</b>
Depreciation at 31 March 2004	12,640	153,226		165,866
provided during the year	21,243	2,443,365		2,464,608
<b>Depreciation at 31 March 2005</b>	<b>33,883</b>	<b>2,596,591</b>		<b>2,630,474</b>
Net Book Value at 31 March 2005	<b>58,901</b>	<b>6,872,138</b>	<b>458,607</b>	<b>7,389,646</b>
Net Book Value at 31 March 2004	<b>67,998</b>	<b>5,822,591</b>	<b>N/A</b>	<b>5,890,589</b>

The Approved Contractors Scheme (ACS) has been developed to encourage businesses in the private security industry to improve their standards. The development of ACS is one of two main requirements placed on the SIA by the Private Security Industry Act 2001. The investment in time and resources is significant. ACS will be a major part of our work in the future, it will be funded by application fees and annual subscriptions which will recover the full running costs plus depreciation of the development costs.

## NOTE 8

# Tangible fixed assets

## 2004/05

	Leasehold improvements	Furniture and office equipment	Computer equipment	Total
	£	£	£	£
Cost at 1 April 2004 (unaudited)	381,316	181,147	362,280	924,743
Additions	0		59,799	59,799
Disposals			(3,376)	(3,376)
<b>Cost at 31 March 2005</b>	<b>381,316</b>	<b>181,147</b>	<b>418,703</b>	<b>981,166</b>
Depreciation at 31 March 2004	103,995	25,382	94,918	224,295
Depreciation provided during the year	103,995	25,382	125,080	254,457
<b>Depreciation at 31 March 2005</b>	<b>207,990</b>	<b>50,764</b>	<b>219,998</b>	<b>478,752</b>
Net Book Value at 31 March 2005	<b>173,326</b>	<b>130,383</b>	<b>198,705</b>	<b>502,414</b>
Net Book Value at 31 March 2004	<b>277,321</b>	<b>155,765</b>	<b>267,362</b>	<b>700,448</b>

## NOTE 9

# Debtors

	2004/05 £	2003/04 £
Trade debtors	562,974	8,290
Other Debtors	13,001	
Season ticket loans to staff	15,137	6,214
Prepayments	317,291	252,115
	<b>908,403</b>	<b>266,619</b>
Less provision for bad debts	4,797	0
<b>Total Debtors</b>	<b>903,606</b>	<b>266,619</b>

The trade debtors figure includes amounts owed by BT to the SIA for licence applications.

### Intra-governmental balances

The debtor balances above include the following intra-governmental balances:

<b>Defra</b>	<b>2,248</b>
--------------	--------------



## NOTE 10

### Creditors due within one year

	<b>2004/05</b> <b>£</b>	<b>2003/04</b> <b>£</b>
Trade creditors	80,785	1,187
Other creditors	723	27,684
Sundry Creditors	500,393	11,499
Accruals	765,198	676,328
Inland Revenue	94,156	73,872
Deferred Income	4,370	5,548
	<b>1,445,625</b>	<b>796,118</b>

#### Intra-governmental balances

The creditor balances above include the following intra-governmental balances:

Home Office	500,393	9,859
Inland Revenue	94,156	73,872
Criminal Records Bureau	138,358	
Treasury Solicitor	8,745	4,692
	<b>741,652</b>	<b>88,423</b>

## NOTE 11

### Analysis of changes in cash

	<b>2004/05</b> <b>£</b>		<b>2003/04</b> <b>£</b>
Balance at 1 April 2004	824,000	Balance at 1 April 2003	-
Increase in cash	719,197	Increase in cash	824,000
Balance at 31 March 2005	<b>1,543,197</b>	Balance at 31 March 2004	<b>824,000</b>

#### Financial Instruments

The SIA has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

## NOTE 12

### Reserves

	<b>Deferred Government Grant Reserve 2004/05 £</b>	<b>Deferred Government Grant Reserve 2003/04 £</b>
Balance at 1 April	6,591,037	846,780
Grant deferred for additions	4,023,464	6,136,721
Other additions	0	28,373
<b>Transfer to profit and loss</b>		
Disposed assets	(3,376)	(30,676)
Release for depreciation to Income and Expenditure Account	(2,719,065)	(390,161)
As at 31 March	<b>7,892,060</b>	<b>6,591,037</b>

## NOTE 13

### Reconciliation of operating surplus to cash inflow from operating activities

	<b>2004/05 £</b>	<b>2003/04 £</b>
Operating surplus/deficit	(2,012,692)	(95,660)
Depreciation	2,719,065	390,161
(Increase)/Decrease in debtors relating to operating items	(641,787)	90,329
Increase in creditors relating to operating items	579,585	430,414
Increase in bad debt provision	4,797	-
Loss on disposal of fixed assets	3,376	-
Net cash inflow from operating activities	<b>652,344</b>	<b>815,244</b>

## NOTE 14

### Capital commitments

At 31st March 2005 capital commitments contracted for were £410,300.

At 31st March 2004 capital commitments contracted for were £2,729,200.

## NOTE 15

# Commitments under operating leases

### Operating leases which expire:

	2004/05		2003/04	
	Building £	Equipment £	Building £	Equipment £
Within two-five years	406,344	5,965	406,344	5,965

## NOTE 16

# Contingent liabilities

The SIA appointed BT Syntegra as its managed service provider in June 2003. Concern was shown by BT Syntegra prior to the signing of the contract that local authorities may argue that the replacement of local authority licensing and registration schemes for door supervisors by the the SIA's national licensing scheme amounts to a transfer of undertaking, thereby bringing Transfer of Undertakings Protection of Employment (TUPE) into play. The SIA does not share this view but acknowledges that someone might possibly bring a successful claim. A minute was tabled before Parliament on the 6 May 2003 placing a limit on the liability of £3,000,000.

As at 31st March 2005, licensing has been rolled out through all regions in England and Wales and no claims have been received. Additionally, there is no indication that a claim is likely to be received at this point.

## NOTE 17

# Post balance sheet events 2004/05

In April 2005 the Chancellor announced a number of proposed mergers of NDPB's as part of the Hampton Review. The SIA was included in this report and a possible merger with the Health and Safety Executive should be considered in 2 year's time.

## NOTE 18

# Related party transactions

The Home Office is regarded as a related party to the SIA. During the period ended 31 March 2005 the Home Office provided the SIA with Grant in Aid. A small number of transactions were made with other government departments and other central government bodies, including the Inland Revenue and the Treasury Solicitor.

None of the other board members, key managerial staff or other related parties has undertaken any material transactions with the Security Industry Authority during the year.

## NOTE 19

# Losses and special payments

There were no losses or special payments in the year.

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