



Security Industry Authority

Annual Report and Accounts 2010/11

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Introduction

The Security Industry Authority (SIA) is responsible for regulating the UK private security industry. We are an independent body reporting to the Home Secretary under the terms of the Private Security Industry Act 2001. Our remit includes Scotland and Northern Ireland and we consult closely with the Scottish Government and the Department of Justice in Northern Ireland about our regulation. Our regulation of the private security industry supports the objectives of the Home Office and the devolved administrations, to protect the public where they regularly come into contact with the private security industry in their daily lives. We make a contribution to making communities safer; helping people feel secure and cutting crime, protecting the public from terrorism, controlling immigration and safeguarding identity. Our contribution will be particularly important in the run up to the London 2012 Olympic and Paralympic Games and the Commonwealth Games in 2014.

Intended regulatory outcomes

The SIA contributes to public protection by regulating to reduce criminality and to set and approve standards in the security industry. We currently regulate in two ways: the compulsory licensing of individuals undertaking designated activities within the private security industry and the approval, on a voluntary basis, of security suppliers that meet specified quality standards.

For individual licensing, we apply approved criminality and other fit and proper person criteria and we establish the competency requirements. We specify qualifications and endorse awarding organisations, which in turn approve training providers, oversee the standard of assessment and award qualifications recognised for licensing.

For approving security contractors, we apply eligibility and other fit and proper criteria and we establish terms and conditions of approval. We specify management and operational requirements in the Approved Contractor Scheme (ACS) Standard and appoint assessing bodies to conduct assessments against this standard.

Working with partners

In order to achieve our objectives effectively, we share information, ideas and knowledge with many different organisations across the United Kingdom. Our partner community includes government departments and other agencies along with police forces, local authorities and organisations in business and industry.

Joint statement from the Chairman and Chief Executive

The continuing impact of the economic downturn and the political changes following the General Election meant that 2010/11 was a demanding year for individuals and businesses subject to SIA regulation and for the SIA itself. We are pleased that we have been able to maintain the high standards of service and compliance we have set in recent years, while taking rigorous action financially to enable us to finish the year with a small deficit after the exceptional item. In addition, we have made good progress, working with ministers and the industry, for the phased transition to a new regulatory regime in line with the Government's proposals. Our framework for the future has been accepted by ministers and we are preparing for the new legislation that the Government intends to bring forward.

These achievements could not have been made without the significant efforts of our staff and support of the industry. We are extremely grateful to those who have ensured that we have met our objectives.

Our performance over the year maintained the high standards that we have now established:

- Over the year, 93% of licence applications were processed in 30 days or less against our target of 80%, with 70% of applicants receiving their licence in 15 days or less.
- Membership of the ACS has now passed 700, and those in the scheme remain satisfied, with 98% of members renewing their membership and giving a satisfaction rating of 89% over the year.
- Our enforcement teams have maintained compliance levels of 90%, particularly important given the uncertainties as to the future of regulation during the year, and have worked with other enforcement partners in significant operations to target organised crime. Our work in the Operation Gulf partnership to tackle serious crime in Salford was commended by the Home Secretary.
- The standards achieved by the SIA and our contract partners, Liverpool Direct Ltd (LDL), were recognised in March when we received the prestigious *Government Standard for Customer Service Excellence*.

We recognise that our income comes directly from the individuals that we license and the members of the ACS and that we have a responsibility to ensure that that money is spent effectively. Because of our three year licensing cycle, our income in 2010/11 was some £10m less than in 2009/10. To ensure that we were able to balance the books and maintain the licence fee at current levels, the SIA put in place measures to reduce its costs and these were complemented by the financial controls introduced by the new government. Significant spending reductions were delivered across the organisation, including reductions in staffing and support costs and the agreement of new contract arrangements with our key suppliers. As a result, we are able to report a small deficit for the year after the exceptional item, reflecting total costs of £29.5m. These represent an average cost to issue a licence of £136 and an operational cost of £109 per active licence.

The Government's Arms Length Bodies review reported on 14 October 2010 and proposed that the regulation of the private security industry should no longer be the responsibility of a Non-Departmental Public Body (NDPB) and that there should be a phased transition to a new regulatory regime. This announcement caused considerable

uncertainty in the industry and amongst those who require a licence and this was exacerbated by an earlier report that had suggested that the SIA regime would be abolished.

We had already announced at our conference in June 2010 that we wanted to develop a new approach to regulation – our “Change Blueprint”. This proposed greater responsibility for the industry in respect of individuals, supported by a system of compulsory business registration. Following the Government’s announcement, we received strong support from across the industry for the Change Blueprint approach and the continuation of a robust regulatory regime. The devolved governments in Scotland and Northern Ireland expressed strong support for the continuation of effective regulation.

Working with the industry and government, we have proposed arrangements for a new regulatory regime which would be the responsibility of a new body, outside the NDPB sector, and which would involve the licensing of private security businesses and the registration of individuals, supported by robust compliance arrangements. The Government accepted these proposals and has asked us to lead the development of detailed proposals with the industry, and has indicated that it will now bring forward legislation in the next Parliamentary session to create the new regime.

The willingness of many in the industry, suppliers, buyers and those who use and rely on private security, to work with us to create a new approach to regulation has been a key element in allowing us to develop the Change Blueprint. We are grateful to all those involved and are looking forward to continuing this partnership as we address the Government’s aim to bring forward a new regime by the end of 2013.

The year has certainly brought particular challenges to the SIA and we believe that a key measure of an organisation is the ability of its staff to adapt and continue to deliver when such challenges arise. Our team at the SIA has done this extremely ably in 2010/11 and we both look forward to continuing to work with them to deliver effective regulation and a new regime in the next two to three years.



A handwritten signature in black ink, appearing to read "Ruth Henig".

Ruth Henig
SIA Chairman



A handwritten signature in black ink, appearing to read "Bill Butler".

Bill Butler
SIA Chief Executive

Review of 2010/11 – our key achievements

Against a backdrop of change and uncertainty, 2010/11 has been a year of achievement for the SIA. During the year we have achieved significant improvements in our service delivery, which have included improvements in licensing performance and obtaining the coveted Cabinet Office award for Customer Service Excellence. Similarly, we have made good progress in building joint working partnerships which support our work on compliance and have been active and rigorous in our enforcement work. We have also continued to be active in preparing for the London 2012 Olympic Games, have increased our focus on stakeholder engagement and introduced additional competency requirements in the door supervision sector, the latter being designed to improve safety to both the public and security operatives.

Examples of some major initiatives and their outcomes are set-out below.

Cabinet Office award for Customer Service Excellence

In April 2011, the SIA was awarded the Cabinet Office Customer Service Excellence award. The Customer Service Excellence (CSE) standard tests areas in depth that research has indicated are a priority for customers, including delivery, timeliness, information, professionalism and staff attitude.

We have made some significant improvements to the way that we meet the needs of our customers in recent years which contributed to the success of our application. These include continuing to reduce how long we take to handle licence applications, improving the responsiveness of our contact centre and measuring customer satisfaction.

The SIA was assessed independently in February and March 2011, during which time the assessor spoke to SIA staff, as well as customers and partners. The assessor determined that not only had the SIA met the CSE standard but that we demonstrated a high level of customer service across the organisation. The assessor particularly commented that SIA staff are passionate about their roles and committed to providing effective service and that strong leadership had helped to develop the SIA into a high performance organisation.

The SIA will continue to be assessed against the standard on an ongoing annual basis.

Growth of the Approved Contractor Scheme

March 2011 marked the fifth year of operation of the voluntary SIA ACS. Over the five year period applications for approval have exceeded 1,200 and approvals now number more than 700. Approved contractors supply around two-thirds of all regulated security industry services, providing assurance to buyers and to end users. In 2010/11 there was a further improvement in assessment scores achieved by approved contractors, which gives an indication of the level to which standards have been raised. Assessment scores have now increased each year for the past five years.

Contract transition

Following a successful transition from the previous resource based contract, the new output based licensing operations contract between the SIA and BT commenced on the 30 September 2010. The new contract offers a variety of benefits to the SIA, including more flexibility, an improved commercial agreement with BT and the opportunity to work in partnership towards achieving improved levels of service and lower costs. Based on like for like volume levels the new contract is predicted to achieve savings of approximately 20%, the first six months actually saw savings in excess of 30% being realised.

Building partnership working

Working with partners is a key part of our compliance approach and we already have many productive relationships with key partners, such as police forces and local authorities. During 2010/11, we have continued to build strong working relationships with partner agencies to address non compliance with the Private Security Industry Act 2001, and other criminal offences committed by companies or individuals with links to the private security industry. These relationships have been used in targeting identity fraud, training provider malpractice and serious and organised crime. We have played an active role in Project Gulf, a multi agency initiative to combat organised crime in Salford – an example of effective partnership working between local and national partnership agencies.

We are building increasingly effective partnerships with the Serious and Organised Crime Agency, Scottish Crime and Drug Enforcement Agency and Her Majesty's Revenue and Customs, in targeting companies and individuals perceived to present the highest risk to the public. To date, this has resulted in the revocation of a number of SIA licences and action being taken in respect of companies either holding, or in the process of achieving, approved contractor status.

Competency requirements

Following ministerial approval for our proposal we introduced additional competency requirements for new applicants into the door supervision sector.

Stakeholder engagement

Our 2010/11 stakeholder engagement plan focused on key priority areas for stakeholder engagement. This included the London Olympics, Paralympics and Commonwealth Games, the profile of the SIA with purchasers and insurers of security, business licensing, the new CCTV regulator, government departments and devolved administrations, the future of regulation and the transition to a new regulatory regime.

We continued to attend, support and contribute to the network meetings for door supervisors, vehicle immobilisers, small businesses, CCTV operatives and close protection operatives and we held approved contractor forums throughout the year around the country. We used these meetings to consult with, and receive feedback about the impact of SIA plans, policies and activities. We held two stakeholder conferences at which we

communicated our progress, consulted with stakeholders on a variety of issues and upcoming projects, such as the ACS differentiation, customer service and the future of regulation.

Over the year we have also moved the emphasis of our communications approach to centre on digital communications and now have over 1,000 followers on Facebook. This new approach has also yielded major cost savings.

Cost savings and austerity measures

The 2010/11 business plan established a year of financial restraint with active measures to reduce the cost base of the SIA. This was later supported by the Government's austerity measures, which we fully supported and complied with. Together, the firm application of these measures yielded over £4m of savings in the year. In addition the successful implementation of the new managed service contract for licence processing, half way through the year, has produced an additional saving of £1.7m. These initiatives have ensured that the SIA has remained fully self-financing in 2010/11.

Delivery against our business objectives

We set four objectives for 2010/11 which are supported by key performance indicators (KPIs).

Our objectives

Delivering proportionate regulation to the private security industry to reduce criminality and improve standards under the Private Security Industry Act 2001

Protecting the public

Ensuring only fit and proper people provide regulated private security services to protect people, property and premises

Customer service

Delivering timely, effective and accessible services which meet the needs of our customers and ensuring that ACS remains attractive to the industry

Delivering value

Delivering value for money within the income received from licensing and striving to drive costs down over time

Developing our people and organisation

Helping our staff to develop their skills and competencies so that they can release their full potential

Objective I – Protecting the Public

We have established three success factors which focus on reducing criminality, developing and maintaining compliance and enforcement, and ensuring and maintaining industry standards

Success factor	Key Performance Indicator	Target	Met/ not met	Comments
Reducing relevant criminality	The correct application of licensing criteria at the time of the decision	99.5%	Met 99.7%	We have exceeded the target for two consecutive years.
Developing and maintaining compliance and enforcement	Security operatives correctly licensed or deployed under a valid Licence Dispensation Notice	90%	Met 98%	We carried out quarterly random operations during the year and our results showed that compliance remains robust.
	Completing responses to partner information exchange requests for information within 10 working days	95%	Not met 81%	We maintained our focus on high risk cases despite the resource issues.
	Completing responses to partner information exchange requests for suspension within five working days	95%	Not met 93%	93% of requests were completed on schedule despite resource constraints.
	Completing responses to partner information exchange requests for revocation within 10 working days	95%	Not met 92%	92% of requests were completed on schedule despite resource constraints.
Ensuring and maintaining industry standards	Number of licensable individuals working for approved contractors	130,000	Met 130,108	130 new approvals were granted in 2010/11, primarily to small businesses. The Organic growth within the Industry has assisted in increasing the number of licensable staff.

The Key Performance Indicators (KPIs) concerned with reducing criminality and with ensuring and maintaining industry standards, were fully met. The loss and delay in replacement of key frontline staff meant that a number of KPIs relating to developing and maintaining compliance and enforcement were narrowly missed.

Objective 2 – Customer service

The drive to improve customer service has continued throughout 2010/11. The main focus has been on the timeliness and accessibility of the service and the overall level of customer satisfaction.

Success factor	Key Performance Indicator	Target	Met/ not met	Comments
Timely service	Proportion of end to end licence applications processed within 30 working days	80%	Met 93%	Licence applications were processed significantly faster than the agreed timeframe.
	Licensing appeals to the SIA processed in 20 working days	80%	Met 91%	Target was met by flexible working in order to overcome resource constraints.
	Percentage of ACS renewal and re-registration applications processed within 15 working days	90%	Met 98%	Target was met despite the economic climate and the uncertainty of the future of the SIA.
Accessible service	Proportion of calls to the contact centre answered within 30 seconds	95%	Met 99.9%	Significant improvements have been made within the contact centre.
	Response to standard enquiries (letters) in three working days	95%	Met 99.8%	Resulting from improved contact centre performance.
	Response to complex enquiries (letters) in 12 working days	95%	Met 98.4%	We responded to all the escalated enquiries within 12 working days.
	Initial response to compensation claims within 10 working days	95%	Met 100%	We responded to all the 62 compensation claims within agreed timeframe.
Customer satisfaction	Rate of overall customer satisfaction – survey June 2010	75%	Met 80%	We achieved 80.2% satisfaction in our customer satisfaction survey in 2010.

All KPIs were fully met. Following the introduction of an independent customer survey last year a second survey was conducted in 2010/11. Overall customer satisfaction was 80% which builds on the level achieved previously. The survey has provided valuable information which is being used to improve customer service further.

Objective 3 – Delivering value

ACS remains as a voluntary scheme and the retention of contractors within the scheme is a key measure of delivering value. The SIA is self-financing and is required to manage its costs effectively to balance against the licence fee income it receives.

Success Factor	Key Performance Indicator	Target	Met/ not met	Comments
ACS valued by industry	Percentage of contractors choosing to retain ACS status	95%	Met 96%	Performance was good given the economic situation and the uncertainties of the future of the SIA.
Achieving full cost recovery	To balance the budget within a variance of no more than 3% of turnover	+/- 3%	Met -0.4%	The budget was balanced to within 0.4% of turnover and resulted in a deficit.

Despite the challenges of the current economic climate, which has impacted on all our stakeholders, and the uncertainty over the future, the SIA has fully met all KPIs relating to delivering value.

Objective 4 – Developing our people and organisation

Our key performance measures in this area concentrate on ensuring the effectiveness of our staff and on their level of engagement with the SIA as an employer.

Success factor	Key Performance Indicator	Target	Met / not met	Comments
Staffing effectively	Proportion of staff in post against workforce plan	95%	Not met 90%	Staff vacancies could not be filled due to recruitment freeze.
	Proportion of all essential training completed against the training plan	100%	Met 100%	All essential staff trainings completed on schedule.
	Appraisals for eligible staff completed and objectives set	95%	Not met	69% met the deadline of 31 May and 97.5% by 31 July.
Staff satisfaction	Rate of overall staff satisfaction – annual survey	75%	Not met 61%	This was our first staff survey. 61% of respondents ticked the 'agree' or 'strongly agree' option of the positive statements in the questionnaire.

The recruitment freeze has prevented us from achieving our 2010/11 resourcing levels, but the impact of this has been managed through internal re-deployment to ensure full support on frontline activities. Further work has been done to ensure that we improve our timescales for completing staff appraisals, that we understand the issues and raise the overall level of staff satisfaction.

Environmental, social and community performance

Sustainability performance

As part of its sustainable development strategy, the Government encourages public sector bodies to disclose their sustainability and environmental performance in their annual report and accounts. A summary of the actions taken in 2010/11 to improve sustainability is set out below.

- The SIA has established an internal green staff group which has the objectives of increasing awareness and promoting sustainability based initiatives. In 2010/11 those initiatives have included Cycle and Walk to Work days, internal development of a video to promote awareness and a campaign to encourage all staff to turn-off computer monitors when not in use.
- Energy savings initiatives have included reductions in levels of heating and air conditioning, the installation of multi function devices that default to double-sided printing, movement sensor lighting controls and moving to energy saving computer screens at the point of normal replacement.
- The use of re-cycling bins has enabled over 70% of waste to be re-cycled in 2010/11 and the extension of this scheme in 2011/12 has a recycling target of over 90%. A pilot scheme has commenced to re-fill printer cartridges with environmentally friendly ink.

Social and community performance

The SIA staff charity group, which is a volunteer group, is active in raising money for charity and in 2010/11 raised a total of £1,175 for charitable causes.

Equality and diversity

We are an Equal Opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from people regardless of ethnic origin, religious belief, gender, sexual orientation or disability.

We are very proud of the diverse nature of our organisation, and continue to develop a culture within our organisation that reflects our strong values surrounding the importance of diversity.

Our workplace diversity approach underpins our human resource management strategies with attention paid to particular areas such as selection and recruitment, performance appraisal, training and development, and workplace relations which are all integrated into our diversity approach with continued success.

We have developed an Equality and Diversity policy to promote and support these areas, and where applicable, undertake an Equality Impact Assessment for each new policy that is drafted. We proactively monitor the application of our policies to satisfy ourselves that no group is adversely affected.

We have launched a Flexible Working Pathfinder, which is being trialled to allow our employees the option to incorporate flexible working conditions in order to balance their work and other responsibilities.

We have also developed an e-learning package on Equality and Diversity, which will form part of our induction programme, equipping our staff with the necessary information in line with our values and commitment to promoting equality and diversity awareness.

We work continuously to remove all forms of discrimination and recognise that this requires us, not only to make a commitment, but to deliver that commitment by embedding equality and diversity principles and ethos in all that we work within the SIA.

Our vision for the future

Arms Length Body Review

On 14 October 2010, the Cabinet Office announced the results of the Arms Length Body (ALB) review. The review proposed that the SIA is: *'No longer an NDPB: phased transition to a new regulatory regime'*. Consequently, the SIA was included in the Public Bodies Bill as a body to be abolished.

Following meetings with the minister and with the devolved governments in Scotland and Northern Ireland, the SIA was directed to lead work with the industry and other stakeholders to bring together proposals and a timetable for delivering change. These proposals are set out in the Change Blueprint. Subsequently, the Home Secretary confirmed that there should be no significant change before the London 2012 Olympic Games.

We have worked with the private security industry and other key stakeholders to develop the principles and framework for a new regulatory regime as well as the timescales and milestones for transition. In February 2011, the Security Alliance wrote to the Minister setting out the principles that it wished to see underpinning a new regime and these were reflected in the Change Blueprint. Also in February 2011, the Government announced that it had accepted the framework and principles set out in the Change Blueprint as a basis for the future regulation of the private security industry. The SIA was asked to continue to lead work with the industry on the development of detailed proposals. The key elements of the proposals are:

- The abolition of the SIA in its current form and the creation of new governance arrangements for the private security industry regulator outside of the NDPB sector
- A focus on business licensing, supported by individual registration.
- Robust enforcement provisions, including the power to stop unlicensed businesses from trading.

Following this announcement and meetings with the Minister and Home Secretary, the SIA was removed from the Public Bodies Bill and ministers announced that new legislation would be brought forward to abolish the SIA in its current form and establish a new regulatory regime. The Government's aim is that new arrangements should be in place by the end of 2013. The devolved governments will need to make their own decision on future arrangements, but we will work to try and ensure that the regime is capable of being consistent across the UK.

The SIA is putting in place the plans necessary to prepare for and deliver the new regime, working closely with the private security industry and other stakeholders. A Strategic Consultative Group has been established and we are working closely with those representing businesses and the industry to develop the Change Blueprint.

This Blueprint will:

- Provide the future direction of regulation in the private security industry. Its development is driven by a set of guiding principles.

- Ensure robust compliance during the transition period and beyond to protect the public and the interests of the legitimate industry.
- Deliver a significant transfer of responsibility to the industry and a matching reduction in the role of the SIA after the London 2012 Olympics.
- Establish a new, lighter touch approach to regulation based on a registration scheme for businesses and individuals to ensure their fit and proper status.
- Allow partnership working and better focus for compliance and enforcement activity on areas of greatest risk to public safety, in particular supporting action against those linked to, or involved in, organised crime.
- Reduce the direct costs of regulation.
- Meet the particular requirements and concerns of the devolved governments

The ultimate aim of the Blueprint is to provide a future operating model which will ensure effective regulation and deliver value for money to licence holders and businesses alike.

Financial review

Results for 2010/11

The SIA is required by HM Treasury to operate on the basis of full cost recovery. The achievement of full cost recovery should be understood in the context of our three year business cycle, which is driven by the pattern of licensing. The majority of licences have a three-year span with the licence fee for those three years paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified 'enforcement dates' from 2006/07 with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. This cycle is highest in the year reflecting the anniversary of inception of the licence regime. This year, 2010/11, is the lowest year of the cycle.

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

	2010/11	2009/10	2008/09
Application numbers	108,418	138,043	136,240
	£'000	£'000	£'000
Income			
Licence fees	26,486	33,821	31,728
ACS	2,275	2,297	2,135
Northern Ireland	37	849	624
Other income from activities	469	670	243
Court costs recovered	72	1,023	598
Total self generated income	29,339	38,660	35,328
Expenditure			
Employment costs*	10,219	10,417	8,547
Accommodation	1,566	1,506	1,141
Advertising and publicity	298	872	995
Licensing costs	14,246	19,870	17,211
Depreciation	1,075	2,094	2,245
Other costs	1,903	2,939	2,199
Exceptional item	151	0	0
Total Expenditure	29,458	37,698	32,338
Surplus/Deficit	(119)	962	2,990

*Employment costs include staff costs, training and other staff related costs

Note the 2009/10 Statement of Accounts has been prepared under IIFRS, and 2008/09 have been restated under IFRS.

Financial highlights

- The overall financial result for 2010/11 was a deficit of £119,000 against an original budgeted deficit of £5.7m. The final settlement of the work done on the project for the introduction of regulation in Northern Ireland has given rise to an exceptional item of £151,000. The final outturn position is therefore a deficit of £119,000, while the operational surplus before this item was £32,000. This deficit represents 0.4% of turnover, which is within the required tolerance of 3%.
- Total net income of £29.3m exceeded the budgeted level by 0.5%. Notably the combination of licence income being ahead of budget and income from the ACS scheme on budget has offset the loss of income from the Government following the cancellation of work on enforcement agents.
- The new contract for the managed service for licence processing came into effect on 30 September 2010. This new contract has had a major impact on driving down the unit cost of issuing a licence and a saving of £1.7m, against the costs under the previous contract has been achieved during the second half of the year. This saving is substantially greater than was originally envisaged.
- The cost reduction initiatives initiated by the SIA and supported by austerity measures have enabled a further £4m to be removed from the cost base. This is a significant achievement and represents a 21% reduction in cost base over the year.

Other initiatives

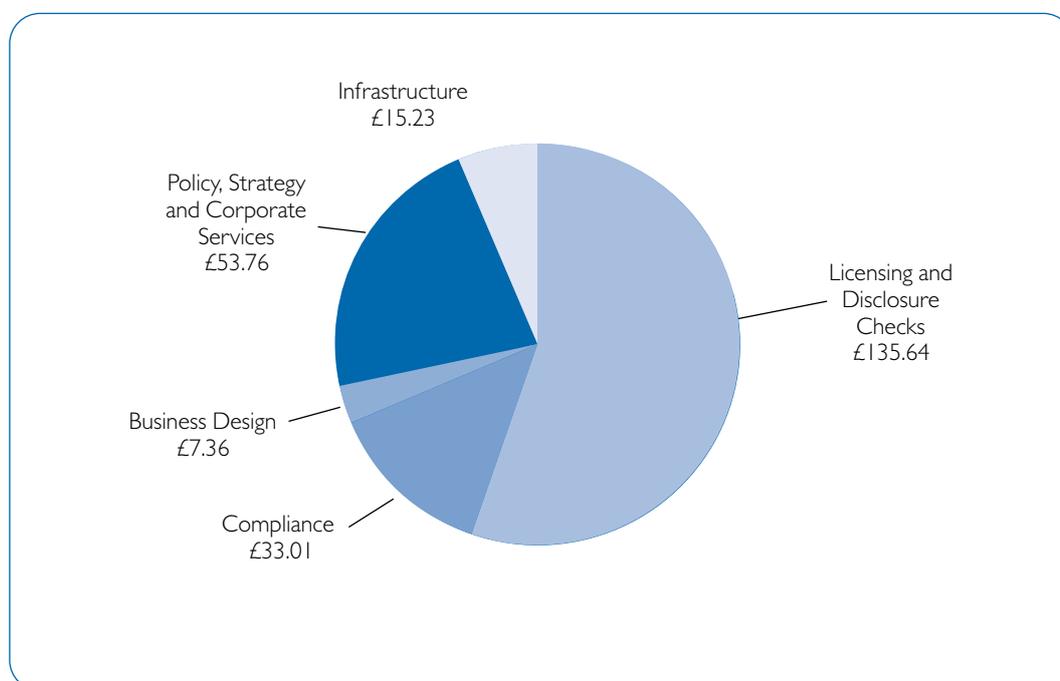
- The demand for licences is critical to financial planning in the SIA. During 2010/11 a significant amount of work was carried out to improve the accuracy of demand forecasting, and the forecasts made have proved reliable in aggregate over the year. The increasing volatility of the economic climate requires further work to improve our short term forecasting, both in relation to managing our operational and service levels and to the accuracy of financial forecasts. An initiative has been launched with the objective of achieving this, and is targeted to be completed by third quarter 2011/12.
- A series of cost control initiatives has been established which include smarter buying, better value for money from commercial contracts and improved forward planning and control over costs. These, together with compliance with Government austerity targets will continue to provide an impetus to driving costs down.
- A key element of the work to develop a new regulatory regime, is to deliver more effective processes and to use technology to deliver a lower cost business model for the future. Whilst the benefits of this work will be received over time, this will establish a good basis for continuing to offer improving levels of value to both the industry and individual licence payers.

How the licence fee was spent in 2010/11

During 2010/11 the licence fee has been maintained at £245, a level that was set in April 2007 and maintained for the last three years, which represents a reduction in real terms. Because the licence is for a period of three years, holders will have enjoyed the benefit of the same level of fee through to 2015. The fee is required to ensure that the SIA is self funding into the future and is based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed
- The level of staff turnover within the industry, which generates new licensing applications
- Stability of the SIA and therefore our cost base
- The requirement to fund those activities associated with transition which can be funded from licence fees.

A breakdown of the way the licence fee was spent is set out in the following chart:



Forecast results for the next three years

We have developed a comprehensive business plan for the next three years, covering the delivery of our ongoing responsibilities and taking forward the work to support the Change Blueprint. The availability of an improved demand forecasting model and an activity based costing model, has enabled us to forecast the financial position to a greater level of detail than was previously possible. The major financial factors impacting over the next three years are expected to be:

- The strategic decision of the Board to seek to not increase the licence fee from its current level of £245 and the need to manage both operational costs, and costs associated with the transition to a new regulatory framework, within this level.
- Within the three year business cycle, the demand for licences is forecast to rise to 12,500 net applications in April 2012 (approximately 625 per day), followed by a decline to a low point of 10,750 in January 2013 (approximately 540 per day). The impact of this is a significant fluctuation of income over the next three years.
- Whilst income fluctuates, the regulatory workload of the SIA remains broadly constant. This is supported by the ongoing activity based analysis that we undertake, which shows that two thirds of our costs are related to the ongoing management of the licensed population and enforcement activity against illegal operation, and only a third of costs vary directly with volume. We are not, therefore, able to reduce costs directly in line with falling volumes.

The following table takes account of these factors, and summarises the financial forecasts for the next three years:

	Forecast			Net result 2010-2013
	2011/12	2012/13	2013/14	
	£'000	£'000	£'000	£'000
Income				
Licence fees	29,547	30,629	28,067	
ACS	2,196	2,196	2,196	
Other income	75	75	75	
Total income	31,818	32,900	30,338	95,056
Expenditure				
Operational costs (including business design)	28,431	27,491	27,050	
Net total before transition costs	3,387	5,409	3,288	12,084

These forecasts include a continuation of the cost reduction initiatives commenced in 2010/11. The overall position is that we forecast an operational surplus of £12.1m over the three year period, which will fund the relevant costs of transition to a new regulatory regime. Funding arrangements for those areas such as businesses and policy which cannot be funded from licence income, are yet to be formally agreed with the Home Office.

Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2014 show that the organisation will continue to be self funding.

Payment practice

We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim 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. In 2010/11 we paid 97% of all invoices within terms, which represented 98% by value. Against a ten day target we have achieved 29% of invoices being paid in this time frame, but throughout 2011/12 systems have been updated to ensure that the number of invoices paid within ten days will be improved.

	2010/11		2009/10	
	£	Number	£	Number
Total invoices paid in year	19,460,889	2,030	29,863,042	2,672
Total invoices paid within 30 day target	19,151,562	1,969	29,367,317	2,534
Total invoices paid within 10 day target	4,187,501	588	8,999,691	573
Percentage of invoices paid within 30 day target	98%	97%	98%	95%
Percentage of invoices paid within 10 day target	22%	29%	30%	21%

Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Licence application processing – variable cost basis	30/09/2012

Personal data related incidents

There was one incident involving the compromise of personal data during the year. This involved the misdirection of mail which contained personal data to a third party. In this instance, the personal data was recovered and the individual concerned informed. The misdirection of mail was the responsibility of a third party working on behalf of the SIA, and they have provided assurance that they have fully investigated this incident, the cause identified, and fully mitigated.

Staff sickness and absence

During 2010/11, the average level of sickness and absence was 8.7 days per employee (2009/10, 6.8 days). The principal reason for the increase is because of a small number of employees on long term sickness.

Payment to auditors

The audit fee for 2010/11, payable to the Comptroller and Auditor General has been set at £31,000. (2009/10 £36,000 in addition to £10,000 relating to IFRS transition costs) No other payments were made to the National Audit Office for non-audit services during the year.

Remuneration report

Unaudited information

Executive

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

Non-consolidated performance payments are available to directors based on their performance and the overall success of the organisation and take account of the recommendations of the Senior Salaries Review Body Report.

Audited information

Remuneration

The role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least twice a year. The remuneration committee comprised of three independent non-executive Board members, Linda Sharpe (Chair), Bill Matthews and Wendy Towers. Bill Butler and Hazel Russell attend the meeting as executives.

SIA directors during the year | April 2010 to 31 March 2011

Bill Butler	Chief Executive
Hazel Russell	Director of Strategy & Corporate Services
Stephen McCormick	Director of Service Delivery
Dave Humphries	Director of Compliance and Enforcement

Non-Executive Board members during the year 1 April 2010 to 31 March 2011

Baroness Ruth Henig	Chair	To 15 January 2013
Robin Dahlberg	Vice Chair, Chair of Performance & Finance Committee	To 31 March 2013
Bill Matthews	Chair of Audit Committee	To 31 March 2014
Linda Sharpe	Chair of Remuneration Committee	To 31 March 2014
Wendy Towers		To 30 September 2011
Edward Weiss	Vice Chair of Audit Committee and Performance & Finance Committee	To 31 March 2013

Salary payments to directors

	Directorship and significant interests	2010/11		2009/10	
		Salary £000's	Bonus £000's	Salary £000's	Bonus £000's
Bill Butler (Chief Executive from 27 July 2009)	– Member of CIPFA Disciplinary Appeals Committee – Member of CIPFA	120 – 125	5 – 10	80 – 85 (120 – 125 Full Time Equivalent (FTE))	0
Dave Humphries (Director of Compliance & Enforcement from 15 February 2010)		90 – 95	0	5 – 10 (90 – 95 FTE)	0
Stephen McCormick (Director of Service Delivery)		95 – 100	5 – 10	95 – 100	0
Hazel Russell ¹ (Director of Strategy & Corporate Services)		95 – 100	0 – 5	95 – 100	5 – 10
Andy Drane (Director of Compliance and Enforcement to 30 September 2009 & Acting Chief Executive from 1 April 2009 to 27 July 2009)		0	0	55 – 60 (90 – 95 FTE)	10 – 15
Dianne Tranmer (Interim Director of Compliance & Enforcement from 1 October 2009 to 15 February 2010)		0	0	25 – 30 (70 – 80 FTE)	0

¹ Hazel Russell has had her secondment extended to 4 February 2012 from the Prison Service. The amounts disclosed in the table represent the salary and bonus received by Hazel Russell. The SIA reimburses the Prison Service for the full cost of employment, salary plus all employment on costs. During the year VAT has now become payable on these costs. The reimbursement to the Prison Service for 2010/11 costs amounted to £164,000 including VAT (2009/10: £145,000 excluding VAT). An additional payment of £23,000 was made in the year for 2009/10 VAT charges.

Salary includes gross salary; London allowances; and any other allowances to the extent that it is subject to UK taxation. There are no other benefits in kind paid to directors. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Non-consolidated payments are based on performance levels attained and are made as part of the appraisal process. These payments relate to the performance in the year in which they become payable to the individual. The payments reported in 2010/11 relate to performance in 2010/11 and the comparative payments reported for 2009/10 relate to the performance in 2009/10.

Director's contracts are permanent and open ended until they reach 60, with the exception of Bill Butler, who has a three year contract with the option to renew for a further three years.

Bill Butler is the only director who received a benefit in kind for the year in the form of a season ticket loan which was over the allowable threshold. The amount is taxable and a P11D return is filed each year to reflect this.

The Non Executive Board

The remuneration of the Board in the period ending 31 March 2011 is shown in the table below. Fees are based on Board members being paid £763 per month and the Vice Chairman £1,526 per month.

	Directorship and significant interests		2010/11	2009/10
			£	£
Ruth Henig (Chair) Re-Appointed January 2010 – January 2013	<ul style="list-style-type: none"> – Labour peer – President of Association of Police Authorities 	Fees	65 – 70	65 – 70
Robin Dahlberg (Vice Chair) Re-appointed March 2010 – March 2013	<ul style="list-style-type: none"> – Board member of Health and Safety executive boards – Non Executive Director of Orbit Group Limited (from April 2011) – Chair of Orbit Heart of England Housing Association (from July 2011) 	Fees	15 – 20	15 – 20
Bill Matthews *	<ul style="list-style-type: none"> – Director of M2M2 Ltd – Chair NHS National Service Scotland – Non executive director Scottish Police Services Authority – BBC Trustee – Member of the Institute of Engineering and Technology (Chartered Engineer) – Member of the Chartered Institute of Marketing – Public member of Network Rail 	Fees	10 – 15	5 – 10

*Member worked ten additional days in 2010/11.

	Directorship and significant interests		2010/11	2009/10
			£	£
Linda Sharpe	<ul style="list-style-type: none"> – Fellow of the Chartered Institute of Personnel and Development – Trustee of South West YMCA Trust Fund 	Fees	5 – 10	10 – 15
Wendy Towers	<ul style="list-style-type: none"> – Member of the British Transport Police Authority – Assessor for the National Policing Improvement Authority 	Fees	5 – 10	5 – 10
Edward Weiss Appointed 1 April 2010 5 – 10 Full Time Equivalent	<ul style="list-style-type: none"> – Director of South Central Ambulance Service – Director of Together Mental Health Charity – Member of Central Financial Committee of YMCA – Fellow of Institute of Chartered Accountants 	Fees	5 – 10	0
Peter Dyke To March 2010		Fees	0	5 – 10
Brendan O’Friel		Fees	0	5 -10
Bruce Warman To March 2010		Fees	0	5 – 10

*Member worked twelve additional days in 2010/11.

Pension Benefits

	Accrued pension at age 60 as at 31/3/11 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/11	CETV at 31/3/10*	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ruth Henig, Chair	N/A	N/A	59	43	2	N/A	10
Bill Butler, Chief Executive from 27 July 2009	65 – 70	2.5 – 5	1,113	964	4	72	N/A
Dave Humphries (Director of Compliance & Enforcement from 15 February 2010)	30 – 35 plus 90 – 95 lump sum	5 – 7.5 plus 20 – 22.5 lump sum	519	376	1	109	N/A
Stephen McCormick Interim Director of Service Delivery**	10 – 15	0 – 2.5	167	132	3	20	N/A
Hazel Russell Director of Strategy & Corporate Services	25 – 30 plus 85 – 90 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	448	409	1	4	N/A

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. This relates to Civil Service Pensions only.

** Opening CETV values significantly different from those disclosed in prior year due to prior service at Home Office not being recognised in earlier figures. These are now reflected in the figures and have resulted in an increase to the CETV value.

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no

automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

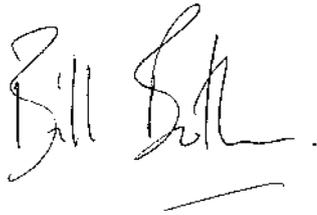
Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath the name.

Bill Butler
Chief Executive and Accounting Officer
27 June 2011

Statement of accounts

Statement of responsibilities for the Security Industry Authority and its Accounting Officer

Under the Private Security Industry Act 2001, the Secretary of State has directed the Security Industry Authority (SIA) to prepare for each financial year a statement of accounts as set out in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SIA and of its income and expenditure, changes in taxpayers' equity and cashflows for the financial year.

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

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

The Permanent Secretary for the Home Office has designated me as Accounting Officer for the SIA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the SIA's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*. Details may be accessed on line at www.hm-treasury.gov.uk.

Statement regarding Disclosure of Information to the Auditors

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

Insofar as I am aware, there is no relevant audit information of which the National Audit Office is unaware.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath it.

Bill Butler
Chief Executive and Accounting Officer
The Security Industry Authority
27 June 2011

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Security Industry Authority's (SIA) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Home Office is the SIA's parent departments, and the SIA supports the Home Office objectives through its work. To support this and align work, the SIA share Board and Committee papers with the Home Office, and regular meetings are held to discuss performance and risk with Officials. The Chairman meets at least annually with the relevant minister. Meetings are also held with officials and relevant ministers of the devolved governments.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the SIA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The SIA has a Risk Management Strategy and Framework which is published on its intranet and which sets out the risk management responsibilities for the Board, Audit Committee as well as the key roles within the SIA. The risk and control framework was subject to an advisory internal audit review in 2010/11 and it was concluded that the Authority is developing a robust risk management framework. The deployment of the new '4Risk' management tool in 2011/12 will further strengthen this framework. A risk workshop was successfully held with the Board to confirm existing risks and identify any new risks arising from the proposed changes to the regulatory regime. Risk registers are maintained at Corporate, Directorate, Business unit and Programme levels and the registers are reviewed and updated at the relevant monthly meetings for each of the levels. During 2010/11 an Audit & Compliance Officer was appointed who takes overall responsibility for the administration of risk and providing training and guidance for all levels of the organisation.

The risk and control framework

I have overall responsibility for risk management within the SIA and have established and developed a framework of responsibility for risk management which is an integral part of the SIA's management and planning procedures. I publish and maintain a risk management strategy document that lays down the policy and strategy. This is reviewed by the Board (through the Audit Committee) at least annually.

The SIA has continued to develop its capacity to handle risk, led by the work of the Executive Directors and the Senior Management Team and supported by risk coordinators and administrators. An ongoing programme of training is in place and this outlines key aspects of the risk management process and identifies reporting procedures.

The risk appetite of the organisation is reflected in this strategy. The SIA will take a pragmatic approach to risk and will assess all relevant factors in deciding courses of action, accepting a calculated level of risk where it is reasonable and necessary in pursuit of our statutory responsibilities to do so.

Staff and managers are required to identify new or increased risks and opportunities as part of the routine performance reporting process. Risk is a standard agenda item in team meetings across the SIA. Workshops continue to be held with both the Board and Senior Management Team to explore risk issues and assess current and emerging risk and mitigation priorities.

Risks are reviewed and the effectiveness of the way in which they are managed and the level of residual risk is monitored and any changes are identified and evaluated throughout the year as part of routine management activity. All risks are allocated to owners depending on their type, severity and impact and risk owners report on their handling of operational risks as part of their routine reporting. The key strategic risks are managed by the Executive Directors and are reported to the Board.

Review of the effectiveness

As Accounting Officer, I 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 work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

I confirm that I have reviewed the system of internal control in operation within my area of responsibility and am able to provide the following assurance.

I am satisfied that the control framework is effective in the context of the external environment and that all recommendations arising from both internal and external audit work are followed through in a timely and complete manner. A number of areas for improvement have been identified and I am satisfied that there are appropriate plans in place to address these.

During 2010/11 we have continued our work to strengthen systems and controls across the organisation and although we will continue to do this I am confident that these systems and controls are robust and that they can be relied upon. Internal and external audit reports confirm that, where remedial action is recommended, this is addressed promptly by the SIA. I am not aware of any areas or instances where the SIA has exceeded its financial or procurement delegation, or of any inherent areas of weakness and neither have any been brought to my attention by the audit work carried out.

Particular progress has been made in the following areas:

- All staff have been required to undertake Information Assurance Level 1 of the Cabinet office IA training modules, managers are required to complete levels 1 & 2 and Information Assurance Officer's (IAO) to complete level 1, 2 & 3.
- All information assurance policies have been reviewed and published.
- All remote services utilise dual factor authentication and all new systems are penetration tested prior to deployment and all systems are subjected to a formal annual health check.
- The Government Protective Marking Scheme has been implemented across all SIA business areas.
- The SIA has developed and put in place a culture change plan to deliver against the Information Assurance Maturity Model (IAMM).
- The annual Risk Managed Accreditation Document Set (RMADS) process is now fully embedded and any outstanding risks are mitigated and signed off by the Senior Information Risk Owner (SIRO).
- The existing Health and Safety policy is currently being reviewed to ensure that it fully addresses the current requirements of the SIA.
- The SIA has now successfully met the GSi Code of Connection requirements.
- I am not aware of any major security incidents occurring in the period under report.
- During the year I commissioned a major review of the SIA's Business Continuity arrangements. This has resulted in the development of a comprehensive plan which is in line with both best practice and with International Standards. This work has now entered the implementation stage and is progressing well and I am satisfied that the risks in this area are appropriately managed. The work was also the subject of an internal audit exercise which has resulted in a reasonable assurance (amber/green) rating.
- The SIA has put in place detailed procedures and monthly reporting to ensure that the provisions of the austerity measures are strictly adhered to.

RSM Tenon are internal auditors to the SIA.* The annual report from their Head of Internal Audit for 2010/11 concludes that, based on the matters that came to their attention whilst carrying out the audit plan, the SIA's systems for governance, risk management and control are all assessed as 'amber' on a scale of red, amber and green.

* Arrangements are in place to ensure they continue as internal auditors for 2011/12.

I agree with the Internal Audit assessments and action is being taken to address the audit recommendations made during the year.

A handwritten signature in black ink that reads "Bill Butler". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Bill Butler
Chief Executive and Accounting Officer
The Security Industry Authority
27 June 2011

Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2011 under the Private Security Industry Act 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Security Industry Authority, Accounting Officer and auditor

As explained more fully in the Statement of responsibilities for the Security Industry Authority and its Accounting Officer, the Authority and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Security Industry Authority's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Industry Act 2001 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Private Security Industry Act 2001; and
- the information given in 'Delivery Against Our Business Objectives' and 'Financial Review' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

The Security Industry Authority
Statement of Comprehensive Net Expenditure
For the year ended 31 March 2011

		2010/11	Restated 2009/10
	Note	£'000	£'000
Expenditure			
Staff costs	3	(10,219)	(10,417)
Depreciation & Amortisation	4	(1,075)	(2,094)
Other expenditure	4	(18,043)	(25,187)
Exceptional items	5	(151)	0
		<u>(29,488)</u>	<u>(37,698)</u>
Income			
Income from activities	6	28,918	37,396
Other Income			
Other income from activities	6	349	241
Court costs recovered	6	72	1,023
		<u>29,339</u>	<u>38,660</u>
Net Expenditure before tax		(149)	962
Corporation tax		30	(3)
Net income after tax		<u>(119)</u>	<u>959</u>
Interest receivable		8	15
Interest repayable to the Consolidated Fund		(8)	(12)
Net Expenditure after Interest		<u>(119)</u>	<u>962</u>

The notes on pages 42 to 64 form part of these accounts

There are no other comprehensive expenditure items.

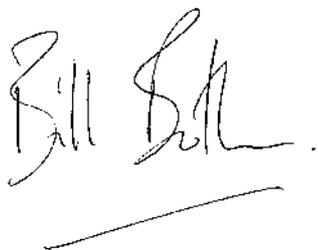
The Security Industry Authority

Statement of Financial Position as at 31 March 2011

	Note	2010/11	2009/10
		£'000	£'000
Non-Current Assets			
Property, plant and equipment	7	317	480
Intangible assets	8	<u>1,158</u>	<u>1,857</u>
Total Non-Current Assets		1,475	2,337
Current Assets			
Trade and other receivables	10	2,569	3,689
Cash and cash equivalents	11	<u>5,220</u>	<u>5,264</u>
Total Current Assets		7,789	8,953
Total Assets		<u>9,264</u>	<u>11,290</u>
Current Liabilities			
Trade and other payables	12	<u>(4,745)</u>	<u>(5,877)</u>
Total current liabilities		(4,745)	(5,877)
Non-current assets plus net current assets		4,519	5,413
Non current liabilities			
Provisions	13	<u>(92)</u>	<u>(93)</u>
Total non current liabilities		(92)	(93)
Assets less liabilities		<u>4,427</u>	<u>5,320</u>

	Note	2010/11		2009/10	
		£'000		£'000	
Taxpayers' Equity					
Capital reserve			481		543
General reserve			3,946		4,777
			<u>4,427</u>		<u>5,320</u>

The financial statements on pages 37 to 64 were approved by the Board on 27 June 2011 and were signed on its behalf by



Bill Butler
Financial Representative of the Board
27 June 2011

The notes on pages 42 to 64 form part of these accounts

The Security Industry Authority

Statement of Cash Flows

For the year ended 31 March 2011

	Note	2010/11	Restated 2009/10
Cash Flows from Operating Activities		£'000	£'000
Net (Deficit)Surplus after interest		(119)	962
Loss on sale of assets	4	6	0
Decrease/(Increase) in trade and other receivables	10	1,120	(634)
Depreciation & Amortisation	4	1,075	2,094
(Decrease)/Increase in provisions	13	(1)	16
Release from reserves		(287)	(227)
Repayment due to Home Office released from Reserves		(712)	0
Decrease in trade payables	12	(1,132)	(3,929)
Net Cash Outflow from Operating Activities		(50)	(1,718)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	7	(47)	(165)
Purchase of intangible assets	8	(172)	(427)
Net Cash Outflow from Investing Activities		(219)	(592)
Cash Flows from Financing Activities			
Capital Grant		225	500
Net Cash Inflow from Financing Activities		225	500
Net Decrease in cash and cash equivalents in the period		<u>(44)</u>	<u>(1,810)</u>
Cash and cash equivalents at the beginning of the period	11	<u>5,264</u>	<u>7,074</u>
Cash and cash equivalents at the end of the period	11	<u>5,220</u>	<u>5,264</u>

The notes on pages 42 to 64 form part of these accounts

The Security Industry Authority

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2011

	Capital Reserve	General Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 31 March 2009	271	3,815	4,086
Changes in accounting policy	0	0	0
Restated balance at 1 April 2009	271	3,815	4,086
Changes in Taxpayers' Equity 2009-10			
Interest surrendered to the Consolidated Fund	0	(12)	(12)
Release of reserves to the I & E	(228)	0	(228)
Retained Surplus	0	974	974
Recognised in Statement of Comprehensive Net Expenditure	(228)	962	734
Grant from Home Office	500	0	500
Balance at 31 March 2010	543	4,777	5,320
Changes in Taxpayers' Equity 2010-11			
Interest surrendered to the Consolidated Fund	0	(8)	(8)
Release of reserves to the I & E	(287)	0	(287)
Retained deficit	0	(111)	(111)
Total Recognised income and expense for 2010-11	(287)	(119)	(406)
Grant from Home Office	225	0	225
Repayment due to Home Office	0	(712)	(712)
Balance at 31 March 2011	481	3,946	4,427

The notes on pages 42 to 64 form part of these accounts

The Security Industry Authority

Year ended 31 March 2011

Note 1

Statement of Accounting Policies

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

Accounting Convention

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

Grants

Grant relating to capital expenditure is credited to the capital reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount is released as income from the capital reserve.

Licence Fee Income

Income is 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 the managed service provider for processing the application.

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

Approved Contractor Scheme (ACS) Income

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

Application fee income is recognised at the point when a decision is made on the status of that application.

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

Northern Ireland Income

The Private Security Industry Act has been amended to include Northern Ireland. The SIA was able to recover the costs of implementing licensing of the Private Security Industry Act from the Northern Ireland Office until May 2010.

Enforcement Agents Income

The SIA was asked by the Ministry of Justice to carry out development work with a view to amending the Private Security Industry Act to include the new sector of Enforcement Agent. The project has been on hold since July 2010, while waiting for a decision from the new coalition Minister on whether to continue regulation of enforcement agents. The main project related activity was the development of the qualification unit by Skills for Security.

The MOJ made an advance payment of £904,857, of which the SIA still holds £533,330.

Business Licensing Income

The Private Security Act has been amended by the Crime and Security Act 2010 to provide powers for the SIA to develop a compulsory business licensing scheme. The SIA is able to recover the costs of developing the business licensing scheme from the Home Office.

The project was suspended on 17 August 2010 as a result of the Government announcement of the intention to ban wheelclamping (at which point funding ceased) and the project was subsequently formally closed on 11 October 2010.

Deferred Income

The SIA will defer ACS income where:

- An application fee has been received but a decision has not been reached on the status of that application.
- Annual registration fees have been received prior to the awarding of approved status.
- The annual registration fee covers a period extending over the financial year end.

Property, Plant and Equipment and Intangible Assets

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

Non-current assets are held at cost less accumulated depreciation. There was no revaluation of assets for 2010/11 because there is no suitable index for the bespoke intangible assets and indexation on software and PPE is deemed immaterial.

Intangible assets are reviewed annually for impairment.

The SIA entered into a new contract with British Telecommunications plc on the 23 December 2009, which came into effect from 30 September 2010. The contract includes the implementation of a number of enhancements to the existing managed service provider database. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract and all future improvements will also be capitalised.

Depreciation and Amortisation

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

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three to five 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 to 30 September 2012
Approved Contractor Scheme (ACS)	Four years

Provision for Bad Debt

Licensing Debts – the SIA have a number of licence applicants whose cheques fail to clear. Efforts are made to recover the debt but where it has been outstanding for more than three months, it is written off, and the licence is revoked.

In addition, the SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding for more than 12 months will be charged in full to the Statement of Comprehensive Net Expenditure.

Capital Charge

Previously a charge, reflecting the cost of capital utilised by the SIA was included in the Statement of Comprehensive Net Expenditure. The charge was calculated at the real rate set by HM Treasury (3.5%) on the average carrying amount of all assets less liabilities, except for:

- a. property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro-rata for the in-year:
 - additions at cost
 - disposals as valued in the opening statement of financial position
 - impairments at the amount of reduction of the opening statement of financial positions value
 - depreciation of property, plant and equipment and amortisation of intangible assets;
- b. donated assets and cash balances with the Office and Paymaster General, where the charge is nil.

As stated in the 2010-11 FReM, this charge is no longer to be included, and the accounts have been restated to reflect this. There has been no financial impact on the Statement of Financial Position as the restatement only effects the Statement of Comprehensive Net Expenditure and note 4. The effect is a reduction £165k from the expenditure and therefore an increase to net income before tax.

Provisions

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

Leases

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

Pension Costs

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

Value Added Tax

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

Corporation Tax

SIA is liable for corporation tax at 21% on interest received on investment income, this relates to the bank interest.

Standards in issue but not yet effective

The SIA has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable.

It has been determined that the following IFRSs are relevant to the SIA, but will have no significant impact on the financial statements.

- IFRS 9 – set to replace IAS 39 Financial Instruments

- IAS 24 Related Party Disclosures – has been revised to simplify and clarify the definition of a related party. The revision provides government-related entities with partial exemption from the disclosure requirements relating to related party transactions and outstanding balances (including commitments). This change was effective for accounting periods beginning after 1 January 2011.

Significant Estimates and Judgements

In the process of applying the SIA's accounting policies, management has made judgements and estimates in respect of useful economic lives of non-current assets, accruals and provisions.

Going Concern

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

Note 2

FEES AND CHARGES

This note is to meet HM Treasury's disclosure requirement for fees and charges. The SIA is required to set fees on a full cost recovery basis

	2010/11				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non-Current Assets
	£'000	£'000	£'000	£'000	£'000
Licensing	26,486	72	(27,099)	(541)	1,439
ACS	2,275	0	(2,049)	226	36
Northern Ireland	37	0	(37)	0	0
Enforcement agents	77	0	(77)	0	0
Business licensing	43	0	(43)	0	0
Other income	349	0	(183)	166	0
Total	29,267	72	(29,488)	(149)	1,475

	Restated 2009/10				
	Income	Court Costs Recovered	Full Costs	Surplus/ Deficit on Operating Activities Before Tax	Non-Current Assets
	£'000	£'000	£'000	£'000	£'000
Licensing	33,821	1,023	(34,154)	690	2,288
ACS	2,297	0	(2,154)	143	49
Northern Ireland	849	0	(900)	(51)	0
Enforcement agents	294	0	(294)	0	0
Business licensing	135	0	(135)	0	0
Other income	241	0	(61)	180	0
Total	<u>37,637</u>	<u>1,023</u>	<u>(37,698)</u>	<u>962</u>	<u>2,337</u>

Note 3

STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

	2010/11			Restated 2009/10		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	8,563	6,165	2,398	9,022	5,614	3,408
Social security costs	512	497	15	466	452	14
Other pension costs	1,162	1,128	34	1,074	1,039	35
Sub total	10,237	7,790	2,447	10,562	7,105	3,457
Less: Recoveries in respect of outward secondments	(18)	(18)	0	(145)	(145)	0
Total net costs	<u>10,219</u>	<u>7,772</u>	<u>2,447</u>	<u>10,417</u>	<u>6,960</u>	<u>3,457</u>

Pension

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

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. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

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

Average number of persons employed

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

	2010/11			2009/10		
	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly employed	193	191	2	171	169	2
Other	23	0	23	41	0	41
Total	<u>216</u>	<u>191</u>	<u>25</u>	<u>212</u>	<u>169</u>	<u>43</u>

Note 4

OTHER EXPENDITURE

		2010/11	Restated 2009/10
Running Costs	Note	£'000	£'000
Licensing costs		14,246	19,870
Accommodation costs		1,566	1,506
Advertising and publicity		298	872
Travel and subsistence		564	793
Office supplies and services		467	704
Bad and doubtful debts		18	(224)
Recruitment		83	530
Information technology		384	368
Training		243	415
Legal costs		66	163
VAT payable		29	51
Audit fee – external		31	46
Audit fee – internal		20	41
Catering		10	22
Financial costs		12	4
Hospitality		1	10
Non Cash Items			
Depreciation	7	204	213
Amortisation	8	871	1,881
Movement in provisions	13	(1)	16
Loss on disposal of property, plant and equipment	7	6	0
		<u>19,118</u>	<u>27,281</u>

Note 5

EXCEPTIONAL ITEM

As part of the settlement process for the Northern Ireland project, the SIA have reviewed the costs with the Northern Ireland Office and determined that £151k of costs related to other SIA activities, and should not have been borne by the Northern Ireland Office.

Note 6

INCOME

	2010/11	2009/10
	£'000	£'000
Licensing	26,486	33,821
Approved Contractors Scheme (ACS)	2,275	2,297
Northern Ireland	37	849
Enforcement agents income	77	294
Business licencing	43	135
	<u>28,918</u>	<u>37,396</u>

Other Income		
Other income from activities	349	241
Court costs recovered*	72	1,023
	<u>29,339</u>	<u>38,660</u>

*During the year 2009/10 court costs relating to the Sabrewatch trial were recovered amounting to £1,000,000

Note 7

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2010	326	292	706	1,324
Additions	0	0	47	47
Disposals	0	(11)	(200)	(211)
At 31 March 2011	<u>326</u>	<u>281</u>	<u>553</u>	<u>1,160</u>

Depreciation				
At 1 April 2010	172	201	471	844
Charged in year	52	33	119	204
Disposals	0	(5)	(200)	(205)
At 31 March 2011	<u>224</u>	<u>229</u>	<u>390</u>	<u>843</u>

Net Book Value at 31 March 2011	<u>102</u>	<u>52</u>	<u>163</u>	<u>317</u>
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Net Book Value at 31 March 2010	<u>154</u>	<u>91</u>	<u>235</u>	<u>480</u>
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Asset Financing:				
Owned	102	52	163	317
Finance leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value at 31 March 2011	<u>102</u>	<u>52</u>	<u>163</u>	<u>317</u>

Note 7 (continued)

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2009	326	292	541	1,159
Additions	0	0	165	165
Disposals	0	0	0	0
At 31 March 2010	<u>326</u>	<u>292</u>	<u>706</u>	<u>1,324</u>

Depreciation				
At 1 April 2009	120	165	346	631
Charged in year	52	36	125	213
Disposals	0	0	0	0
At 31 March 2010	<u>172</u>	<u>201</u>	<u>471</u>	<u>844</u>

Net Book Value at 31 March 2010	<u>154</u>	<u>91</u>	<u>235</u>	<u>480</u>
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Net Book Value at 31 March 2009	<u>206</u>	<u>127</u>	<u>195</u>	<u>528</u>
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Asset Financing:				
Owned	154	91	235	480
Finance leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value at 31 March 2010	<u>154</u>	<u>91</u>	<u>235</u>	<u>480</u>

Note 8

INTANGIBLE ASSETS

	2010/11				
	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2010	408	9,967	4,534	1,075	15,984
Additions	69	0	103	0	172
Disposals	0	0	0	0	0
Reclassification	0	0	0	0	0
At 31 March 2011	477	9,967	4,637	1,075	16,156

Amortisation					
At 1 April 2010	217	9,770	3,065	1,075	14,127
Charged in year	65	197	609	0	871
Disposals	0	0	0	0	0
At 31 March 2011	282	9,967	3,674	1,075	14,998

Net Book Value at 31 March 2011	<u>195</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>1,158</u>
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Asset financing:					
Owned	195	0	963	0	1,158
Finance Leased	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0

Net Book Value at 31 March 2011	<u>195</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>1,158</u>
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Note 8 (continued)

INTANGIBLE ASSETS

	2009/10				
	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2009	294	9,967	4,259	1,075	15,595
Additions	152	0	275	0	427
Disposals	0	0	0	0	0
Reclassification	(38)	0	0	0	(38)
At 31 March 2010	408	9,967	4,534	1,075	15,984

Amortisation					
At 1 April 2009	183	9,454	1,780	829	12,246
Charged in year	34	316	1,285	246	1,881
Disposals	0	0	0	0	0
At 31 March 2010	217	9,770	3,065	1,075	14,127

Net Book Value at 31 March 2010	<u>191</u>	<u>197</u>	<u>1,469</u>	<u>0</u>	<u>1,857</u>
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Net Book Value at 31 March 2009	<u>111</u>	<u>513</u>	<u>2,479</u>	<u>246</u>	<u>3,349</u>
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Asset financing:					
Owned	191	197	1,469	0	1,857
Finance Leased	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0

Net Book Value at 31 March 2010	<u>191</u>	<u>197</u>	<u>1,469</u>	<u>0</u>	<u>1,857</u>
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Note 9

FINANCIAL INSTRUMENTS

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

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

Liquidity risk

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

Interest rate risk

The SIA is not exposed to significant interest rate risk.

Foreign currency risk

The SIA is not exposed to any foreign exchange risk.

Credit risk

The SIA is not exposed to significant credit risk.

Note 10

TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Amounts falling due within one year		
	2010/11	2009/10
	£'000	£'000
Trade receivables	2,338	2,338
Other receivables	29	65
Court debts	115	72
Prepayments and accrued income	155	1,273
	<u>2,637</u>	<u>3,748</u>
Less provision for bad debts	(68)	(59)
	<u>2,569</u>	<u>3,689</u>
Amounts falling due after one year		
	NIL	NIL
Intra-Government Balances		
Balances with other central government bodies	0	1,070
Local Authorities, NHS Trusts, Public Corporations	0	43
Balances with bodies external to government	2,569	2,576
	<u>2,569</u>	<u>3,689</u>

Note 11

CASH AND CASH EQUIVALENTS

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	5,264	7,074
Net change in cash and cash equivalent balances	(44)	(1,810)
Balance at 31 March	<u>5,220</u>	<u>5,264</u>

The following balances at 31 March 2011 were held at:		
Commercial banks and cash in hand	<u>5,220</u>	<u>5,264</u>

Note 12

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year		
	2010/11	2009/10
	£'000	£'000
Other taxation & social security	203	224
Trade payables	530	1,226
Monies due to Home Office	720	127
Other payables	20	28
Accruals & deferred income	3,272	4,272
	<u>4,745</u>	<u>5,877</u>
Amounts falling due after more than one year		
	NIL	NIL
Intra-Government Balances		
Balances with other central government bodies	1,649	1,599
Balances with local authorities, NHS Trusts, public corporations and trading funds	0	0
Balances with bodies external to government	3,096	4,278
	<u>4,745</u>	<u>5,877</u>

Note 13

PROVISIONS FOR LIABILITIES AND CHARGES

	Licence Refunds	Compensation	Total
	£'000	£'000	£'000
Balance at 1 April 2009	24	53	77
Provided in the year	0	72	72
Provisions not required written back	0	(38)	(38)
Provisions utilised in the year	(3)	(15)	(18)
Balance at 31 March 2010	21	72	93

Balance at 1 April 2010	21	72	93
Provided in the year	0	20	20
Provisions not required written back	0	(20)	(20)
Provisions utilised in the year	(1)	0	(1)
Balance at 31 March 2011	20	72	92

The provision for licence refunds is for refunds not yet claimed, see Accounting Policies – Note 1.

The provision for compensation covers potential claims for losses incurred by applicants due to errors made by the SIA or its agents in the licensing process.

Note 14

CAPITAL COMMITMENTS

As at 31 March 2011, the SIA has no commitment to capital expenditure (2009/10: None).

Note 15

COMMITMENTS UNDER LEASES

15.1 Operating Leases

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

	2010/11	2009/10
	£'000	£'000
Obligations under operating leases comprise		
Buildings		
Not later than one year	995	898
Later than one year and not later than five years	1,022	1,698
Later than five years	0	0
	<u>2,017</u>	<u>2,596</u>

Office Equipment		
Not later than one year	66	63
Later than one year and not later than five years	26	95
Later than five years	0	0
	<u>92</u>	<u>158</u>

15.2 Finance Leases

The SIA currently does not have any finance leases.

Note 16

COMMITMENTS UNDER PFI CONTRACTS

The SIA does not have any PFI contracts (2009/10: None).

Note 17

OTHER FINANCIAL COMMITMENTS

The SIA entered in to a new contract with its managed service provider, BT, which commenced on 30 September 2010. The new contract does not contain any fixed charges, with all costs based on a unit charge per licence application. There is however, a “financial floor” whereby the SIA is contracted to pay any shortfall if net applications are below an annually agreed set level.

Note 18

CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2011 (2009/10 – Nil).

Note 19

RELATED PARTIES

The Home Office is the sponsor department of the SIA.

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

- Competition Commission
- Criminal Records Bureau
- Crown Solicitors for Northern Ireland
- HM Prison Service
- Independent Police Complaints Commission
- Ministry of Justice
- Northern Ireland Office
- The Home Office
- The Scotland Office
- Treasury Solicitors

No Board member, key manager or other related parties has undertaken any material transactions with the SIA during the year.

Note 20

EVENTS AFTER THE REPORTING PERIOD

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

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



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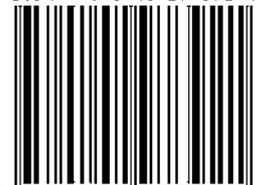
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