



Security Industry Authority



## Annual Report and Accounts

2006/07



Security Industry Authority

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# ANNUAL REPORT AND ACCOUNTS 2006/07

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

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Our **mission** is to help protect society by collaboratively developing and achieving high standards in the private security industry.

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

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# CONTENTS

<b>MINISTER'S STATEMENT</b>	<b>5</b>
<b>CHAIRMAN'S STATEMENT</b>	<b>6</b>
Looking Forward	8
<b>INTRODUCTION</b>	<b>10</b>
Chief Executive's foreword	10
The Security Industry Authority	11
Strategic direction	12
Home Office objectives	13
Security Industry Authority aims	13
Stakeholder engagement approach	13
Characteristics of the private security industry	14
Licensing	14
Approved Contractor Scheme	15
<b>PERFORMANCE IN 2006/07</b>	<b>16</b>
Results	16
Performance against our objectives	17
- Objective 1 – Provide services and standards to our customers that meet their needs	17
- Objective 2 – Deliver our regulatory activities effectively and efficiently	22
- Objective 3 – Deliver a development programme that continues effective regulation of the private security industry	27
- Objective 4 – Strategic stakeholders understand and support our strategic direction and the benefits of our work	28
- Objective 5 – To be recognised internally and externally as a model of good practice	33
- Objective 6 – Meet objectives whilst achieving revenue projections and operating within budget	34

<b>THE FUTURE</b>	<b>37</b>
Customer service	37
Building confidence in our operations	38
Stakeholder engagement	39
Key objectives for 2007–08	42
- Objective 1 – Provision of services and standards to our customers that meet their needs	42
- Objective 2 – Effectiveness of our regulatory activities	43
- Objective 3 – Continuing to introduce regulation of the private security industry, where it is justified	43
- Objective 4 – Understanding, support and appreciation from our strategic stakeholders for the benefits of private security industry regulation	43
- Objective 5 – Recognition, internally and externally, of our organisation and operation as a model of good practice	44
- Objective 6 – Achievement of our objectives within revenue and expenditure projections	44
Corporate risks for 2007–08	44
<b>ABOUT US</b>	<b>45</b>
<b>FINANCIAL OVERVIEW</b>	<b>53</b>
<b>REMUNERATION REPORT</b>	<b>60</b>
<b>STATEMENT OF ACCOUNTS</b>	<b>67</b>

### List of figures:

Figure a)	Licence applications	18
Figure b)	Licence refusals, suspensions and revocations by sector	19
Figure c)	Staff appointments	50
Figure d)	SIA staff by gender March 2007	51
Figure e)	SIA staff by ethnicity	52
Figure f)	Staff by age group	52
Figure g)	A summary of our first 4 years	54
Figure h)	SIA costs per licence application in 2006/07	56
Figure i)	Future financing	58
Figure j)	Invoice payment	59
Figure k)	Contracts	59
Figure l)	Remuneration	60
Figure m)	Remuneration of the Board	62
Figure n)	Pension benefits	63

“The Review Team considers this project to be one of the best seen in its extensive experience... It is clear that the SIA is entering largely uncharted waters. Forethought and preparation have been extremely thorough, but the SIA has recognised that it has its limits and that some of the remaining unknowns can only ever be resolved through real world implementation.”

**Office of Government Commerce. 2004.**

“The SIA has proved to be a thoughtful, pragmatic and consultative regulator; interested not only in regulation, but the transformation of our industry. We could not ask for a better regulator with which to work.”

**David Dickinson, Chief Executive, The British Security Industry Association. 2005.**

# MINISTER'S STATEMENT

## VERNON COAKER



**Vernon Coaker**  
**Under Secretary of State**  
**for Policing, Security and**  
**Community Safety**

Following the introduction of licensing for Manned Guards in late March 2006, the SIA started the year facing a significant challenge with a large number of individual licence applications to process. The manner in which they addressed this challenge, while continuing to implement the Approved Contractor Scheme, prepare for expansion into Scotland, and consult on the extension of regulation to new sectors, is a testament to their ever-increasing professionalism and commitment to good regulatory practice.

I strongly believe that security works best for everyone when it creates an environment which is safe and collaborative. The Authority and the private security industry are key players in helping create this safer environment by devising and implementing measures that are dynamic, flexible, and proportionate.

Security, and counter-terrorism in particular, has long been seen as the preserve of Government and law enforcement agencies. However, if we are to succeed in countering these threats, we must embrace the opportunities offered to us by a well regulated and respected industry. I believe the Authority has, through its commitment to the principles of regulatory best practice, enabled the industry to start to realise the opportunities that enhanced standards at an individual as well as company level can offer for a safer environment.

There is, however, still much to do. Expansion into Northern Ireland as well as consultation on the possible extension of licensing to cover Private Investigators, Precognition Agents and Court Enforcement Agents mean the Authority has a full workload. I have every confidence that they, working in partnership with the industry and other stakeholders, will continue to drive forward better regulation to secure future public protection.

# CHAIRMAN'S STATEMENT

ROBIN DAHLBERG

By March 2007, after four years of collaborative effort with the private security industry and our partners, the SIA has achieved almost all of the original objectives of the Private Security Industry Act 2001. We have improved public safety by raising standards in the private security industry through:

- Licensing manned guards (door supervisors, cash and valuables in transit operatives, close protection operatives, public space surveillance (CCTV) operatives and security guards), vehicle immobilisers and key holders
- Introducing the voluntary Approved Contractor Scheme

Our current standard for licence processing is that 80% of licence decisions will be made within 6 weeks of receiving an application suitable for processing. This was not achieved throughout much of 2006/07 due to our licensing system being stretched beyond its design capacity because too many licence applications were made too late for the 20 March 2006 deadline. The consequences of this lasted until September 2006.

To overcome this we increased our staffing levels and we pushed the licensing processing system to operate at twice its design capacity; all of our staff made tremendous efforts to reduce the licensing backlog. However, we do recognise the difficulties and challenges faced by the industry in making the transition from no regulation to compulsory licensing of security operatives, and we would like to thank everyone who worked with us towards this new regime.

We learnt many lessons during this period and took on board the industry's feedback of their experiences. We consulted widely with the industry and using their knowledge we are redesigning our licensing processing systems, and improving the customer experience through the introduction of a new contact centre. We are grateful to the industry, particularly given the pressures, for the advice they have given us and we look forward to the improved customer benefits the new contact centre and systems will deliver later in 2007.



**Robin Dahlberg**  
SIA Acting Chairman

We welcomed the decisions of the Scottish Government and Northern Ireland Office to invite the SIA to extend licensing to Scotland and Northern Ireland. They recognised that extending the SIA's remit was the best value option, which will bring about increased confidence in a regulated and trusted security industry, and where businesses will not be disadvantaged in a competitive market. We believe there will be tremendous benefits to having a consistent licensing regime throughout the United Kingdom.

We continue to be guided by the principles of Better Regulation and in all our work we aim to be proportionate, accountable, consistent, transparent and targeted.

I would like to thank Vernon Coaker, our Minister, for his considerable support over the period when we addressed the peak licensing load and his ongoing encouragement throughout a challenging year.

Also, I want to pay tribute to the SIA's first chief executive, John Saunders, who left last December, for his significant contribution to the organisation during its formative years.

It was a privilege to be the Acting Chairman of the SIA during the implementation of licensing for the manned guarding sectors and working towards licensing Scotland. I welcome the appointment of our new chairman, Baroness Ruth Henig and wish her every success at the SIA over the next three years.

A handwritten signature in black ink that reads "Robin Dahlberg". The signature is written in a cursive style with a large, looping initial 'R'.

Robin Dahlberg

RUTH HENIG

I'm delighted to be appointed as the new Chairman of the SIA and to contribute to this year's annual report.

I would like to begin by expressing my sincere thanks to Robin Dahlberg, for his leadership as Acting Chairman during 2006. The SIA and I owe him a great debt of gratitude and I appreciate the advice and experience he has given me since my arrival in January.

I believe the success we have achieved so far is due to working collaboratively with our stakeholders and partners. I would like to take this opportunity to thank everyone in the private security industry for their commitment to raising standards through the introduction of regulation; to Skills for Security for taking the lead in deciding how training standards should be developed in the security industry, and to the police, local authorities and our other partners, for helping us to secure compliance with the law.



**Ruth Henig**  
**SIA Chairman**

### Looking Forward

During 2007/08 I will be consulting with stakeholders on many subjects, including:

- Our aim to increase confidence in our operations, particularly our compliance strategy;
- To determine the appropriate regulatory approach for security consultants; and
- To review whether the Private Security Industry Act 2001 requires amending to meet industry demands and to extend the contribution of the PSI to the public protection and crime reduction agendas.

I have already strengthened our governance structure by implementing a number of new committees at sub-board level, including one to focus on performance and finance issues which will highlight the performance targets we hope to achieve this year.

You can read about these strategies and our other objectives in more detail later in the annual report, so I would just like to end by saying how much I am looking forward to an exciting and challenging year. I want to listen to you and work with you, as together, I believe we can solve problems, achieve joint objectives, exploit opportunities and implement change.

A handwritten signature in black ink on a light background. The signature reads "Ruth Henig" in a cursive style. Below the name is a long, sweeping horizontal line that ends in a small arrowhead pointing to the right.

Ruth Henig

# INTRODUCTION

## Chief Executive's foreword

Since we started in April 2003, the past year (2006/07) has been the most significant in terms of delivery. That is, delivery of what we, the private security industry and other stakeholders had planned for so long. Building on our implementation of licensing of door supervisors and vehicle immobilisers in previous years, most of those intended to be subjected to licensing are now within the regulatory regime.

I wouldn't want to minimise or underestimate the challenges and difficulties that we and the industry have needed to overcome during this period but, in taking stock, a tremendous amount has been achieved.

We processed 21,760 (27%) more licence applications than we planned for leading to over 203,000 licensed to work in the industry since the licence scheme was established. All the indicators are that compliance levels are very high and most people who should have a licence are licensed. We exceeded our targets for the Approved Contractor Scheme with over 350 approved companies licensed employing 87,000 licensable employees.

Implementation of regulation in Scotland is on target and this is likely to be delivered for almost £1m (28%) less than originally planned. We managed our move to new offices in December 2006 without disruption to services and reduced accommodation costs by doing so. We originally predicted a year-end deficit of £4.5m but reduced that to an out-turn deficit of £1.8m. This was achieved through targeted compliance operations ensuring high demand for licensing and introducing operating efficiencies.

The coming year (2007/08) is primarily about consolidating and building on what's been achieved. We have set out our priorities for the year and these have drawn heavily on extensive industry feedback sought throughout the past year. I very much look forward to improving customer service, increasing industry confidence in our operations and re-engaging with strategic stakeholders.

Finally, I want to acknowledge that much has been achieved by people giving of their best. The commitment by the industry itself to work



**Andy Drane**  
**Acting Chief Executive**

with us to deliver regulation has remained strong, despite all the challenges. Our relationships with operational partners have grown even more productive. Last, but not least, the staff of the SIA and our contracted partners have worked extremely hard and shown great fortitude, dedication and creativity during our most challenging year yet.

## The Security Industry Authority

The Security Industry Authority is the organisation responsible for regulating the private security industry. We are an independent body reporting to the Home Secretary, established in 2003 under the terms of the Private Security Industry Act 2001. Our mission is to help protect society by collaboratively developing and achieving high standards within the private security industry. Our remit currently covers England, Wales and Scotland.

We have two main duties. One is the compulsory licensing of individuals undertaking specific licensable activities within the private security industry; the other is to manage the Approved Contractor Scheme, which measures private security suppliers against a set of independently assessed criteria. Our statutory functions are to

- for the purpose of protecting the public, monitor the activities and effectiveness of those providing services involving the activities of security operatives;
- set and approve standards of conduct, training and supervision of those supplying or delivering security services;
- license individuals in specific sectors and to approve security companies;
- conduct inspections as considered necessary;
- make recommendations to maintain or improve standards of the provision of security industry services and other services involving the activities of security operatives; and
- keep under review the provision of security industry services and other services involving the activities of security operatives.

In addition, we can:

- do those things we consider necessary or helpful in discharging our functions; and

- make proposals to the Secretary of State to modify any provision contained in the Private Security Industry Act 2001, and to undertake, arrange or support research relating to the provision of security services.

**Public protection and better regulation drive our business by:**

- Discharging our statutory duties of licensing individuals and approving companies; setting standards of individual probity and competence and company conduct; ensuring compliance with the law and conformance with standards; using intelligence for targeted enforcement activity
- Becoming self-financing from our licence fees and other sources of revenue
- Satisfying the requirements of key stakeholders, such as the Home Office, the police and local authorities, the private security industry, training bodies and the public
- Collaborating with a changing industry, to both regulate its behaviour and stimulate its development

**Strategic direction**

We contribute to the protection of the public and to the reduction of crime by collaboratively introducing regulation as a catalyst to stimulate change and improvement within the private security industry. This helps create a fitter and healthier industry that is able to improve its competitiveness and reputation, and harness opportunities for both the public and the industry itself.

We are a modern, efficient and collaborative regulator – introducing regulation ‘with the industry and not to the industry’, continually balancing the public purpose of regulation with the commercial implications.

“I am looking forward to working with the private security industry, the police and the Home Office to place the security industry in the mainstream of tackling crime and disorder; and through an ongoing programme of improvement, ensure the benefits of regulation are embraced, not only by those within the private security industry, but crucially by protecting the public at large.”

**Baroness Ruth Henig CBE, SIA Chair**



## Home Office objectives

As a non-departmental public body with the sponsorship of the Home Office, we contribute to the overall aims and objectives of that department. The Home Office Action Plan for Reform published in July 2006 states that the core purpose of the Home Office is protecting the public. Our mission and aims contribute directly to that core purpose.

## Security Industry Authority aims

Our aims are:

- Enhanced protection of the public through increased public trust and confidence in the private security industry by reducing criminality, setting and maintaining standards of probity, and improving the professionalism of all who work in the industry.
- Businesses in the private security industry improving their standards through the creation of a framework for developing, promoting and spreading best practice.
- Contribution to the Home Office extended police family policy by encouraging and supporting further engagement of the private security industry.
- Recognition, by all our stakeholders, of the SIA as a model of good practice.

## Stakeholder engagement approach

Our stakeholder engagement is characterised by effective operational and developmental liaison. Our relationships with individuals and groups at operational and development level have made a significant contribution to the development of regulation and to our strategy and policy. Towards the end of the year we started planning to refresh our strategic stakeholder engagement; to identify priorities for engagement to meet our stakeholders' expectations and to support delivery of our mission, vision and aims.

## Characteristics of the private security industry

In the past, the private security industry was described as an underperforming industry with poor competitiveness and business performance, difficulties in responding to market needs, significant staff turnover and poor employment practices, generally poor supplier and buyer relationships, limited ability to respond to new market opportunities, poor reputation and limited confidence.

However, the industry has welcomed responsible regulation. Through licensing of individuals and approval of contractors, we support the industry's endeavour to achieve its aspirations to;

- reduce staff turnover; increase the attraction of the industry as a rewarding career;
- gain public recognition of its professionalism and performance; create a competitive, flourishing and dynamic industry consolidating existing markets and expanding into new ones;
- obtain financial investment to drive growth and opportunities; gain the participation of well-qualified people at all levels;
- gain national and international recognition for its access to reliable knowledge and expertise;
- fully exploit the opportunities for accredited community safety schemes under the Police Reform Act 2002; and
- be actively involved and contributing to a wider Government agenda of a co-ordinated approach to national security.

“ Ian Johnston, President of the Police Superintendent's Association praised the role of security organisations and door staff trainers in minimising violent crime – pointing out that large swathes of British night security have been professionalised.”

Debate, 'Issue of the Day'

## Licensing

Compulsory licensing of individuals operating within the private security industry has helped to ensure that those working within the industry are fit and proper persons who have received adequate vocational training for the role they perform.

The sectors subject to compulsory licensing in England and Wales in 2006-07 were:

- Manned guarding:
  - Cash and valuables in transit
  - Close protection
  - Door supervisor
  - Public space surveillance (CCTV)
  - Security guard
- Key holder
- Vehicle immobiliser

“The licensing system has made a huge difference in the control rooms. Prior to licensing, they were rarely run properly, and the digital imaging was of such poor quality that it was often impossible to use it in a court of law.”

**Shaun Murphy, National Operations Manager at EFM Security**

“Whilst many of the larger security specialists were already providing training, the licensing process has provided a degree of consistency and has certainly helped in raising standards across all areas of the private security industry.”

**Rob Parker, Sales and Marketing Director for MITIE Security**

### **Approved Contractor Scheme**

The voluntary Approved Contractor Scheme (ACS) provides a framework for setting, improving and monitoring the standards of business management and organisation amongst companies that provide private security services. Approved contractors are demonstrably committed to customer service and the compulsory licensing of their staff. As well as giving purchasers confirmation of the quality and standards that they can expect of approved contractors, the ACS provides confidence and reassurance to wider stakeholders such as the public, police, employees and the local community.

“The ACS accreditation mark enables buyers of private security services to distinguish between potential suppliers quickly, accurately and objectively. It provides assurance that the accredited provider has met clearly defined quality standards and is demonstrably committed to the compulsory licensing of their staff. As a result, businesses can be confident that the quality of services they receive and the capabilities of the people deployed under contract meet the highest industry standards.”

Andy Drane, Acting Chief Executive, SIA

## PERFORMANCE IN 2006/07

Throughout 2006-07, our work focussed on a combination of delivering licensing and attracting applicants for the voluntary Approved Contractor Scheme, ensuring compliance with the law and conformance with standards. We worked on the management of our development programme and continued to improve and strengthen our organisation.

### Results

- **350** SIA approved companies with **87,000** licensable employees, compared to 90 companies and 65,000 employees in 2005/06, and exceeding our targets of 260 companies and 67,000 licensable employees.
- Over **320,000** SIA approved qualifications are held, compared to 210,000 at the end of 2005/06.
- We handled 27% more applications than predicted. By the end of 2006/07 we had licensed over 203,400 individuals and a further 15,000 applications were received (compared to 90,000 licences and 28,000 further applications by the end of 2005/06).
- We contributed to the responses to 77 parliamentary questions, and to the drafting of 12 pieces of legislation, eight of which took effect during 2006/07 and four on 6 April 2007. Two directions made under Section 2 of the Private Security Industry Act 2001 also took effect on 6 April 2007.

# Performance against our objectives

## Objective I – Provide services and standards to our customers that meet their needs

**Licence processing** – We handled more licence applications during 2006/07 than 2005/06 and dealt with the accumulation of applications received shortly before the 20 March 2006 deadline for licences in the remaining manned guarding sectors. An additional processing office brought down the application rejection rate by telephoning applicants to resolve problems with their applications. A special fast-track arrangement for processing vehicle immobiliser licence renewal applications ensured these did not get caught up in the accumulation of new licence applications. Help in identifying the methodology and contact points in other countries was provided on a personalised basis to enable applicants to provide their overseas criminality checks. Following feedback about problems applicants experienced in gaining their overseas checks, we allowed application processing to commence in advance of the criminality checks. This gave applicants a few weeks head start without which their jobs might have been placed in jeopardy.

**Licence application accumulation** – The licence application accumulation was compounded in part because of the proportion of complex cases compared to straightforward cases. Complex cases are those where there is a requirement to obtain an overseas criminality disclosure or where the criminality checks identify conviction information.



Figure a) Licence applications	
	Total
Predicted population	184,700
Received applications	239,057
Accepted applications	226,378
Licences granted	203,499
Licences refused	6,867
Accepted before April 06	123,883
Accepted from April 06	102,495
Target 06/07	80,735
% target 06/07 accepted	126

Data as at 4 April 2007

Information on SIA statistics is available at:  
[www.the-sia.org.uk/home/licensing/stats.htm](http://www.the-sia.org.uk/home/licensing/stats.htm)

**Contact centre performance** – We couldn't improve the performance of the contact centre during the year and we are sorry for this. The whole system was overwhelmed with the volume of enquiries as a result of the accumulation of licence applications. The year was even more difficult than the previous year – the licensing commencement date of March 2006 had passed and so the pressure on everyone to get licensed was that much greater. Despite the expectation that applications would be made in good time for the deadline, many applications were received at the last minute.

**Licence refusals and challenges** – We expect a proportion of potential licence applicants to realise they should not apply for a licence after checking the criminality criteria beforehand. Since the licensing scheme was established, we have, nevertheless refused over 6,800 licence applications from those who did not meet our fit and proper person criteria.

**Licence suspensions and revocations** – We normally consider suspension only where we are reasonably satisfied that a clear threat to public safety could exist if we did not suspend the licence. This usually means that a serious offence has allegedly taken place, where the individual has been charged but bailed.

Licences will be revoked if:

- The holder is not the person to whom the named licence has been issued
- The holder does not have the training qualifications that were claimed on application
- The holder receives a conviction, caution or warning for a relevant offence
- The holder did not have the right to remain or work in the UK when they applied for the licence, or have since lost that right
- The holder has broken the conditions upon which the licence was issued
- We receive non-conviction information suggesting that there is a case for withdrawing the licence
- The holder becomes subject to detention due to mental disorder.

Figure b) Licence refusals, suspensions and revocations by sector

Data as at 4 April 07	Door supervision	Security guarding	Cash & valuables in transit	Public space surveillance (CCTV)	Close protection	Vehicle immobilisation	Key Holding	Total
Application refused	4,076	2,495	49	66	54	124	3	6,867
Licence suspended	160	26	0	2	0	0	0	188
Licence revoked	241	59	2	2	4	0	0	308

Please note: Figures above are cumulative since the beginning of licensing.

#### ACS take-up

- 467 firms applied for ACS status
- 352 firms, including companies of all sizes (micro, small, medium, large) employing more than 85,000 licensable staff were approved

“The enthusiastic support for the Approved Contractor Scheme by the industry is a welcome signal of commitment to improve.”

**Bruce Warman, Board member, SIA**

**ACS processing** – 84 straightforward applications were approved within 10 working days. The average time from application to approval overall was 68 working days, including all elements such as re-processing where necessary and assessment for standard route applications. One formal complaint was received about processing time representing less than 0.5% of applicants.

**Quality of ACS assessment process** – There were no significant differences in assessment scores and pass rates between the eight assessing bodies used to process applications. 239 companies completed their assessments with 209 (86%) meeting all requirements at the first visit. First time pass rates across the eight assessing bodies ranged from 73% to 89% which can be explained by the small sample sizes involved and different client bases.

**Quality of ACS decision making** – We withdrew ACS status from five companies and our decision was appealed in one case, but then conceded by the appellant. We refused ACS status in four cases, one of which is under appeal.

**Independent review** – Directions from the Secretary of State specify that, “There shall be an independent annual review of the conditions being applied under section 15(3)c of the 2001 Act.” The scope of the review includes eligibility requirements and routes to approval. The Office of Government Commerce Strategic Assignment Consultancy Service was selected to conduct this review during the period from December 2006 – February 2007.



**Office of Government Commerce Review of the Approved Contractor Scheme – summary of findings – February 2007**

Good take up of ACS ahead of anticipated business plans.

There is no compelling evidence that the minimum percentage of staff in possession of a licence set currently at 85% should be altered.

SIA discretionary power to vary the 15% level should be maintained.

The availability of two initial routes of approval for ACS (standard and fast track) with the possibility of introducing a third (passport) has provided positive support for the early take up of the ACS by recognising the existing standards already being achieved by contractors and the principles of Better Regulation to ensure burdens on industry are minimised.

Given the rapid take up levels of ACS during its first year, the need for three routes of approval merit re-examination. There is emerging feedback that the passport route is not required at present (and therefore should not continue to be progressed) and that the fast track route (which has been very successful in supporting initial ACS take up) should be phased out rapidly (probably over a six month period, so that only one route, standard, remains for all).

There is consensus across the security industry and its representatives, that the ACS is a very good scheme, with genuine potential to drive up standards in the future, as long as stronger enforcement actions are taken to underpin the credibility of the scheme and greater recognition within public and private sector buyers of the standards created.

There are opportunities in the immediate term to make adjustments that clarify the criteria and address a small number of essential enhancements, and, in the medium term (during the next two to three years), there is a good opportunity of achieving security industry consensus to raise standards further.

Strong efforts are being made to engage a broad stakeholder community. There is a need to maintain communication efforts and to increase inclusion of SIA board-level representatives for the security industry and police.

The ongoing need for an Independent annual review would appear to not be essential given the early progress and take up of the ACS.

## Objective 2 – Deliver our regulatory activities effectively and efficiently

We have an Intelligence Team and a network of investigators across England, Wales and Scotland. We 'punch well above our weight' by using an intelligence-led approach, analysing the wide range of information we gather and developing collated intelligence to guide and target our actions. This means that suppliers who are compliant don't receive unnecessary attention, in line with the principles of better regulation.

Another important strand of our compliance approach is our relationship building with partners such as the police, local authorities, the Department for Work & Pensions, Her Majesty's Revenue & Customs and the Border & Immigration Agency at the Home Office. We regularly share information in support of joint aims. In addition to our own investigators, over 2,000 local authority officers and non-sworn police staff have been granted powers of inspection under the Private Security Industry Act 2001.

Failure to comply with licensing requirements is a crime not an administrative misdemeanour. We are tough if necessary, but our aim is to secure compliance with the law, not prosecutions for the sake of it. This approach is effective, proportionate and responsible. Prosecution is the most resource intensive and expensive option for everybody, and so we use it as a last resort when other options have, or look likely to, fail. Our first instinct with a non-compliant company is to help it become compliant.

The sanctions provided for in the Private Security Industry Act 2001 are criminal penalties for nine offences. The most common offences are: Engaging in designated security activity without a licence; supplying unlicensed operatives; contravening licence conditions; falsely claiming to be an SIA approved company; obstruction of entry or inspection; and making false statements.

Deliberate, systematic and continued offending is most likely to lead to SIA prosecution and applications for asset confiscation. Other more speculative non-compliance, for example where a largely compliant company deliberately deploys relatively small numbers of unlicensed operatives or operatives who hold a different type of licence to the one required, is usually the type that leads to some of the criticisms of our actions, where the company's reaction is often being to describe it

as a 'minor transgression' and to question us as to whether we have our priorities right. However, we cannot see deliberate illegal deployment as minor; there is no such thing as respectable offending and nothing less than full compliance with the law is expected.

“The warning notices we give to individuals who we believe have committed a crime under the Private Security Act, or the improvement notices we give to companies to achieve compliance with the law... are recognised as good practice [in] the McCrory report (Regulatory justice: sanctioning in a post-Hampton world, May 2006). These methods have proved highly effective in a way which is quick and satisfactory for both the regulator and the regulated, avoiding the time and cost of formal action through the courts. Our experience is that they have had a significant impact in improving levels of compliance in sectors and areas of concern.”

Andy Drane, acting Chief Executive, SIA

### Joining forces with Crimestoppers on 'whistle blowing'

In September 2006 we enhanced opportunities for 'whistle blowing' by partnering with Crimestoppers, the 24/7 service operated by people expert in dealing with anonymous callers, and in assessing the source and value of information. This gives reassurance to those who need a buffer between their supply of information and the SIA.

(We are still pleased to receive any relevant information directly via our website [www.the-sia.org.uk](http://www.the-sia.org.uk))

### Compliance activity:

- We launched and secured convictions in two prosecution cases
- We conducted 19 SIA compliance operations and supported a further 54 partner-led operations
- We issued 351 SIA warnings and 37 improvement notices
- Of 6 appeals against improvement notices, only one was upheld and the improvement notice discharged
- We provided 446 witness statements to the Police and local authorities



- A further 1873 Local Authority Officers and 549 non sworn Police were conferred with delegated powers under the Private Security Industry Act 2001
- 187 warnings were issued by the Police and local authorities

“I am very proud of the professionalism and abilities of the Compliance and Investigation team. Security companies have struggled at times with our approach and would have preferred a more informal response to their breaches of legislation and a tougher approach for competitors. We can do more in terms of communication about our activities to build more confidence in our enforcement approach, but I am convinced that our strategy and tactics are right – the proof is a largely compliant security industry”

Dianne Tranmer, Acting Director of Operations, SIA

#### **Compliance operation ‘Cornflower’ – public space surveillance (CCTV)**

The start of 2006/07 financial year saw only 18% of the predicted licensable population of 7,500 applying for a Public Space Surveillance (CCTV) licence, and only 4.6% of that target population being granted a licence. Intelligence and analysis indicated that some companies had de-prioritised guards' training and applications for this sector even though there was a legal requirement to have the licence. The SIA Compliance and Investigation team mounted operation Cornflower, which checked the compliance levels of 17 companies, issued 20 warnings for criminal offences, 9 improvement notices and one referral for formal investigation. By the end of the financial year the number of public space surveillance (CCTV) licenses issued was 21% higher than the predicted licensable population.

#### **Compliance levels**

Door supervision compliance with licensing requirements has been reported as 90% or above in the majority of Police operations. In retail stores compliance levels in the security guarding sector have been reported to be above 90%. On-going intelligence gathering continues to demonstrate levels of compliance over 90% in non-frontline licence take up, and in restaurants and theme park guarding.

### **Door Supervisor Licensing Research in 2006 – key findings:**

Most door supervisors believe they have experienced a wide range of improvements to their work as a result of licensing, including the availability of work, their future career options and opportunities and the treatment they receive from the police. At least a third also believe that their pay and conditions and the treatment they receive from their employer, customers and the general public have improved since licensing.

Most feel they are now more able, have a better range of skills, can take on more responsibility, have more confidence and will get better pay and conditions in the long term because of licensing.

There is general agreement amongst both door supervisors and their employers that the public have greater trust in door supervisors now because of criminal record checks, and that the public is now more aware of the role that door supervisors can play in providing security and community safety.

Door supervisors feel that the public increasingly regards door supervision as a career since licensing was introduced.

Overall, suppliers are almost evenly divided between those whose workforce has decreased, increased or remained the same since licensing. Staff retention is perceived by suppliers to be more difficult since the introduction of licensing, because licensed staff are moving between employers for better pay and/or conditions. [But] door supervisors who had paid for none of the costs of their licence application or training were much more likely to have not changed or considered changing their employer.

Most suppliers have found that they have not been able to pass on licensing costs to customers, and that customers want to reduce security provision because of increased costs. While there is a recognition that many customers know how licensing can benefit their organisations, most are only interested in price.

– IFF Research Ltd

## Compliance operation 'Chocolate' – the events guarding industry

Throughout 2006, we conducted enforcement operations in partnership with the police at high profile and large events, and at events where we had concerns about likely non compliance with licensing requirements. Targeting our compliance and investigations activities, holding formal meetings with contractors before events and issuing improvement notices where required has meant that contractors have improved their working practices so they don't get caught out again.

21 assessments of approved contractors by ACS assessing bodies showed improvement needs relative to ACS requirements. All reports were actioned by us within five working days of receipt from the assessing body. In three of these cases approval has been withdrawn. In the remaining cases the approved contractor has addressed the improvement needs within a short time period specified by us.

102 incidents of potential non-conformance with ACS requirements by approved contractors were reported to us by members of the public, including employees and other approved contractors. These incidents were actioned on average in three working days; the average time taken to investigate and complete any follow-up action necessary was 45 working days.

We are delighted that all of the ACS companies that were eligible to re-register on 31 March 2007 did so. Reports from several companies confirm business growth during 2006/7 that they attribute, at least partially, to ACS status.

“Since the watershed that was our Approved Contractor Scheme accreditation, our turnover has grown exponentially, in fact more than doubled. Some public sector tenders now require ACS approval as a prerequisite and a growing number of commercial organisations are implementing similar mandatory restrictions. The scheme that in all honesty introduces revolutionary business concepts, such as addressing the sustainable development paradigm – in organisation that traditionally never had a social or environmental conscience and were limited to BS EN 9001 as our Bible for quality management – now introduces thought provoking mechanisms



for holistic Business Safety System management ensuring long term improvement programs, espousal of wholesale cultural corporate responsibility and key aspect focus for all processes. Prolonged delay in opting to join this elite pioneering group of approved companies could prove drastically consequential for visionary organisations.”

Wilson Chowdhry, Managing Director of A.A. Security

### **Objective 3 – Deliver a development programme that continues effective regulation of the private security industry**

#### **Competency and qualifications**

We continued to set competency standards and fulfilled our advisory Board member role for the sector skills body, Skills for Security, providing input on regulatory matters.

17 new qualifications were developed for the private security industry in Scotland.

We published ‘Competency Renewal for Licensing’, in May 2006, which sets out our strategy for future review of competency requirements for licence renewals.

#### **Scotland**

The decision to extend licensing to Scotland followed responses to a consultation paper issued by the Scottish Government in September 2001, which showed widespread support from the police, local government, the public and the industry. The first SIA endorsed training courses and qualifications for licensing in Scotland became available in September 2006. Since then thousands of individuals have applied for SIA licences, well in advance of 1 November 2007 when it will become compulsory for those carrying out designated licensable activity in Scotland to hold an SIA licence.

“Regulation, through the SIA, will provide reassurance by preventing unsuitable people from obtaining positions of trust in the private security industry. It will ensure that security personnel are fit and proper people who are competent to perform their duties. It will also benefit legitimate private security businesses and staff in driving up standards and driving out the small minority of operators who are tarnishing their good name by using the industry as a front for illegal activities.”

Cathy Jamieson, former Scottish Executive Justice Minister

### New sectors

Private investigators and precognition agents – the Home Office decided to delay the private investigator and precognition agents licensing projects in 2006/07, but we will resume preparation of the partial Regulatory Impact Assessment in early 2007/08.

Enforcement agents – The Department for Constitutional Affairs commenced liaison with us about their plans for the formal regulation of Enforcement Agents (Bailiffs and Court Officials).

Northern Ireland – the Northern Ireland Office agreed that licensing of the private security industry in Northern Ireland would be implemented through the SIA.



**Objective 4 – Strategic stakeholders understand and support our strategic direction and the benefits of our work.**

**Earl’s Court and Olympia – the events industry supporting the ACS**

We have been working with the security management teams at Earl’s Court and Olympia to ensure staff employed by the venues and used by tenants are fully compliant with the Private Security Industry Act 2001; best security practice is a high priority for both venues. We have received the full support of the company Earl’s Court and Olympia Venues including its senior management who have sought opportunities to improve the quality of security staff deployed on site and available to its customers. The venues have led the way by working closely with the Association of Event Venues to develop a standard vetting system for the industry, including attainment of ACS status. We are delighted to see the events industry supporting the ACS in this way.

**Joint working** – We have Police partnerships across England and Wales and we have been developing new Police partnerships in Scotland. We have also built strong working relationships on the criminal investigations front with the Assets Recovery Agency.

We are working with the Association of Chief Police Officers to establish ACS status as a way to demonstrate conformance with many of the requirements of the Community Safety Accreditation Scheme set up under the Police Reform Act 2002.

The National Community Safety Plan, updated in November 2006, acknowledges the private security industry as a key partner:

“Partners such as the Association of Chief Police Officers are particularly supportive of the SIA’s role in ensuring there is a professional credible security industry as part of the wider policing family”

**Office of Government Commerce, Gateway 5 Review**

Our compliance approach has been reviewed and approved by the Better Regulation Executive, and we were pleased that the Home Office representative who attended our compliance operation ‘Seahog’ briefing was extremely complimentary about our joint working approach to enforcement.

## Operation 'Seahog'

When Liverpool was named as the European City of Culture 2008 three years ago, the huge enthusiasm from the city's business and community leaders translated into investment in regeneration and construction projects that have generated many long term, lucrative contracts for security companies.

Last year many of the construction sites were the target of arson attacks and suffered thousands of pounds' worth of damage. Intelligence reports received by Merseyside police suggested that certain security companies were responsible for the damage to sites and property in a bid to use intimidation tactics to 'win' the security contracts from other companies.

Merseyside police joined forces with partner agencies including ourselves, and carried out visits to company premises and construction sites to check the legitimacy of the security personnel. Using the Private Security Industry Act 2001 as a tool to investigate targeted security companies and individuals, Merseyside Police detected links to serious and organised crime.

To date, nearly 250 individuals have been reported for Private Security Industry Act offences, 34 local companies have been highlighted as non-compliant with the Act and the first three prosecutions have been successfully brought at Court. Merseyside police are now working with their Regional Asset Recovery Team to use the Proceeds of Crime Act legislation to deal with the linked, wider issues of organised criminality.

Pioneering a multi agency approach to meet their objectives, Merseyside police have shown their commitment to preventing those involved in organised crime from exploiting the opportunities that should be reserved for genuine businesses in their area. We will continue to work with police forces and other agencies to replicate this approach to tackling serious and organised crime in other areas.

## Working with other partners

We continued to enjoy successful partnership working with the sector skills body, Skills for Security and with the qualifications regulatory authorities, the Qualifications Curriculum Authority and Scottish Qualifications Authority. We set the standards for competency for licensing but relied on Skills for Security to lead on the training and skills agenda.

## Stakeholder engagement

**Licence fee** – The Home Office published a Regulatory Impact Assessment outlining an intention to raise the licence application fee and demonstrating that an increase was necessary because income from licensing was less than expected. This shortfall stemmed from unavailable and unreliable data gathered in 2002/03 before the start of licensing, and from changes taking place across various industry sectors. The fee increased from £190 to £245 on 6 April 2007.

“Because the SIA is required to be self financing, the result of these early problems has been an increased licence fee. I regret this, but all I can say is that our aim is to run as tight a ship as possible, to be cost effective...”

**Baroness Ruth Henig CBE, SIA Chair**

## Customer satisfaction with the licensing service

Much of the year was taken up in planning to improve customer satisfaction with the licensing service. We carried out a great deal of consultation with customers before developing the managed service provider contract to deliver a better service.

Between September and December 2006, we met with over 200 individual companies at workshops, forums and individual meetings. We also consulted through a website survey between January and April 2007 that received over 1,000 individual responses.

Three priorities emerged from the consultation and we have designed solutions accordingly:

SIA Aims	Examples of planned solutions
1. Improve customer service	Call centre redesigned and doubled in size
	Return of documents by secure courier
	On-line tracking of applications and licences
2. Reduce administration burden on customers	Applications on-line
	Link to Identity and Passport Service to avoid posting of passports
3. Increase rigour of identity checks	ID and counter-signatory checks via IPS to reduce fraud
	Criminality checks via CRB and Disclosure Scotland
	Risk-based approach and off-line checks

## Conferences

The Chair attended 12 conferences, speaking at each of the six Scottish events and at the August launch of consultation on our approach to Northern Ireland in Belfast. The Chief Executive attended seven conferences, three of which were speaking engagements.

The ACS Forum met during November and February across four locations attracting over 280 delegates to share information and ideas on how the ACS can further raise standards within the private security industry.

## Marketing

Communication with the industry and stakeholders continued through regular 'Update' newsletters targeting the industry, corporate purchasers and MPs, tailored for audiences in England and Wales and in Scotland.

A number of case studies were produced giving information on best practice used at Earl's Court, IBM and Luminar Leisure.

A series of 12 road-shows were held aimed at both security suppliers and purchasers in Scotland including the Western Isles, Orkney and Shetland aimed at raising awareness of the forthcoming licensing requirements. These were undertaken together with further information aimed at security suppliers and those working in the industry about the need to obtain an SIA licence by November 2007.

## Media Relations

During the financial year the SIA media relations team produced or handled:

- 18 Radio/TV interviews
- 46 SIA news releases
- 40 Joint SIA/partner agency news releases
- 2,277 SIA related articles in national, regional and trade press.

## Objective 5 – To be recognised internally and externally as a model of good practice

**Better regulation/simplification** – We included Better Regulation Executive representatives on our project boards for both the licence fee increase Regulatory Impact Assessment project and our Managed Service Provider development project.

**Diversity schemes** – We published our Race Equality Scheme last year. In March 2007, we published our draft Disability Equality Scheme on our website for consultation. Our draft Gender Equality Scheme is also under development and should be ready for publication in October.

**Investors in Excellence** – We completed our self-assessment against the European Foundation of Quality Management standard and we are currently implementing our internal recommendations.

**Staff forum** – We established a staff forum, which held eight meetings.

**Training and development** – We had little time for training and development because we were so busy with licensing operations. However, we do plan to achieve our diversity training targets in the first few months of the next business year.

“I welcome the SIA’s ongoing work on improving communications with industry, and promotion of their reporting unlicensed operatives policy, an area that the industry had raised as an issue to BRE. This encouraging work demonstrates that the SIA is committed to responding effectively and constructively to suggestions from stakeholders. A lot has been achieved by the SIA in terms of their approach to good regulation, and the delivery of their better regulation action plan.”

**William Sargent, Executive Chair, Better Regulation Executive**



## Objective 6 – Meet objectives whilst achieving revenue projections and operating within budget

Performance against key performance indicators were:

1. Licence applications of 80,735 or better
  - We bettered this by processing 102,495 licence applications during the year.
2. Break even or better over the course of the Corporate Plan (2006/07 – 2009/10)
  - We budgeted for a loss of £4.5m, but this was reduced to £1.8m. The necessary licence fee increase, coupled with efficient performance over 2006/07, means that we are well on our way to achieving break-even. To take account of year to year variations in application numbers, this will be measured over the next two years.
3. Achieve financial self-sufficiency for ACS over the course of the Corporate Plan (2006/07 – 2009/10)
  - Take up of the ACS generated 30% more membership than expected, and generated a surplus of £661,500. The ACS fees will be reviewed in 2007/08.

### Value for money:

The move to new offices will save £100k costs per annum

Implementation of licensing in Scotland was achieved for significantly less than budget in 2006/07. This was on top of savings in 2005/06 and further predicted savings in 2007/08. The overall cost of the project to the Scottish Government is predicted as 28% less than originally expected.

Putting a licensing system in place to support the issuing of licences is a costly exercise; there are high fixed costs when the market is relatively small as in the private security industry. Simply calculating a mathematical increase, based on the lower licensable population number rather than that originally envisaged, would have resulted in the licence fee being increased to £285. However, we offset this by outsourcing, scaling down our own staff, moving offices and sharing services, so that the licence fee increased to £245 rather than £285.

We give a discount of 50% (£95) for second licences, and during 2006/07 we processed 2,720 refunds to the value of £258,400; we

have made financial provision for a further £413,500 for refunds that have not yet been claimed. We are planning to deliver automatic discounting for multiple licences later in 2007/08.

### **Achievement of 2006/07 plans for improvement**

**Research forum** – We have established a research forum for industry stakeholders and interested parties, to improve our knowledge and understanding of the private security industry. The Forum membership includes representatives from trade associations, the police, industry press, academia and the Home Office. In 2007/08 we will hold further meetings of the Forum to facilitate ongoing communication, knowledge sharing and collaboration between members on research projects.

**Records management** – We delayed our plans to implement a new records management system because the work involved in managing the licensing accumulation continued for longer than expected. We aim to deliver work to improve our internal systems next year, and records management is a particular priority.

**Better regulation plans** – We reported significant policy simplification to reduce implementation costs in our 2006/07 simplification plan. These have the potential to achieve a reduction in administrative burdens much greater than our target reduction of £495k. The simplification plan includes the following benefits:

- Allowing accreditation of prior learning may save eligible door supervisors and security guards up to £400 each in training costs
- Licence integration means that door supervisors who also work as key holders and security guards save the cost of two additional licences because their door supervisor licence covers them for the other two sectors
- Compliance activity is targeted using the National Intelligence Model so that compliant companies do not suffer the resource burden of receiving routine audit and inspection visits
- The Exclusions Framework means that some workers in the events sector and airport security are exempt from SIA licensing costs.

**The Office of Government Commerce (OGC) Gateway Review 5 – Benefits Evaluation, which reported in November 2005 made recommendations we have been acting on during the year**

- Develop a benefits realisation plan – Our plan was approved in July 2006 and we commenced impact assessment research in October 2006.
- Develop a stakeholder engagement plan – Our plan to refresh strategic level engagement with stakeholders was developed towards the end of the year and will be formally launched in May 2007.
- Develop a managed service provider contract management plan which covers value for money improvements and incentives for improvements in service quality – We have built in specific service delivery requirements to the improved managed service provider contract that we have been developing for implementation in 2007, to ensure that we achieve value for money and customer service improvements.
- Develop the SIA management information to ensure that attention is given to all stages of the customer experience – Another objective of the improved managed service provider contract is to speed up end to end processing of licence applications, enhance call centre customer service and to enable customers to track progress of their licence applications on line. We will provide more on-line functions, and increase our on-line processor staffing.
- Consider the use of the European Foundation of Quality Management model to inform the review of end to end processes and the management information used to monitor those processes – We have commenced our journey towards excellence using an approach based on the European Foundation of Quality Management model, and we are working towards implementation of our performance and quality management strategy.
- Capture the successes and lessons learned at a strategic level, and disseminate more widely through regulatory community and stakeholders – We are endeavouring to tell our stories of success and learning through our communications plan and through implementation of our stakeholder engagement strategy.
- Offer to support the Home Office in applying these lessons with other non departmental public bodies – We have provided this support through our progress reporting on our better regulation and simplification plans.

## Areas for action

We have succeeded in lots of ways, but we also know that there are things we could do better. We particularly want to improve our customer service and our communications.

We also want to increase the visibility of our ACS enforcement efforts to underpin credibility of the scheme and gain recognition from private and public sector buyers. And although approved contractors come from all categories of licensable activity and all sizes of company, door supervisor, close protection and vehicle immobilisation companies are under-represented, so we hope to improve representation from these sectors in the future.

## THE FUTURE

In 2007-08 our work will concentrate on customer service, building confidence in our operations and stakeholder engagement.

### Customer service

A significant investment is being made during 2007/08 to improve the licensing process; extensive consultation with users of the system is contributing to the redesign. In particular, from late 2007 we will be:

- Making blank application forms widely available to speed up the application process
- Expanding facilities for companies to manage applications and check licensable status of employees
- Changing the service level agreement with the managed service provider to give greater emphasis to the key priorities for customers, e.g. call centre accessibility, licence turnaround time and processing accuracy
- Giving the option to submit and manage applications via the Internet
- Ensuring greater collaboration with other government departments to deliver an improved service with greater accuracy and robustness
- Planning to enable the smooth introduction of improvements without disrupting existing services.



## Building confidence in our operations

We want to be recognised as being a constructive regulator whose first instinct is to help companies and individuals become compliant with the law. In appropriate cases though, we have the will and the capability to prosecute offenders and seek the confiscation of assets that have been obtained as a result of criminal activity.

We already make information on revoked and suspended licences, suspensions of licence dispensation and withdrawal of ACS status publicly available. We also regularly publicise our operations and those of our partners. During 2007/08, we expect to improve our publication of operational information so that firstly, our impact on public protection is more visible and secondly, those companies and individuals that comply and conform can see that those that do not are being targeted.

## Stakeholder engagement

We want to refresh our stakeholder engagement particularly with the industry we regulate, ensuring that we understand the wide range of interests.



### Stakeholder engagement priorities in 2007–08

- Supporting planning for Olympics 2012 security
- Contributing to work to reduce the crime threat to cash and valuables in transit guards
- Connecting with EU awarding bodies and regulators
- Changing perceptions about compliance and conformance activity
- Promoting the ACS and enhancing its benefits
- Changing perceptions about lack of engagement with some sectors
- Helping to identify vehicle immobilisation complaint resolution options
- Consulting on a proposed delay to licensing the security consultancy sector
- Consulting further about in-house guarding issues
- Consulting about the potential for further licence integration
- Overcoming perceptions of training malpractice
- Considering the potential for providing feedback to information providers/whistle-blowers
- Improving communications

### Communications Strategy

We plan to:

- Measure and report on levels of customer satisfaction
- Promote licensing regulation and compliance
- Encourage public sector commitment to purchasing security services from ACS companies

We aim to deliver effective communications that are well researched, integrated, targeted, engaging and written in plain English.

## Research

Our research priorities are to:

**Support SIA business needs** – for example, through a survey to assess implications for renewal rates of current new application levels and turnover.

**Support stakeholder engagement** – for example, to identify representative membership for sector-specific network meetings.

**Assess impact of licensing** – for example, through sector-specific surveys.

## Governance arrangements

**Sub-Board governance (2007-08)** – the Chair plans to optimise the Board's ability to fulfil its governance functions by establishing, in addition to the Audit, Human Resources and Remuneration Committees, sub-Board committees on Performance and Finance, Information Management, and Statutory Powers, and by assigning special responsibility for diversity to a Board member.

**Appointment of new Chief Executive** – Expected in summer 2007

**Performance and quality management** – We plan to develop and implement a strategy for performance and quality management to ensure that we optimise our capacity for effective, efficient and high quality delivery of our services

**Journey towards excellence** – We plan to continue our 'journey towards excellence', aiming to engage with London Excellence to plan for independent assessment of our organisational performance

## Joint working

We have active partnerships with police across England and Wales and we have been developing new police partnerships in Scotland. We have built strong working relationships with the Assets Recovery Agency and we have active regional working relationships in place with Immigration, Her Majesty's Revenue and Customs and Department for Work & Pensions, which we aim to develop further at national level.

### ACS review action plan

We would welcome proposals for a passport scheme to ACS accreditation, although in the absence of proposals we will no longer refer to a possible passport route in our explanatory literature.

We will introduce a minimum demonstrable period of conformance to relevant ISO and British Standards into the fast track route eligibility criteria and will require organisations approved via the fast track route to complete a full ACS assessment within six months of approval rather than the current 12 months.

We plan to publish summary benchmark indicators for ACS assessment scores, providing quartile performance level and individual feedback on achievement level to each individual ACS approved contractor.

We will introduce a requirement that approved contractors may only subcontract provision of an approved security service to other approved contractors.

### Efficiency strategy

We are committed to developing unit costing arrangements to enable better analysis of expenditure, and to seek further opportunities for shared service arrangements, perhaps with other non departmental public bodies.

We have already built in continuous improvement requirements to our updated managed service provider contract.

We are sharing reception services and meeting room facilities with the Independent Police Complaints Commission to keep our office costs down.

### Development programme:

We have a wide ranging ongoing development programme, which includes:

#### Simplification

- Ensuring delivery of simplifications in licensing systems and processes and acting on simplification suggestions from stakeholders to achieve a 25% reduction in administrative burdens by 2010

### Licensing new sectors

- Publishing the partial Regulatory Impact Assessment for the licensing of private investigators and precognition agents by August 2007
- Developing plans by January 2008 for licensing the private security industry in Northern Ireland
- Developing plans by April 2008 for licensing of enforcement agents (bailiffs and court officials) in England and Wales
- Consulting stakeholders about the intention to delay until 2010 the assessment of scope for licensing security consultants

### Approved Contractor Scheme

- Developing a Regulatory Impact Assessment on the Approved Contractor Scheme fee review by April 2008

### Licensing criteria

- Reviewing competency for licensing criteria by November 2007
- Reviewing criminality and other 'fit and proper persons' criteria by July 2007
- Implementing the EU Directive on recognition of professional qualifications by October 2007

### Diversity

- Developing disability and gender equality schemes by January 2008

## Key objectives for 2007–08

### **Objective 1 – Provision of services and standards to our customers that meet their needs**

#### **Licence application processing**

By the end of September 2007, the redesigned licence application system will be implemented

A minimum of 80% of initial licence decisions will be made within 30 working days or less of receiving an application suitable for processing

#### Contact centre performance

By September 2007, we will have reviewed the performance measures for call centre activity to ensure that they take account of the redesigned licence application system

### Objective 2 – Effectiveness of our regulatory activities

#### Approved Contractor Scheme

By 31 March 2008, 370 firms (including a range of all sizes), employing 85,000 licensable employees will have current ACS status

#### Licensing

By 31 March 2008, a minimum of 65,000 licence applications suitable for processing will have been received

### Objective 3 – Continuing to introduce regulation of the private security industry, where it is justified

#### Implementation of regulation

By November 2007, we will have implemented regulation in Scotland as planned. By January 2008, we will have published a plan for the implementation of regulation of private investigators and precognition agents, subject to the outcome of public consultation

### Objective 4 – Understanding, support and appreciation from our strategic stakeholders for the benefits of private security industry regulation

We will make progress towards achieving this objective by:

- Developing a plan by May 2007 to introduce a revised stakeholder engagement strategy
- Promoting recognition of our role and private security industry regulation within Government plans
- Continuing to align ACS status and police accreditation under the Police Reform Act 2002



- Promoting insurance industry recognition of the reduced risk delivered by private security regulation
- Encouraging public sector commitment to purchase security services from ACS companies

### **Objective 5 – Recognition, internally and externally, of our organisation and operation as a model of good practice**

We will make progress towards achieving this objective by:

- Commencing the Investors in Excellence Award programme
- Delivering our contribution to the Home Office Simplification Plan published in December 2006
- Monitoring and reporting on our compliance with the Better Payment Procedure Code

### **Objective 6 – Achievement of our objectives within revenue and expenditure projections**

#### **Financial measures**

We will achieve income of £18.4m as predicted within the 2007/08 Corporate and Business Plan (excluding project management income e.g. Scotland)

The financial deficit for 2007/08 will be £2.1m or less

By March 2008, we will have made satisfactory progress to achieve financial self-sufficiency over the life of the Corporate Plan 07/08 – 09/10

By December 2007, we will have investigated and made proposals on the suitability and opportunity for unit cost of operation measures

## **Corporate risks for 2007–08**

Each year we identify the things that could go wrong so that we can take action to prevent them happening or at least to reduce their negative effects.

We are managing our risks – to avoid or mitigate them – so that we can:

- deliver our new managed service provider contract within the planned timeframe and budget

- deliver the expected benefits of regulation and ensure our credibility
- gain buy in from the statutory authorities, e.g. the police, because the regulatory regime is credible
- support good planning, logistics and provision for the Olympics 2012, and maintain the integrity of the regulatory framework
- ensure good licensing and ACS decision making and adequate enforcement, enhance our reputation, support our aim to be a model of best practice and have effective stakeholder engagement
- operate in accordance with our own policies and procedures and external requirements
- communicate effectively with our stakeholders
- avoid successful legal challenge to our operations
- maintain and improve the credibility of our compliance and conformance actions
- ensure sufficient awareness of the potential for corruption of SIA information and activities, and understand the value to criminals of information held by us to ensure we mitigate the risks of corruption

## ABOUT US

“We want to be, and to be recognised as, not just a first class regulator, but as a valued and respected strategic partner – to the government and its agencies, to the industry, to training organisations, the police and other public sector bodies.”

**Ruth Henig, Chair SIA**

We are delivery orientated, always aiming to meet customers' needs, but balancing that with being sufficiently robust to ensure regulation is delivered properly.

We are risk aware, and take care to concentrate our efforts on reducing the biggest risks to our successful delivery of regulation.

We follow better regulation principles in our regulatory practice; it is proportionate, accountable, consistent, transparent and targeted.

## Governance arrangements

We are a Home Office non-departmental public body responsible, and reporting, to the Home Secretary. During the year we further developed our relationship with our Home Office sponsors and enjoyed a positive and productive working relationship with them.

## The Board

The Chair and members of our Board have governance responsibility for ensuring that we properly discharge our statutory functions and comply with any statutory or administrative requirements for use of our public funds.

“They set the strategic tone for an organisation, providing leadership and clear focus on priorities. As forums of challenging debate, Boards are unified by a clear sense of collective responsibility. Effective Boards are innovative and flexible, but maintain a resolute focus on risks, accountability and performance.”

– from the report ‘Building Effective Boards: Enhancing the Effectiveness of Independent Boards in executive Non-Departmental Public Bodies’ (November 2004) Lynton Barker, Public Services Productivity Panel

Board members are appointed under the Act. Initial contracts were for three or four years and all Board members were subject to reappointment in 2007 under the Office of the Commissioner for Public Appointments guidelines. During the year ended 31 March 2007 the members were:

- Ruth Henig (Chair) from February 2007
- Robin Dahlberg (Acting Chair) until February 2007 and Vice Chair from February 2007
- Peter Dyke
- Brendan O’Friel
- Wendy Towers
- Bruce Warman (vice Chair from February 2006 until February 2007)

We keep a register of Board members’ interests, which can be inspected by prior arrangement with the Director of Corporate Services.



## The Executive

In a non-departmental public body structure, the Board has a collective responsibility for ensuring that the aims and objectives agreed with the Home Office are met. However, the Board does not achieve this goal through micromanagement – the Chief Executive and senior team are there to run the SIA and are accountable to the Board for this. Members of the Board must not give the Chief Executive instructions that conflict with his duties as our Accounting Officer.

On 31 December 2006, Chief Executive John Saunders OBE left the SIA and on 1 January 2007 Andy Drane, Deputy Chief Executive & Director of Operations was appointed as Acting Chief Executive.

In February 2007, Hazel Banks joined the SIA as Interim Director of Strategic Development on secondment from the Home Office (Prison Service) as Kaye Law also moved on during 2006.

Graham Clark continued as Director of Corporate Services throughout the year.

Dianne Tranmer was appointed Acting Director of Operations in March 2007.

We keep a register of Directors' interests, which can be inspected by prior arrangement with the Director of Corporate Services.

## Audit and Control

- We re-appointed Bentley Jennison to provide internal audit services, extending their contract to 31 March 2010. Arrangements for external audit are provided under Schedule One, paragraph 16(4) of the Private Security Industry Act, which requires the Comptroller and Auditor General to examine, certify and report on the statement of accounts.
- The Audit Committee meets three times a year to monitor audit activity and our process for assessing and managing risk.
- Our risk management strategy is to consider the risks associated with each project, aim and objective, and to assess and deliver options for mitigating them.
- We plan to develop further departmental risk registers during 2007/08 to support the current corporate risk register. These will be carefully monitored and risks escalated to the corporate risk register where appropriate.

## Anti-corruption

We have corporate anti-corruption policies and procedures. As part of this policy all staff and consultants must declare their interests in the private security industry and related bodies on an annual basis.

We operate an internal whistle blowing policy in line with the Public Interest Disclosure Act 1998, which was utilised once during 2006/07

## Scrutiny

An application for judicial review was heard at the High Court on 12 June 2006. The grounds for challenge related to 'Our authority to include a criterion for automatic rejection of licence applications; the fettering of our discretion to consider individual circumstances of applicants; and infringement of Article 1 of protocol 1 of the incorporation into UK law of the Human Rights Act'. The Judgement found that all grounds of the challenge failed and the application for judicial review was dismissed.

We also received notice of pre-action protocol for a judicial review in late December 2006, which was withdrawn in January following our response.

## Transparency

We are listed as a public body for the purpose of complying with the Freedom of Information Act 2000 and publish information routinely in accordance with our publication scheme ([www.the-sia-org.uk/footer/foi](http://www.the-sia-org.uk/footer/foi)).

We maintain our annual notification with the Information Commissioner's Office of the types of personal information processed by us in accordance with the Data Protection Act 1998, a copy of which is available on the Office's Notification Register ([www.ico.gov.uk](http://www.ico.gov.uk)).

## Human resources

“The SIA is committed to high quality management processes, and is run by high quality staff.”

**Peter Dyke, SIA Board member**

## Our people

We seek to create an environment in which all employees can give of their best and can contribute to our, and to their own, success. We are committed to developing an organisation in which fairness and equality of opportunity are central to our business and working relationships.

We have a staff appraisal system which is based on the setting of key objectives to be achieved during the reporting period, linked to our corporate objectives.

As part of the appraisal process the learning and development needs of staff are considered. These enable us to identify organisational wide development needs and specific individual development needs to assist staff in achieving their current objectives or future needs of the organisation.

The role of the Human Resources Committee is to advise the Board and provide assurances to them that we have the appropriate systems and employment policies in place to effectively support the delivery of our services and activities. Particular roles of the Committee are to maintain oversight of discipline and grievance cases and monitor any cases going to employment tribunal and to review health and safety policy issues. The Committee meets quarterly.

The Diversity Committee (also advising the Board) monitors our adherence to all relevant anti-discrimination legislation and ensures we meet our statutory responsibilities. The Committee monitors any complaints, internal and external, made against us where there are any issues relating to diversity and equal opportunities. It also reviews performance data on diversity issues including trends. The Diversity Committee meets three times a year.

## Staff appointments

Permanent staff levels have remained constant throughout most of the year against an authorised staff level of 113. A large number of temporary staff have been used for much of the year in order to process high volumes of licence applications. Temporary staff have also been engaged between January and March 2007 to cope with an increase in licence applications, possibly due to the planned increase in the licence fee.

Figure c) Staff appointments			
	31 March 2005	31 March 2006	31 March 2007
Permanent staff	83	93	90
Seconded staff	6	3	5
Temporary staff	8	26	23
Total	97	122	118
Consultants	9	4	4

During the last quarter of the year a number of staff resigned from the organisation. Throughout the year a total of 21 staff left the organisation. Based on an average staff in post of 94.6, our turnover rate has increased from 19% to 22%. An analysis has shown that staff are leaving for positive reasons to progress their careers.

We are committed to keeping all our staff informed of performance, development and progress. We encourage staff to contribute to our business plans and objective setting, and to understand the industry we are working with.

In addition we have a staff forum which considers matters relating to working at the SIA. In particular, members act as representatives for staff in bringing forward matters of broad concern and to identify and propose ideas or recommendations. The forum is also used to consult on changes to terms and conditions and human resources policies and procedures. The forum met frequently throughout the year and the Authority is grateful for the commitment and contributions made by forum members.

### Conflict of interest

All staff and Board members are required to complete an annual conflict of interest form in order to protect individuals and the Authority from claims of being compromised by other interests or commitments.

## Diversity

“The SIA workforce is representative, diverse and well-trained.”

Wendy Towers, SIA Board member

This year we published our draft Disability Equality Scheme. The scheme aims to show:

- the way in which people with disabilities have been involved in the development of the Disability Equality Scheme;
- our methods for assessing the impact of policies and practices on equality for people with disabilities;
- the actions that we will take to meet the duty;
- our arrangements for gathering information about our performance in relation to disability equality and how we will use the information gathered.

Consultation on the scheme ends on 27 June 2007.

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

## Statistics

The diversity breakdown for staff (permanent and seconded) is as follows:

Figure d) SIA staff by gender March 2007

		Female	Male
Total	95	53 (56%)	42 (44%)



Figure e) SIA staff by ethnicity

Ethnic Origin	March 2007
Asian	10
Black	6
Mixed Ethnic Background	1
White	78
Any Other Ethnic Background	0
Total	95
% of Ethnic Minority staff	18%

Figure f) Staff by age group

	March 2007	%
16-24	1	1.05
25-29	25	26.31
30-34	20	21.05
35-39	13	13.68
40-44	16	16.84
45-49	8	8.42
50-54	8	8.42
55-59	4	4.21
60+	0	0
Staff Total	95	

## Chair

Towards the end of 2006, the Home Office conducted an open competition for the position of Chair at the Security Industry Authority. On 20 December the Home Secretary, John Reid, approved the appointment of Baroness Ruth Henig CBE as the new Chair and

invited her to take over the reins of the SIA from Acting Chair Robin Dahlberg on 15 January 2007. The Home Secretary's decision was welcomed by Vernon Coaker, Home Office Minister with responsibility for the SIA, who was pleased to announce the appointment of Baroness Henig as the new Chair.

“I am confident that she, with the support of the other independent members, will continue to provide strong leadership in developing and achieving the highest standards in the private security industry,”

Vernon Coaker, Home Office Minister.

### Corporate social responsibility

We want to formalise our corporate approach and will be looking to develop our corporate social responsibility policy and to nominate our charity of the year for 2007/08

## FINANCIAL OVERVIEW

We are required by HM Treasury to operate on the basis of full cost recovery i.e. the fees we charge for licence applications and the Approved Contractor Scheme must cover all our costs. Revenue is also recovered for specific developments, for example, the costs associated with our extension to Scotland.

The first full year of ACS, the Scotland project and additional licence applications have increased our income by £3.1m and our expenditure by £1.8m. Overall with the increased activity levels we were able to reduce our deficit from £3.1m in 2005/06 to £1.8m this year.

We are required not to draw down Government grant in advance of need. Our cash positive position meant that grant was not drawn down at the end of 2006/07.



Figure g) A summary of our first 4 years

	2006/07	2005/06	2004/05	2003/04
	£	£	£	£
Application numbers	102,495	99,475	24,402	6
<b>Income</b>				
Licence Fees	19,474,340	18,900,250	4,637,558	1,102
ACS	2,097,316	207,664		
Scotland	989,988	368,897		
Other	55,591	74,465	5,185	
<b>Total Self generated Income</b>	<b>22,617,235</b>	<b>19,551,276</b>	<b>4,642,743</b>	<b>1,102</b>
<b>Expenditure</b>				
	£	£	£	£
Total staff-related costs	6,813,620	6,018,245	5,451,628	4,324,248
Total accommodation-related costs	1,114,606	971,814	853,972	746,034
Advertising and publicity	1,157,960	1,207,328	1,578,565	1,098,652
Licensing costs	12,253,931	10,603,342	5,381,316	275,487
Depreciation	2,687,594	3,442,349	2,719,065	390,161
Other costs	413,835	431,237	504,681	374,357
<b>Total Expenditure</b>	<b>24,441,546</b>	<b>22,674,315</b>	<b>16,489,227</b>	<b>7,208,939</b>
<b>Surplus/Deficit</b>	<b>-1,824,311</b>	<b>-3,123,039</b>	<b>-11,846,484</b>	<b>-7,207,837</b>

The key factor determining our overall financial performance is the number of licence applications. Licence income was 86% of all income in 2006/7. The high numbers of applications in the last 2 years is due to the implementation of regulation for Door Supervisors and the

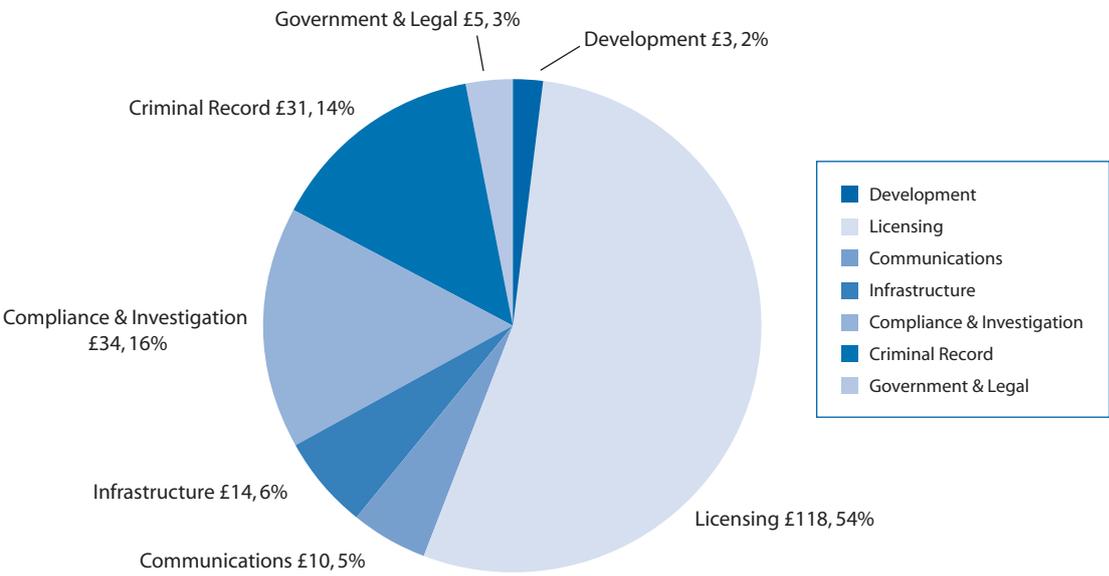
security guarding sectors and not an indication of future annual numbers. As most licences are for 3 years, the number of applications received in the last 3 years will even out over time.

### **Self sufficiency**

Our two services, Licensing and ACS performed very differently with ACS making a surplus (£661,511) and Licensing a deficit (-£2,515,650) – see Note 4 for detail. Both these performances are unacceptable if they continue at these levels, as the fees should ensure recovery of costs for each service individually. In accordance with Treasury guidance the fees will be reviewed annually until a balance is achieved.

Our set up and development in 2003/04 was funded by the Home Office through grant in aid. The licence application fee was set in 2003 at £190 and has been maintained at that level, for the three years 2004/05 through to 2006/07. However as can be seen by the table above and the information in the licensing Regulatory Impact Assessment published in January 2007, the fee of £190 is insufficient, despite cost savings, to cover our expenditure. The fee of £190 was set prior to the commencement of licensing and set based on the best available data on licensable numbers. The information was, however, severely limited and has proved to be unreliable which has led to an under-recovery of full costs. During 2006-7 we had significantly above normal levels of licence applications due to licensing of the Security Guarding sectors but the full cost of operating the licensing scheme was still the equivalent of £215 per application ie £25 higher than the fee charged.

Figure h) SIA costs per licence application in 2006/07



This unsustainable deficit position was resolved in 2006/07 by recalculating the required application fee based on future costs and anticipated application numbers. A new licence application fee of £245 was implemented on the 6th April 2007. This new fee will ensure that the SIA is self-sufficient in the future on the basis of three key assumptions.

- The size of the security market (individuals requiring a licence).
- The level of staff turnover (churn) generating new licence applications.
- Our cost base remaining stable.

The ACS fees are based on a mix of annual fees and application fees paid every 3 years. ACS is a voluntary scheme and fees were set based on assumptions of 'take-up' by companies in the private security industry. ACS has been very successful in its first year; when renewal levels are known we will undertake a review of the current fee levels and adjust if necessary.

**The accounts**

We are still developing as an organisation. 2006/7 saw the completion of implementation of licensing for the security guarding sectors, the first full year of ACS and the development of licensing in Scotland.



Continued development makes income and expenditure comparisons difficult between years. Although we have achieved cost efficiencies our overall expenditure and average staff numbers have increased due to increasing activity levels (see Note 5).

Licence application numbers were higher than 2005/06 but more evenly spread. Application numbers exceeded the anticipated volumes by 27%, showing that information about sector populations and churn rates, while improving every month, is still not perfect. An initial review suggests that staff turnover within the industry, particularly door supervisors is higher than our assumptions. We increased our assumptions for the licence fee review but numbers for January to March indicate that they may be even higher. Increased volume-related costs were incurred for processing, Criminal Record Bureau disclosures and staff costs for the additional licensing staff.

The Approved Contractors Scheme opened in March 2006, therefore 2006/07 was the first year of operation, partially contributing to the increase in staff costs. More companies applied for approved contractor status earlier than anticipated and these two factors combined to generate income 74% above budget.

The Scotland licensing project, undertaken on a cost recovery basis for the Scottish Government is now fully underway and due for completion in November 2007, when licensing becomes mandatory. Costs are primarily employment costs, publicity and changes to the licensing system to accommodate the use of Disclosure Scotland for criminality checks.

Income changes compared to 2005/06 are explained above, expenditure changes are primarily as a result of the changes in activity levels but are explained in more detail below.

Employment costs have increased by £0.8m. This is a combination of the Scotland project (£0.3m) and temporary licensing resources (£0.5m).

Accommodation costs which include office services increased by £0.15m due to activity levels and office move costs.

Licensing costs increased by £2.0m, with volume related costs for the contact centre and licence processing (£0.8m), CRB cost increase £29 to £31 per disclosure (£0.2m) and legal costs, appeals and prosecutions (£0.3m). The remaining £0.7m was for multiple application discounts, which have been paid or provided for; see note 1.

The managed service provider contract to operate our licensing system including the contact centre was extended during the year resulting in an extension to the asset life and reduced depreciation of £1.0m in 2006/07. This is offset by a full year's depreciation for the ACS £0.3m.

**Future financing**

The ongoing financing issues which have beset the SIA since its inception, due to the limited and inaccurate original data on licensable population was resolved in 2006/07, by a comprehensive review of future application numbers and ongoing expenditure levels. The licence application fee was increased to £245 with effect from April 6<sup>th</sup> 2007. The 2007/08 Corporate and Business Plan now shows the SIA to be self financing over the three years 2007/08 to 2009/10. A summary is shown below and the full document is available on our website.

Figure i) Future financing			
	2007/08	2008/09	2009/10
	£	£	£
Income	19,293,016	25,050,105	24,944,173
Expenditure	21,385,677	22,940,842	23,506,560
<b>Surplus/Deficit (-)</b>	<b>-2,092,661</b>	<b>2,109,263</b>	<b>1,437,613</b>

All current indicators of numbers of licence applications, ACS renewals and required resource levels show that both the income and expenditure forecasts should be achieved.

**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.

Figure j) Invoice payment				
	2006/07		2005/06	
	£	Number	£	Number
Total Invoices Paid in Year	17,847,646	2,050	13,471,666	2,292
Total invoices paid within target	17,222,714	1,953	13,029,022	2,255
Percentage of invoices paid within target	96%		97%	

### Contractual arrangements

Figure k) Contracts			
	Service	Value of Contract	Expiry Date
BT	Managed Services	Annual fixed costs of £4.1 M plus variable costs	30/9/2007

Our contract with our managed service provider, BT, which is a mixture of fixed and variable service charges has been extended by three months to September 2007. Fixed charges of £2 million are payable for the six months April to September. From 1 October 2007 a new contract with BT will come into force which is based on lower fixed charges with a higher variable element depending on the level of applications forecast in the period. The fixed charges from October 2007 to March 2008 will be £632,727.

### Payment to auditors

The audit fee for 2006/7, payable to the National Audit Office has been estimated at £27,000. No other payments were made to the National Audit Office during the year.

# REMUNERATION REPORT

## 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 bonus 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.

## Remuneration

The remuneration committee comprises three independent board members, Brendan O’Friel, Bruce Warman and Wendy Towers.

Figure I) Remuneration		
	2006/7	2005/6
John Saunders (Chief Executive until 31 December 2006)	£135,569	£102,344
Andy Drane (Acting Chief Executive from 1 January 2007, previously Deputy Chief Executive)	£87,993	£88,803
Graham Clark (Director of Corporate Services)	£77,503	£77,424
Kaye Law (Director of Strategic Development until 3 November 2007)	£42,528	£68,671
Hazel Banks (Director of Strategic Development from 1 February 2007)	£15,499	N/A

The Chief Executive’s pay for 2006/7 includes backdated pay awards due with effect from 1 April 2005 and 1 April 2006 together with three months pay in lieu of notice.

Directors’ pay awards due with effect from 1 April 2006 remain to be agreed with Treasury.

Director's contracts are permanent and open ended until they reach 60, including Hazel Banks who is on a two year secondment from the Prison Service. We reimburse the Prison Service for all salary costs. We have paid no compensation to former senior managers.

### Board

The remuneration of the Board in the period ending 31 March 2007 is shown in the table below. Fees are determined based on a fee of £267.24 per day (£262 per day in 2005/06) as per Cabinet Office guidelines. Robin Dahlberg was appointed Acting Chair with effect from 1 February 2006 until the appointment of Ruth Henig with effect from 15 January 2007 for three years. Board members' contracts have been extended by one year until 31 March 2008.



## Figure m) Remuneration of the Board

		2006/7	2005/06
		£	£
Ruth Henig Chair from 15 January 2007	Fees	13,761	N/A
	Travel	60	N/A
	Total	13,821	N/A
Robin Dahlberg (Acting Chairman from 01/02/2006)	Fees	52,309	£16,222
	Total	52,309	£16,222
Peter Dyke	Fees	5,751	4,589
	Travel	2,294	1,238
	Total	8,045	5,827
Brendan O’Friel	Fees	9,906	9,329
	Travel	7,374	4,319
	Total	17,280	13,648
Wendy Towers	Fees	7,090	7,572
	Travel	401	303
	Total	7,491	7,875
Bruce Warman	Fees	7,234	7,898
	Travel	585	388
	Total	7,819	8,286

\*Travel shown for Board members is reimbursement of home to work travel and thus a benefit in kind that the SIA has suffered the tax on behalf of the Members

## Pension benefits

Figure n) Pension benefits							
	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/07	CETV at 31/3/06	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
John Saunders – Chief Executive until 31/12/2006	£6,874 plus £20,621 Lump Sum	£1,453 plus £4,359 lump sum	£131,301	£100,278	15,697	12,059	
Graham Clark Director of Corporate Services	£3,947	£1,246	£59,374	£39,644	£2,815	£15,933	
Andy Drane Deputy Chief Executive	£6,287	£1,312	£107,771	£82,465	£3,109	£19,378	
Kaye Law Director of Strategic Development until 3 November 2006	£13,351	£460	£163,410	£158,775	£1,542	£3,999	
Hazel Banks Director of Strategic Development from 1 February 2007	£20,349 plus £61,048 lump sum	£200 plus £601 lump sum	£309,000	£279,000	£201	£3,000	
Ruth Henig, Chair from 15 January							£2,133

Pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the Civil Service Pension arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://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 CETV

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

### Real increase in CETV

This reflects the increase in CETV 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.







Security Industry Authority

# STATEMENT OF ACCOUNTS

for the period ended 31 March 2007

## Statement of the Authority's and the accounting officer's responsibilities for the statement of accounts

### The Authority's Responsibilities

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

In preparing the accounts the Authority is required to:

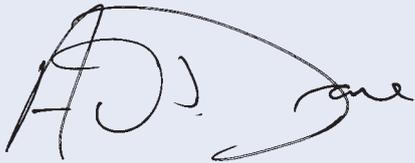
- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable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

### The Accounting Officer's Responsibilities

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

He must also provide all relevant audit information to the auditors. So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are not aware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Signed on behalf of the Security Industry Authority

A handwritten signature in black ink, appearing to read 'A.D.' followed by a stylized flourish.

Andy Drane  
Acting Chief Executive and Accounting Officer  
June 2007

## Statement on the system of internal control

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

During the year from 01/04/06, I or another member of the Senior Management Team have met regularly with representatives of our sponsor unit in the Home Office, Crime Reduction and Community Safety Group to discuss matters of interest, including, if appropriate, any issues from the Risk Register. The Home Office sets targets for the Authority's performance. The Authority reports cash expenditure monthly and annually to the Home Office.

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

The system of internal control is based on an ongoing process that seeks to identify the principal risks to the achievement of the Authority's objectives and goals, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The process, which accords with Treasury Guidance, has been in place during the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts.

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

The Authority has established the following processes:

- a Board, comprising non-executive members, one of whom is the Chairman, which meets monthly to consider the plans and strategic direction of the Authority, review the monthly management accounts and consider the high profile risks identified in the risk register;
- a meeting of the senior management team on a monthly basis to review the finance reports, risk register and current progress against targets;

- project Boards which meet on a monthly basis to monitor the progress and associated risks of significant projects e.g. Scotland and MSP II
- periodic reports from the Chairman of the Audit Committee, to the Board, concerning internal control, and its further scrutiny of the whole risk register.
- regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's risk management, control and governance processes to management and the achievement of the Authority's objectives together with recommendations for improvement. During 2006-7 areas covered included core financials, licence decision making, cost of enquiries, income follow up, corporate governance and risk.
- monthly reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- a programme of risk awareness training;
- maintenance of an organisation-wide risk register;

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

A handwritten signature in black ink, appearing to read 'A. Drane', written in a cursive style.

Andy Drane  
Acting Chief Executive and Accounting Officer  
June 2007

## **The certificate of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of Security Industry Authority for the year ended 2007 under the Private Security Industry Act 2001. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses 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 Authority, Accounting Officer and auditor**

The Authority and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Authority's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Financial Overview, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Security Industry Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects Security Industry Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Security Industry Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Authority and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Security Industry Authority's circumstances, consistently applied and adequately disclosed.

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

## Opinions

### Audit Opinion

In my opinion:

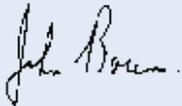
- the financial statements give a true and fair view, in accordance with the Private Security Industry Act 2001 and directions made thereunder by HM Treasury, of the state of the Security Industry Authority's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Private Security Industry Act 2001 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises the Financial Overview, is consistent with the financial statements.

### Audit 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.

### Report

I have no observations to make on these financial statements.



John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Date

The maintenance and integrity of the SIA website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Income and Expenditure Account for the Period 1 April 2006 to 31 March 2007

			<b>2006/07</b>	<b>2005/06</b>
		<b>Note</b>	<b>£</b>	<b>Restated</b>
				<b>£</b>
<b>Gross Income</b>				
	Income from Activities	4	22,561,644	19,476,811
	Other	4	55,591	74,465
<b>Total</b>			<b>22,617,235</b>	<b>19,551,276</b>
<b>Expenditure</b>				
	Staff costs	5	5,983,941	5,326,686
	Running costs	6	15,770,011	13,905,280
	Depreciation	7 & 8	2,687,594	3,442,349
<b>Total</b>			<b>24,441,546</b>	<b>22,674,315</b>
<b>Net Expenditure</b>			<b>(1,824,311)</b>	<b>(3,123,039)</b>
<b>Income from investments</b>				
	Interest receivable		160,498	67,035
	Cost of capital (Notional)		(155,798)	(261,860)
	Surplus/deficit		(1,819,611)	(3,317,864)
	Cost of Capital reversal		155,798	261,860
	Interest repayable surrendered to the Consolidated fund		(160,498)	(67,035)
	Retained deficit		(1,824,311)	(3,123,039)

## Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the retained surplus/deficit for the period. The retained surpluses for the prior year have been restated following the accounting policy change outlined in Note 1 to the accounts.

## Balance Sheet as at 31 March 2007

	Note	2007		2006	
		£	£	£	£
<i>Fixed Assets</i>					
Intangible assets	7	4,792,472		5,398,922	
Tangible assets	8	509,981		275,875	
			<b>5,302,453</b>		<b>5,674,797</b>
<i>Current Assets</i>					
Debtors and prepayments	9	1,471,554		2,066,586	
Bank	11	1,022,417		4,440,638	
			<b>2,493,971</b>		<b>6,507,224</b>
<i>Creditors</i>					
Amounts due within 1 year	10	(4,600,297)	<b>(4,600,297)</b>	(6,061,909)	<b>(6,061,909)</b>
Net current assets			<b>(2,106,326)</b>		<b>445,315</b>
Provision for licence discounts	1	(413,500)	(413,500)		0
<b>Total assets less current liabilities</b>			<b><u>2,782,627</u></b>		<b><u>6,120,112</u></b>
<b>Capital and Reserves</b>					
Government Grant Reserve	12		350,000		
General Reserve	12		2,432,627		6,120,112
			<b><u>2,782,627</u></b>		<b><u>6,120,112</u></b>



Andy Drane  
Acting Chief Executive and Accounting Officer  
June 2007

## Cash Flow Statement

		<b>2007</b>	<b>2006</b>
	<b>Note</b>	<b>£</b>	<b>Restated £</b>
<b>Operating activities</b>			
Net cash inflow from operating activities	13	1,706,593	2,548,518
<b>Returns on investments and servicing of finance</b>			
Interest received		164,457	62,046
<b>Capital expenditure</b>			
Cash outflow to acquire fixed assets		(2,304,647)	(1,277,691)
Net cash (outflow) before financing		<b>(433,597)</b>	<b>1,332,873</b>
<b>Analysis of Financing</b>			
Grant in Aid for capital expenditure	3 & 12	1,999,178	1,225,086
Grant in Aid for revenue expenditure	3 & 12	2,000,822	18,274,914
Less amounts appropriated to Home Office		<b>(6,984,624)</b>	<b>(17,935,432)</b>
(Decrease)/increase in cash		<b>(3,418,221)</b>	<b>2,897,441</b>

## Note 1 Accounting Policies

### Basis of Accounts

The financial statements are drawn up in accordance with a direction given by the Secretary of State with the consent of Treasury in accordance with Schedule 1 Paragraph 16 (2) of the Private Security Industry Act 2001. The financial statements are prepared on a going concern basis in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, and the accounting and disclosure requirements given in Government Accounting and in the Financial Reporting Manual, in so far as these are appropriate to the SIA and are in force for the financial year for which the statements are prepared. The financial statements are prepared under the modified historical cost convention by the inclusion of fixed assets at their value to the business by reference to current costs.

### Change of accounting policy

With effect from 2006-07 reporting period the Financial Reporting Manual requires non-departmental public bodies to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of non-departmental public bodies. This is a change in accounting policy from earlier periods when such items were recorded as income. It has also resulted in a change to the presentation of the accounts. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results for current year is shown below. Note there is no impact on the net liability position of the SIA as a result of this change in policy.

	<b>As at 31 March 2006 (as previously stated)</b>	<b>Impact of adopting the new policy</b>	<b>At 31 March 2006 (re-stated)</b>
Net expenditure for 2005-06	(555,863)	(2,567,176)	(3,123,039)
I & E Reserve	445,315	(445,315)	0
Deferred Government Grant Reserve	5,674,797	(5,674,797)	0
General Reserve		6,120,112	6,120,112
	<b>6,120,112</b>	<b>0</b>	<b>6,120,112</b>

	<b>At 31 March 2007 (without applying the new policy)</b>	<b>Impact of adopting the new policy</b>	<b>At 31 March 2007 (applying the new policy)</b>
Retained deficit for 2006-07	(2,965,138)	1,140,827	(1,824,311)
I & E Reserve	(2,519,826)	2,519,826	0
Deferred Government Grant Reserve	5,302,453	(4,952,453)	350,000
General Reserve		2,432,627	2,432,627
	<b>2,782,627</b>	<b>0</b>	<b>2,782,627</b>

### Accounting convention

The accounts meet:

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

### Grant in aid

Grant in Aid received and used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

Grant relating to capital expenditure used to acquire specific capital items is credited to a government grant reserve. It is released to expenditure over the expected useful life of the asset it has been used to acquire and an equal amount transferred from the government grant reserved is released to income.

### Licence fee income

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

### Approved Contractor Scheme income (ACS)

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 income is charged to the profit and loss account on a straight line basis over the period covered.

### Scotland income

The Private Security Industry Act has been amended to include Scotland. The SIA is able to recover the costs of implementing licensing of the PSI from the Scottish Executive until 1 November 2007 when the Act comes into force.

### 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.

### Fixed assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual item is £1,000 or more or on a grouped basis, is £5,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office of National Statistics, except in their year of disposal and acquisition when their current and historical costs are not materially different. There was no revaluation of assets for 2006-07 because a) the amount for tangible assets was immaterial and (b) no appropriate index was identified for the intangible assets.

The SIA entered into a new contract with BT on the 20th March 2007. The contract includes the implementation of a number of new enhancements to the existing Managed Service Provider database which will improve customer service. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract. It is anticipated that the new system will be operational from Autumn 2007.

### Depreciation and amortisation

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

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

\* Please see details on change to MSP Contract in Notes 7 and 15

### Provision for bad debt

Licensing Debts – the SIA have a small 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 4 months, it is written off.

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 profit and loss account.

### Provision for multiple application discounts

An individual who has more than one application accepted is entitled to a discount of 50% on subsequent accepted applications (but not renewals). In order to receive this money a written application has to be made to the SIA. The SIA has identified that there is a clear time lag prior to individuals and/or companies making such applications and that a provision needs to be made

The SIA has provided for 75% of the outstanding entitlement. This is a best estimate as there is no historical information currently available to predict the amount of take-up.

### Notional charges

In accordance with the Government Financial Reporting Manual, a charge reflecting the cost of capital used by the Authority is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5 per cent on the average carrying amount of all assets less liabilities.

### 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 department 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 department recognises the contributions payable for the year.

### Value added tax

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

## Note 2 Financial targets

1. Achieve SIA objectives whilst achieving revenue projections and operating within budgets or better

The SIA revised its annual targets and forecasts part way through the year as licence numbers exceeded forecasts. The number of licence applications exceeded the budget by 21,760. As a result our projected deficit for the year was reduced by £2.7 million.

## Note 3 Grant in aid

		<b>2006/07</b>	<b>2005/06</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Revenue Grant received from the Home Office		2,000,822	18,274,914
Grant in aid used to fund capital purchasers	12	1,999,178	1,225,086
		<u><b>4,000,000</b></u>	<u><b>19,500,000</b></u>

## Note 4 Income

		<b>2006/07</b>	<b>2005/06</b>
		<b>£</b>	<b>£</b>
Licensing		19,474,340	18,900,250
Approved Contractors Scheme (ACS)		2,097,316	207,664
Scotland		989,988	368,897
Other Income		55,591	74,465
		<u><b>22,617,235</b></u>	<u><b>19,551,276</b></u>

At the 31st March there were 3,732 (14,237 in 2006-7) unopened applications due to the impending fee increase to take effect on 6th April 2007. This represents a further £709,080 of potential gross income, which after applying a 32% rejection rate for March 2007 and a net cost of £50 per application would give a net income of £355,320, once the application had been accepted in accordance with the accounting policy for income.

## Fees and charges

This note is to meet HM Treasury disclosure requirements for fees and charges and not for the purpose of SSAP 25 which is not appropriate to the SIA. The SIA is required to set fees on a full cost recovery basis.

	<b>ACS</b>	<b>Licensing</b>
Income	2,097,316	19,474,340
Full costs	<b>(1,435,805)</b>	<b>(21,989,990)</b>
Surplus/deficit on operating activities	<b>661,511</b>	<b>(2,515,650)</b>

*Note: Costs are apportioned between Licensing and the Approved Contractor Scheme on funding principles defined by HM Treasury. Where possible allocation is made directly, or by way of reasonable estimate where the costs are shared between services.*

*The Approved Contractor Scheme was launched on 20th March 2006. Costs associated with the scheme in 2005-6 were immaterial.*

## Note 5 Employment costs

	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
<b>Board</b>		
Salaries & Emoluments	96,051	92,588
Social Security Contributions	10,819	8,051
Pension Contributions	13,493	9,429
	<b>120,363</b>	<b>110,068</b>
<b>Staff</b>		
Salaries and Emoluments	3,371,150	3,154,721
Social Security Contributions	281,533	268,842
Pension Contributions	633,563	592,586
	<b>4,286,246</b>	<b>4,016,149</b>
<b>Other</b>		
Salaries & Emoluments	1,531,549	1,143,544
Social Security Contributions	13,655	16,874
Pension Contributions	32,128	40,051
	<b>1,577,332</b>	<b>1,200,469</b>
<b>Total Employment Costs</b>		
Salaries & Emoluments	4,998,750	4,390,853
Social Security Contributions	306,007	293,767
Pension Contributions	679,184	642,066
	<b>5,983,941</b>	<b>5,326,686</b>

In addition £261,307 of consultancy expenditure has been capitalised as part of the MSP II Project.

At the 31 March 2007 the SIA employed 94 staff including four Board Members.

The average number of full time equivalent employees during the period ending 31 March 2007 was:

	<b>Staff</b>		<b>Consultants, Temporary and Seconded Staff</b>	
	<b>2006/07</b>	2005/06	<b>2006/07</b>	2005/06
Executive	4	4	2	1
Enforcement	42	40		2
Licensing	15	13	23	6
Development	4	4	1	2
Admin/support staff	20	29	6	3
Approved Contractor Scheme	7	4	1	
Staff employed on capital projects			2	4
	<b>92</b>	<b>94</b>	<b>35</b>	<b>18</b>

## Pension

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

For 2006-07, employers' contributions of £675,607 were payable to the PCSPS (2005-06 £629,838) at one of four rates in the range 17.1 and 26.5 (16.2 and 24.6 in 2005-06) per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £13,357 (£12,228 in 2005/06) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £221 (£742 in 2005/06), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date.

## Note 6 Running costs

	Note	2006/07 £	2005/06 £
Accommodation costs		739,589	689,282
Advertising and publicity		1,157,960	1,207,328
Audit fee – external		29,078	29,253
Audit fee – internal		19,110	25,136
Legal costs		81,320	56,152
Recruitment		191,259	194,317
Training		104,504	92,239
Information technology		176,100	271,364
Licensing costs		12,253,931	10,603,342
Office supplies and services		375,017	282,532
Operating lease payments – equipment	15	7,031	5,965
Financial Costs		4,441	3,652
Bad and Doubtful Debts		46,521	17,558
Travel and subsistence		533,916	405,003
Catering		13,971	15,559
Hospitality		2,334	6,598
Loss on Disposal		33,929	0
		<b>15,770,011</b>	<b>13,905,280</b>

## Note 7 Intangible fixed assets

	Software Licences	Managed Service Provider Database*	Managed Service Provider II Development*	Approved Contractors Scheme Costs	Total
	£	£		£	£
Cost at 1 April 2006	<b>170,263</b>	<b>9,966,970</b>		<b>1,075,316</b>	<b>11,212,549</b>
Additions	5,478		1,864,653		1,870,131
Disposals	(6,185)				(6,185)
Cost at 31 March 2007	<b>169,556</b>	<b>9,966,970</b>	<b>1,864,653</b>	<b>1,075,316</b>	<b>13,076,495</b>
Amortisation at 1 April 2006	<b>59,739</b>	<b>5,731,486</b>		<b>22,402</b>	<b>5,813,627</b>
Provided during the year	38,244	2,169,509		268,828	2,476,581
Disposals	(6,185)				(6,185)
Amortisation at 31 March 2007	<b>91,798</b>	<b>7,900,995</b>		<b>291,230</b>	<b>8,284,023</b>
Net Book Value at 31 March 2007	<b>77,758</b>	<b>2,065,975</b>	<b>1,864,653</b>	<b>784,086</b>	<b>4,792,472</b>
Net Book Value at 31 March 2006	<b>110,524</b>	<b>4,235,484</b>		<b>1,052,914</b>	<b>5,398,922</b>

\* The SIA extended its original contract with BT for three months until September 2007. A new contract with BT will come into operation from October 2007 for three years. The SIA has estimated that 35% of the original capitalised asset will be utilised within the new system and has therefore been relieved to the end of the second contract in September 2010, with the balance being written off by September 2007.

## Note 8 Tangible fixed assets

	Leasehold improvements	Furniture and office equipment	Computer equipment	Total
	£	£	£	£
Cost at 1 April 2006	381,316	205,136	427,370	1,013,822
Additions	326,171	99,907	52,969	479,047
Disposals	(381,316)	(76,026)	(26,557)	(483,899)
Cost at 31 March 2007	<u>326,171</u>	<u>229,017</u>	<u>453,782</u>	<u>1,008,970</u>
Depreciation at 1 April 2006	311,985	76,945	349,017	737,947
Depreciation provided during the year	86,497	72,944	51,572	211,013
Disposals	(381,316)	(44,278)	(24,377)	(449,971)
Depreciation at 31 March 2007	<u>17,166</u>	<u>105,611</u>	<u>376,212</u>	<u>498,989</u>
Net Book Value at 31 March 2007	<u>309,005</u>	<u>123,406</u>	<u>77,570</u>	<u>509,981</u>
Net Book Value at 31 March 2006	<u>69,331</u>	<u>128,191</u>	<u>78,353</u>	<u>275,875</u>

## Note 9 Debtors (falling due within one year)

	2006/07 £	2005/06 £
Trade debtors	644,323	1,355,565
Accrued income	634,631	387,905
Other debtors	27,735	36,336
Season ticket loans to staff	18,913	17,340
Prepayments	175,952	283,439
	<u>1,501,554</u>	<u>2,080,585</u>
Less provision for bad debts	30,000	14,000
<b>Total debtors</b>	<u>1,471,554</u>	<u>2,066,585</u>

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

## Intra-government balances

Balances with other central government bodies	£655,339	NIL
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## Note 10 Creditors (due within one year)

	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>£</b>
Trade creditors	184,406	901,978
Other creditors	NIL	150
Sundry Creditors	822,009	1,783,445
Accruals & Deferred Income	3,492,214	3,262,718
Taxation & Social Security	101,668	113,618
	<u><b>4,600,297</b></u>	<u><b>6,061,909</b></u>
Balances with other central government bodies	<u><b>1,239,936</b></u>	<u><b>2,828,880</b></u>
Balances with local authorities, NHS Trusts, Public Corporations and Trading Funds	NIL	NIL

## Note 11 Analysis of changes in cash

	<b>2006/07</b>		<b>2005/06</b>
	<b>£</b>		<b>£</b>
Balance at 31 March 2006	4,440,638	Balance at 1 April 2005	1,543,197
Decrease in cash	<u>(3,418,221)</u>	Increase in cash	<u>2,897,441</u>
Balance at 31 March 2007	<u><b>1,022,417</b></u>	Balance at 31 March 2006	<u><b>4,440,638</b></u>

## Financial reporting standard 13 derivatives and other financial instruments

The SIA has no borrowings. Its income is principally generated by the issuing of licences and income from the Approved Contractors Scheme. In addition it receives grant in aid from the Home Office and is therefore not exposed to liquidity risks. The SIA has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

## Note 12 Reserves

### General reserve

	<b>Notes</b>	<b>2006/07</b>		<b>2005/06</b>
		<b>£</b>		<b>Restated</b>
				<b>£</b>
Balance at 1 April 2005 Restated		6,120,112	Balance at 1 April 2005 Restated	8,893,238
Net expenditure		(1,824,311)	Net expenditure Restated	(3,123,039)
Grant in Aid towards Resource		2,000,822	Grant in Aid towards Resource	18,274,914
Grant in Aid towards fixed asset purchases		1,999,178	Grant in Aid towards fixed asset purchases	1,225,086
Grant in Aid appropriated to the Home Office		(5,201,663)	Grant in Aid appropriated to the Home Office	(19,150,087)
Monies repayable to the consolidated fund		(661,511)		
<b>Balance at 31st March 2007</b>		<b><u>2,432,627</u></b>	<b>Balance at 31st March 2006</b>	<b><u>6,120,112</u></b>

### Government grant reserve

	<b>2006/07</b>		<b>2005/06</b>
	<b>£</b>		<b>£</b>
Balance at 1 April 2006	0	Balance at 1 April 2005	0
Additions	350,000		
<b>Balance at 31 March 2007</b>	<b><u>350,000</u></b>	<b>Balance as at 31 March 2006</b>	<b><u>0</u></b>

The Government Grant Reserve was established this year in recognition of the capital contribution from the Scottish Government towards the development of systems and processes for the new managed service provider. As the asset has not entered into use, there is no transfer of the depreciation charge to the Income and Expenditure account for this financial year.

## Note 13 Reconciliation of operating surplus to cash inflow from operating activities

	<b>2006/07</b>	<b>2005/06</b>
	<b>£</b>	<b>Restated</b>
		<b>£</b>
Operating surplus/(deficit)	(1,824,311)	(3,123,039)
Depreciation	2,687,594	3,442,349
Decrease/(increase) in debtors relating to operating items	925,073	(1,167,194)
(Decrease)/increase in creditors relating to operating items	(545,192)	3,387,199
Increase in provisions	429,500	9,203
Loss on disposal of fixed assets	33,929	0
<b>Net cash inflow from operating activities</b>	<b>1,706,593</b>	<b>2,548,518</b>

## Note 14 Capital commitments

As at 31st March 2007 the SIA had committed £1.6m to capital expenditure.  
(Nil in 2005/06)

## Note 15 Commitments under operating leases

Operating leases which expire:

	<b>2006/07</b>		<b>2005/06</b>	
	<b>Building</b>	<b>Equipment</b>	<b>Building</b>	<b>Equipment</b>
Within one year			386,305	
Within two-five years		1,486		5,965
Over five years	320,247			

## Other Financial Commitments

The SIA's contract with its managed service provider, BT, which is a mixture of fixed and variable service charges has been extended to September 2007 with fixed charges of £2 million being payable. From 1 October a new contract with BT will come into force, which is based on lower fixed charges with a higher variable element depending on the level of applications forecast in the period. The fixed charges payable from October 2007 to March 2008 will be £632,727.

## Note 16 Contingent liabilities

There are no contingent liabilities.

### **Note 17 Post balance sheet events**

The Approved Contractors Scheme launched in March 2006 was strongly welcomed by the industry and as a result the SIA over-recovered on the costs incurred. The SIA following discussions with Treasury has been required to pay over the surplus of £661,511 to the Treasury. A review of fees for 2007/08 is currently being undertaken.

The non-departmental public body accounts were authorised for issue on 24th July 2007.

### **Note 18 Related party transactions**

The Home Office is regarded as a related party to the SIA. During the period ended 31 March 2007 the Home Office provided the SIA with Grant in Aid. A small number of transactions were made with other government departments and other central government bodies, including the Criminal Records Bureau, Inland Revenue and the Treasury Solicitor.

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

### **Note 19 Losses and special payments**

The SIA made no losses or special payments in excess of £250,000 during the year.







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