



UK Border Agency

Annual Report and Accounts

2011-12



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(For the year ended 31 March 2012)

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FOREWORD

This has been a year of transition for the UK Border Agency. Personally, I joined the agency in September 2011 after many years leading service improvement and change in the local government sector. The nature of local government work is, of course, very different to that of a national law-enforcement agency with international reach. That is apparent from the scale of public interest in our work and the intensity of media and parliamentary scrutiny.

However, many of the challenges are the same – the need to increase performance considerably with less money, improve customer service while applying a complex regulatory framework and adapt to rapid change is familiar to all public sector organisations, not to mention those in the charity and private sectors. These are the challenges we continue to tackle as we move into the next phase for the agency.

Although 2011-12 was a challenging year, I am pleased to report that we improved or maintained performance in most areas, while reducing costs to the taxpayer by over £270 million. In particular we decided over 2.6 million visa applications and over one million applications to stay in the UK, removed around 52,000 people from the UK who had no right to be here and implemented tougher immigration rules to help achieve the government's aim of reducing net migration to the tens of thousands. We also upgraded our detention facilities, launched new premium services, moved more of our paper based processes online and reduced back office costs. On top of all of this, we have also been doing our part to ensure a safe and secure Olympics, registering around 13,000 biometric details from games family members overseas to ensure their smooth arrival into the UK.

While improvements have been made, events during the year showed that there were some underlying issues and the Home Secretary decided that the breadth of responsibilities and the scale of challenge were too great for one agency to handle. As a result, immigration and border policy and border operations are now delivered by separate directorates in the Home Office and the agency is now smaller and more tightly focused on a narrower, but still hugely demanding, set of objectives including reducing immigration, enforcing immigration laws and improving customer service.

These changes have provided a clear opportunity for the agency to build its capability but, quite rightly, the public expects to see immediate improvements. My ultimate goal is to achieve our new vision of developing a continuously improving agency that is competent, effective and which delivers value for money. We have already taken steps to address some of the identified issues and have reorganised ourselves to increase control and compliance.

Rob Whiteman
6 July 2012

1. MANAGEMENT COMMENTARY

HISTORY AND VISION

- 1.1 The UK Border Agency, an executive agency of the Home Office, achieved full executive agency status on 1 April 2009.
- 1.2 The UK Border Agency's vision is to be a highly competent, continuously improving organisation which controls migration for the benefit of the UK, makes correct decisions on who may visit or stay, and deters or removes those who have no right to be here, in a way that affords value for money for the taxpayer.

GOVERNANCE AND RISK MANAGEMENT

- 1.3 The agency reports to the Home Secretary. Damian Green MP is the Minister of State for immigration. He is the lead minister for all the work of the agency and Border Force.
- 1.4 I took office as chief executive on 26 September 2011. Jonathan Sedgwick was acting chief executive between 9 January 2011 and 25 September 2011.
- 1.5 Strategic direction is set by the UK Border Agency strategic board, which meets monthly. It includes me as chief executive and also a director from each of the operational and corporate service groups, as well as the interim chief operating officer. It is supported by senior officials from the Foreign & Commonwealth Office (FCO) and a senior police officer, who represent our key operational partners. In March 2012, Philip Augar was appointed by the Home Secretary as the first non-executive chair of the strategic board. Other non-executive directors also attend the strategic board. Corporate governance arrangements are set out in greater detail in the governance statement below (section 4).
- 1.6 An executive board meets monthly and is chaired by me.
- 1.7 Full details of board remuneration for the period ending 31 March 2012, including details of the remuneration of the highest paid director relative to median pay, are set out in the remuneration report below (section 3). The details of company directorships and other significant interests held by agency board members are held by the Home Office, which seeks annual updates on any potential conflicts of interest. This information is held in a central register of interests which was updated in March 2012. While this register is not accessible to the public, it is available for internal inspection in accordance with Cabinet Office guidelines. If an interest is declared, the Home Office will carry out an internal investigation and recommend appropriate action to the Permanent Secretary whose decision and any resulting action is then recorded in the register.

- 1.8 To help secure and ensure continued public confidence in its work, the agency submits its work to independent scrutiny. The Independent Chief Inspector of Borders and Immigration, the HM Inspector of Constabulary, HM Inspector of Prisons, the Independent Police Complaints Commission, the Office of the Surveillance Commissioner and the Interception of Communication Commissioner's Office all have roles in inspecting what we do. The agency works collaboratively with all of them to respond constructively to their reports and to improve its performance by disseminating and incorporating the lessons learned from their inspections.
- 1.9 The agency's governance, risk and control framework has been designed to drive and monitor operational and financial performance, and manage key risks and the delivery of our major change programmes. Operational and financial performance against the objectives set out in the agency's business plan for 2011-12 was good. Also, the agency has made further progress in building control systems and developing a culture of good risk management. However, we recognise the need to further modernise and improve our performance and acknowledge that some weaknesses in our governance, control and risk management arrangements were identified this year. An agency transformation programme is already underway to ensure that we continue to build on the progress we have made, whilst addressing the identified weaknesses.

STRUCTURE

- 1.10 During 2011-12, the agency was structured according to its primary functions and its geographic spread. It had three operational groups: international group, responsible for processing visa applications overseas; immigration group, responsible for immigration applications made in the UK and coordinating regional and enforcement activities; and enforcement and crime group, responsible for coordinating detention and removal activities. Additionally, there were corporate service groups responsible for strategy, intelligence, communications and managing the agency's resources and people.
- 1.11 From 2008 until March 2012 Border Force was an operational group within the agency. Following a review conducted by the Independent Chief Inspector of Borders and Immigration into border security checks, the Home Secretary announced on 20 February 2012 that would de-merge from the UK Border Agency with effect from 1 March 2012 to become a directorate within the Home Office.¹
- 1.12 As a result of this change, the agency's annual report and accounts for 2011-12, and the comparative accounts for 2010-11, exclude information about Border Force activities and resources. Details about the activities

¹ The Vine report into UK border checks is available online at <http://icinspector.independent.gov.uk/home/investigation-into-border-security-checks-20-02-12-2/>.

of, financial accounts for and staffing information about is set out in the Home Office annual report and accounts.

1.13 Changes were made to the agency structure in 2011-12 and further changes will be made in 2012-13. The new structure is designed to focus on operational delivery, centralise support functions, improve efficiency and control and encourage flexible working. Specifically:

- Responsibility for immigration and border policy transferred from the agency to the Home Office in July 2011.
- A director of strategy and intelligence was appointed, responsible for a number of cross-cutting and centralised functions including strategic intelligence, business strategy, a new operating model, operational policy and case working processes, performance and compliance, and communications.
- A director of operations was appointed, responsible for tasking across the organisation, running a newly centralised operational intelligence function, and driving day-to-day operations and performance.
- A crime and enforcement directorate was created, responsible for enforcement operations, removals logistics and criminal casework.
- Further changes made during 2012-13 will mean the agency has three commands managing delivery of operations and services and three commands coordinating and managing cross-cutting issues.

1.14 The Immigration Act 1971 is the foundation of the current legal framework. Subsequent legislation has provided vital additions and strengthening measures to respond to changes over the past 40 years. The relevant current acts of Parliament are:

- Immigration Act 1971
- Immigration Act 1988
- Asylum and Immigration Appeals Act 1993
- Asylum and Immigration Act 1996
- Special Immigration Appeals Commission Act 1997
- Immigration and Asylum Act 1999
- Nationality, Immigration and Asylum Act 2002
- Asylum and Immigration (Treatment of Claimants, etc) Act 2004
- Immigration, Asylum and Nationality Act 2006
- UK Borders Act 2007
- Criminal Justice and Immigration Act 2008
- Borders, Citizenship and Immigration Act 2009.

RELATIONSHIPS WITH KEY PARTNERS AND ORGANISATIONS

1.15 The UK Border Agency works closely with partners and other interested organisations that are key to the delivery of our business to:

- Design policies and services that better meet the needs of customers and the public.
- Improve the quality and efficiency of the services we deliver.
- Communicate with our customers and the public, especially those we find it challenging to engage with directly.

1.16 Our partners are those groups, organisations or representatives who reflect the interests and views of those affected by our activities or who wish to influence them. We interact with a diverse range of organisations from different sectors of society, including:

- Border Force, the police, local authorities and port authorities.
- National organisations representing, for example, the arts, private sector employers, the education sector and the aviation and maritime industry.
- International stakeholders such as the International Air Carriers Organisation, the International Organization for Migration and the United Nations High Commissioner for Refugees.
- Domestic organisations providing advice and support to asylum seekers.

FUNCTIONAL OVERVIEW OF UK BORDER AGENCY WORK IN 2011-12

1.17 Making decisions on applications to travel to or stay in the UK is at the heart of the agency's business. Overseas, the agency decides around 2.6 million applications for visas each year from visitors, students, migrants and other people who want to come to the UK. It also decides over 1 million applications from people applying to stay in the UK temporarily or permanently. By implementing an annual limit on the number of non-EU economic migrants coming to the UK and as a result of other government policies, the government anticipates that net migration will be in the tens of thousands in future.

1.18 The agency works together with partners to tackle immigration crime in the UK and overseas, using intelligence to ensure that threats are understood and responded to. It provides the UK's capability to deport or exclude foreign national offenders and removes people who are in the UK with no legal right to remain, prioritising those who threaten national security or public safety. It also manages the asylum system in the UK, protecting those in need of refuge and removing failed asylum seekers.

1.19 The agency generates income from the fees paid by migrants applying to enter or stay in the UK. This income funds more than half of the agency's operating costs.

1.20 The agency's main objectives in 2011-12 were to control migration, reduce costs and improve customer service. These objectives support the Home Office's structural reform priority to secure the border and reduce immigration and reflect the government's growth agenda. The agency has made progress against all of these objectives:

- There was a 62 per cent drop in the number of student visas in the first quarter of 2012 and overall falls in work visas issued, family numbers and people settling. The latest estimates show that in the 12 months to September 2011, net migration – the number arriving in the UK to stay for more than a year minus those leaving for good – was 3,000 lower than the previous year.
- As a result of the agency’s efforts to reduce its costs in line with the government’s austerity plans, total resource spending has reduced by around £230 million, while net operating costs (the cost to the taxpayer) have fallen by over £270 million.
- The agency has increased the proportion of migration applications decided within published timeliness standards (this includes over 3.5 million applications from customers for visas and for permission to stay in the UK).

1.21 The UK Border Agency implements immigration and border policies developed by the Home Office, supporting delivery of the Home Office’s structural reform plan (SRP) priority to secure our border and reduce immigration. In 2011-12, the agency implemented or helped to implement, 15 sub-actions and three complete objectives within the SRP (these are listed in figure 1 below). A more detailed summary of achievements including on borders and immigration, is set out in the Home Office annual report and accounts.

IMMIGRATION AND BORDER CONTROL STRUCTURAL REFORM PLAN ACTIONS COMPLETED IN 2011-12 ²		
ACTIONS	SUB-ACTIONS	STATUS
4.2 Strengthen the system of granting student visas to reduce abuse with the likely consequence of reducing net migration	4.2(i) Review the student visa system and bring forward proposals to prevent abuse with the likely consequence of reducing net migration	complete
	4.2(ii) Implement first proposals arising from the review of the student visa system to prevent abuse with the likely consequence of reducing net migration	complete
	4.2(iii) Implement final set of proposals through rule changes to student visas	complete
4.3 Strengthen the system of granting spouse visas to reduce abuse and support the integration of long term migrants in local communities	4.3(i) Make changes to visa systems regarding English language requirements for spouses	complete
	4.3(ii) Consult on family migration, including family settlement	complete

² Action 4.1 “Establish a Border Police Command to secure our borders, as part of the new National Crime Agency” was the responsibility of the Home Office throughout the reporting period. An update on this action can be found in the structural reform programme section of the Home Office annual report and accounts.

<p>4.4 Set an annual limit on the number of non-EU economic migrants admitted to the UK. As a result of this and other policies we anticipate net migration will be in the tens of thousands in future</p>	<p>4.4(i) Set an interim limit on non-EU economic migrants</p> <p>4.4(ii) Consult on how best to operate an annual limit, taking into account the economic, social and public service impacts of migration</p> <p>4.4(iii) Set a new annual limit on non-EU economic migrants, following the outcome of the consultation exercise</p> <p>4.4(v) Independent Migration Advisory Committee to review the level of the annual limit for 2012-13</p> <p>4.4(vi) Conduct a review of the operation of the policy for the annual limit</p> <p>4.4(viii) Implement new settlement rules including requirements for applicants to demonstrate English-language proficiency, continue to meet the salary threshold and to pass a new criminality test</p> <p>4.4(ix) Consult on further changes to settlement rules to break the link between temporary migration and settlement</p>	<p>complete</p> <p>complete</p> <p>complete</p> <p>complete</p> <p>complete</p> <p>complete</p> <p>complete</p>
<p>4.5 Speed up the processing of asylum applications</p>		<p>all actions now complete</p>
<p>4.6 End the detention of children for immigration purposes</p>		<p>all actions now complete</p>
<p>4.7 Support e-Borders to help protect the UK against terrorist attack, serious cross-border crime and abuses of the immigration system, assessing passengers in advance of their arrival in the UK. Reintroduce exit checks.</p>	<p>4.7(vi) Implement the new immigration and asylum biometric system</p>	<p>complete</p>
<p>4.8 Stop the removal of asylum seekers who have had to leave particular countries because their sexual orientation or gender identification puts them at proven risk of imprisonment, torture or execution</p>		<p>all actions now complete</p>

Figure 1: Immigration and border control SRP actions completed in 2011-12

ACTIVITIES

Controlling migration

- 1.22 Overseas, the agency issues visas to visitors, students, migrants and other people who want to enter the UK. We work with the Home Office and Foreign and Commonwealth Office to maintain effective visa relationships with European Economic Area (EEA) countries.
- 1.23 Within the UK, the agency considers applications from foreign nationals to extend their stay, become permanent residents or British citizens, or to seek asylum.
- 1.24 As part of an ongoing programme of policy implementation the agency implemented tough new immigration rules during 2011-12 to reduce the number of non-EEA economic migrants, including:
- A new 20,700 annual limit on visas for non-EEA skilled workers until April 2014, and minimum salary requirements for skilled workers who wish to settle in the UK.
 - Closure of the post-study work route.
 - Trials of interviews conducted overseas to verify student visa applications.
 - A five year limit on the time allowed for foreign students to complete an undergraduate degree.
 - An increase in the amount of funds students need in order to meet maintenance requirements when applying to study in the UK.
 - Enhanced language requirements for foreign spouses.
 - A one year limit on the amount of time temporary workers can stay in the UK under youth exchange schemes.
 - Tougher rules on overseas domestic workers.
- 1.25 In support of the government's growth agenda, the agency implemented new graduate entrepreneur and investor visas to encourage the creation of new UK jobs and economic growth.
- 1.26 The agency has continued to drive improvements in the asylum system. This year it increased the proportion of cases concluded within 12 months and reduced the cost of supporting asylum seekers by £120 million compared with 2010-11.
- 1.27 The agency provides the UK's capability to deport or exclude foreign national offenders. The agency also removes people who are in the UK with no legal right to remain, including failed asylum seekers. Priority is given to removing those who threaten national security or public safety. The agency uses lawful detention, as a last resort, to enable enforced removals. During 2011-12, it has taken steps to improve the quality and effectiveness of its detention estate.

Achievements:

1.28 During 2011-12 the agency:

- Processed 2.6 million applications for a visa, of which 328,000 were refused, while also meeting our customer service targets.
- Delivered further roll-out of the immigration case working system, including overseas.
- Removed around 52,000 people including:
 - around 4,500 foreign national offenders
 - around 9,000 failed asylum seekers
 - around 23,500 others (including non asylum voluntary returns)
 - around 15,000 people who were refused entry at a port or an airport.
- Excluded 26 people from the UK and deprived seven others of British citizenship.
- Improved its detention and short-term holding facilities by:
 - Converting the prison site at Morton Hall, Lincolnshire into a new removal centre
 - Opening a new short term holding facility in Larne, Northern Ireland
 - Opening Cedars, the new family accommodation centre operated jointly by G4S and Barnados
 - Returning the removal centre at Lindholme, South Yorkshire to the National Offender Management Service (NOMS).
- Commenced a programme to target absconders including people who had overstayed their visa.
- Concluded around two thirds of asylum cases in one year, an 8 per cent increase on performance in 2010-11.
- Implemented a new immigration and asylum biometric system (IABS) that enables more secure identification through improved capture, use and storage of biometric identity data.

Tackling immigration crime and supporting a secure border

1.29 The UK Border Agency works with a wide range of partners to tackle immigration crime in the UK and overseas. It gathers and analyses intelligence to understand and respond to threats proportionately, for example by acting on allegations about people working illegally or by participating in complex multi-agency international operations.

1.30 Overseas the agency maintains a global risk and airline liaison officer network (RALON). RALON officers liaise with foreign governments, air and sea carriers and others to identify and prevent people with no right to enter the UK from boarding flights or ferries to the UK. This includes a programme to train employees of air and sea carriers to spot fraudulent travellers.

1.31 In the UK, the agency investigates serious immigration and border crime by providing an investigative capability and supporting

prosecutions against organised criminal networks who seek to undermine our border and immigration controls and cause harm to individuals or communities.

- 1.32 At the border the agency provides a secondary caseworking function to enable investigation of non-EEA nationals seeking leave to enter the United Kingdom who are stopped by Border Force. These investigations can lead to removals and around 10 per cent of the agency's detention estate is set aside to enable the removal of such people, usually within 48 hours.
- 1.33 The agency also develops and maintains highly effective international relations to enable the enforced removal of people with no legal right to remain in the UK. The co-operation of foreign governments with enforced removals of their nationals is essential to deter potential illegal economic migrants and ensure compliance with legal routes of entry into the UK.

Supporting a safe and secure London 2012 games

- 1.34 During 2011-12 the agency put in place a number of measures to provide security for the summer 2012 London Olympic and Paralympic Games. Actions taken included:
- Collecting 10,000 biometric records overseas from Olympic and Paralympic Games family members.
 - Managing the Olympic clearing house (OCH), which is responsible for processing the security background checks of all accredited persons. On behalf of the Home Office, the OCH is checking the backgrounds of, and processing around 450,000 applications for accreditation. The majority of individuals will be games workforce and volunteers based in the UK, with around 70,000 remaining applications from games family members overseas.
 - Allocating additional resources to develop, train, maintain and deploy a flexible group of staff to address the predicted requirement for additional capacity at the border related to extra passenger arrivals.
 - Supporting government-wide security exercises in preparation for the games.

Achievements:

- 1.35 In 2011-12, the UK Border Agency, working with Border Force and the police:
- Prevented the embarkation onto flights to the UK of around 9,000 incorrectly documented passengers at ports all around the world
 - Disrupted or dismantled 74 organised crime groups
 - Identified and enabled the arrest of more than 2,700 persons at the border as a result of intelligence

- Introduced a secure online form to enable members of the public to report concerns about illegal working or goods smuggling. The form is available at <https://report-ukba.homeoffice.gov.uk/>.

Reducing costs and improving customer service

1.36 The agency has begun a major transformation of its organisation, which will continue over the next three years. The steps taken in 2011-12 will be part of a broader transformation programme designed to deliver a smaller, more efficient agency capable of continuing to deliver its commitments whilst working in partnership with key stakeholders. This includes making greater use of technology, using intelligence and focusing resources and activity on the greatest risks.

Delivering savings to the taxpayer

1.37 In 2011-12, the agency delivered at least £218 million of cash savings, as part of the agency's commitment to reduce its cost to the taxpayer by up to 23 per cent between 2011 and 2015. These savings were delivered across the agency through the greater use of business intelligence; business process redesign; automation of caseworking; and better workforce utilisation. This enabled the agency to maintain performance while making workforce reductions, which in turn facilitated the consolidation of desk-top IT and office space. Specific savings in 2011-12 included:

- Asylum support costs reduced by around £120 million compared to outturn in 2010-11. This was due in part to a lower intake of new cases than had originally been forecast, but also because cases were processed more quickly.
- Over £10 million saved in detention costs through contract savings and by deploying detainees to locations more efficiently.
- Over £15 million saved on IT costs through contract savings and greater use of shared services.
- Over £5 million saved on property costs through contract negotiations with landlords, greater use of desk sharing, and reduced file storage.

Delivering customer service

1.38 The agency is committed to providing a professional service and treating people with fairness and respect throughout the organisation. Therefore, it is working to achieve customer service excellence accreditation in operational areas, with 16 areas gaining accreditation in 2011-12. They include services for premium paying customers and investors, such as public enquiry offices and the points based system, as well as offices dealing with individuals who are required to report to the UK Border Agency as part of their ongoing case. We will continue to roll the standard out across the agency during 2012-13.

- 1.39 The agency staff suggestion scheme has recently implemented several ideas which directly improve our customer service – one of which has led to nationality applicants in the North West now receiving a text message to remind them that they are due to submit documents to us (helping to prevent their applications being delayed). The suggestion scheme has streamlined the nationality process and helped to generate efficiencies that have significantly exceeded the cost of the scheme.
- 1.40 In 2011-12, the agency also maintained or improved customer service standards by:
- Consolidating multiple visa information websites into one single website.
 - Offering an increased range of premium services in the UK and overseas.
 - Using customer feedback and other data to help us make better, evidence-based decisions on the design of new services.
 - Transferring an extra 15 per cent of visa applications online, with 61 per cent of visa applications processed online by the end of March 2012.
 - Improving performance against the Cabinet Office’s target to reply to 95 per cent of written (‘treat official’) correspondence from members of the public within 20 days reaching 95.4 per cent in March 2012.
 - Delivering a 23 per cent cut in the volume of letters received from Members of Parliament in the first quarter of 2012 compared to the first quarter of 2011 as a result of closer working between agency officials and MPs and their offices to encourage more self-service, telephone and email contact with the agency.
 - Completing 91 per cent of Freedom of Information Act 2000 requests against a target of 90 per cent in 20 days (compared with 86 per cent completed within standard in 2010-11³).
 - Completing 91 per cent of subject access requests submitted in accordance with the Data Protection Act 1998 against a target of 100 per cent in forty days (compared with 93 per cent in 2010-11⁴).

Delivering new IT

- 1.41 Our major IT programme is the immigration casework programme (ICW) which is transforming the landscape for our customers and caseworkers by moving from paper-based caseworking to online processing. This enables efficiencies to be identified in business process design as well as required numbers of caseworkers. During 2011-12:

³ Further information about Freedom of Information Act requests can be found online at <http://www.homeoffice.gov.uk/agencies-public-bodies/ips/t-c/foi/>

⁴ Further information about subject access requests submitted in accordance with the Data Protection Act 1998 can be found online at <http://www.ukba.homeoffice.gov.uk/navigation/personal-data/>

- The online application process on the UK Border Agency website which enables customers to apply using interactive forms, was enhanced by the introduction of customer accounts and appointment booking. There are currently 14 live, interactive software applications.
- The UK Border Agency document centre (in North West England) was opened in September 2011 and is now scanning documents for live cases to be decided.
- The live case decision tool, which supports caseworkers through the decision making process, is live and has been operating in a number of visa posts abroad. There have been some early, technical problems, root causes for which have now been identified. We have held-off from rolling the system out more widely while these issues are resolved.
- The in-country end-to-end paperless casework solution for temporary migration student applications has been developed and is currently being tested.
- The UK Border Agency search tool, which enables a single “Google-like” search across a number of existing agency IT systems, has been improved. This supports caseworkers in gathering information about applicants.
- The core desktop computer systems used by our staff were comprehensively upgraded through the “extend and blend” scheme to improve cross-agency functionality.

PERFORMANCE METRICS IN THE TRANSPARENCY FRAMEWORK

- 1.42 As part of the government’s commitment to transparency, the agency publishes information to enable the public to judge its performance. Currently, there are four indicators of agency performance within the transparency section of the Home Office business plan. The indicators and the latest performance results (outturn performance information) are set out in figure 2 below.
- 1.43 These indicators appear in the Home Office business plan, which you can read at www.homeoffice.gov.uk. A detailed transparency section on the same website also:
- provides quarterly performance updates on the impact indicators
 - sets out technical definitions for the indicators
 - explains how the indicators will be measured
 - explains what datasets will be published and where they can be found.

Indicator	2011-12	2010-11	Context
<u>Input indicators</u>			
Cost per decision for all permanent and temporary migration applications	£223	£217	Figure quoted is based on internal management information. The figure for 2010-11 has been revised from £212 to take account of the full cost recovery model. For more information visit our website: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/cost-per-decision/
<u>Impact indicators</u>			
Net migration to the UK	252,000	255,000	The provisional data published in last year's ARA differs as the estimate of net long-term migration to the UK in the year ended September 2010: Migration Statistics Quarterly Report, May 24 2012: http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/may-2012/index.html
Percentage of migration applications decided within published standards	91%	93%	Figure quoted is based on internal management information. For more information visit our website: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/percentage-of-migration/
Percentage of asylum applications concluded in one year	63%	56%	Figure quoted is based on internal management information. For more information visit our website: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/percentage-of-asylum-application/

Figure 2: Transparency indicators

- 1.44 The cost per decision for all temporary and permanent migration applications increased slightly in 2011-12 in line with expectations set out in last year's annual report (2010-11 report, paragraph 1.29). This was the result of a smaller but more complex immigration caseload, following changes made to tighten entry routes for non-EEA nationals and the planned cessation of the worker registration scheme, which applied to EU nationals whose countries joined the EU on 1 May 2004. The work authorisation arrangements that apply to Bulgarian and Romanian nationals remain in force until the end of December 2013. The total number of migration applications received in the United Kingdom in 2011-12 was 12 per cent lower than in 2010-11.
- 1.45 The customer service standards are different for different types of applications. For some in-country routes applications can be made in person at a public enquiry office or by post and there are different standards for these 2 application processes. The data in figure 2 are a consolidated view of the standards.

PEOPLE

Staff numbers

- 1.46 The UK Border Agency business plan for the period 2011-15 envisaged that the agency (including Border Force) would reduce its workforce by around 5,200 full time equivalent (FTE) staff to around 18,000 FTE staff by March 2015. The size of the agency's workforce (excluding Border Force) reduced by 1,472 FTE in 2011-12 based on year averages. On 31 March 2012, the combined agency and Border Force staffing figure was 20,469 FTE including around 190 inwardly seconded police officers. Of that year-end total:
- 12,886 were working in the UK Border Agency
 - 7,583 FTE staff transferred to Border Force on 1 March 2012.
- 1.47 The average number of FTE staff paid directly or indirectly by the UK Border Agency during 2011-12 was 14,112 (compared to 15,584 during 2010-11)⁵. The agency plans to reduce this number to around 11,100 by 31 March 2015 in line with existing spending commitments. The agency delivers some shared services for Border Force and there are also some functions being carried out in Border Force that will be transferred to the agency, but staff performing those activities are not identified separately. Figure 3 below shows FTE reductions for the period 2010-2015.

⁵ For more information about staff numbers, see Note 3 of the accounts (section 7, below)

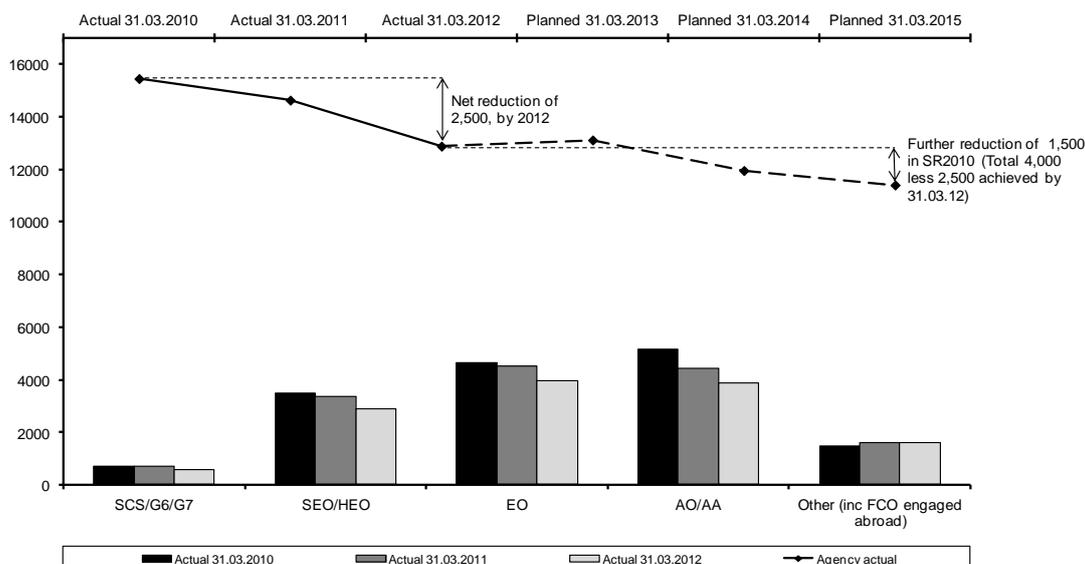


Figure 3: UK Border Agency staffing 2010-2015 (excluding Border Force)

Getting the best from our people

1.48 The agency's staff are highly committed to their roles. As an employer, we support our staff by equipping them with the skills and tools they need to deliver for and protect the public. To help us assess whether we have clear strategies in place, staff are engaged and involved in decision-making, ensuring there are clear management expectations and that learning and development is used to improve performance. The agency is regularly measured against the Investors in People (IIP) standard. Following an IIP review during Autumn 2011, the agency retained recognition as an investor in people.

Diversity

1.49 We are committed to making sustainable progress on equality and diversity in all areas of our business. We continue to work to embed the Home Office diversity strategy within our business planning processes and will ensure that we fully implement the provisions of the Equality Act 2010 in our roles as policymaker, service provider and employer. In accordance with our responsibilities under the public sector equality duty we will set measurable objectives for areas of our business which engage equality issues. These will be published and we will report on progress.

1.50 We have a diverse workforce employed throughout the UK and overseas. The agency staffing profile remains generally representative of the wider community and compares favourably with census data. Diversity information for all staff in the UK Border Agency in 2011-12 compared to 2010-11 (excluding Border Force) is set out in figure 4

below. Senior civil servants in the UK Border Agency are broadly representative of the wider community with all relevant protected characteristics well represented. Figure 5 shows the diversity of senior civil servants working in the UK Border Agency (excluding Border Force) over the same period.

	UK Border Agency diversity during 2010-11 (excluding Border Force)	UK Border Agency diversity during 2011-12 (excluding Border Force)
Black & minority ethnic (BME) staff	30%	28%
Disabled staff	7%	6%
Female staff	57%	57%
Lesbian, gay and bisexual (LGB) staff	3%	3%
Part-time staff	20%	21%

Figure 4: UK Border Agency staff diversity 2011-2012⁶

	UK Border Agency senior civil service 2010-11	UK Border Agency senior civil service 2011-12
Black & minority ethnic (BME) staff	Less than 5%	5%
Disabled staff	7%	5%
Female staff	35%	40%
Lesbian, gay and bisexual (LGB) staff	14%	12%

Figure 5: UK Border Agency senior civil service staff diversity 2011⁷

Leadership and Management

1.51 Building on the agency’s leadership and management development programme, we continue to improve the capability and professionalism of our leaders and managers through “civil service learning” (which now provides courses and resources for developing skills for all UK civil

⁶ The numbers in this table have been rounded to the nearest whole per cent

⁷ The numbers in this table have been rounded to the nearest whole per cent

servants), and through development based on day-to-day work experience.

Representation, Communication and Consultation

1.52 The agency is committed to ensuring that staff interests are properly represented. There are four recognised trade unions and employee representatives are given facility time to allow them to take part in industrial relations duties. In 2011-12 the agency was affected by two instances of government-wide industrial action (on 30 June 2011 and 30 November 2011). Both instances concerned government-wide plans to reform civil service pensions. Full contingency plans were developed with agency staff who worked to support operations at the border.

1.53 The agency also works with specific bodies for consulting minority staff groups. We provide resources for these and other representative bodies. They include:

- The Network, for members of staff from black and minority ethnic communities
- Home Office Disability Support Network, representing staff with disabilities
- Spectrum, for lesbian, gay, bisexual, and transgender members of staff
- a:gender, for staff who have changed or need to change permanently their perceived gender, or who identify as intersex
- Home Office Women.

1.54 The agency has revised its communication channels in the past two years to improve staff engagement. This has led to more modern communications tools, improvements in how the agency delivers information on organisation and business developments to staff and more opportunities for staff to provide feedback. The channels used range from personal messages from the chief executive to tools aimed at helping managers deliver better briefings for their teams. The new internal communications quarterly survey provides quantitative evidence which is used to improve staff engagement and the quality of specific campaigns. Alongside this, qualitative feedback is obtained from senior managers and frontline staff alike in face-to-face meetings. The agency played a key role in the “Home Office We Want to Be” campaign in March 2012 with a dedicated week of activities to promote the exchange of good practice and embed continuous improvement activity.

Sickness absence

1.55 Over the last 12 months the agency has strengthened the sickness data available to managers. For the year to March 2012 the average paid days of sick leave per staff member was 8.49 days per FTE. This

figure excludes Border Force staff whose sickness absence rates are reported in the Home Office annual report and accounts.

Median pay across the agency and highest paid director

1.56 The multiple of chief executive to workforce median pay in 2011-12 was 7.0, down from 8.6 in 2010-11. Further details are set out in the remuneration report in section 3.

RESOURCES

Funding in 2011-12

1.57 In 2011-12, the UK Border Agency's total spend was £1,552 million resource and £138 million capital. The total resource spend was funded by £682 million of taxpayer funding and £869 million from income, including £829 million from fees from migrant applications.

1.58 In 2011-12, the agency's original net resource budget, allowing for income was £944 million. The budget was reduced to £814 million by the end of the financial year to reflect additional savings and efficiencies made during the year, which were transferred to the Home Office to cover other pressures (see figure 6 below for details).

	£m	£m
Original budget (taxpayer funding)		944.0
Function changes	(8.9)	
Transfer to Ministry of Justice for tribunal appeals	(14.0)	
Funding from other government departments	17.9	
Transfers from Border Force	8.0	
Additional efficiencies returned to Home Office	(170.2)	
Funding for early exits	<u>37.1</u>	
		<u>(130.1)</u>
Final revised budget*		<u>813.9</u>

**revised budgets allow for recharges made to Border Force for central services provided by the agency*

Figure 6: Budget changes 2011-12

1.59 The agency generated £862 million income in 2011-12 from fees paid by foreigners wishing to visit, work, study or settle in the UK and by people applying to become British citizens. This is an increase of £50million compared with 2010-11. The agency was allowed to retain £829 million of this to cover the cost of considering applications and to fund enforcement activities and other improvements to the immigration system. The remaining £33 million was surrendered to the consolidated

fund. All fees are set within strict financial limits agreed with HM Treasury and Parliament.

1.60 The agency also raised £10 million from fines on employers and hauliers for infringements of immigration law and from penalty charges on carriers who brought to the UK passengers who did not have the correct documents. We retained £3 million of this. Together with other smaller amounts, this resulted in us surrendering a further £7 million of income to the consolidated fund in 2011-12.

1.61 In 2011-12, the agency's capital spend was £120 million (excluding private finance initiative spending and prior year adjustments), compared with a revised budget of £113 million. This compares to capital spending in 2010-11 of £123 million and reflects further investment in the immigration casework programme, work to develop pre-departure accommodation for families and enhancements to our biometrics capability.

1.62 As well as achieving significant cost reductions and absorbing pressures, the agency invested in:

- The continued modernisation and improvement of immigration casework operations.
- New IT infrastructure, which is expected to reduce IT costs by up to 25 per cent over 5 years and provide a more efficient, accessible and customer-focused IT service.
- Intelligence-led operations and activity to deal with criminal activity and foreign national offenders.
- Improvements at immigration removal centres and upgrades to facilities, including Larne and Morton Hall.
- The creation of family pre-departure accommodation to achieve the aim of ending child detention.
- The further roll-out of biometric residence permits.
- A new system for storing and matching biometric information from applicants for visas, residence permits and asylum against fingerprints taken for immigration purposes.

1.63 In 2010-11, the agency delivered some £170 million of savings and efficiencies. This trend has continued and in 2011-12 we delivered around £218 million of additional savings. We achieved this while protecting frontline delivery through:

- Streamlining corporate services: rationalising and reducing back-office functions to deliver savings while improving support to the frontline.
- Rationalising IT and estates infrastructure: consolidating our estates in Croydon and Liverpool and reducing the requirement for IT, telephony, messenger services and guarding support.

- Improving productivity in frontline operations: programmes to automate visa and immigration casework, reform asylum support arrangements and utilise staff more effectively.
- Reducing the cost of providing support to asylum seekers: improved commercial arrangements, faster case closure and the continued low level of new asylum applications resulted in a reduction in asylum support spending of £120m compared with 2010-11.

1.64 As part of spending review 2010, the agency is targeting further savings of around £267 million for the period 2012-13 to 2014-15. We will achieve this by:

- Further cutting overhead costs to achieve a total reduction of more than one-third over the spending review period.
- Continuing to drive down the cost of asylum support by speeding up the asylum system.
- Making full use of technology to provide more services online, including applications and payments.
- Using a risk and intelligence-led approach to enable us to make better use of existing resources and cope with increases in demand.

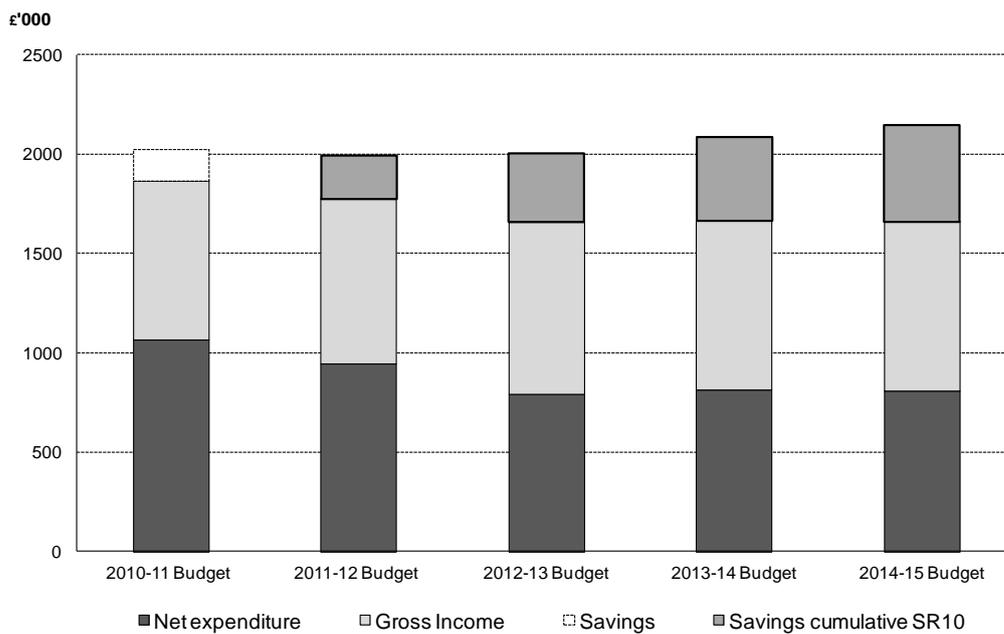


Figure 7: UK Border Agency planned expenditure and savings 2010-2015 (excluding Border Force).

ASSET MANAGEMENT

Estate Management

- 1.65 The Agency's estate management strategy focuses on:
- Improving the way we manage the accommodation we use.
 - Reducing the size of the agency's estate by reducing the number of buildings and taking advantage of lease opportunities.
 - Generating efficiencies and improving value for money by rationalising and making better use of existing space including rolling-out flexible desk sharing nationwide.
 - Reducing energy consumption and carbon emissions.
- 1.66 In particular, in 2011–12 we undertook programmes to rationalise our estate and have closed 31 buildings in locations including Liverpool, Solihull and Greater London. To facilitate this, flexible desk sharing has been introduced to over 95 per cent of staff in Croydon and over 40 per cent nationally.

Information Management

- 1.67 To ensure the UK Border Agency continues to value, protect and use information for the public good it undergoes annual, independent assessment of its compliance with the Cabinet Office's information assurance maturity model (IAMM). The IAMM has five levels with each level designed to build on the achievement of the preceding level. In Spring 2012, the agency completed its annual IAMM assessment and secured the required full compliance with levels one and two, and near full compliance with level three.
- 1.68 This evidence-based assessment, together with the agency's own internal assurance activity, shows that the agency, its delivery partners and third party suppliers have made progress over the last year in the area of information assurance. The assessment demonstrates that the agency's information risks are managed well and that material errors and failures are detected and rectified promptly and effectively. It also shows that any agency information security incident is closely managed, the risks mitigated and the matter escalated appropriately to ministers, Cabinet Office and the information commissioner.
- 1.69 More information on our progress on information management, including details of information assurance incidents are set out in the governance statement, at section 4 below.

Health and Safety

- 1.70 The agency introduced a new health and safety committee in 2011 with direct line of sight from lower level committees. The agency-level committee is chaired by a member of the executive board. It met twice

during 2011-12. The committee's role and operation is currently being reviewed as part of an internal consultation on its terms of reference.

- 1.71 The agency health, safety and wellbeing team developed and started agency-wide roll out of a training package for health and safety risk management. The agency requires that all directors provide an annual certificate of assurance regarding their health and safety management performance.

Sustainability

- 1.72 The agency takes its environmental responsibilities seriously. We are currently measured annually on fuel and water consumption, the amount of waste we produce (together with the proportion recycled) and on driving environmental awareness with suppliers. A full report on the sustainability of the UK Border Agency as measured by these indicators is set out in section 5 below.

GENERAL

Pension scheme

- 1.73 Pension benefits are provided through the civil service pension arrangements. Following a review by Lord Hutton, the government is working to reform the way that public sector pensions, including schemes available to civil servants, are provided in future. The details of the benefit schemes currently available and information on liabilities are included in the remuneration report at section 3 below.

Creditor payment policy

- 1.74 The agency, as part of the Home Office, has signed up to the Confederation of British Industry's (CBI) prompt payment code and BS7890, the British standard for payment. Before February 2010 the contractual terms and conditions of payment required us to pay supplier's invoices within 26 days of accepting relevant goods and services, or from receiving a compliant invoice. The contractual terms were changed to 10 days from February 2010 and changed again to five days from June 2010. The new target is payment within two days. Our performance in 2011-12 against the 2010-11 requirement for payment in 26 days was 98 per cent which is consistent with the 98 per cent achieved in 2010-11. Our performance in 2011-12 against the new two day payment terms was 87 per cent (7 per cent above target) compared with 84 per cent in 2010-11.

Research and development

- 1.75 The agency will continue to invest in research that supports key areas of its policy interest, in line with the Home Office science and research business plan. We will also continue to develop our statistical systems,

including the future statistical benefits derived from the immigration case work system, to produce timely and relevant statistics for both operational purposes and national statistics on migration and border control.

Basis of accounts

1.76 The agency's financial statements cover the period from 1 April 2011 to 31 March 2012 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the government's 'Financial Reporting Manual' (FReM). The management commentary and governance statement sections of this report reference the agency financial statements.

1.77 As an executive agency of the Home Office, the agency financial statements are consolidated within the resource accounts produced and published by the Home Office. These are available at www.homeoffice.gov.uk.

Audit arrangements

1.78 The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government Resources and Accounts Act 2000. For the statutory audit carried out on this report and accounts, the agency paid notional fees to the NAO of £0.2 million. There were no payments for other, non-audit work.

Statement on disclosure of information to auditors

1.79 As the agency's accounting officer, I can confirm that, so far as I am aware, there is no relevant audit information of which the agency's auditors are unaware, and I have taken all appropriate steps to ensure that I am aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

Rob Whiteman
Chief Executive
6 July 2012

2. STATEMENT OF ACCOUNTING OFFICER AND CHIEF EXECUTIVE'S RESPONSIBILITIES

- 2.1 Under the Government Resources and Accounts Act 2000, HM Treasury has directed the UK Border Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the UK Border Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.
- 2.2 In preparing the accounts, the accounting officer is required to comply with the requirements of the government 'Financial Reporting Manual' (FReM) and in particular to:
- Observe the accounts direction issued by HM 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, as set out in the government FReM, have been followed, and disclose and explain any material departures in the accounts.
 - Prepare the accounts on a going-concern basis.
- 2.3 The accounting officer of the Home Office has designated the chief executive as accounting officer of the UK Border Agency. The responsibilities of an accounting officer (including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the agency's assets) are set out in the accounting officer memorandum issued by HM Treasury and published in 'Managing Public Money' (available at http://www.hm-treasury.gov.uk/psr_mpm_index.htm).

Rob Whiteman
Chief Executive
6 July 2012

3. REMUNERATION REPORT FOR THE PERIOD ENDED 31 MARCH 2012

REMUNERATION POLICY

- 3.1 UK Border Agency staff hold substantive civil service contracts. Appointments may be terminated in accordance with the civil service management code.
- 3.2 The chief executive and the agency's executive directors are senior civil servants (SCS) whose pay is set through recommendations made by the Review Body on Senior Salaries (SSRB), which provides independent advice to the Prime Minister. The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the review body can be found at www.ome.uk.com. A public sector pay multiple was introduced in May 2010 which means that no public sector manager can earn over 20 times more than the lowest paid person in the organisation. The UK Border Agency complies with this requirement.
- 3.3 The Permanent Secretary to the Home Office (referred to as the Permanent Secretary below) has delegated authority to create or abolish posts or change the mix of grades of all Home Office SCS, including those in the agency.
- 3.4 The two year pay freeze for SCS across government which commenced in 2010-11 was extended until 2013-14 as part of the October 2011 Public Borrowing Requirement.
- 3.5 Performance pay is awarded in line with the procedures laid down and adopted across the Home Office. Additional performance-related pay is available to all civil servants via special pay awards and minor award schemes. Both schemes are administered in line with Home Office policy.
- 3.6 Non-consolidated performance related bonus awards were made in 2011-2012 to the top performing 25 per cent of SCS staff across the Home Office, including in the agency. Contractual rights to pay progression for new starters were withdrawn from March 2012, and all civil servants gaining promotion from May 2012 will also lose contractual rights in their higher grade.

SERVICE CONTRACTS

- 3.7 The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

- 3.8 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the civil service compensation scheme.
- 3.9 Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

REMUNERATION COMMITTEE

- 3.10 The salaries and performance pay of board members are agreed by a series of central Home Office remuneration committees. A performance assessment for each SCS employee, together with the chief executive's recommendations, is submitted for approval to the Home Office pay committee. The chief executive is a member of the Home Office pay committee.
- 3.11 In previous years, departments and agencies were asked to place their SCS into one of three performance tranches. These reflected the skills and competence of the job holder and were directly related to increases in base pay. Bonus payments are dealt with separately to these tranches and reflect a job-holder's performance in-year.
- 3.12 The assessment and review of performance for SCS is based on individual performance. Individuals are ranked in four performance groups in each pay band. The top groups, which represent around 25 per cent of staff, will receive a non-consolidated performance payment. In 2011-12, 24 per cent of SCS staff received a bonus.

Remuneration (including salary) and pension entitlements

- 3.13 The following sections provide audited details of the remuneration and pension interests of the agency's board members.

Salary

- 3.14 'Salary' includes: gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the UK Border Agency and thus recorded in these accounts.

Benefits in kind

- 3.15 The monetary value of benefits in kind covers any benefits provided by the agency and treated by HMRC as a taxable emolument.

Bonuses

3.16 Bonuses are based on performance levels attained and are made as part of the annual appraisal process. The bonuses reported in 2011-12 relate to performance in 2010-11 and the comparative bonuses reported for 2010-11 relate to performance in 2009-10. Given the current climate the UK Border Agency has decided, along with most other government departments, to limit the amount used for non-consolidated performance payments to under 5 per cent of the SCS pay bill. Details are as follows:

Officials	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100
Rob Whiteman <i>chief executive (from 26 September 2011)</i>	85-90 (175-180 full year equivalent)	0	0	0	0	0
Lin Homer <i>chief executive (until 9 January 2011)</i>	0	0	0	160-165 (205-210 full year equivalent)	5-10	0
Jonathan Sedgwick <i>acting chief executive (until 25 September 2011) and director international group (from 26 September 2011)</i>	110-115	5-10	0	105-110	5-10	0
Emma Churchill <i>director strategy & intelligence (from 13 December 2011)</i>	20-25 (80-85 full year equivalent)	0	0	0	0	0
Brodie Clark <i>director Border Force (until 8 November 2011)</i>	80-85 (130-135 full year equivalent)	0	0	130-135	5-10	2,500
Matthew Coats <i>director immigration group (until 3 November 2011) and temporary head Border Force (from 4 November 2011 until 26 February 2012)</i>	130-135 (145-150 full year equivalent)	5-10	0	145-150	5-10	0

Officials	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100
Philip Duffy <i>acting director policy and strategy (from 10 January 2011 until 17 July 2011)</i>	20-25 (80-85 full year equivalent)	0-5	0	15-20 (80-85 full year equivalent)	0	0
Joe Dugdale <i>director HR & organisational development</i>	130-135	0	0	130-135	5-10	0
Tamara Finkelstein <i>director of UK Border Agency programme (until 25 April 2010)</i>	0	0	0	5-10 (85-90 full year equivalent)	0	0
Justin Holliday <i>director resource management group</i>	130-135	0	0	130-135	5-10	0
Hugh Ind <i>temporary national co-ordinator of regions and enforcement (from 5 March 2012)</i>	5-10 (80-85 full year equivalent)	0	0	0	0	0
Jonathan Nancekivell-Smith <i>acting director enforcement & crime group (from 5 March 2012)</i>	5-10 (90-95 full year equivalent)	0	100	0	0	0
Jeremy Oppenheim <i>temporary head immigration group (from 7 November 2011)</i>	40-45 (100-105 full year equivalent)	0	4,800	0	0	0
Martin Peach <i>director intelligence group (until 30 September 2011)</i>	75-80 (105-110 full year equivalent)	0	0	105-110	0	0
Tony Smith <i>director Olympics programme (from 19 January 2012)</i>	15-20 (95-100 full year equivalent)	0	0	0	0	0

Officials	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100
David Wood <i>director enforcement & crime group (until 5 March 2012; temporary chief operating officer from 6 March 2012)</i>	100-105	5-10	0	100-105	5-10	0
Barbara Woodward <i>director international group (until 2 October 2011)</i>	50-55 (105-110 full year equivalent)	0	0	100-105	5-10	0
Robert Yeldham <i>director communications (started a secondment on 11 November 2011)</i>	50-55 (85-90 full year equivalent)	0	0	85-90	0-5	0
Anna Allen <i>acting chief of staff (from 13 December 2011)</i>	20-25 (75-80 full year equivalent)	0-5	0	0	0	0
Zilla Howell <i>chief of staff (until 31 December 2011)</i>	50-55 (70-75 full year equivalent)	0	0	65-70	0-5	0

Notes:

- Mr Clark resigned on 8 November 2011. A settlement payment of £225,000 was subsequently made without an admission of liability or wrongdoing from either side. The costs associated with Mr Clark are included within the accounts of the Home Office along with the other costs of Border Force, which became a directorate of the Home Office on 1 March
- The UK Border Agency is subject to the government's pay freeze for public sector workers. Any increase in salary is due to contractual increments or temporary promotion to fill vacant positions.

REMUNERATION RATIO

3.17 The highest paid director in the UK Border Agency is the chief executive. Figure 8 sets out the how the chief executive's pay relates to median pay in the agency. The pay multiple decreased in 2011-12 due to a decrease in the chief executive's salary when the new chief

executive was appointed in autumn 2011. More information about remuneration of executive board members is in the remuneration report.

UK Border Agency pay multiples	2011-12	2010-11
Band of highest paid director's total remuneration (£'000)	175-180	210-215
Median total (£'000)	25.51	24.80
Remuneration ratio	7.0	8.6

Figure 8: Pay of chief executive relative to median pay in the UK Border Agency (excluding Border Force)

NON EXECUTIVE DIRECTORS

3.18 Details of salaries, bonus payments and benefits in kind paid to non-executive directors are as follows:

Non-Executive Directors	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100	Salary £'000	Bonus Payments £'000	Benefits in kind nearest £100
Mike Hawker	20-25	0	3,400	20-25	0	4,600
Mark Thomson	5-10	0	0	5 -10	0	0
Graham Sims	10-15	0	0	10-15	0	1,300
Kathryn Bishop <i>(from 10 May 2010)</i>	5-10	0	0	0-5	0	0
Philip Augar <i>(from 1 April 2012)</i>	0	0	0	0	0	0

Notes:

- Philip Augar was appointed in March 2012 to chair the UK Border Agency strategic board with effect from 1 April 2012. He is also a member of the Home Office Supervisory Board.
- Martin Baker and Susannah Simon were non-executive directors for the whole of 2011-12.
- Mike Norgrove temporarily replaced Melanie Dawes on 1 October 2011 and then left in March 2012.
- Susannah Simon, Martin Baker, Mike Norgrove and Melanie Dawes did not receive any salary or benefits in kind. They sit on the UK Border Agency board by virtue of their position and are paid by their home department.

APPOINTMENTS

3.19 Figure 9 (below) sets out those UK Border Agency executive board (EB) members who were either appointed or left since the beginning of the last reporting year on 1 April 2011.

#	NAME OF SENIOR OFFICIAL	NATURE OF MOVE
1	Rob Whiteman	Joined EB (chair)
2	Emma Churchill	Joined EB
3	Brodie Clark	Left EB
4	Matthew Coats	Left EB
5	Philip Duffy	Left EB
6	Hugh Ind*	Joined EB
7	Jonathan Nancekivell-Smith*	Joined EB
8	Jeremy Oppenheim*	Joined EB
9	Martin Peach	Left EB
10	Tony Smith*	Joined EB
11	Barbara Woodward	Left EB
12	Rob Yeldham	Left EB
13	Anna Allen*	Joined EB
14	Zilla Howell	Left EB

*Temporarily joined the Executive Board during 2011-12

Figure 9: list of current or previous members of the executive board during 2011-12

Pension Benefits

3.20 Details of pension benefits accrued to executive board members are as follows:

Officials	Accrued pension at pension age as at 31/3/12 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/12 £'000	CETV at 31/3/11 £'000	Real increase in CETV £'000
Rob Whiteman <i>chief executive (from 26 September 2011)</i>	0-5	0-2.5	15	15	(2)
Lin Homer <i>chief executive (until 9 Jan 2011)</i>	0	0	0	1,491	-

Officials	Accrued pension at pension age as at 31/3/12	Real increase in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Jonathan Sedgwick <i>deputy chief executive acting chief executive (until 25 September 2011) and director international group (from 26 September 2011)</i>	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 2.5-5	404	354	20
Emma Churchill <i>director strategy & intelligence (from 13 December 2011)</i>	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	91	83	5
Brodie Clark <i>director Border Force (until 8 November 2011)</i>	60-65 plus lump sum of 190-195	(0-2.5) plus lump sum of (0-2.5)	1,473	1,400	(16)
Matthew Coats <i>director immigration group (until 3 November 2011) and temporary head Border Force (from 4 November 2011 until 26 February 2012)</i>	35-40	0-2.5	493	433	22
Philip Duffy <i>acting director policy & strategy (from 10 January 2011 until 17 July 2011)</i>	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of 0-2.5	86	76	7
Joe Dugdale <i>director HR & organisational development</i>	10-15	0-2.5	204	147	40
Tamara Finkelstein <i>director, UK Border Agency programme (until 25 April 2010)</i>	0	0	0	291	-

Officials	Accrued pension at pension age as at 31/3/12	Real increase in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Justin Holliday <i>director resource management group</i>	35-40	2.5-5	417	351	32
Hugh Ind <i>temporary national co-ordinator of regions and enforcement (from 5 March 2012)</i>	20-25 plus lump sum of 60-65	(0-2.5) plus lump sum of (0-2.5)	292	291	(1)
Jonathan Nancekivell-Smith <i>acting director enforcement & crime group (from 5 March 2012)</i>	10-15	0-2.5	112	107	1
Jeremy Oppenheim <i>temporary head immigration group (from 7 November 2011)</i>	55-60	(0-2.5)	993	981	(12)
Martin Peach <i>director intelligence group (until 30 September 2011)</i>	65-70	2.5-5	1,221	1,120	75
Tony Smith <i>director Olympics programme (from 19 January 2012)</i>	45-50 plus lump sum of 140-145	(0-2.5) plus lump sum of (0-2.5)	1,031	1,026	(6)
David Wood <i>director enforcement & crime group (until 5 March 2012; temporary chief operating officer from 6 March 2012)</i>	10-15	0-2.5	217	176	23
Barbara Woodward <i>director international group (until 2 October 2011)</i>	25-30 plus lump sum of 75-80	(0-2.5) plus lump sum of (0-2.5)	489	435	(1)

Officials	Accrued pension at pension age as at 31/3/12 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/12 £'000	CETV at 31/3/11 £'000	Real increase in CETV £'000
Robert Yeldham <i>director communications (started a secondment on 11 November 2011)</i>	5-10	0-2.5	52	36	12
Anna Allen <i>acting chief of staff (from 13 December 2011)</i>	10-15 plus lump sum of 30-35	0-2.5 plus lump sum of 0-2.5	118	111	5
Zilla Bowell <i>chief of staff (until 31 December 2011)</i>	5-10 plus lump sum of 25-30	0-2.5 plus lump sum of 0-2.5	96	84	4

Notes:

- The actuarial factors used to calculate cash equivalent transfer values (CETV) were changed in 2011-12. For consistency, the CETVs at 31 March 11 and 31 March 12 have both been calculated using the new factors. The CETV at 31 March 11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
- Negative values for the "real increase in CETV" are caused by taking account of inflation and in these cases the CETV funded by the employer has decreased in real terms.
- None of the non executive directors who have been board members in 2011-12 (Mike Hawker, Mark Thomson, Graham Sims, Kathryn Bishop, Susannah Simon, Melanie Dawes, Martin Baker and Mike Norgrove) made pension contributions via the agency, and the agency does not make contributions on their behalf.

Civil Service Pensions

3.21 Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with pensions increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money

purchase' stakeholder pension with an employer contribution (partnership pension account).

3.22 Employee contributions are set at a percentage of pensionable earnings as outlined in the tables below. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is increased in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

3.23 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). This is set out in figures 10 and 11 below.

Annual pensionable earnings classic (full-time equivalent basis)	2012 contribution rate before tax relief
Up to £15,000	1.5
£15,001 - £21,000	2.1
£21,001 - £30,000	2.7
£30,001 - £50,000	3.1
£50,001 - £60,000	3.5
Over £60,000	3.9

Figure 10: Annual pensionable earnings in the classic civil service pension scheme

Annual pensionable earnings premium, nuvos and classic plus (full-time equivalent basis)	2012 contribution rate before tax relief
Up to £15,000	3.5
£15,001 - £21,000	4.1
£21,001 - £30,000	4.7
£30,001 - £50,000	5.1
£50,001 - £60,000	5.5
Over £60,000	5.9

Figure 11: Annual pensionable earnings in all other civil service pension schemes

- 3.24 In 2011-12 a consultation on pension reform was commenced by the government following Lord Hutton's report into the future affordability of civil service pensions. The government has now published its proposed final agreement on how it sees civil service pensions operating from 2015. Details can be found on the Cabinet Office website.
- 3.25 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. The pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.
- 3.26 Further details about the civil service pension arrangements can be found on the civil service website at <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Cash Equivalent Transfer Values

- 3.27 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.
- 3.28 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction

to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

3.29 This reflects the increase in CETV that is 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.

Rob Whiteman
Chief Executive
6 July 2012

4. GOVERNANCE STATEMENT 2011-12

SCOPE OF RESPONSIBILITY

- 4.1 As accounting officer for the UK Border Agency and a member of the Home Office executive management board, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within the agency and the Office of the Immigration Services Commissioner (OISC) which it sponsors in order to support the achievement of Home Office policies, aims and objectives, whilst also safeguarding public funds and departmental assets.
- 4.2 The system of governance, internal control and risk management is designed to manage risk to a high level rather than to eliminate all risks to the achievement of policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness.

GOVERNANCE FRAMEWORK

Strategic Board

- 4.3 The UK Border Agency strategic board (comprising executive and non-executive directors), which meets monthly, sets the strategic direction for the agency and plays a key part in its governance, risk and control framework. It monitors operational and financial performance, key risks and major change programmes and does so by considering the agency's strategic performance and risk improvement reports.
- 4.4 Meetings of the board have been chaired by the chief executive but, as from 1 April 2012, Philip Augar, a non-executive director has been chair of the board.
- 4.5 Attendance at meetings of the board has been high during 2011-12. A summary is attached as an annex to this statement and also includes attendance at meetings of the UK Border Agency audit and risk assurance committee.
- 4.6 During 2011-12, the board has been assisted by the:
- Executive board (executive directors).
 - Audit and risk assurance committee – see further details below
 - Joint approvals committee, which has overseen the agency's investment approvals process for business cases over £1 million.
 - Programme integration board, which has managed the key inter-dependencies and risks to delivering the agency's major programmes and projects.
 - Home Office internal audit unit (IAU), which has provided the internal audit service for the agency. IAU produces an annual and

in-year independent opinion on how adequate, reliable and effective the agency's internal control system is. This opinion is based on the annual plan of risk-based and compliance audits that IAU completes, and the advice and guidance it is also asked to provide.

- Senior information risk owner (SIRO), who has provided an assessment of information risk exposure and assurance on this.
- Management boards of each of the agency's executive director-led business areas.
- Scrutiny of the agency's work provided by the Independent Chief Inspector of Borders and Immigration, and by the National Audit Office (NAO).

4.7 This is supplemented by sponsorship arrangements with the OISC, governance frameworks with the central Home Office and with the Foreign and Commonwealth Office (FCO); and ongoing relationships with, for example, a number of other government departments, local authorities, the police and other operational delivery partners. The framework agreement with the central Home Office is under review as a result of the separation of Border Force on 1 March 2012 – see also paragraphs 4.17 to 4.19 below – and will be amended in accordance with the standards set out in the '*Corporate governance in central government departments: Code of good practice*' (Cabinet Office, July 2011) and other relevant publications.

Audit and Risk Assurance Committee

4.8 The role of the agency's audit and risk assurance committee is to provide independent assurance to me and the board on matters relating to corporate governance and the effectiveness of our system of internal control, including arrangements for identifying and managing risk. The committee has a non-executive chair and three non-executive members. It met six times in 2011-12 and did so in accordance with the responsibilities and agenda cycle set out in its terms of reference. This enabled the committee to consider the:

- Production of the agency's annual report and accounts for 2010-11 and the development of this year's document, including the governance statement.
- Delivery of internal and external audit plans for 2011-12.
- Findings from internal and external audit activity that has been undertaken during the year and the adequacy and timeliness of the management response to the agreed actions arising from that activity.
- Assurance updates from individual agency business areas, including the progress they have made in addressing relevant control issues that were reported in the agency's statement on internal control for 2010-11.
- Assurances relating to, for example, agency risk and information management, and delivery of our major change programmes.

- 4.9 The committee has recently undertaken its annual review of effectiveness, with broadly positive results; and the chair has continued his membership of the Home Office audit and risk assurance committee which has helped to confirm the direction of travel and share common issues.

CONTROL FRAMEWORK

- 4.10 The agency's control framework includes the in-year controls assurance reporting exercise (CARE) process. This operates at periods 6, 9 and 12 and requires individual agency business areas to self-assess their adherence to the controls standards set out in the agency assurance framework.
- 4.11 The agency continues to work closely with the Independent Chief Inspector of Borders and Immigration. All of his reports are carefully considered and progress against their agreed recommendations is assessed twice a year, with the results presented to the audit and risk assurance committee. In general, we respond positively to the chief inspector's recommendations, although we will be doing more to ensure that those with wider applicability are implemented across the agency and not just in the business or thematic area that was the focus of an individual inspection. The agency also monitors the implementation of recommendations made as a result of its scrutiny by the Public Accounts Committee (PAC). This is also done on a twice yearly basis and, again, reports on this are provided to the audit and risk assurance committee. The majority of the PAC's recommendations, which tend to be longer term in nature, have been implemented, and those which remain outstanding are being actively pursued – see also paragraph 4.22 below.
- 4.12 Further scrutiny is provided by the Home Affairs Select Committee (HASC). Since March 2011, the HASC has taken evidence from the agency (either from the chief executive, ministers or the Home Secretary) by means of 10 oral evidence sessions and 24 letters. This has resulted in four reports covering the work of the agency, including a specific one on student visas.

RISK MANAGEMENT

- 4.13 The agency's approach to risk management is based on the Home Office risk management policy and guidance document and the department's risk management maturity model (RMMM). A report on the agency's adherence to the RMMM, including its information management and business continuity planning metrics, has just been received as part of the IAU's annual audit of Home Office risk management. The report concluded that the agency has continued to make progress towards developing a culture of good risk management, including business continuity and information management. However, the report also concluded that there are still areas where further

improvement is needed to ensure consistent and effective application of risk management practices across the business. The recommendations from the report have been accepted and action to address them will be pursued over the next six months.

Corporate Risks

4.14 Key risks to the agency are held on the agency risk register which is reviewed on a quarterly basis by the strategic board which also conducts deep-dive reviews of individual agency level risks. As at the end of March 2012, a summary of the risk subjects on the agency risk register was as follows:

- detention and removal of foreign national offenders
- delivery of the reducing net migration programme
- overstayers and absconders (illegal immigrants)
- delivery of the immigration casework (ICW) programme
- meeting headcount reduction targets whilst filling vacancies to maintain performance
- industrial action by agency staff
- adhering to the budget set for the current spending review period
- IT systems availability
- compliance with the agency's system and process controls
- legal challenges against migration policy and procedures.

4.15 During 2012-13, the agency will enhance its ability to horizon scan so that medium to longer term risks are identified effectively and, using scenario planning techniques, appropriate mitigation measures will be put in place. This will be a priority for the agency's new strategic intelligence unit which brings together previously separate strategic threat and risk management functions.

SIGNIFICANT IN-YEAR RISKS AND CONTROL ISSUES

4.16 I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the end of 2011-12 and the key in-year risk and control issues that I have identified are set out below and listed in accordance with the seven themes of the agency assurance framework:

Corporate governance

4.17 On 21 February 2012, the Home Secretary announced that she had accepted the recommendations in the report on border control checks by John Vine, the Independent Chief Inspector of Borders and Immigration, and that Border Force, which had been part of the agency, would be moved under a new director general command within the Home Office from 1 March 2012.

- 4.18 This change will enable the agency to focus on the government's objectives of controlling and reducing immigration, further modernisation, and performance improvement, but it will also require the agency to address weaknesses in governance, procedures and culture which the independent chief inspector's report helped to highlight and to learn from its broader lessons about the importance of operational clarity, consistency and compliance. Supported by the creation of the agency's new strategy and intelligence directorate, a transformation programme is already underway to deliver this agenda, with the aim of building the agency's ability to make lasting improvements in its performance over the period from 2012-15.
- 4.19 My current assessment is that, to the extent that it is deemed relevant and practical, the agency is broadly compliant with the '*Corporate governance in central government departments: Code of good practice*'. However, and as a key and early part of the transformation programme, we are reviewing the agency's governance to make decision-making structures and processes much clearer, simpler and more predictable, and will make use of the NAO's corporate governance checklist in doing so.

Policy and process development

- 4.20 In July 2011, responsibility for immigration and border policy transferred from the agency to the Home Office with the establishment of the immigration and border policy directorate (IBPD). At the time of the transfer, a partnership framework was agreed which sets out how the agency and IBPD will work together and has resulted in the setting up of a series of joint programme boards to cover all major policy areas. While some areas for improvement have been identified, this has been a successful transition overall. Policy is being developed with operational input from the agency and there is forward co-ordination of policy and operations via the business planning process.
- 4.21 The new strategy and intelligence directorate's remit includes bringing together cross-agency work on operational policy, rules and guidance. This is another strand of the transformation programme and will ensure that the business rules and guidance for our caseworkers are clear, consistent and easily understood.

Delivery arrangements and performance management

- 4.22 The NAO published a report titled '*Immigration: The Points Based System – Student Route*' on 27 March 2012 which examined how well the agency had implemented and managed tier 4 of the points based system. Whilst acknowledging the introduction of new controls relating to student migration in 2011, it concluded that the points based system, as it applies to students, does not currently provide value for money. The Public Accounts Committee took evidence on the report, including

from me and other senior agency officials, on 14 May. We await the committee's report and any resulting recommendations.

- 4.23 An audit conducted by IAU identified weaknesses in the storage and handling of seized high risk materials in the Queen's Warehouses which are managed by Border Force. These facilities provide an evidence-storing service for our crime teams. A detailed action plan was produced to address the recommendations in the audit report and a follow-up audit took place in February 2012 to assess its progress. The follow-up audit concluded that improvements had been made but also that some of the recommendations were not yet closed. This will have a continuing importance to the agency until the action plan is complete.
- 4.24 In support of the government's transparency agenda, the agency has regularly published data for its 'transparency input and impact indicators' on its external website. A new assurance process was developed to ensure that this information meets the required data quality standards.
- 4.25 Where third parties are contracted to deliver services on our behalf, there is a clear specification of performance expectation. Commensurate contract management processes are put in place to ensure that performance is monitored and specified delivery standards met. During 2012, we are reviewing both the generation of business requirements and the consistent use of contract management processes to ensure that contracted services accurately represent the agency's needs, are properly positioned within the capabilities of the available markets, and are aligned to our delivery aims.

Financial management

- 4.26 The agency has recovered £6.9 million of debt this year related to the collection of fines for illegal working which is in line with last year's figure. During the year, we wrote off £4.9 million of unrecoverable debt where entities have become insolvent or where our third party debt recovery specialists have been unable to trace the debtor. We plan to reduce the volume of write offs next year by actively monitoring limited companies in Companies House, and opposing companies being struck-off the register when they have outstanding civil penalty debt.
- 4.27 I am pleased to report that further tightening of our controls relating to the cessation of asylum support payments has had a significant effect. The asylum support overpayment loss for 2011-12 was £0.25 million which is significantly lower than the £2.2 million figure in 2010-11 and the much higher figures in previous years even though the volume of cessations has remained high. The agency and OISC have played a full part in the Home Office managing risk of financial loss programme and, as part of this work, an audit of asylum support payments has

been undertaken. An action plan has since been developed to address further improvements that can be made.

- 4.28 On salary overpayments, the agency's total outstanding balance at period 12 was £3.6 million. During 2011-12, a total of £0.4 million new overpayments were identified whilst £0.6 million was recovered. Recovery of overpayments from staff who have left the agency is particularly difficult. To address this, procedures have now been agreed to recover debts via the county court for staff that have left and refuse to pay. And, to minimise future overpayments, an on-line process for recording changes in employee circumstances has been introduced which will help managers to ensure that this is done quickly and accurately.
- 4.29 Overall, the agency has a good set of controls that allow it to manage its finances, with mechanisms in place to correct errors as and when they are identified. Reporting to the central Home Office takes place at least monthly though any significant financial risks are identified and communicated immediately.
- 4.30 A new reporting tool has been introduced this year to make it easier for budget managers to obtain information and report on their budgets. This has already helped to improve their understanding and control of spending and, as it beds in, additional benefits are expected. It also supports work to deliver a consistent approach to financial reporting, de-layering and ensuring that our skilled financial management resource is used effectively.

People management

- 4.31 The agency's workforce management board monitors changes in the size of the workforce to ensure that our headcount reduction targets are met while retaining sufficient high quality staff for business delivery. With higher than anticipated attrition rates and low numbers in redeployment, changes to our recruitment controls were made to fill the resulting vacancies. External recruitment remains subject to ministerial approval.
- 4.32 Security and anti-corruption activity has resulted in the arrest of four agency staff members and two associates of agency staff during 2011-12. There have been 11 convictions over this period. The sanctions have ranged from community service in three cases to prison sentences totalling 32 years for the rest. The individual prison sentences ranged from 12 months to eight years' imprisonment. This includes the convictions of two associates of agency staff who both received custodial sentences.
- 4.33 We continue to work closely with a range of partners, including the Centre for the Protection of the National Infrastructure, and other enforcement and anti-corruption bodies, and will always take swift and

appropriate action following criminal or disciplinary procedures when we find that members of staff have broken the law or have otherwise behaved inappropriately.

- 4.34 The agency's annual sickness absence report for 2010-11 demonstrated improvement in rates of sickness absence in line with the overall target set by the Cabinet Office for all departments. However, sickness absence has been creeping upwards since then and our 2011-12 target has not been met (as at 31 March 2012, sickness absence excluding Border Force was 8.49 days per FTE against the target of 7.5 days). The agency is considering the reasons behind this. Sickness absence, trigger points and management responses are monitored closely and our HR business partners identify managers who fail to take the necessary follow-up action. Data on absence rates and trigger points is now being produced for me on a monthly basis and this is used in my meetings with individual executive directors.
- 4.35 The agency has an excellent record in defending employment tribunal claims. When, infrequently, it loses at an employment tribunal, this has tended to be for procedural or timeliness reasons. Suspensions from duty are monitored with regular challenge on progress where this appears prolonged without good reason. The agency's professional standards unit took over responsibility for serious disciplinary investigations from the end of 2011 with the aim of improving timeliness and professionalism.
- 4.36 Our annual staff survey results showed a small increase in engagement, but a fall in participation levels. The survey results have been cascaded to the business and better management plans have been developed as a result.

Information management

- 4.37 During 2011-12, 19 information security incidents have been referred to the agency's information management team (IMT). While the majority were minor in nature, four of them were more significant, namely the:
- Emergency closure of the visa offices in Libya in February 2011 which resulted in an unidentified amount of the agency's information assets being left behind (but stored securely). The position was stabilised by the end of December 2011 and the assets were securely disposed of.
 - Inadvertent release of a flight manifest containing personal details on 67 Nigerian nationals to the Nigerian authorities in October 2011.
 - Emergency closure of the visa offices in Tehran in November 2011 after it was violently occupied by a group of demonstrators and one building suffered an arson attack. In accordance with emergency procedures, UK and locally engaged staff were able to destroy a large amount of official material before they evacuated. Other

materials are known to have been destroyed during the arson attack.

- Potential compromise of personal data arising from a technical issue with i-Apply, the agency's online application service in February 2012. For a three-hour period, this may have allowed details relating to 24 members of the public to be inadvertently accessed by a third party.

4.38 In all these incidents, the issues were escalated appropriately to ministers, Cabinet Office and the Information Commissioner's Office and the risks were mitigated. We have continued to address the agency's strategic information management (IM) challenges, which resulted in two variations from the recommendations of the Hannigan Review, namely the secure storage of all of its paper case files and the need for a Home Office-wide encryption solution for the transmission of personal and protectively marked information beyond the government secure intranet.

4.39 More generally and as evidenced by the agency's recent annual assessment against the Cabinet Office information assurance maturity model (IAMM), effective IM processes are becoming institutionalised across the agency, our delivery partners and third party suppliers. To help make this "real" for front line staff, IMT has begun a series of targeted visits to specific locations. The aim of these visits is to provide hands-on support to encourage staff to embed better IM at a local level and, as a result, to help create a 'gold standard office' (GSO). Eight locations have successfully reached the GSO standard so far. Plans are being developed to visit and assess 20 more locations by March 2013 and, as part of this initiative, the directors of these locations are expected to spread the GSO standard to other parts of their command.

4.40 The agency's IT is delivered through outsourcing arrangements by three government departments, namely:

- The Home Office IT shared service which provides corporate desktop services and supports the majority of our key applications.
- The Foreign & Commonwealth Office who support our operations overseas.
- Her Majesty's Revenue and Customs (HMRC) who support customs-related systems.

4.41 Through 2011-12, the Home Office has refreshed the entire desktop and network estate in the UK. This has created significant cost savings through consolidating the agency-specific network onto an upgraded Home Office shared service platform. However, this introduced some performance problems that affected productivity during rollout which have been, or are in the process of, being fixed. There have also been some performance challenges with some of the agency's legacy and new IT systems which support caseworking that have impacted our operations. These are being resolved urgently, and the provision of

more resilient IT to support our operations is a key priority for the agency. In addition, measures to improve IT system resilience and performance have been put in place in preparation for the Olympic and Paralympic Games.

- 4.42 Responsibility for the information management relationship with HMRC and support for customs-related systems transferred to Border Force in 2012-13.

Programme and project management (PPM)

- 4.43 Control and oversight of the agency's change portfolio has been further strengthened during 2011-12, and as a result, a number of major projects have successfully delivered and are going through formal closure processes, including the Liverpool estates consolidation, and haulage and storage projects. Also, there is evidence that the introduction of a new 'closing-gate' mechanism has improved the capture and future use of lessons learned and the transition from project delivery into 'business as usual'.

- 4.44 However, concerns have emerged this year about the governance of ICW, the agency's key caseworking change programme, with adverse impacts on the management of its budget, milestone delivery and change control. To address this, new governance arrangements have been introduced over the last quarter which have already led to better engagement with the business and improved financial management. Also, I commissioned a fundamental review by the major projects authority to ensure that the programme's original vision and anticipated benefits will be delivered.

CONCLUSION

- 4.45 In summary and in line with IAU's annual opinion and findings in reports produced by the independent chief inspector and the NAO, my assessment is that, while improvements have been made during 2011-12, there are some underlying weaknesses in the agency's governance, internal control and risk management arrangements. This also reflects the compliance issues and inconsistencies in approach that I have detected since taking up my post as chief executive in September 2011.

4.46 I am determined that these weaknesses will be addressed and confident that the agency transformation programme which is now underway and the evident commitment and professionalism of our staff will provide the building blocks to ensure that this is the case.

Rob Whiteman
Chief Executive
6 July 2012

**ATTENDANCE AT UK BORDER AGENCY STRATEGIC BOARD AND
AUDIT AND RISK ASSURANCE COMMITTEE MEETINGS, 2011-12**

Name	Position	Strategic Board (Total 10) and Membership Period	Audit and Risk Assurance Committee (Total 6)
Jonathan Sedgwick	acting chief executive (chair)	3* (from April to September 2011)	3**
Rob Whiteman	chief executive (chair)	4 (from September 2011)	2**
Philip Augar	Non-executive director (chair)	1 (from April 2012)	N/A
Executive Directors			
Emma Churchill	director, strategy and intelligence directorate	3 (from December 2012)	1**
Brodie Clark	director, Border Force	6 (until November 2011)	N/A
Matthew Coats	director, immigration group; and temporary head, Border Force	5 (April to November 2011) 2 (from November to February 2012)	
Philip Duffy	acting head of immigration and border policy directorate, central Home Office	5 (from July 2012)	N/A
Joe Dugdale	director, human resources and organisational development	10	N/A
Justin Holliday	director, resource management group	10	6**
Hugh Ind	acting director, national co-ordinator of regions and enforcement	1 (from March 2012)	N/A
Jonathan Nancekivell-Smith	acting director, enforcement and crime group	1 (from March 2012)	
Jeremy Oppenheim	acting director, immigration group	4 (from November 2011)	
Martin Peach	director, intelligence	3	N/A

Name	Position	Strategic Board (Total 10) and Membership Period	Audit and Risk Assurance Committee (Total 6)
	group	(until September 2011)	
Jonathan Sedgwick	director, international group	5* (from September 2011)	
Tony Smith	director, Olympics programme	1 (from January until February 2012)	N/A
David Wood	director, enforcement and crime group; and acting chief operating officer (from March 2012)	8	N/A
Barbara Woodward	director, international group	3 (until September 2011)	N/A
Rob Yeldham	head of communications	5 (until November 2011)	N/A
Zilla Bowell	chief of staff	5 (until December 2011)	N/A
Anna Allen	acting chief of staff	3 (from December 2011)	N/A
Non-Executive Directors			
Martin Baker	non-executive director	6	N/A
Kathryn Bishop	non-executive director	9 (until Mar 2012)	5
Melanie Dawes	non-executive director, HMRC	1 (until October 2011)	
Mike Hawker	non-executive director (chair of audit and risk assurance committee)	10	6
Mike Norgrove	non-executive director, HMRC	3 (from October until March 2012)	N/A
Susannah Simon	non-executive director, FCO	8	N/A
Graham Sims	non-executive director	8	5
Mark Thomson	non-executive director	9	5

Notes:

- * Jonathan Sedgwick has two entries in this table which reflects the acting chief executive and executive director positions that he held during 2011-12 and with separate attendance data for each
- ** Attendees not committee members

5. SUSTAINABILITY REPORT

Introduction

- 5.1 The UK Border Agency's aim is to reduce the environmental impact of our estate and travel related activities, by:
- complying with legal, regulatory and other requirements
 - managing carbon dioxide equivalent (CO₂e) emissions from our building energy use and official travel
 - managing water use and waste responsibly on our estate
 - purchasing goods and services that meet government standards, and
 - actively encouraging our suppliers and staff to support us
- 5.2 Improving performance in these areas is closely linked to our efforts to achieve greater efficiency and value for money across shared corporate services. Consideration of sustainability is integral to our decision making process.
- 5.3 The agency plans to deliver the greening government commitments (GGC). They require us to significantly reduce our impact on the environment by 2015 and to be more transparent. The commitments can be viewed at the DEFRA website at the following address <http://sd.defra.gov.uk/gov/green-government/>.
- 5.4 The agency also participates in the CRC Energy Efficiency Scheme as part of the Home Office body.

Highlights

- 5.5 The agency continues to make good progress in delivering our sustainability commitments. In 2011-12 the agency:
- Reduced CO₂e emissions from our buildings by 46 per cent against the revised and expanded 2009-10 baseline, a reduction of 12,769 tonnes of CO₂e emissions.
 - Reduced the number of domestic flights, water use, waste generated and paper purchased against baselines
 - Further developed our payment by results mechanism as an incentive for two of our facilities management suppliers to deliver enhanced energy savings.
 - Improved the efficiency of IT use (for example device rationalisation, server virtualisation and reducing the ratio of printers to users)
 - Delivered several projects and activities to promote our actions and develop skills. For example we participated in Climate Week and Earth Hour, promoted an e-learning package for staff on

sustainability and climate change, and reported energy use at: <http://www.ecodriver.uk.com/homeoffice/>

Performance – summarised

Area	Metric	2009-10	2010-11	2011-12
Estimated greenhouse gas emissions (GHG)	Amount (tonnes CO ₂ e)	36,992	27,023	21,981
Building energy	Amount (tonnes CO ₂ e)	27,521	21,068	14,752
	Amount (kWh)	65,674,589	49,046,360	34,284,906
	Expenditure (£)	5,595,774	3,619,341	3,037,024
Government Carbon Offsetting Facility (GCOF)	Expenditure (£)	Not available	15,881	10,741
Domestic flights	Amount (number)	7,444	5,534	3,138
Office waste	Amount (tonnes)	3,980	3,209	2,572
	Expenditure (£)	527,140	390,903	296,075
	Total recycled (tonnes)	3,034	2,203	1,559
Water	Amount (m ³)	163,060	103,940	84,048
	Expenditure (£)	358,663	182,578	132,212

Governance arrangements

5.6 The parliamentary under-secretary for equalities and criminal Information has responsibility for sustainability. Leadership is provided by the sustainable development team in the Home Office who report to the sustainability implementation group (chaired by the director of shared services and comprising key Home Office bodies including the agency and business units) which meets quarterly. It ensures that necessary action is taken to meet GGC and reports to the estates and sustainability Board (chaired by director general financial and corporate services group, who is also a member of the Home Office supervisory board and executive management board).

Sustainability reporting within the Home Office

5.7 This is the agency's first sustainability report. The sustainability reports of Home Office agencies and arms length bodies have been consolidated into the Home Office annual report and accounts (except

the Office of the Immigration Services Commissioner and Independent Chief Inspector of Borders and Immigration who are not required to report). This year we have removed data from Border Force locations although these continue to be accounted for in the Home Office consolidated report.

5.8 More detailed Home Office and UK Border Agency performance information, when available, will be linked from or provided at: <http://www.homeoffice.gov.uk/about-us/sustainable-development/>

5.9 There are limitations to the accuracy of our financial and non-financial sustainability data and we continue to both limit and improve estimations and improve the quality of our internal controls and validation.

Detailed performance and analysis by year:

Greenhouse gas emissions and energy use

GREENHOUSE GAS EMISSIONS		2009-10	2010-11	2011-12	Graphical Analysis
t CO ₂ e	Gross emissions for scopes 1 & 2	30,013	23,521	18,475	
	Gross emissions scope 3 business travel	6,980	3,502	3,506	
	Estimated reported greenhouse gas emissions	36,992	27,023	21,981	
£	Energy expenditure	5,596,574	3,619,341	3,037,024	
	Expenditure on accredited carbon offsets	Not available	15,881	10,741	
	Expenditure on official business travel	10,729,206	5,657,619	5,601,239	
	Total expenditure	16,325,931	9,278,250	8,639,553	

MANAGING ENERGY USE FROM BUILDINGS		2009-10	2010-11	2011-12	Graphical Analysis
Energy kWh	Electricity: non-renewable	24,560,605	17,245,698	12,690,510	
	Electricity: renewable	15,478,177	16,716,833	12,111,140	
	Gas	15,173,893	10,007,100	9,478,928	
	Other (oil)	10,461,913	5,076,729	4,328	
	Total	65,674,589	49,046,360	34,284,906	
Total energy expenditure £ million	5,595,774	3,619,341	3,037,024		

- 5.10 The greening government commitments (GGC) require us to reduce greenhouse gas emissions from a 2009-2010 baseline by 25 per cent by 2015. We are on track to achieve this.
- 5.11 Total greenhouse gas emissions have fallen by 18 per cent against the previous year (5,042 tonnes of CO₂e) and 40 per cent (15,011 tonnes of CO₂e) against the 2009-10 baseline. Actual CO₂e emissions from our buildings have fallen against the 2009-10 baseline by 46 per cent. Other savings come from investment in energy saving infrastructure (such as more efficient lighting, variable speed drives and boiler controls), a payment by results mechanism as an incentive for two of our facilities management suppliers and tighter management of heating, cooling and lighting. Relocating to more efficient office space, estate consolidations and building closures have also contributed to our reduced emissions.
- 5.12 The number of domestic flights has fallen by 51 per cent against the baseline. Actual CO₂e emissions from travel have fallen against the baseline but increased on last year. We continue to rationalise our vehicle fleet, introduce measures to restrict travel and offering alternative ways of working (such as ICT solutions for communications and meetings).

Controllable Impacts

- 5.13 The agency's main impacts are from electricity use in buildings and from road travel. We endeavour to meet the construction standards required by GGC.

Influenced Impacts

- 5.14 We have directed our suppliers to improve our performance through good procurement choices and specifications, for example information, communication and technology rationalisation and payment by results with our facilities management suppliers. We are also working with our key suppliers, through the "CAESER" online self-assessment tool to identify their own CO₂e emissions and consider actions to reduce these. We actively encourage staff to consider their own impacts. We promote good energy practice to our visitors by displaying display energy certificates.

Water use

MANAGING WATER		2009-10	2010-11	2011-12	Graphical Analysis
Water Consumption m ³	Supplied	163,060	10,03,940	84,048	
	Total Water	163,060	10,03,940	84,048	
Invoiced Water Supply Costs £		358,663	182,578	132,212	

5.15 The GGC also require us to reduce water consumption from a 2009-10 baseline. We are on target to achieve this. Reported water use from our buildings fell against the 2009-10 baseline by 48 per cent.

Controllable Impacts

5.16 The main impacts are from water use for showers, washrooms, drinking, restaurant facilities or similar, and heating and ventilation systems.

Influenced Impacts

5.17 Through good procurement choices and specifications our suppliers have been directed to improve our performance. We work with suppliers using “CAESER” to identify their own impacts and consider actions to reduce these. We actively encourage staff to consider their own impacts.

Office waste

MANAGING OFFICE WASTE			2009-10	2010-11	2011-12	Graphical Analysis
Tonnes	Non hazardous waste	Reused/Recycled/Recovered	3,034	2,203	1,559	
		Landfill	946	1,006	1,013	
	Total waste		3,980	3,209	2,572	
£	Reused/Recycled/Recovered		451,434	310,402	215,042	
	Landfill		75,706	80,502	81,033	
	Total disposal cost		527,140	390,903	296,075	

5.18 The GGC require the agency to reduce the amount of waste generated by 25 per cent from a 2009-10 baseline. Office waste has fallen by 35 per cent against this baseline. We ensure that redundant ICT equipment is re-used or responsibly recycled. We are reviewing the

requirement to buy 100 per cent recycled paper and the implementation of a closed loop paper system.

Controllable Impacts

- 5.19 Office waste streams include shredded and un-shredded paper, dry mixed recyclables, food waste and packaging. Work continues with our two facilities management suppliers to increase the types of waste that can be recycled.
- 5.20 Suppliers are required to use an online tool in order to record data on waste generated from construction projects with the aim of halving the amount sent to landfill.

Influenced Impacts

- 5.21 The Home Office uses the “CAESER” online self-assessment tool as well as active dialogue with all large and key suppliers. Electrical and ICT waste is treated in accordance with the Waste Electrical and Electronic Regulations (WEEE Regulations) by the Home Office facilities management and ICT providers. We also actively encourage staff to consider their own impact.

Terms

- 5.22 CO₂e – Carbon dioxide equivalent – the greenhouse gas global warming potential expressed as a standard unit:
- Scope 1 – Direct greenhouse gas emissions are from sources owned or controlled by the organisation. For this report this is emissions resulting from gas for heating and fuel used in our vehicles.
 - Scope 2 – Energy indirect emissions are from the usage of purchased electricity.
 - Scope 3 – Other indirect emissions are a consequence of our actions but occur at sources which are not owned or controlled directly by us and are not classed as scope 2 emissions. In this report these are only from business travel using public transport, taxis and commercial airlines.

Notes

- 5.23 For energy and water this report only includes locations where we pay for utilities directly. We do not include costs or data where we receive the service as part of a landlord service charge. We only report waste from buildings where we receive data from sites directly managed by one of our two facilities management suppliers. Travel data includes travel by all our staff regardless of their location. Road travel data includes some amounts from other Home Office bodies which will be corrected in future reports if feasible.

5.24 Further notes can be found, when available, on the Home Office website at <http://www.homeoffice.gov.uk/about-us/sustainable-development/> as part of the Home Office consolidated report notes.

Priorities for 2012-13

5.25 Our priorities for 2012-13 include:

- maintaining momentum in the drive to reduce our CO2e emissions
- further reducing our water use
- embedding further sustainable practices into our suppliers provision of goods and services.

Rob Whiteman
Chief Executive
6 July 2012

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

- 6.1 I certify that I have audited the financial statements of the UK Border Agency for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

- 6.2 As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

- 6.3 An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the UK Border Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the UK Border Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.
- 6.4 I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

6.6 In my opinion:

- the financial statements give a true and fair view of the state of the UK Border Agency's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

6.7 In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

6.9 I have no observations to make on these financial statements.

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

10 July 2012

7. ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

Statement of Comprehensive Net Expenditure

	Note	Staff costs £000	Other costs £000	2011-12 Income £000	Restated 2010-11 Total £000
Administration costs					
Staff costs	3	67,240			85,985
Other administration costs	4		51,011		66,346
Programme costs					
Staff costs	3	443,293			422,916
Programme costs	5		990,375		1,205,423
Retainable income	6			(841,807)	(829,039)
Non-retainable income	6			(33,313)	(2,246)
EU income	6			(27,704)	(21,974)
Total		510,533	1,041,386	(902,824)	927,411
Net operating cost				649,095	927,411

The notes on pages 72 to 113 form part of these accounts.

Other Comprehensive Expenditure for the period ended 31 March 2012

	Note	2011-12 £000	Restated 2010-11 £000
Gain/(loss) on revaluation of gross book value of property, plant and equipment	7	8,969	(27,906)
Gain/(loss) on revaluation of accumulated depreciation of property, plant and equipment	7	<u>(943)</u>	<u>11,158</u>
Net gain/(loss) on revaluation of property, plant and equipment		8,026	(16,748)
Gain/(loss) on revaluation of gross book value of intangibles	8	5,368	1,543
Gain/(loss) on revaluation of accumulated depreciation of intangibles	8	<u>(1,241)</u>	<u>(1,146)</u>
Net gain/(loss) on revaluation of intangibles		4,127	397
Total other comprehensive expenditure		<u>12,153</u>	<u>(16,351)</u>

The notes on pages 72 to 113 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Note	31-Mar-12 £000	Restated 31-Mar-11 £000	Restated 31-Mar-10 £000
Non-current assets				
Property, plant and equipment	7	430,130	424,345	423,932
Intangible assets	8	<u>249,227</u>	<u>154,205</u>	<u>66,030</u>
Total non-current assets		679,357	578,550	489,962
Current assets				
Inventories	11	4,725	2,137	2,813
Trade and other receivables	12	85,317	76,837	58,991
Cash and cash equivalents	13	<u>15,119</u>	<u>11,755</u>	<u>8,248</u>
Total current assets		105,161	90,729	70,052
Total assets		<u>784,518</u>	<u>669,279</u>	<u>560,014</u>
Current liabilities				
Trade and other payables	14	<u>(361,872)</u>	<u>(316,090)</u>	<u>(398,670)</u>
Total current liabilities		(361,872)	(316,090)	(398,670)
Non current assets less net current liabilities		<u>422,646</u>	<u>353,189</u>	<u>161,344</u>
Non current liabilities				
Long-term trade and other payables	14	(68,361)	(70,044)	(58,993)
Provisions	15	<u>(69,458)</u>	<u>(78,349)</u>	<u>(63,817)</u>
Total non-current liabilities		(137,819)	(148,393)	(122,810)
Assets less liabilities		<u>284,827</u>	<u>204,796</u>	<u>38,534</u>
Taxpayers' equity				
General fund		210,407	136,227	(61,146)
Revaluation reserve		74,420	68,569	99,680
Total taxpayers' equity		<u>284,827</u>	<u>204,796</u>	<u>38,534</u>

Accounting Officer
6 July 2012

The notes on pages 72 to 113 form part of these accounts.

Statement of Cash Flows for the period ended 31 March 2012

	Note	2011-12 £000	Restated 2010-11 £000
Cash flows from operating activities			
Net operating cost		(649,095)	(927,411)
Less non-retainable income	6	(33,313)	(2,246)
Adjustments for non-cash transactions			
Depreciation	5	34,091	46,750
Amortisation	5	12,497	17,438
Impairment	5	519	21,246
(Profit)/loss on disposal of non-current assets	4,5	1,424	(240)
Bookkeeping losses on non-current assets	5	1,997	11,670
Auditors' remuneration and expenses	4	249	222
Movement in provisions	5	11,565	22,747
Unwinding of discount on provisions	5	1,080	748
Movement in bad debt provision	5	136	1,655
Adjustment to increase CFER payable		(4,723)	(4,450)
(Increase)/Decrease in trade and other receivables	12	(8,480)	(17,846)
<i>Less: Amounts not going through the Statement of Comprehensive Net Expenditure</i>			
Increase/(Decrease) in CFER receivables*		(4,595)	(4,251)
Increase/(Decrease) in PFI prepayments		25,516	(1,128)
(Increase)/Decrease in inventories	11	(2,588)	676
Increase/(Decrease) in trade payables	14	44,099	(71,529)
<i>Less: Amounts not going through the Statement of Comprehensive Net Expenditure</i>			
(Increase)/Decrease in capital element of PFI liability		(421)	249
(Increase)/Decrease in current part of finance lease liability		(1,794)	3,215
(Increase)/Decrease in non-current part of finance lease liability		1,683	(11,051)
(Increase)/Decrease in capital payables		8,354	(15,974)
(Increase)/Decrease in CFER payables		4,595	4,251
Use of provisions	15	(21,536)	(8,963)
Net cash outflow from operating activities		(578,740)	(934,222)

Statement of Cash Flows (continued) for the period ended 31 March 2012

	Note	2011-12 £000	Restated 2010-11 £000
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(33,732)	(33,917)
Purchase of intangible assets		(93,508)	(71,004)
Proceeds of disposal of property, plant and equipment (PPE) and intangibles		0	127
Net cash outflow from investing activities		(127,240)	(104,794)
Cash flows from financing activities			
Capital element of payments in respect of finance leases		(379)	(349)
Capital element of payments in respect of on balance sheet PFI contracts - PPE		(7,593)	(3,903)
Prepayment element of payments in respect of on balance sheet PFI contracts - PPE		(5,949)	(1,402)
Capital element of payments in respect of on balance sheet PFI contracts - intangibles		(9,555)	(1,620)
Prepayment element of payments in respect of on balance sheet PFI contracts - intangibles		(21,905)	(3,210)
Net cash Inflow from Home Office		754,725	1,053,007
Net financing		709,344	1,042,523
Net increase/(decrease) in cash and cash equivalents		3,364	3,507
Cash and cash equivalents at the beginning of the period	13	11,755	8,248
Cash and cash equivalents at the end of the period	13	15,119	11,755

Notes

1. The amount receivable in respect of CFER income is equivalent to the payable due to the Home Office.
2. Due to a change in accounting policy in 2010-11 in order to bring the CFER payable to the Home Office into line with the net CFER receivable, the CFER payable as at 31 March 2010 for cash flow purposes is £17,918k

The notes on pages 72 to 113 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2012

	Note	Restated General Fund £000	Restated Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010		(47,213)	99,680	52,467
Change in accounting policy: restatement of payable to the Home Office		(13,933)	0	(13,933)
Restated balance at 1 April 2010		(61,146)	99,680	38,534
Changes in taxpayers' equity for 2010-11				
Change in accounting policy: restatement of payable to the Home Office		13,933	0	13,933
Write-off of CFER penalty receivables		(5,206)	0	(5,206)
Net gain/(loss) on revaluation of PPE	7	0	(16,748)	(16,748)
Transfer of assets	7,8	48,341	0	48,341
Reversal of notional income		3,230		3,230
Non-retainable income		(2,246)	0	(2,246)
Net gain/(loss) on revaluation of intangible assets	8	0	397	397
Non cash charges - auditor's remuneration	4	222	0	222
Non cash write-off		(1,257)	0	(1,257)
Transfers between reserves		14,760	(14,760)	0
Net operating cost for the year		(927,411)	0	(927,411)
Funding from Home Office		1,053,007	0	1,053,007
Balance at 31 March 2011		136,227	68,569	204,796
Changes in taxpayers' equity for 2011-12				
Write-off of CFER penalty receivables		(4,688)	0	(4,688)
Net gain/(loss) on revaluation of PPE	7	0	8,026	8,026
Net gain/(loss) on revaluation of intangible assets	8	0	4,127	4,127
Non-retainable income		(33,313)	0	(33,313)
Non cash charges - auditor's remuneration	4	249	0	249
Transfers between reserves		6,302	(6,302)	0
Net operating cost for the year		(649,095)	0	(649,095)
Funding from Home Office		754,725	0	754,725
Balance as at 31 March 2012		210,407	74,420	284,827

The notes on pages 72 to 113 form part of these accounts.

Notes to the Financial Statements

1.0 Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by Her Majesty's (HM) Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UK Border Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the UK Border Agency for the 2011-12 financial year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In common with other government agencies, the future financing of the UK Border Agency's liabilities is accordingly to be met by future funding by the parent department, the Home Office. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

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

1.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the year ending 31 March, and for amounts reported for income and expenses during the year.

In the process of applying the agency's accounting policies, management has made the following judgements, the most significant of which in terms of their effect on the amounts recognised in the financial statements are:

Service concession arrangements

The agency is party to private finance initiatives (PFI). The classification of such arrangements as service concession arrangements requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure.

Leases

The agency is the lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Impairment of assets

The agency assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

1.3 Property, plant and equipment

Property, plant and equipment (PPE) is stated at the lower of replacement cost and recoverable amount. Expenditure on PPE of over £5,000 is capitalised, other than furniture, which is capitalised only when it comprises separately identifiable groups costing £25,000 or more. On initial recognition PPE assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

All PPE assets are restated to current value each year. Land and buildings are restated to current value using professional valuation in accordance with IAS 16: *Property, Plant and Equipment* every 5 years (or more frequently if there is evidence of material changes in value, for example as a result of impairment). In the intervening years land and buildings are revalued by the use of published indices appropriate to the type of land or building and other PPE assets have been stated at current cost using appropriate indices.

PPE is not revalued in the year of addition or disposal.

1.4 Intangible assets

Intangible information technology (IT) assets (such as software) and purchased software licences are capitalised as intangible non-current assets where expenditure of £5,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year using the published indices appropriate to the type of intangible asset. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

Any costs relating to consultancy and civil staff working on a capital project (for example, software development) can be capitalised as intangible non-current assets.

Intangible assets are not revalued in the year of addition or disposal.

1.5 Depreciation

Land is not depreciated. Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Lives are in the following ranges:

Buildings	50 years or life of lease
Plant and Machinery	5 - 15 years
IT	3 - 7 years
Transport	5 - 7 years
Furniture and Fittings	5 - 7 years
Intangible Assets	3 - 5 years

Major IT systems which will deliver fundamentally new ways of working and substantial improvements are considered on a case by case basis. Depreciation for IT assets and amortisation for intangible assets is charged on the basis of the useful economic life of the assets by reference to the business case and the contractual arrangements around their operation, where these are more appropriate than the guidelines above.

1.6 Assets under construction

Assets under construction (AUC) includes land and building enhancement, computer software, computer hardware and all new build projects. At the outset a unique identifier is assigned to collate the expenditure and entered onto the non-current asset register as a non-depreciating asset. When completed, AUC are reclassified into the appropriate non-current asset category, and depreciated from the point of being brought into service.

1.7 Inventories

Inventories are valued at the lower of current replacement cost and net realisable value, and comprise blank visa vignettes, other vignettes, travel documents and travel tickets.

1.8 Third party assets

Third party assets are classed as such when the agency and central government more widely has no rights over and does not receive any financial benefit from the asset that is being held. Such assets include citizenship ceremony fees, proceeds of crime and bail bonds. Details of the assets held on behalf third parties are given in Note 24 to the accounts.

1.9 Research and development costs

Expenditure on research is not capitalised. Expenditure on development in connection with a project or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in IAS 38: *Intangible Assets*. Other development expenditure is capitalised if it meets the criteria specified in the FReM. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year it is incurred. Non-current assets acquired for use in research and development are depreciated over the life of the associated project or according to the asset category if the asset is to be used for subsequent work.

1.10 Cash and cash equivalents

The UK Border Agency accounting policy is to disclose all cash and cash equivalents in the Statement of Financial Position.

During 2010-11 the UK Border Agency transferred many of its banking processes from commercial bank accounts and the Paymaster General (PGO) to the Government Banking Service (GBS) together with the Home Office. This has been a phased transition which has resulted in dual processes, with two accounts held at National Westminster Bank and one held at Alliance & Leicester as at 31 March 2012.

Income received by the UK Border Agency is banked in one of the remaining commercial accounts or the GBS account. These accounts are cleared into the Home Office bank account on a monthly basis. The income/receivable is recognised in the UK Border Agency accounts, and the cash is recognised in the Home Office accounts. The movement between the two entities is through the reserves, and is reflected in the cash requirement of UK Border Agency.

The cash balance shown on the Statement of Financial Position reflects the cash held in the UK Border Agency GBS account and the commercial accounts as at 31 March and include balances which appeared after the monies were cleared into the Home Office bank account.

The main cash outgoings of UK Border Agency are funded via the Home Office GBS account as required. For this reason the UK Border Agency element of the GBS account is taken to be £nil at any given time.

Balances held by the Foreign and Commonwealth Office (FCO) on behalf of UK Border Agency international group are disclosed within UK Border Agency's accounts as either a receivable from, or a payable to, the FCO. Income collected by UK Border Agency international group is banked immediately at the location where it is received into a bank account held and controlled by the FCO. The FCO accounts for this income as cash and recognises a sterling payable to UK Border Agency in their accounts. If expenses are paid by UK Border Agency international group, they are made from bank accounts held and controlled by the FCO. The FCO account for these expenses and recognises a sterling receivable from UK Border Agency in their accounts.

1.11 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HM Treasury.

1.12 Income

Income received by the agency comprises operating income, non-retainable income and income from the European Union.

Operating income is income which relates directly to the operating activities of the agency, and comprises principally fees and charges for services. Cash is received at the point of application,

however, income is not recognised until the application process has been completed and a decision has been made.

Some income streams are charged below the cost of delivery where UK Border Agency has to maintain its international competitiveness. To assist this, some fees are set above the cost of delivery. In particular, the UK Border Agency income for certain in-country applications is set at a level that allows for a contribution towards immigration related activities, in addition to covering the cost of processing applications. The overall aim is to ensure that income contributes to the end-to-end costs of the immigration system.

Non-retainable income includes immigration and civil penalties that, when received, are not permitted to be retained by the agency, and are surrendered to HM Treasury as consolidated fund extra receipts (CFERs). Immigration and civil penalties relate to fines imposed against businesses for illegally employing foreign nationals and for allowing the movement of non-EU visitors into the UK with insufficient travel documentation.

Income from the European Union is described in 1.12 below.

1.13 Grants from the European Union

The UK Border Agency receives European Union (EU) funding for a number of internal and external projects. These projects run on annual cycles, each project having a different start and end date. Expenditure in the Statement of Comprehensive Net Expenditure is allocated in equal months over the period of the project, and income from the EU is matched to the expenditure. Where income and expenditure do not exactly match, any excess income is paid to HM Treasury and accounted for as non-retainable income. Any excess expenditure is shown as grant expenditure, and the UK Border Agency incurs the cost.

1.14 Audit fee

The UK Border Agency is charged an audit fee by the National Audit Office. The audit fee in these accounts represents a notional charge to reflect the cost of the service provided.

1.15 Foreign exchange

Transactions which are denominated in a foreign currency are converted into sterling at the exchange rate on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Conversion differences are recognised in the Statement of Comprehensive Net Expenditure.

Unsettled transactions or other monetary assets and liabilities as at 31 March have been recognised at the spot rate on that date.

1.16 Pensions

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 agency 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 on amounts calculated on an accruing basis. Liability for payment of future benefits is a charge to the UK Border Agency. In respect of defined contribution schemes, the agency recognises the contributions payable in year.

1.17 Operating leases

The agency makes rental payments for all operating leases as stipulated in the lease agreement. These are charged through the Statement of Comprehensive Net Expenditure.

1.18 Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the UK Border Agency, the asset is recorded as a non-current asset and a payable is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

1.19 Grants

Grants made by the agency are recorded on an accruals basis, with the grant funding attributed to the period in which the activity relates. Grants are paid only in respect of relevant expenditure incurred by the recipient, which is directly attributable to the purposes of the grant.

1.20 Grant in aid

The UK Border Agency funds the Office of the Immigration Services Commissioner (OISC), which is a non-departmental public body of the UK Border Agency. The grant in aid supplied is agreed in advance and accounted for on a cash basis. The UK Border Agency receives certain income from OISC (see note 23 for more details).

1.21 Provisions

The agency provides for legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date, but where it is judged likely that the agency will be required to make a payment to settle the obligation, in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are calculated on the basis of a best estimate of the potential economic outflow to the agency and are charged to the Statement of Comprehensive Expenditure in the period in which the obligation arises. Provisions which are not expected to be settled within one year of the reporting date, and which are material to the agency, are discounted to their present value using the discount rate stipulated by HM Treasury, currently 2.2%. The discount is unwound over the remaining life of the provisions and is shown as a charge in the Statement of Comprehensive Expenditure. Where the likelihood of payment is not probable, or the liability cannot be reliably estimated, the item is disclosed as a contingent liability.

1.22 Early departure costs

Prior to 1 April 2010, the UK Border Agency had an agreement with the Home Office for new early departure schemes for staff. The Home Office funded the initial lump sum payments and the costs for the first year, and the UK Border Agency was then responsible for the remaining payments. The provision in the UK Border Agency's books only reflected the UK Border Agency liability and did not include the initial payments funded by the Home Office.

For new early departure schemes announced between 1 April 2010 and December 2010, the UK Border Agency funded the initial lump sum payments and costs for the first year, in addition to the remaining future payments.

From December 2010, the Cabinet Office issued new guidance confirming that government entities will now pay all future early retirement costs up front to the pension administrator. The costs are therefore incurred all within the year of retirement. There is no longer a requirement for a provision for future costs as the liability has been transferred to the pension administrator. There are therefore no early retirement provision additions for schemes announced after December 2010.

Provisions for early retirement have been discounted at 2.9 per cent as at 31 March 2009 and 2.8 per cent from 31 March 2010 in accordance with IAS 19: *Employee Benefits* and HM Treasury guidance.

1.23 Service concessions to private finance initiatives and public private partnerships (PFI/PPP)

The agency accounts for PFI transactions on a control approach based on International Financial Reporting Interpretations Committee (IFRIC) Interpretation 12: *Service Concession Arrangements*. The agency is considered to control the infrastructure in a public-to-private service concession arrangement if:

- the agency controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- the agency controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not within the scope of IFRIC 12, the agency assesses such arrangements under IFRIC 4: *Determining whether an Arrangement contains a Lease*. Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in

accordance with the risk and reward based approach as set out in notes 1.16 and 1.17.

Where it is determined that arrangements do fall within the scope of IFRIC 12, the agency recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured in accordance with IAS 17: *Leases*, with the service element and the interest charge recognised over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

In determining the interest rate implicit in the contract, the agency applies the risk-free market rate at the time the contract was signed. The rate is not changed unless the contract, or the infrastructure element thereof, is renegotiated. The risk-free rate is determined by reference to the real rate set by HM Treasury, currently 3.5 per cent. The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

The agency recognises a liability for the capital value of the contract. The liability does not include the interest charge and service elements, which are recognised in the Statement of Comprehensive Expenditure.

On initial recognition of existing PPP arrangements or PFI contracts under IFRS, the agency measures the non-current asset in the same way as other non-current assets of that generic type. A liability is recognised for the capital value of the contract at its fair value as at 31 March, which will normally be the outstanding liability in respect of the property (excluding the interest and service elements), discounted by the interest rate implicit in the contract.

Assets are revalued in accordance with the revaluation policy for Property, Plant and Equipment (note 1.3) and Intangible Assets (note 1.4). Liabilities are measured using the appropriate discount rate. Revenue received under any revenue sharing provision in the service concession arrangement is recognised when all the conditions set out in IAS 18: *Revenue* have been satisfied.

1.24 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the agency discloses certain statutory and non-statutory contingent liabilities for parliamentary reporting and accountability purposes, where the likelihood of a transfer of economic benefit is removed, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.25 Reserves

Taxpayers' equity comprises the general fund and revaluation reserve. The general fund represents the total net assets of the agency to the extent that they are not represented by other reserves. Net funding from HM Treasury and realised gains and losses are reflected in the general fund. The revaluation reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to non-current assets.

1.26 Value added tax (VAT)

For most of the activities of the agency, output VAT does not apply and input VAT on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.27 Financial instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS 32: *Financial Instruments: Presentation*, IAS 39: *Financial Instruments: Recognition and Measurement*, IFRS 7: *Financial Instruments: Disclosures* and IFRS 9: *Financial Instruments*.

As the cash requirements of the UK Border Agency are met by the Home Office through the supply estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the agency's expected purchase and usage requirements. The agency is therefore exposed to minimal liquidity, market or credit risk.

The subsequent measurement of financial assets depends on their classification. The following classifications are currently applicable:

Financial assets at fair value through profit or loss

This category includes financial assets classified as held for trading and other assets designated as such on inception. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in the Statement of Comprehensive Expenditure.

Loans and receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the agency will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Derivatives, including any separated embedded derivatives are classified as held for trading and included in this category. Gains or losses on liabilities held for trading are recognised in profit or loss.

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.28 Asset transfers

A number of assets were transferred into and out of the UK Border Agency due to changes in the agency's responsibilities. The assets have been transferred at fair value for nil consideration.

1.29 Machinery of government changes

The accounting officer responsibility of Border Force was transferred from the UK Border Agency to core Home Office on 1 March 2012. Under merger accounting principles, Border Force's financial results for 2010-11 and 2011-12, and financial position as at 1 April 2010, 31 March 2011 and 31 March 2012, have been removed from the UK Border Agency's accounts for the year ended 31 March 2012.

2 Statement of Operating Costs by Operating Segment

The primary level of segmentation, which is based on the UK Border Agency's management structure, comprises of the agency's three operating areas – immigration, enforcement and crime, and international – along with corporate services.

The corporate services segment includes the centralised management of the agency relating to financial management, human resources, property management, policy, IT services and commercial.

The summarised Statement of Comprehensive Net Expenditure is shown below.

	2011-12				
	Immigration £000	Enforcement and Crime £000	International £000	Corporate Services £000	Total £000
Migration and visa income	(423,501)	0	(405,534)	0	(829,035)
EU income	0	0	0	(27,704)	(27,704)
Miscellaneous income	(2,828)	(4,775)	(5)	(2,164)	(9,772)
Retained element of penalties raised	(3,000)	0	0	0	(3,000)
Non-retainable income: excess operating income treated as CFER	(10,233)	0	(23,046)	0	(33,279)
Other non-retainable income	(168)	(48)	0	182	(34)
Total income	(439,730)	(4,823)	(428,585)	(29,686)	(902,824)
Staff costs	278,156	93,470	62,604	76,303	510,533
Asylum support	281,365	3,274	0	0	284,639
Overseas visa operating costs	0	0	164,311	0	164,311
Detention and removal costs	3,858	185,440	0	0	189,298
Other programme expenditure	100,842	39,575	35,800	175,910	352,127
Admin expenditure	1,843	275	10,669	38,224	51,011
Total expenditure	666,064	322,034	273,384	290,437	1,551,919
Net operating cost	226,334	317,211	(155,201)	260,751	649,095

2 Statement of Operating Costs by Operating Segment (continued)

				Restated 2010-11	
	Immigration £000	Enforcement and Crime £000	International £000	Corporate Services £000	Total £000
Migration and visa income	(413,364)	0	(399,321)	0	(812,685)
EU income	0	0	0	(21,974)	(21,974)
Miscellaneous income	(1,995)	(6,604)	(642)	(203)	(9,444)
Retained element of penalties raised	(6,910)	0	0	0	(6,910)
Non-retainable income	(1,728)	0	0	(518)	(2,246)
Total income	(423,997)	(6,604)	(399,963)	(22,695)	(853,259)
Staff costs	324,925	44,123	67,604	72,249	508,901
Asylum support	400,245	23,830	0	0	424,075
Overseas visa operating costs	0	0	195,854	0	195,854
Detention & removal costs	3,507	187,273	0	0	190,780
Other programme expenditure	79,402	32,284	17,795	265,233	394,714
Administration expenditure	4,789	864	7,105	53,588	66,346
Total expenditure	812,868	288,374	288,358	391,070	1,780,670
Net operating cost	388,871	281,770	(111,605)	368,375	927,411

3 Staff Numbers and Related Costs

Staff costs comprise:

			2011-12	Restated 2010-11
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	376,258	5,605	381,863	417,072
Social security costs	24,653	0	24,653	26,390
Other pension costs	61,551	0	61,551	64,636
Early retirement costs	42,624	0	42,624	1,250
	505,086	5,605	510,691	509,348
Less recoveries in respect of outward secondments	(158)	0	(158)	(447)
Total net costs	504,928	5,605	510,533	508,901
Of which:				
Administration costs			67,240	85,985
Programme costs			443,293	422,916

Notes

- (1) The UK Border Agency does not have any costs relating to ministers or special advisors.
- (2) The total amount of capitalised staff costs not included in the figures above is £2,102k (2010-11: £1,658k).

The principal civil service pension scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the UK Border Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2011-12, employers' contributions of £52m were payable to the PCSPS (2010-11: £53m) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £229,147 (2010-11: £207,345) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £14,015 (2010-11: £12,444), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

9 individuals (2010-11: 8) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,638 (2010-11: £17,185).

3 Staff Numbers and Related Costs (Continued)

Average number of persons employed

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

			2011-12	Restated 2010-11
	Permanent Staff	Others	Total	Total
Directly employed	11,933	0	11,933	13,252
Other	313	1,745	2,058	2,206
Staff engaged on capital projects	121	0	121	126
Total	12,367	1,745	14,112	15,584

Not included in the figures above are 473 (2010-11: 448) non-active staff, for example staff on maternity leave, career breaks and outward secondments.

Included in the figures are staff who work on behalf of the agency but who are not directly employed. For example, 1,279 (2010-11: 1,426) staff are locally employed overseas by the Foreign and Commonwealth Office and work on behalf of the agency.

Also included in the figures are an estimated 350 (2010-11: 350) full-time equivalent persons who work on behalf of the agency but are directly employed by Border Force.

Compensation for loss of office

Exit package cost band	Total Number of Exit Packages 2011-12	Restated Total Number of Exit Packages 2010-11
<10,000	70	98
£10,000 - £25,000	470	256
£25,000 - £50,000	354	142
£50,000 - £100,000	161	103
£100,000 - £150,000	28	30
£150,000 - £200,000	8	9
>£200,000	1	1
Total number of exit packages	1,092	639
	£000	£000
Lump sum payments	31,211	12,225
Additional pension costs	5,953	10,358
Total resource cost	37,164	22,583

There were no compulsory redundancies in 2011-12 or 2010-11.

3 Staff Numbers and Related Costs (Continued)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the agency has agreed early retirements, the additional costs are met by the agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Up to 31 December 2010, where an employee departed under the early retirement scheme the UK Border Agency accounted for costs by creating a provision (see note 15) to cover the future years of expenditure to the pension provider. From 1 January 2011, following a Cabinet Office directive, departure costs for early retirement have been accounted for and expensed to the pension provider in full at the date of departure.

4 Other Administration Costs

	2011-12 £000	Restated 2010-11 £000
Office supplies and services	23,517	26,449
Professional and legal fees	3,207	5,372
Travel, subsistence and training	2,624	4,552
Consultancy	299	1,862
Utilities	4,745	6,425
IT services	16,149	20,944
Banking and payment services	524	521
Non-cash items		
Auditors' remuneration and expenses	249	222
(Profit)/loss on disposal of asset	(303)	(1)
Total	51,011	66,346

Notes

- (1) During the period, the agency did not purchase any non-audit services from its auditor, the Comptroller and Auditor General.
- (2) The split between administration and programme expenditure changed in 2011-12 as a result of HM Treasury redefining administration budgets as part of the 2010 Spending Review. Administration budgets are defined explicitly to capture policy, funding and regulation functions across the agency. This realignment has been done to make a clear distinction between frontline services and other forms of current expenditure. The 2010-11 balances have been restated to reflect the redefined administration budgets.

5 Programme Costs

	Note	2011-12 £000	Restated 2010-11 £000
Asylum support		284,639	424,075
Overseas visa operating costs		164,311	195,854
Detention and removal costs		189,298	190,780
IT services - business as usual		48,599	47,545
Rentals under operating leases		35,615	38,752
Property costs		40,999	41,200
Professional and legal fees		64,077	57,698
Office supplies and services		11,367	11,005
Travel, subsistence and training		9,029	8,570
Consultancy		1,803	2,835
EU expenditure: funding of external projects		25,275	14,478
EU expenditure: funding of internal projects		1,995	7,496
Charges under finance leases		6,742	6,721
Other current expenditure		1,128	5,814
Grant in Aid to OISC		3,681	4,092
Banking and payment services		1,230	870
Refunds		127	0
Other grants -capital		0	118
PFI charges		36,848	25,505
Non-cash items			
Depreciation		34,091	46,750
Amortisation		12,497	17,438
Impairment		519	21,246
Bookkeeping (gains)/losses		1,997	11,670
(Profit)/loss on disposal of asset		1,727	(239)
Movement in bad receivable provision		136	1,655
Movement in provisions	15	11,565	22,747
Unwinding of discount on provisions	15	1,080	748
Total		990,375	1,205,423

Note

The split between administration and programme expenditure changed in 2011-12 as a result of HM Treasury redefining administration budgets as part of the 2010 Spending Review. Programme budgets are now defined to capture frontline services and other forms of current expenditure. This realignment has been done to make a clear distinction between frontline services and other forms of current expenditure. The 2010-11 balances have been restated to reflect the redefined administration and programme budgets.

6 Income

	2011-12 £000	Restated 2010-11 £000
Migration and visa income	(829,035)	(812,685)
EU income - grants to external projects	(25,275)	(14,478)
EU income - grants to internal projects	(1,995)	(7,496)
EU income - other	(434)	0
Miscellaneous income	(9,772)	(9,444)
Retained element of penalties raised	(3,000)	(6,910)
Total retainable income	(869,511)	(851,013)
Non-retainable income: excess operating income treated as CFER	(33,279)	0
Other non-retainable income	(34)	(2,246)
Total income	(902,824)	(853,259)

A regional analysis of the overseas income generated by the agency is given below.

	2011-12 £000	2010-11 £000
Africa	69,905	64,141
Americas	32,326	30,626
Euro-Med	79,484	74,045
Pacific	78,498	64,333
South Asia	85,219	87,468
The Gulf	83,148	78,708
Total visa income - overseas	428,580	399,321

Note

The analysis of income streams includes elements of both retainable and non-retainable operating income.

6 Income (continued)

An analysis of income from services provided to external and public sector customers is as follows:

Objective	Income £000	Full Cost £000	2011-12		
			Surplus/ (Deficit) £000	Fee Recovery (actual) %	Fee Recovery (target) %
Visa income - overseas	428,580	416,550	12,030	103%	100%
Temporary migration	187,883	142,081	45,802	210%	211%
Permanent migration	245,851	63,991	181,860		
	862,314	622,622	239,692		

Objective	Income £000	Full Cost £000	2010-11		
			Surplus/ (Deficit) £000	Fee Recovery (actual) %	Fee recovery (target) %
Visa income - overseas	399,321	407,319	(7,998)	98%	100%
Temporary migration	193,577	142,194	51,383	187%	184%
Permanent migration	219,787	79,214	140,573		
	812,685	628,727	183,958		

This analysis of income satisfies the fees and charges requirements of HM Treasury. An analysis of the agency's income in accordance with IFRS 8: *Operating Segments* is set out in note 2.

Notes

- (1) Non-retainable income includes income not eligible to be offset against expenditure in the UK Border Agency.
- (2) In its funding settlement from HM Treasury, the agency was permitted to recover £230m (2010-11: £186m) more than the full cost of its visa and migration decision making operation as a contribution to the running costs of the immigration and border control operation and, to August 2010, the government's migration impact fund.
- (3) The fee recovery actual and target percentage for permanent migration is the total percentage for the immigration group (temporary and permanent migration).
- (4) The analysis of income streams includes elements of both retainable and non-retainable operating income.
- (5) Full cost for income streams is calculated in line with the fees and charging model. In addition to local operating costs, the full cost includes agency overheads, project costs and Home Office shared overheads.

7 Property, Plant and Equipment

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2011	34,720	512,173	4,581	114,761	19,474	17,423	66,531	769,663
Additions	0	15,671	90	9,712	296	508	8,096	34,373
Disposals	0	(2,851)	(1,238)	(11,425)	(4,881)	(2,120)	0	(22,515)
Impairments	0	0	0	(472)	(3)	0	(85)	(560)
Transfers	0	0	0	919	(3,506)	1,570	782	(235)
Reclassifications	0	7,506	0	13,056	3	4,419	(25,097)	(113)
Revaluations	807	5,186	367	2,165	225	219	0	8,969
At 31 March 2012	35,527	537,685	3,800	128,716	11,608	22,019	50,227	789,582
Depreciation								
At 1 April 2011	0	(253,673)	(3,353)	(64,784)	(15,182)	(8,326)	0	(345,318)
Charged in year	0	(11,686)	(448)	(16,697)	(1,937)	(3,323)	0	(34,091)
Disposals	0	418	1,114	11,387	6,023	2,049	0	20,991
Impairments	0	0	0	41	0	0	0	41
Transfers	0	0	0	(742)	1,082	(918)	0	(578)
Reclassifications	0	0	0	449	(3)	0	0	446
Revaluations	0	(1,038)	(23)	306	(80)	(108)	0	(943)
At 31 March 2012	0	(265,979)	(2,710)	(70,040)	(10,097)	(10,626)	0	(359,452)
Net book value at 31 March 2012	35,527	271,706	1,090	58,676	1,511	11,393	50,227	430,130
Net book value at 31 March 2011	34,720	258,500	1,228	49,977	4,292	9,097	66,531	424,345

7 Property, Plant and Equipment (continued)

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation								
At 1 April 2010	40,914	838,892	4,556	105,968	1,691	21,433	94,369	1,107,823
Additions	0	21,880	603	13,943	4,281	3,676	25,041	69,424
Disposals	0	(347,105)	(677)	(27,001)	(6)	(7,859)	0	(382,648)
Impairments	(278)	(15,671)	0	(3,375)	0	0	0	(19,324)
Transfers	0	0	9	26,491	203	0	7,299	34,002
Reclassifications	78	37,919	(9)	(3,180)	13,027	150	(59,693)	(11,708)
Revaluations	(5,994)	(23,742)	99	1,915	278	23	(485)	(27,906)
At 31 March 2011	34,720	512,173	4,581	114,761	19,474	17,423	66,531	769,663
Depreciation								
At 1 April 2010	0	(591,753)	(3,492)	(75,176)	(393)	(13,077)	0	(683,891)
Charged in year	0	(18,224)	(515)	(14,153)	(10,759)	(3,099)	0	(46,750)
Disposals	0	347,106	612	26,997	185	7,861	0	382,761
Impairments	0	0	0	719	0	0	0	719
Transfers	0	0	116	(16,967)	7,389	0	0	(9,462)
Reclassifications	0	0	(75)	11,735	(11,513)	0	0	147
Revaluations	0	9,198	1	2,061	(91)	(11)	0	11,158
At 31 March 2011	0	(253,673)	(3,353)	(64,784)	(15,182)	(8,326)	0	(345,318)
Net book value at 31 March 2011	34,720	258,500	1,228	49,977	4,292	9,097	66,531	424,345
Net book value at 31 March 2010	40,914	247,139	1,064	30,792	1,298	8,356	94,369	423,932

7 Property, Plant and Equipment (continued)

	Land £000	Buildings £000	Transport £000	Information Technology £000	Plant and Machinery £000	Furniture and Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Asset financing 31 March 2012								
Owned	35,527	197,490	1,090	24,843	1,511	11,393	50,227	322,081
Finance leased	0	74,216	0	0	0	0	0	74,216
On balance sheet PFI contracts	0	0	0	33,833	0	0	0	33,833
Net book value at 31 March 2012	35,527	271,706	1,090	58,676	1,511	11,393	50,227	430,130
Asset financing 31 March 2011								
Owned	34,720	178,895	1,228	20,021	4,292	9,097	66,531	314,784
Finance leased	0	79,605	0	0	0	0	0	79,605
On balance sheet PFI contracts	0	0	0	29,956	0	0	0	29,956
Net book value at 31 March 2011	34,720	258,500	1,228	49,977	4,292	9,097	66,531	424,345

The most recent full valuations of the land and building assets were completed in March 2011 by DTZ, and were completed in accordance with Royal Institution of Chartered Surveyors (RICS) regulations. Other assets are revalued annually based on indices published by the Office of National Statistics.

The land and buildings were valued at existing use value. Building value was assessed by reference to depreciated replacement cost based on the cost to restore each facility to the same service potential, using modern materials, to a modern layout, in a single build operation and over a reasonable period of time. Depreciation allowance is applied according to the age of each asset. Furniture, equipment and VAT are excluded. The valuations are based on a change in methodology since the last valuation in 2006 now using modern equivalent assessment, the change is attributed mainly to the move to International Financial Reporting Standards and the need for a consistent approach internationally. This resulted in a significant reduction in valuation of land and buildings in 2010-11.

Included in transfers are assets which have come into, and been removed from, the UK Border Agency for nil consideration as part of changes of functions within the Home Office. Also included in transfers are reductions for bookkeeping losses which have removed erroneous historical postings.

8 Intangible Assets

Intangible assets comprise software licences and software developed in-house or by a third party.

	Information Technology £000	Software £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation				
At 1 April 2011	76,407	19,137	113,145	208,689
Additions	35,449	4,420	64,128	103,997
Disposals	(30)	0	0	(30)
Impairments	0	0	0	0
Transfers	(855)	0	54	(801)
Reclassification	46,557	0	(46,557)	0
Revaluations	4,870	498	0	5,368
At 31 March 2012	162,398	24,055	130,770	317,223
Amortisation				
At 1 April 2011	(42,035)	(12,449)	0	(54,484)
Charged in Year	(10,882)	(1,615)	0	(12,497)
Disposals	130	0	0	130
Impairments	0	0	0	0
Transfers	704	0	0	704
Reclassification	(608)	0	0	(608)
Revaluations	(917)	(324)	0	(1,241)
At 31 March 2012	(53,608)	(14,388)	0	(67,996)
Net book value at 31 March 2012	108,790	9,667	130,770	249,227
Net book value at 31 March 2011	34,372	6,688	113,145	154,205
Asset financing				
Owned				233,670
On Balance Sheet PFI contracts				15,557
Net book value at 31 March 2012				249,227

8 Intangible Assets (continued)

	Information Technology £000	Software £000	Payments on Account and Assets under Construction £000	Total £000
Cost or valuation				
At 1 April 2010	44,963	13,467	42,888	101,318
Additions	3,427	5,253	63,944	72,624
Disposals	(239)	0	0	(239)
Impairments	(2,938)	0	0	(2,938)
Transfers	11,174	0	13,707	24,881
Reclassification	17,194	0	(5,694)	11,500
Revaluations	2,826	417	(1,700)	1,543
At 31 March 2011	76,407	19,137	113,145	208,689
Amortisation				
At 1 April 2010	(25,089)	(10,199)	0	(35,288)
Charged in Year	(15,504)	(1,934)	0	(17,438)
Disposals	239	0	0	239
Impairments	297	0	0	297
Transfers	(1,080)	0	0	(1,080)
Reclassification	(68)	0	0	(68)
Revaluations	(830)	(316)	0	(1,146)
At 31 March 2011	(42,035)	(12,449)	0	(54,484)
Net book value at 31 March 2011	34,372	6,688	113,145	154,205
Net book value at 31 March 2010	19,873	3,269	42,888	66,030
Asset financing				
Owned				146,600
On Balance Sheet PFI contracts				7,605
Net book value at 31 March 2011				154,205

9 Financial Instruments

The agency has a number of financial assets and financial liabilities. These are reviewed in accordance with IAS 32, IAS 39, IFRS 7 and IFRS 9.

9.1 Liquidity risk

The agency receives funding from the parent department, the Home Office. There are no requirements to maintain commercial borrowing facilities and therefore the agency is not exposed to liquidity risks. The Home Office's resource requirements are noted annually by Parliament.

9.2 Market risk

Interest Rate Risk

The financial assets held by the UK Border Agency are trade receivables and other current assets (note 12) and cash and cash equivalents (note 13). The assets are not subject to interest rate risk.

The financial liabilities held by the UK Border Agency are trade payables and other current liabilities (note 14). The finance lease liabilities are at a fixed rate of interest until the repayment date, and therefore the interest rate risk is nil. The PFI lease liabilities are fixed as per the contract and, again, the interest rate risk is nil. No other creditors are subject to interest rate risk.

Currency Risk

Foreign currency transactions are undertaken by the agency and are accounted for in accordance with accounting policy Note 1.14. The agency has a number of transactions in currencies other than Sterling, which are explained below.

- (1) The UK Border Agency's international group has a large number of foreign currency transactions. Salaries for locally engaged staff and most overseas expenditure is covered by a service level agreement with the FCO. The rates are agreed annually and adjusted for exchange rate movements. The FCO collects visa fee income on the agency's behalf, and steps are taken to ensure there is no exchange loss.
- (2) The UK Border Agency's international group use two large commercial partners to deliver their service around the world. One contract charges the agency a fixed monthly fee, and therefore the contractor holds the risks and rewards of the exchange rate variations. The other contract charges the agency based on the prevailing rate at the time of the transaction, therefore the agency incurs the risks and rewards of the variations.
- (3) The UK Border Agency receives grants from the EU, which funds projects carried out by third parties as well as projects carried out by the agency. The risk of currency fluctuation is borne by the agency, as the amounts are agreed in Euros and reported back to the EU in Euros.

9 Financial Instruments (continued)

Sensitivity Analysis

The only items above which are deemed to have a significant currency risk relate to items (2) and (3). A sensitivity analysis has been prepared below to show the net effect of fluctuations in exchange rates on the Statement of Comprehensive Net Expenditure.

	Value as per Note 5 of the Accounts	Value if Exchange Rate reduced by 1%	Value if Exchange Rate increased by 1%
	£'000	£'000	£'000
(2) One Commercial Partner	18,761	18,576	18,949
(3) EU Income	(25,275)	(25,025)	(25,528)
Net charge to the Statement of Comprehensive Net Expenditure	(6,514)	(6,449)	(6,579)

Valuation

Receivables are held at fair value, which is equivalent to amortised cost, with the exception of items against which a provision has been created.

Payables are held at fair value, which is equivalent to amortised cost. Non-current payables relate only to finance leases, and this is shown on the statement of financial position at carrying value as this is not materially different from the amortised cost.

9.3 Credit risk

The agency is subject to some credit risk. The carrying amount of receivables, which is recognised net of impairment losses, represents the agency's maximum exposure to credit risk. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable (for example, when an entity has entered administration). Receivables are written off when all means of recovery have been exhausted and the debt cannot be recovered.

	Receivables £'000	Amortised Cost £'000	Total Book Value £'000	Fair Value £'000
Financial assets				
Cash	15,119	0	15,119	15,119
Trade and other receivables	102,211	(16,894)	85,317	85,317
Financial liabilities				
Bank overdraft	0	(300)	(300)	(300)
Finance lease	0	(76,785)	(76,785)	(76,785)
PFI contract	0	(8,706)	(8,706)	(8,706)
Trade and other payables	0	(344,442)	(344,442)	(344,442)
Net Assets	117,330	(447,127)	(329,797)	(329,797)

10 Impairments

The UK Border Agency has incurred the following impairments during the financial year:

	2011-12	2010-11
	£000	£000
Charged to the Statement of Comprehensive Net Expenditure	519	21,246
Charged to the revaluation reserve	4,384	29,807
Total	<u>4,903</u>	<u>51,053</u>

Downward revaluation of assets is charged to the revaluation reserve if the asset has previously been revalued upwards. If no revaluation reserve exists, the charge goes directly to expenditure (see note 5). Impairments losses have been analysed further in note 22.

11 Inventories

	31-Mar-12	31-Mar-11	31-Mar-10
	£000	£000	£000
Inventories	4,725	2,137	2,813
Total	<u>4,725</u>	<u>2,137</u>	<u>2,813</u>

Inventories include blank visa vignettes, travel documents and travel tickets.

12 Trade Receivables and Other Current Assets

(a) Analysis by type	31-Mar-12	Restated 31-Mar-11	Restated 31-Mar-10
	£000	£000	£000
Amounts falling due within one year			
Trade receivables	28,637	56,468	33,922
Bad receivables provision	(16,894)	(15,707)	(12,850)
Deposits and advances	4,763	5,094	4,102
Prepayments	46,329	14,683	22,597
Accrued income - EU	19,546	13,802	7,321
Accrued income - other	2,936	2,497	3,899
Total receivables as at 31 March	<u>85,317</u>	<u>76,837</u>	<u>58,991</u>

All receivables are expected to pay within one year

(b) Intra-government balances	31-Mar-12	31-Mar-11	31-Mar-10
	£000	£000	£000
Balances with other central government bodies	7,442	28,012	10,539
Balances with local authorities	226	866	12
Balances with NHS trusts	0	0	0
Balances with public corporations and trading funds	64	0	0
	<u>7,732</u>	<u>28,878</u>	<u>10,551</u>
Balances with bodies external to government	77,585	47,959	48,440
Total receivables as at 31 March	<u>85,317</u>	<u>76,837</u>	<u>58,991</u>

Of the £28,637k (2010-11: £56,468k) trade receivables, £24,173k (2010-11: £26,427k) is due after 28 days, £4,452k (2010-11: £29,591k) is due after 30 days, and the remaining £12k (2010-11: £450k) is due after 60 days.

During 2011-12, the agency has written off a total of £4,920k (2010-11: £5,156k) of bad receivables, of which £253k has been subsequently recovered. The net write-off in 2011-12 is £4,667k.

The provision for bad receivables is £16,894k (2010-11: £15,707k). This provision is calculated by considering, among other factors, the age of the receivable and the solvency of the customer. Of the remaining trade receivable balance of £11,743k (2010-11: £40,761k), £3,641k (2010-11: £5,913k) relates to receivables that are past due as at 31 March but are not impaired.

13 Cash and Cash Equivalents

	31-Mar-12 £000	31-Mar-11 £000
Balance at 1 April	11,755	8,248
Net change in cash and cash equivalent balances	<u>3,364</u>	<u>3,507</u>
Balance at 31 March	<u>15,119</u>	<u>11,755</u>
 The following balances at 31 March were held at:		
Commercial banks and cash in hand	0	0
Government Banking Service	<u>15,119</u>	<u>11,755</u>
Balance at 31 March	<u>15,119</u>	<u>11,755</u>
 Net increase/(decrease) in cash and cash equivalents in the period	 <u><u>3,364</u></u>	 <u><u>3,507</u></u>

Note

On 1 August 2010 banking facilities were transferred from Office of Paymaster General and commercial accounts to the Government Banking Service (GBS). See note 1.10 for more details.

14 Trade Payables and Other Current Liabilities

(a) Analysis by type

	31-Mar-12	Restated 31-Mar-11	Restated 31-Mar-10
	£000	£000	£000
Amounts due falling within one year			
Trade payables	(21,224)	(25,232)	(25,272)
Other payables	95	(2,354)	(10,950)
Overdraft	(300)	(421)	(669)
Accruals	(186,016)	(182,626)	(239,965)
PFI contracts	(8,706)	(12,808)	(2,304)
Deferred income	(128,225)	(72,352)	(73,099)
Current part of finance leases	(8,424)	(6,630)	(9,845)
Amounts due to Home Office	(9,072)	(13,667)	(36,566)
	<u>(361,872)</u>	<u>(316,090)</u>	<u>(398,670)</u>
Amounts falling due after more than one year			
Finance leases	(68,361)	(70,044)	(58,993)
PFI contracts	0	0	0
	<u>(68,361)</u>	<u>(70,044)</u>	<u>(58,993)</u>
Total payables as at 31 March	<u>(430,233)</u>	<u>(386,134)</u>	<u>(457,663)</u>

Note

The UK Border Agency does not have an overdrawn bank account, however, due to timing differences which arise in the transfer of cash received on our behalf from our commercial partners, the cash does not appear on our accounting systems until the following day.

(b) Intra-government balances

	31-Mar-12	31-Mar-11	31-Mar-10
	£000	£000	£000
Balances with other central government bodies	(3,705)	(9,565)	(48,039)
Balances with local authorities	(43,523)	(92,696)	(95,391)
Balances with NHS trusts	(768)	0	0
Balances with public corporations and trading funds	(932)	(274)	(134)
	<u>(48,928)</u>	<u>(102,535)</u>	<u>(143,564)</u>
Balances with bodies external to government	(381,305)	(283,600)	(314,099)
Total payables as at 31 March	<u>(430,233)</u>	<u>(386,135)</u>	<u>(457,663)</u>

15 Provisions for Liabilities and Charges

	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Balance at 1 April 2010	(8,810)	(32,810)	(22,197)	(63,817)
Provided in the year	(16,223)	(2,920)	(24,107)	(43,250)
Provisions not required written back	7,765	489	12,249	20,503
Provisions utilised in the year	1,202	730	7,031	8,963
Unwinding of discount	49	(700)	(97)	(748)
Balance at 31 March 2011	(16,017)	(35,211)	(27,121)	(78,349)
Provided in the year	(1,053)	(6,439)	(24,268)	(31,760)
Provisions not required written back	2,279	4,672	13,244	20,195
Provisions utilised in the year	3,374	5,494	12,668	21,536
Unwinding of discount	(551)	(482)	(47)	(1,080)
Balance at 31 March 2012	(11,968)	(31,966)	(25,524)	(69,458)

	2011-12 £000	2010-11 £000
Provided in year	31,760	43,250
Provisions not required written back	(20,195)	(20,503)
Total provision provided/written back	11,565	22,747
Provision utilised in year	(21,536)	(8,963)
Unwinding of discount charged to programme expenditure	1,080	748
Total provision movement	(8,891)	14,532

Analysis of expected timing of discounted cash flows	Early Departure Costs £000	Building Dilapidations £000	Other £000	Total £000
Not later than one year	3,047	9,253	14,503	26,803
Later than one year and not later than five years	7,244	8,672	10,271	26,187
Later than five years	1,677	14,041	750	16,468
Balance at 31 March 2012	11,968	31,966	25,524	69,458

All provisions are expected to be utilised before the period beginning 2052.

Early departure costs

Up to December 2010, the agency met the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retired early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 2.2 per cent in real terms. From December 2010 the procedure has changed; see note 1.21.

Building dilapidations

The UK Border Agency is required to maintain the estate which it occupies. The provision is for the work required at the end of the lease to return the buildings back to their former state.

15 Provisions for Liabilities and Charges (continued)

Other provisions

Other provisions include the following:

- Provisions for onerous contracts, where the UK Border Agency has vacated buildings but remains liable for the rental payments and service charges. The provision for onerous contracts has decreased in 2010-11 and 2011-12 due to some buildings being sublet, minimising any future losses;
- Outstanding compensation claims for various legal claims against the agency. The value reflects all known claims where legal advice indicates that it is probable that the claim will be successful and the amount of claim can be reliably estimated; and
- Refunds of fees incorrectly charged.

16 Capital Commitments

Contracted capital commitments at 31 March not otherwise included in these accounts were as follows:

	31-Mar-12	31-Mar-11
	£000	£000
Property, plant and equipment	1,069	4,339
Intangible assets	26,431	24,144
	<u>27,500</u>	<u>28,483</u>

17 Commitments under Leases

(a) Operating leases

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

Obligations under operating leases comprise:

	31-Mar-12	31-Mar-11
	£000	£000
Land		
Not later than one year	7,450	6,773
Later than one year and not later than five years	28,335	25,664
Later than five years	107,224	97,050
	<u>143,009</u>	<u>129,487</u>
Buildings		
Not later than one year	26,572	30,241
Later than one year and not later than five years	90,127	100,250
Later than five years	76,325	88,244
	<u>193,024</u>	<u>218,735</u>
Other		
Not later than one year	445	903
Later than one year and not later than five years	483	648
Later than five years	0	0
	<u>928</u>	<u>1,551</u>

17 Commitments under Leases (continued)

(b) Finance leases

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

	31-Mar-12	31-Mar-11
	£000	£000
Buildings		
Not later than one year	8,424	6,630
Later than one year and not later than five years	34,798	34,351
Later than five years	<u>123,864</u>	<u>128,535</u>
	167,086	169,516
Less interest element	(90,301)	(92,843)
Present value of future lease payments	<u>76,785</u>	<u>76,673</u>

The present value of future lease payments under finance leases are given in the table below for each of the following periods:

	31-Mar-12	31-Mar-11
	£000	£000
Buildings		
Not later than one year	8,424	6,630
Later than one year and not later than five years	27,875	33,098
Later than five years	<u>40,486</u>	<u>36,945</u>
	<u>76,785</u>	<u>76,673</u>

18 Commitments under PFI Contracts

In 2011-12 the UK Border Agency held a material interest in two contracts with ATOS Origin and Fujitsu Services to supply IT infrastructure, development and support services and both have been classified as PFI contracts. The contracts were initially signed in September 2011 and represent extensions to earlier contracts signed between the suppliers and UK Border Agency and the Home Office respectively. They expire in 2016, although there is an option to extend further.

The figures shown in the 2011-12 UK Border Agency accounts represent the agency's share of the total assets and costs from the two PFI contracts with ATOS and Fujitsu for the common IT infrastructure, development and support services.

Over and above the shared costs, the disclosed figures also include some additional costs which the UK Border Agency has under these contractual arrangements with ATOS Origin and Fujitsu.

This contract has been classified as a service concession arrangement. In accordance with IFRIC12, assets used within the terms of the contract are treated as those of the agency.

The assets within the contract have a capital value of £99,668k (2010-11: £80,342k) and a net book value of £49,390k (2010-11: £37,560k) as at 31 March.

Obligations under PFI contracts

Total future obligations under PFI contracts recognised in the Statement of Financial Position are as follows:

	31-Mar-12	31-Mar-11
	£000	£000
Not later than one year	52,754	37,257
Later than one year and not later than five years	137,488	188,848
Later than five years	<u>0</u>	<u>0</u>
	<u>190,242</u>	<u>226,105</u>

The interest element of the total obligations under on-balance sheet PFI contracts is £nil (2010-11: £nil).

Payments the UK Border Agency is committed to make during 2012-13 in respect of PFI contracts recognised in the Statement of Financial Position are shown below, based on the expiry date of the contract.

	31-Mar-12	31-Mar-11
	£000	£000
<i>Contract expiry:</i>		
Not later than one year	0	0
Later than one year and not later than five years	52,754	37,257
Later than five years	<u>0</u>	<u>0</u>
	<u>52,754</u>	<u>37,257</u>

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of PFI contracts recognised in the Statement of Financial Position was £36,848k (2010-11: £25,515k).

19 Other Financial Commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for the provision of detention services, asylum support costs (including provision of accommodation), and the facilitation of worldwide Visa Application Centres. The payments to which the agency is committed are as follows.

	31-Mar-12	31-Mar-11
	£000	£000
Not later than one year	128,047	95,539
Later than one year and not later than five years	156,781	83,583
Later than five years	2,466	0
	<u>287,294</u>	<u>179,122</u>

20 Contingent Liabilities disclosed under IAS 37

The agency has the following contingent liabilities:

- The agency has various legal claims which are currently outstanding. The liabilities described below cover all known claims where legal advice indicates that the criteria for recognition of a provision has not been met.
- There are a number of cases of unlawful detention outstanding. Based on past experience these give rise to an overall contingent liability of £5.7m.
- UK Border Agency is currently in negotiations with the landlord of the Whitgift building following receipt of a quote in relation to dilapidation costs. There is an amount of the landlords quote for which UK Border Agency accept no liability and remains in dispute, however there is a possibility that the agency may have to pay some of these costs. The estimate of the residual balance is £5.2m.
- The agency is currently in dispute with five former accommodation providers relating to its asylum support accommodation contracts. The value of claims is difficult to quantify but, based on our best estimates, we believe that the claims against the agency are likely to be in the region of £54.75m.
- There is a liability relating to personal injury at work. This has been estimated at £1.0m.
- There are a number of outstanding cases where visa applicants have challenged a refusal decision. The estimated value of these cases is £0.6m.

21 Contingent Liabilities not required to be disclosed under IAS 37 but included for Parliamentary Reporting and Accountability Purposes

The agency has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Credit Industry Fraud Avoidance Service (CIFAS) (Minute dated 1 July 2008)

The indemnity granted to CIFAS is a condition on being part of the data sharing arrangements, and protects all parties (CIFAS, its chairman and directors, members, etc.) from claims resulting in erroneous data being supplied. For example, erroneous data resulted in financial services being withdrawn from an individual, the supplier of that info would become liable for any costs.

The UK Border Agency use of Foreign and Commonwealth Office premises

Commitment to conditional support provided to the FCO against third party claims arising out of, or in connection with, the agency's occupation of these premises.

Harmondsworth and Campsfield inquiry team (Minute laid 4 July 2007)

Indemnity provided to the chairman and members of the team carrying out, in good faith and honesty, the inquiry into the disturbances at the Harmondsworth and Campsfield immigration removal centres.

22 Losses and Special Payments

(a) Losses statement - cash losses	2011-12 £000	2010-11 £000
Details of cases over £250,000		
Overpayments		
Overpayments in respect of asylum seekers whose eligibility to receive financial support has ceased. These overpayments were made in relation to:	245	2,195
<ul style="list-style-type: none"> • asylum seekers whose support should have ceased but did not, and who consequently continued to receive financial benefits; and • asylum seekers whose cessation of support was delayed and who consequently continued to receive financial benefits after their entitlement had ended, however, the provision of support subsequently ceased. 		
Claimed waived or abandoned		
Included within write-offs is an amount for entities which have entered administration and therefore the debt cannot be collected: 202 cases (2010-11: 275 cases)	2,199	1,812
Included within write-offs is an amount for claims which have had all recovery attempts exhausted: 322 cases (2010-11: 394 cases)	2,721	3,344
Constructive losses		
Payments by the agency for three (2010-11: three) empty properties. Unavoidable payments relate to rent, rates and utilities and are made to landlords and other parties after occupation has ended. These payments are the consequence of an estate management and rationalisation plan designed to increase the overall long term benefit of the estate to the business. Part of the building has been sublet, reducing future losses.	441	780
Costs incurred in respect of flights originally intended to remove ineligible asylum seekers, which were subsequently cancelled due to asylum seekers being granted the right of appeal.	2,018	2,573
Loss of pay		
Overpayments to members of staff which have arisen from pay changes where notifications have been received after the cut-off point for payroll. We are continuing to seek recovery of these overpayments and expect to receive a portion of this balance in the future.	402	1,086
Cases over £250,000 which were disclosed in full in 2010-11 and for which no further payments have been made		
Fruitless payments: no cases (2010-11: 1 case)	0	1,841
Impairments: no cases (2010-11: 1 case)	0	2,200
Other losses		
Other losses: 485 cases (2010-11: 526 cases)	600	603
Total cash losses: 1,015 cases (2010-11: 1,203 cases)	8,626	16,434

(b) Losses statement - non-cash losses	2011-12 £000	2010-11 £000
Details of cases over £250,000		
Downwards revaluation		
Downwards revaluation of plant and machinery, IT assets and assets under construction (2010-11: land, intangibles, IT assets and assets under construction). £41k (2010-11: £8,179k) has been recognised in the revaluation reserve, and £519k (2010-11: £5,575k) has been recognised as a loss in the Statement of Comprehensive Net Expenditure.	560	13,754
Cases over £250,000 which were disclosed in full in 2010-11 and for which no further payments have been made		
Impairments and downward revaluation: no cases (2010-11: 6 cases)	0	30,573
Bookkeeping losses on non-current assets: no cases (2010-11: 32 cases)	0	8,632
Other cases		
Bookkeeping losses: 1 case (2010-11: 7 cases)	214	46
Total non-cash losses: 2 cases (2010-11: 46 cases)	<u>774</u>	<u>53,005</u>
(c) Special payments	2011-12 £000	2010-11 £000
Details of cases over £250,000		
Adverse legal costs incurred due to UKBA defending settlement policy regarding a group.	530	150
Adverse legal costs incurred due to removal challenged by a family.	318	0
Additional costs incurred to Priority Properties NW Ltd in vacating a building to ensure the agency's duty of care to its detainees.	292	0
Ex-gratia and compensation payment made to two members of staff in relation to unlawful dismissal claim. Total costs amount to £276k over a two year period. (Compensation £137k, Adverse Costs £139k.)	139	137
Ex-gratia payment made to a member of staff in relation to a personal injury claim.	100	265
Cases over £250,000 which were disclosed in full in 2010-11 and for which no further payments have been made		
Compensation payments: no cases (2010-11: 1 case)	0	175
Adverse legal costs: no cases (2010-11: 5 cases)	0	683
Other cases		
Compensation payments: 178 cases (2010-11: 113 cases)	4,460	3,582
Adverse legal costs: 915 cases (2010-11: 999 cases)	8,855	7,711
Ex-gratia payments: 275 cases (2010-11: 311 cases)	760	1,112
Other: no cases (2010-11: 5 cases)	0	50
Total: 1,372 cases (2010-11: 1,437 cases)	<u>15,454</u>	<u>13,865</u>

23 Related Party Transactions

The UK Border Agency is an executive agency of the Home Office. The Home Office group also includes:

Identity and Passport Service
Criminal Records Bureau
Forensic Science Services
Independent Police Complaints Commission
Independent Safeguarding Authority
National Policing Improvement Agency
Office of the Immigration Services Commissioner
Security Industry Authority
Serious and Organised Crime Agency
Advisory Council on the Misuse of Drugs
Animal Procedures Committee
Migration Advisory Committee
National NDA Database Ethics Group
Police Advisory Board
Police Negotiating Board
Regulation of Investigatory Powers Act Technical Advisory Board
Investigatory Powers Tribunal
Office of the Surveillance Commissioners
Police Arbitration Tribunal
Police Discipline Appeals Tribunal
HM Inspectorate of Constabulary
Independent Chief Inspector of the UK Border Agency
National Fraud Authority
Equity and Human Rights Commission

These bodies are regarded as related parties with which the agency has had various transactions during the year.

The chief executive (Jonathan Sedgwick to 25 September 2011, Rob Whiteman from 26 September 2011) sit on the Home Office board. In addition, the UK Border Agency has a representative of the Foreign and Commonwealth Office (FCO) on its board. No board member, key managerial staff or other related parties have undertaken any material transactions with the agency during the reporting period other than those mentioned below.

Other government departments

The agency had material transactions during the financial year with the Foreign and Commonwealth Office (FCO), Treasury Solicitors (TSols) and the Ministry of Justice (MoJ).

Foreign and Commonwealth Office

The total income collected by the FCO on the agency's behalf in 2011-12 was £432,988k (2010-11: £399,970k), and the total expenditure incurred by the FCO on the agency's behalf in 2011-12 was £184,830k (2010-11: £201,758k). The net receivable due from the FCO as at 31 March 12 was £1,373k (2010-11: £26,898k).

The agency also incurred expenditure totalling £31,601k (2010-11: £8,554k) with the MoJ and expenditure totalling £38,066k (2010-11: £36,401k) with TSols. Income generated from transactions with the MoJ and TSols was immaterial in 2011-12 and 2010-11, as were receivable and payable balances at 31 March 2012 and 31 March 2011.

23 Related Party Transactions (continued)

Non-departmental public bodies

The Office of the Immigration Services Commissioner (OISC) is an executive non-departmental public body (NDPB) of the UK Border Agency. It is a designated NDPB under the Immigration and Asylum Act 1999 and produces its own annual accounts on an accruals basis and is regarded as a related party.

During the year, OISC had material transactions with the UK Border Agency. The UK Border Agency supplied OISC with grant in aid in 2011-12 of £3,681k (2010-11: £4,092k), and received income from advisors and designated professional bodies in 2011-12 of £1,057k (2010-11: £1,201k).

UK Border Agency board members

A number of agency board members have received season ticket loans or cycle scheme loans from the UK Border Agency which, in accordance with agreed repayment plans, remain partially outstanding as at 31 March 2012. The amounts outstanding are:

- Justin Holliday (director, resource management group): £2,850 (2010-11: £2,694)
- David Wood (chief operating officer): £2,083 (2010-11: £ 2,273)

24 Third Party Assets

(a) Citizenship ceremony fee

The UK Border Agency receives applications from foreign nationals to obtain British citizenship. The application fee includes a charge of £80 (2010-11: £80), which is either payable to local authorities, who conduct a ceremony for the applicant if British citizenship is granted; or refunded to applicants if British citizenship is refused. The UK Border Agency retains control of the funds until such a time the fee becomes payable, however, since the agency holds no rights or obligations over, and receives no financial benefit from the monies held, neither the asset nor the liability is recognised in the accounts.

The money is collected through the UK Border Agency's GBS accounts, and is transferred to the Home Office GBS account on a monthly basis in line with the agency's banking policy (see note 1.10). Of the balance below, £nil is held in UK Border Agency GBS bank accounts (2010-11: £nil); the full balance is held by the Home Office.

	31-Mar-12	31-Mar-11
	£000	£000
Monetary Assets	6,498	5,280
	6,498	5,280

(b) Proceeds of crime

Under the Proceeds of Crime Act 2002 and Section 24 of the UK Borders Act 2007, the agency has the authority to seize cash linked to offences against the immigration acts. The cash seized is held in a separate bank account until a judicial case decision is made. Upon decision the monies, including any interest earned is either returned to the owner or transferred to the agency as a seized asset. The monies are held in three separate bank accounts depending on currency to eliminate any exchange rate transactions.

Monies held, including interest comprise of the following:

	31-Mar-12	31-Mar-11
	£000	£000
Monetary assets - GBP	5,249	1,416
	5,249	1,416
	31-Mar-12	31-Mar-11
	€'000	€'000
Monetary assets - Euro	2,185	527
	2,185	527
	31-Mar-12	31-Mar-11
	\$'000	\$'000
Monetary assets - US Dollar	636	424
	636	424

24 Third Party Assets (continued)

(c) Bail bond accounts

Under the legal system in Scotland, the agency is required to hold monies for people who are cautioned at court for immigration offences. A bail bond is collected and held in a separate bank account(s). As at 31 March the total held was £208k (2010-11: £195k).

25 Seized Assets

During the financial year, the agency received £1,565k (2010-11: £693k) of income in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation.

26 Events after the Reporting Period

Post 31 March 2012, the following are disclosed as having an effect on the agency:

- (1) In accordance with IAS10, the chief executive duly authorised the issue of these financial statements on **10** July 2012.

27 Penalty Income

The UK Border Agency collects immigration penalties and civil penalties. The agency is not permitted to retain this income; it is surrendered to the consolidated fund. In accordance with HM Treasury guidelines, the income generated is not recognised in the agency's Statement of Comprehensive Net Expenditure, however, the net receivable due in respect of penalties raised, along with the Consolidated Fund Extra Receipt (CFER) payable due to the Home Office, is recognised in the agency's Statement of Financial Position.

27.1 Penalties raised

	2011-12	2010-11
	£000	£000
Immigration penalties raised	(2,550)	(3,314)
Civil penalties raised	(7,699)	(10,009)
Total penalties raised	(10,249)	(13,323)
Less: element retained by the agency	3,000	6,910
Total penalties payable to the consolidated fund	(7,249)	(6,413)

27.2 Write-offs

	2011-12	2010-11
	£000	£000
Immigration penalties	20	76
Civil penalties	4,667	5,130
Total write-off	4,687	5,206

Note

The total value of receivables written off in respect of civil penalties per note 22 is £4,920k, however, during the year £253k of receivables which had previously been written off have subsequently been recovered. This results in a net write-off during the year of £4,667k.

27.3 Receivables

	31-Mar-12	31-Mar-11
	£000	£000
Immigration penalties	592	1,228
Civil penalties	22,111	24,895
	22,703	26,123
Accrued income	140	923
Less provision for doubtful receivables	(15,923)	(14,994)
Net receivables due	6,920	12,052

27.4 Payable to the consolidated fund

	31-Mar-12	31-Mar-11
	£000	£000
Total payable to the consolidated fund	(6,920)	(12,052)

28 Machinery of Government Changes

Prior to 1 March 2012, Border Force was formally part of the UK Border Agency. On 1 March 2012 Border Force was transferred out of the UK Border Agency to become a directorate within the Home Office. This transfer included the structure of Border Force as set out in the segmental reporting in the 2010-11 accounts, plus the one off impairment costs in 2010-11 associated with e-borders and a proportion of the corporate service costs. Further details regarding the transfer are included in the management commentary.

The table below shows the constituent parts of the agency for the comparative period.

	UK Border Agency inc. Border Force	e-Borders Impairment	Corporate Overheads & Shared Services	Border Force Direct Costs	Total Restated Border Force	Total UK Border Agency exc. Border Force
	£000	£000	£000	£000	£000	£000
Statement of Comprehensive Net Expenditure:						
Administrative costs						
Staff costs	134,320	0	36,050	12,285	48,335	85,985
Other administrative costs	74,880	0	1,320	7,214	8,534	66,346
Programme costs						
Staff costs	804,851	0	21,693	360,242	381,935	422,916
Programme costs	1,601,174	156,279	94,168	145,304	395,751	1,205,423
Retainable income	(833,510)	0	0	(4,471)	(4,471)	(829,039)
Non-retainable income	(2,546)	0	0	(300)	(300)	(2,246)
EU Income	(21,974)	0	0	0	0	(21,974)
Net operating cost	1,757,195	156,279	153,231	520,274	829,784	927,411

	UK Border Agency inc. Border Force	Border Force	Total UK Border Agency exc. Border Force
	£000	£000	£000
Statement of Financial Position:			
Non-current assets	767,958	189,408	578,550
Inventories	2,137	0	2,137
Trade and other receivables	83,484	6,647	76,837
Cash and cash equivalents*	11,755	0	11,755
Current liabilities	(432,484)	(116,393)	(316,091)
Provisions	(92,883)	(14,534)	(78,349)
Other non-current liabilities	(73,549)	(3,505)	(70,044)
Total assets less liabilities	266,418	61,623	204,795
General fund	184,880	48,654	136,226
Revaluation reserve	81,538	12,969	68,569
Total taxpayers' equity	266,418	61,623	204,795

* Cash and cash equivalents as at 31 March 2011 have been restated.



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