



Security Industry Authority

Annual Report and Accounts 2014/15

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Schedule 1 to the Private Security Industry Act 2001

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Joint Statement by the Chairman and Chief Executive

The Security Industry Authority (SIA) is responsible for regulating the UK private security industry. We are an independent body reporting to the Home Secretary under the terms of the Private Security Industry Act 2001. Our remit also includes Scotland and Northern Ireland and, in partnership with the Home Office, we consult closely with ministers in Scotland and Northern Ireland about the delivery of our regulation.

Our regulation of the private security industry supports the objectives of the Home Office and the devolved administrations to protect the public. We contribute to public protection by regulating to reduce criminality and to set, approve and raise standards in the private security industry. We currently regulate in two ways: the compulsory licensing of individuals undertaking designated activities within the private security industry; and the approval, on a voluntary basis, of security suppliers that meet specified quality standards.

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

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

The vision of the SIA is "To have a private security industry so committed to improving standards and protecting the public that it needs minimal regulation". In order to achieve this vision the SIA strives to deliver excellent regulation and to work in collaboration with partner organisations to raise standards in the private security sector. We are also committed to working with stakeholders to improve the quality of our work. Furthermore, we seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public.

The Annual Report and Accounts 2014/15 sets out our key achievements during the year, delivery against our business objectives and an overview of the financial position of the SIA. We are committed to ensuring that the SIA is an effective and efficient regulator that plays an important role in raising standards in the private security industry and protecting the public.



A handwritten signature in black ink that reads "Elizabeth France". The signature is written in a cursive style.

Elizabeth France
Chair



A handwritten signature in black ink that reads "A. Clamp". The signature is written in a cursive style.

Alan Clamp
SIA Chief Executive

Management Report Strategic Report

Review of 2014/15 – our key achievements

Overview

The SIA continues to perform well against its business objectives. In 2014/15 the number of accepted licence applications completed within five weeks was 89% (against a target of 80%) and the proportion of all enquiries resolved at the point of first contact was 81% (target 80%). The achievement of the Customer Service Excellence award again in 2014/15 reflects the good quality of our work and means that we have continued to provide a timely and accessible service.

Regulatory activity continues to ensure that the regime is effectively enforced. Operational and service efficiency has continued to improve throughout 2014/15.

There is ongoing work to support the Government's efficiency measures with monthly transparency reporting completed for spend over £25,000 and detailed value for money monitoring and procurement reporting.

Detail of key achievements in all areas of the business is included below.

Supplier/Contract Performance

In the last year, we have achieved positive financial returns on the investments made to change our current Licensing Operation service. Cost/benefit analysis reports that the deployment of new channels for licence applications have achieved a net benefit of £750,000 during 2014/15. These benefits are sustainable and together with further planned savings through streamlining our service will continue to deliver strong value for money.

The provision of the Post Office application service, which links up with the existing online services and completes the document checks, has also made a major contribution to both efficiency, convenience and service. This provision saves both time and cost for the applicant and for the SIA.

Approved Contractor Scheme

The Approved Contractor Scheme continues to make a major contribution to standards across the private security industry. Whilst it is a statutory requirement for the SIA to provide this scheme it is not mandatory for organisations to join. It is a mark of success that as at 31 March 2015, 792 companies were approved and were part of the scheme (2013/14 – 797). We continue to work with the industry to develop and promote the scheme.

By taking a collaborative approach across a number of teams, we have ensured the integrity of the ACS scheme is maintained.

	2014/15	2013/14
Accepted Applications	142	123
Rejected Applications	2 companies applications were returned due to not providing the correct and complete information.	2 companies applications were returned due to not providing the correct and complete information.
Refused approval on application	5 companies were refused due to not meeting the criteria.	3 companies were refused due to not meeting the criteria.
Company Withdrawals	47 companies withdrew their applications prior to being issued our refusal letter.	29 companies withdrew their applications prior to being issued our refusal letter.
Withdrawn Approval	5 company approvals withdrawn.	27 company approvals withdrawn.
Intent to Refuse	1	11

Customer service

Our drive towards a Digital by Default service has continued. In April 2014 we ceased to accept applications in paper format for almost all applications. To ensure that we were not disadvantaging any applicants, we put in place an exceptions route. Applicants demonstrating they cannot access online services can submit a paper application.

The drive to improve our operational approach continues. In April 2014 three distinct teams ACS Support, Intelligence Development, and Customer Services merged into Customer Support Services. Officers are now able to answer queries and support colleagues across the team, giving an efficient and effective service for members of the public, partners and stakeholders.

Customer Service Excellence

In March 2015 we were again successfully assessed for the Cabinet Office Customer Service Excellence (CSE) award. The external assessor received documentary evidence to show how we are performing against the standard and progress we have made against our development points. During his visit he met representatives from across the organisation; he also spoke to customers and partners.

The assessor said: "This was an excellent surveillance visit which clearly showed that the SIA was working very well with the framework of the CSE standard. The organisation should be congratulated on using the framework to reflect on and develop their customer service".

Partnerships and Interventions

The Partnerships and Interventions function is outward facing, working with law enforcement partners, the private security industry and other key stakeholders in our regulatory regime. Working in close collaboration with other SIA teams, it is responsible for providing robust and effective compliance and enforcement across the UK.

Many of our partnerships support compliance, but some identify and disrupt serious and organised crime associated with the industry, intervening where there are threats to public safety.

Compliance continues to be high. Overall compliance with the requirement to be licensed for 2014/15 was 99%, based on 342 checks spread geographically across the UK and all regulated sectors.

The Partnerships and Interventions team dealt with 329 interventions cases where potential risk had been identified. This can involve working with partners, carrying out inspections and the prevention of offending that is identified through issuing warnings and improvement notices (during the year we issued 161 warnings and 18 improvement notices). In the overwhelming majority of cases, this approach is effective in bringing about compliance. In a small number of cases, including persistent non-compliance and risk to the public, we will undertake a formal investigation with a view to prosecution. During 2014/15, 19 cases were referred for formal investigation.

SIA Prosecutions

The SIA completed successful prosecutions against both businesses and individuals during the year. Average fines for offences under the Act are on the rise as well as more significant penalties, indicating the increasing seriousness with which the courts take security licensing offences. Some examples of the types of cases prosecuted include:

- Ace Consult Security Limited was found guilty of two charges of supplying unlicensed security guards including to a children's play centre in Merton.
- Ian Lindsey and Martyn Cook of Dragon Security Solutions Limited and Goodfellas Nightspot Barnsley supplied unlicensed security guards to unsuspecting customers across South Yorkshire over a nine month period. Neither held SIA licences. Both were sentenced to imprisonment for supplying unlicensed guards and for working as an unlicensed director, with both sentences suspended for two years. Both were subject to further sentencing, which included being disqualified as company directors for 18 months.
- Hidayat Khan the director of Oxon Securities Home Countries UK Ltd pleaded guilty to making false statements to the SIA. He was fined a total of £3,600 and ordered to pay costs of £12,000 and a victim surcharge of £120. Khan had abused his company's ACS status, by allowing it to be used by another company in order to secure security contracts in Scotland, which require ACS suppliers for public sector contracts.

- At the Old Bailey, two security directors were disqualified from acting as company directors for a total of six years following convictions of supplying unlicensed security operatives on ten occasions. John Anah and Tony O’Gonna ran three security companies: Anco UK Limited, AA Guarding Limited and Metro Guards UK Limited, all based in Woolwich. Additionally to their disqualifications, Anah received a 120 hour community service order.

Following a successful criminal conviction, the SIA seeks to recover the benefits of criminal conduct under the Proceeds of Crime Act (POCA) 2002. Two examples of this are:

- Ex-security director Dean Campisi was sentenced to 18 months imprisonment for failing to pay £80,000 under the Proceeds of Crime Act 2002 (POCA). Dean Campisi had been convicted at Cardiff Crown Court, after falsely claiming that his company, Secure Serve was part of the ACS, enabling him to secure security contracts worth £15,000 a week with a supermarket chain. A POCA confiscation order was awarded ordering Campisi to pay £80,000 within six months. Campisi failed to pay the £80,000 and was taken into custody immediately.
- At Woolwich Crown Court, ex-security director Aston Shim was ordered to pay £94,758 under the POCA. Shim was the sole director of Samurai Security Limited, which provided security to nine venues including a school and a local council. Neither Shim, nor the majority of his security guards, held SIA licences.

Other key strands of Partnerships and Interventions work include:

Violence Reduction

Partnerships and Interventions have already taken forward a number of initiatives with partners in support of our Violence Reduction Strategy.

We have supported:

- The Metropolitan Police’s Operation Equinox to reduce violence with joint visits to premises in London and Operation Steel, which aims to reduce violence in Lambeth. The latter initiative followed the restraint related death at venue ‘65’ in Vauxhall in June 2014 and homophobic attacks at The Lightbox Club.
- Operation Daffodil, an initiative with Northamptonshire Police aimed at reducing violence in the local night time economy. This work resulted in two problem premises closing and a venue changing its security supplier.
- Staffordshire Police, targeting problem venues in Stafford.

Buying Right in Construction

Our Buying Right in Construction initiative involved us working alongside HM Revenue and Customs and UK Visas and Immigration, to help protect security buyers against risks such as immigration, tax, national minimum wage and security licensing offences.

With the support of HMRC partners, SIA investigators are able to offer advice and support on due diligence and best practice, and to ensure construction companies are procuring lawful security services.

Police and Security Initiative

We are working in partnership with the Metropolitan Police Service, the British Security Industry Association (trade body) and the London Mayor's Office to promote closer collaboration between the police and private security. This is a London 2012 legacy initiative, which has become known as the Police and Security Initiative. The focus is on partnership working in order to reduce crime against businesses.

Major Events

During 2014/15 the SIA was heavily involved in both the preparation and delivery of both the NATO summit in Newport, Wales and the Glasgow 2014 Commonwealth Games.

For the NATO Summit 800 private security operatives received accreditation and intelligence checks were completed against all deployed staff and venues.

For the Glasgow 2014 Commonwealth Games we were involved in working with partners and the industry through the Commonwealth Security Industry Group and in other forums planning the preparations for the Games. During the event, our Scotland and Northern Ireland Regional Team worked alongside partners undertaking checks and supporting compliance during the event. The games were considered to be successful. No security issues of any significance occurred at the Games and there was no evidence of organised crime groups gaining money from the Games through security.

Desk Based Compliance

The SIA's Desk Based Compliance team was set up in July 2014. Since then, 189 cases have been managed by the team, providing a quicker and more cost effective approach. Of these, 49 cases were escalated to Partnership and Interventions when a more formal/face-to-face approach may be required. Of cases managed, 96% have resulted in a positive outcome i.e. managed to comply or no offending found.

Stakeholder Management

Using a mix of low-cost or no-cost channels of digital communication, and face-to face meetings, events, and conferences, we engaged with audiences across the private security industry.

In October 2014 we held our national conference in London, where presentations on private security were given by guests from the United Kingdom, Brazil, France, and Republic of Ireland. We held a series of workshops around the UK to share our views, and to listen to comments on our plans for introducing new online services for licence holders and security companies.

As part of our continuing promotion of our Approved Contractor Scheme, we supported the ACS Champion Award at the Security & Fire Excellence Awards. We promoted the Scheme and our Approved Contractors to security buyers and regulation partners at events across the country.

By March 2015, our digital community of stakeholders grew by 27% to over 40,000 subscribers or followers and comprised a wide range of stakeholders including licence holders, security professionals, enforcement partners, and security buyers. During 2014/15 our Facebook page was 'reached' 182,000 times. A standard industry engagement rate per post on a Facebook page is around 1%. In 2014/15 our posts hit an average engagement of 9%. We now have real time insight about our stakeholders, their thoughts, perceptions and needs. Digital engagement provides us the opportunity for more effective targeting of our key messages and information.

Channel	Followers	Increase
Facebook	7,623	20%
Twitter	5,900	32%
LinkedIn	4,390	75%

Over the year, we published twelve editions of SIA Update, which had 20,300 subscribers with a potential readership of 30,500 by the end of March 2015. We also published a monthly ACS Update newsletter, which reached 1,800 ACS contacts.

Delivery against our business objectives

We set five objectives for 2014/15, which are supported by key performance indicators.

Our objectives

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

Protecting the public

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

Customer service

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

Delivering a phased transition to a new regulatory regime

Working with stakeholders to gain their support and engagement to deliver the new regime in the agreed timescales

Delivering value

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

Developing our people and organisation

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

Protecting the Public

We have established two success factors, which focus on reducing criminality, and developing and maintaining compliance and enforcement. These success factors help us to measure our progress against this objective.

Success Factor	Key Performance Indicator	Target	Achieved
Reducing relevant criminality	The correct application of licensing criteria at the time of the decision.	99.5%	99.5%
Developing and Maintaining Compliance and Enforcement	Licence applications granted correctly at time of decision using the SIA licensing criteria.	99.5%	99.5%
	Security operatives correctly licensed or deployed under a valid Licence Dispensation Notice.	95%	99%
	Disclosures that do indicate public safety concerns completed within five working days.	90%	100%
	Assessment or initial action taken on disclosures received from partners that indicate public safety concerns, completed within five working days.	90%	100%
	Disclosures that do not indicate public safety concerns completed within 10 working days.	90%	99.8%
	Assessment or initial action taken on disclosures received from partners that do not indicate public safety concerns completed within 10 working days.	90%	99.6%

All key performance indicators (KPIs) for protecting the public have been met, reflecting a continued focus on ensuring that compliance levels are high. A number of the compliance checks significantly exceeded the target set, showing strong compliance.

Customer service

During 2014/15 the main focus has been on the timeliness and accessibility of the service we provide.

Success Factor	Key Performance Indicator	Target	Achieved
Timely service	Proportion of end to end licence applications processed within five weeks	80%	88.9%
Accessible service	All contacts (calls, letters, faxes and emails) resolved at the point of first contact	80%	80.9%

Delivering Value

The SIA is self-financing and is required to manage its costs effectively to balance against the licence fee income it receives and ensure value to those paying the licence fee.

Success Factor	Key Performance Indicator	Target	Achieved
Achieving full cost recovery	To balance the budget within a variance of no more than 3% of turnover	+/- 3%	+10%
Cost reduction	Reduction in unit costs without compromising the effectiveness of operations and activities	5%	10.3%

The tolerance target of achieving a budget surplus of +/- 3% of turnover was not achieved in the year. This was a high year in the licence cycle, but costs were kept to a minimum, partly due to the operational savings.

The target for reduction in unit costs has been significantly exceeded. It has been measured on the Managed Service Provider unit costs per application which have been reducing due to more efficient application channels.

Developing our people and organisation

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

Success Factor	Key Performance Indicator	Target	Achieved
Staffing Effectively	Mandatory training completed by eligible employees during the financial year	90%	96.8%
	Accuracy of HR systems and data	99%	99%
	Vacancies filled within six months of internal approval	90%	58.8%
Staff Satisfaction	Rate of overall staff satisfaction	60%	66%

The KPI for vacancies filled within six months of internal approval has fallen significantly below the 90% target for the year. These delays are caused mainly by the approvals required under austerity measures along with the time taken to obtain security clearances.

Delivering a phased transition to a new regulatory regime

The SIA was charged by the Home Office with developing a new regulatory regime with an increased focus on businesses. A KPI was set for 2014/15 to measure the percentage of high level programme key milestones achieved. The programme was re-profiled, and updates were provided regularly to the Board, but following the postponement of business licensing the initial KPI target was no longer relevant to report against.

During 2015/16 we will continue to engage with the Home Office and stakeholders to shape the future regulatory operations of the SIA.

Environmental, social and community performance

The SIA is committed to working to ensure that it takes proper account of the impact of its activities on the environment. Performance in relation to greenhouse gas emissions, waste management and finite resource consumption is set out in the following table.

Sustainability

Greenhouse Gas Emissions

	2014/15		2013/14	
	Consumption kWh	Cost £	Consumption kWh	Cost £
Direct Emissions	-	-	-	-
Indirect Emissions				
Electricity: Non-renewable	184,042	30,037	163,937	32,846
Gas	5,408		7,218	-

Official Business Travel

	2014/15		2013/14	
	Consumption CO ₂	Cost £	Consumption CO ₂	Cost £
Private Fleet Business Travel	65.67	113,762	89.11	142,863
Rail Business Travel	<i>Not Available</i>	134,675	<i>Not Available</i>	136,325
Other Business Travel	<i>Not Available</i>	77,278	<i>Not Available</i>	91,651
Total Business Travel	65.67	325,715	89.11	370,839

Waste Minimisation and Management *

	2014/15		2013/14	
	Consumption Kgs	Cost £	Consumption Kgs	Cost £
Hazardous Waste	-	-	-	-
Non-hazardous Waste:				
Landfill	174	-	130	-
Recycled/Reused	2,879	3,509	9,993	1,681
Incinerated	-	-	-	-

Finite Resource Consumption

	2014/15		2013/14	
	Consumption M ³	Cost £	Consumption M ³	Cost £
Water Supply*	710	-	687	-

* based upon calculations supplied by the landlord in relation to the proportion of SIA usage against that of the whole building.

Environmental, Social and Community matters

Recycling

The use of recycling bins continues to be well supported during 2014/15, however levels are lower in the year due to a peak in 2013/14 relating to the office refresh and a clear out of existing cabinets at this time.

Charity assistance

SIA staff continue to support charities selected by staff. The charity group has been active during the year and has raised and distributed a total of £691 to worthy causes (2013/14 £398).

Several international food days and raffles were held during the year to help raise money for the charity chosen.

Procurement

The SIA invites tenders for goods and services through The Official Journal of the European Union process or via 'Buying solutions' provided by the Government Procurement Service.

Approved Contractor Scheme (ACS)

As part of achieving ACS status, companies must comply with a set of corporate and social responsibility standards that are laid out in the accreditation guidance. In this way the SIA actively promotes corporate and social responsibility in the regulated sector.

Equality and diversity

We are an equal opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from everyone, regardless of race, sex, disability, sexual orientation, religion or belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity.

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

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

We have developed our Equality and Diversity Policy to promote and support these areas and, where applicable, undertake an Equality Impact Assessment for each new policy that is drafted. We carry out regular monitoring to ensure that our equality processes are working effectively and no group is adversely affected.

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

Dignity at work training

During 2014/15 the SIA ran a Dignity at Work Course for its directors and managers. The course was designed to help delegates understand what dignity at work is and will ensure that they are equipped to deal with instances of bullying and harassment should they occur. During 2014/15, 45 directors and managers attended these courses and further sessions are planned for 2015/16.

Financial Review

Results for 2014/15

The SIA is required by HM Treasury to operate on the basis of full cost recovery.

The achievement of full cost recovery should be considered in the context of our three year business cycle, which is driven by the pattern of licensing. The majority of licences have a three-year span with the licence fee paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified 'enforcement dates' from 2006/07, with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. A summary of the last three years' results is shown in the table below.

	2014/15	2013/14	2012/13
Application numbers (net)	134,296	114,521	154,054
	£'000	£'000	£'000
Income			
Licence fees	27,879	23,422	31,890
ACS	2,195	2,117	2,122
Other income from activities	184	14	13
Court costs recovered	144	93	61
Total self generated income	30,404	25,646	34,086
Expenditure			
Employment costs*	11,080	10,432	10,419
Accommodation	1,148	1,235	1,368
Advertising and publicity	158	227	207
Licensing costs	12,198	11,143	15,456
Depreciation	585	733	544
Other costs	2,333	2,150	2,406
Total expenditure	27,502	25,920	30,400
Operating (deficit)/surplus	2,902	(274)	3,686

* Employment costs include staff costs and other staff related costs.

Overview

The overall financial result for 2014/15 was an operating surplus of £2.9m against an original budgeted deficit of £0.3m. This surplus represents 10% of turnover, which is outside the agreed tolerance of 3%. This is as a result of a continued, successful drive to reduce costs and improve services. Licence fee income was £27.8m, which reflects the high level of applications in this year in the cycle. During 2014/15, demand for licences was 5.7% lower than the level budgeted, although 4.2% of this is accounted for by the government's decision not to introduce regulation for private investigators during the year as originally expected and budgeted.

Financial highlights

- Total income of £30.4m was below the budgeted income by £3.4m (10.0%) for the year. This was because the original budget included income from business licensing which did not come into fruition during this period.
- While licensing volumes have increased by 19%, the associated licensing costs have only increased by 9.5% reflecting the continued savings due to the continuing improvements in operational efficiencies in the licensing system.
- Certification of the 2013/14 accounts was significantly delayed awaiting the results of an investigation carried out by the Home Office into a whistle blowing allegation. Following certification, the 2012/13 surplus was surrendered to the Consolidated Fund, along with a further transfer of the cash surplus to comply with the requirements of Managing Public Money. These transfers have significantly reduced the SIA's cash balances.

Funding considerations

The SIA's operation is funded through licence fees from individuals and ACS subscriptions. The level of fees is considered on an annual basis. In making its decision to hold fees at a stable level, the Board has had to take into account the following factors:

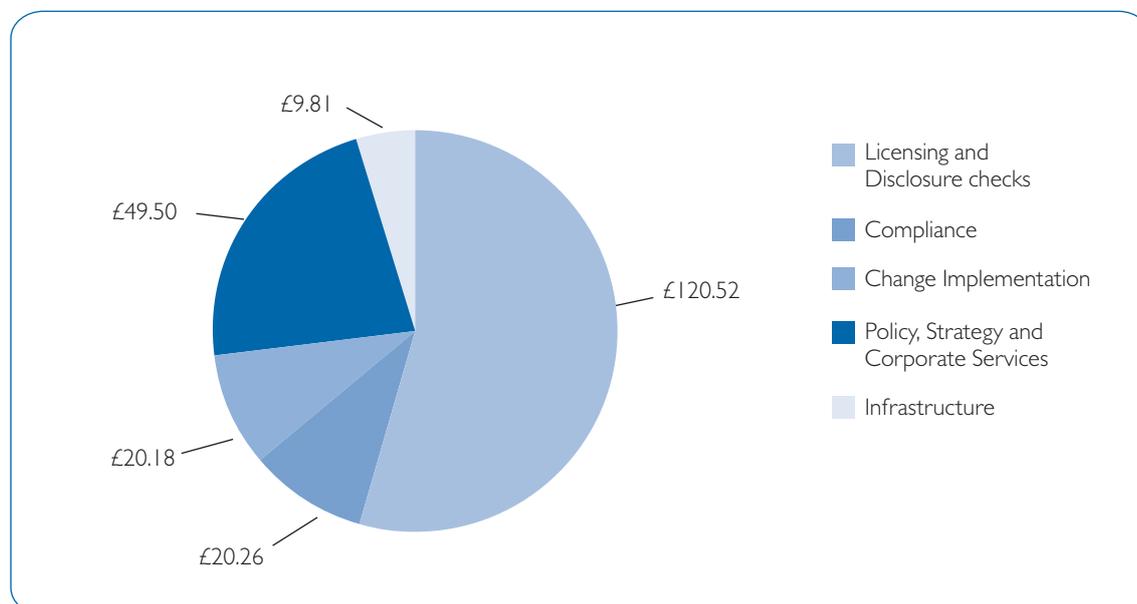
- The fluctuation of income against a largely fixed cost base over the three year licence demand cycle.
- The requirement to surrender any annual surpluses to the Consolidated Fund as an extra receipt (CFER).
- To provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.
- The costs associated with any transition to a new regulatory regime.

How the licence fee was spent in 2014/15

During 2014/15 the fee has been held at £220, which ensures that the SIA is self-funding. Future fee levels are based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed.
- The level of staff turnover within the industry, which generates new licensing applications.
- Stability of the SIA and therefore its cost base.
- The requirement to fund those activities associated with transition to a new regulatory regime which can be funded from licence fees. Some aspects of transition cannot be funded out of licence fee money and are expected to be funded directly by the Government.
- The cost of any new regulatory regime and the manner in which costs will be equitably borne by both businesses and individuals.

A breakdown of the way the licence fee was spent in 2014/15 is set out in the following chart:



Forecast results for the next three years

The SIA carries out a comprehensive annual cycle of planning. The resultant plan covers the three years, commencing with 2015/16. The plan and forecasts are summarised in the following table:

	Forecast			Net result
	2015/16	2016/17	2017/18	2015-2018
	£000s	£000s	£000s	£000s
Income				
Licence fees	28,238	21,137	22,832	72,207
ACS	2,184	2,184	2,184	6,552
Total income	30,422	23,321	25,016	78,759
Expenditure				
Licensing	20,071	12,397	12,269	44,738
Compliance	2,977	2,958	2,979	8,913
Support services	6,749	7,217	7,192	21,159
Total expenditure	29,797	22,573	22,440	74,811
Surplus/(deficit)	625	748	2,576	3,949

The major financial factors underpinning these forecasts and points to note are:

- The forecast demand for individual licences over the next three years is 139,400 in 2015/16 and 112,000 in 2016/17 and 134,943 in 2017/18. The impact of this significant fluctuation is reflected in the income forecasts.
- The value of income received is reducing from 2015/16 due to an expected reduction in licence fees in line with the savings to be made through the new operating system.
- Although income fluctuates, the regulatory workload of the SIA remains broadly constant. The only costs that vary directly with volume are those relating to licence processing and these account for less than one third of total costs. From the introduction of the new system, licensing costs will be largely a fixed cost.
- The balance of costs relates to the on-going regulation of the industry. The SIA's total costs do not, therefore, vary directly with volume and cannot easily be flexed in the short term.
- Licensing costs are planned to reduce significantly from the commencement of the new operations system. The savings achieved through the implementation of the new system are included from 2016/17 onwards.

- Overall, we forecast an operational surplus of £3.9m over the three year period. This will fund the regulatory activity of the SIA. The SIA Board will monitor the results closely to identify opportunities to propose any reductions to the fee levels to reduce the surplus in line with ensuring the continued ability of the SIA to be self-funding.
- The above forecasts are based on the demand and cost profile for the current regime.

Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2018 show the organisation will continue to be self-funding over the three year licence cycle. (See note 1p to the accounts).

Payment practice

We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim to pay suppliers within ten days of the receipt of a valid invoice, provided that the relevant invoice is properly presented and is not subject to dispute. In 2014/15, we paid 79% of all invoices within ten days (69% by value).

The performance has dropped since 2013/14 although all payments were still made within the supplier's terms. Improvements to the approval processes and reporting on non-compliance have been developed for 2015/16 to ensure improved performance.

	2014/15		2013/14	
	£	Number	£	Number
Total invoices paid in year	20,003,698	1,779	17,049,593	1,866
Total invoices paid within 10 day target	18,810,062	1,398	14,736,520	1,652
Percentage of invoices paid within 10 day target	69%	79%	86%	89%

Directors Report

Composition of Management Board

SIA Directors during the year | April 2014 to 31 March 2015

Bill Butler	Chief Executive
Dave Humphries	Director of Partnerships & Interventions
Stephen McCormick	Director of Operations
Dianne Tranmer	Director of Corporate Services

Non-Executive Board members during the year | April 2014 to 31 March 2015

Elizabeth France	Chair	To 14 January 2017
Bill Matthews	Non-Executive Director Chair of Audit and Risk Committee (from 3 March 2015)	To 14 January 2017
Edward Weiss	Chair of Audit and Risk Committee	To 2 March 2015
Professor Sir Desmond Rea	Chair of Remuneration Committee	To 6 November 2015
Geoffrey Zeidler		To 15 December 2016
Sir William Ian Johnston		To 4 February 2017
David Horncastle		From 4 March 2015 To 3 March 2018

Pension Liabilities

Details of the pension schemes of which SIA staff are members can be found in Note 3 (page 52).

Register of interests

Details of company directorships and other significant interests held by Board members during the accounting period are given in the Remuneration Report (page 25).

Financial Instruments

Due to the largely non-trading nature of its activities and the way in which it was financed, the SIA was not exposed to the degree of financial risk faced by commercial entities.

Payment to auditors

The audit fee for 2014/15, payable to the National Audit Office has been set at £33,000. (2013/14 £33,000) No other payments were made to the National Audit Office for non-audit services during the year.

Personal data related incidents

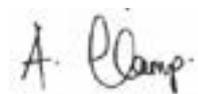
During 2014/15 there were 33 information security related incidents (2013/14 – 21 incidents) reported. All of the incidents were of a minor nature and involved breaches of policy, loss of equipment or system issues. Work continues to improve and ensure compliance with best practice, to reduce the level of risk and to make sure that the safety of our information is assured. The Information Assurance Group meets quarterly, chaired by the Senior Information Risk Officer, to discuss key information issues and risks, and is overseeing improvements to the Incident Reporting Process.

Staff sickness and absence

During 2014/15, the average level of sickness and absence was 8.1 days per employee (2013/14 – 8.5 days).

Events after the Reporting Period

On 31 May 2015, the Chief Executive, Bill Butler, retired from the organisation. This was following the reporting period but before approvals of the Annual Report and Accounts. The new Chief Executive, Alan Clamp, joined the SIA on 1 June 2015.



Alan Clamp
Chief Executive and Accounting Officer

23 November 2015

Remuneration Report

Unaudited information

Executive

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

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

Audited

Remuneration

The role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least twice a year. The remuneration committee comprised three independent non-executive board members, Sir Desmond Rea (Chair), Sir Ian Johnston and Bill Matthews. The Chief Executive and Executive Director of Corporate Services attend the meeting as executives.

Salary payments to directors

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the SIA in the financial year 2014/15 was £135k - £140k (2013/14: £130k - £135k). This was 4.1 times (2013/14, 4.0 times) the median remuneration of the workforce, which was £33,383 (2013/14, £33,641).

One member of staff was paid more than the highest paid director during the year.

Remuneration ranged from £20,000 to £145,000 (2013/14, £20,000 to £135,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances, recruitment and retention allowances; private office allowances and any other allowance to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue and Customs as a taxable emolument.

Board members are reimbursed for travel and accommodation costs associated with attendance at meetings and other duties in their role. Where such costs include travel from home to the SIA's office they are taxable as a benefit in kind. There were no benefits in kind for the Executive Directors, however the Non-Executive Directors total expenses amounted to £12k of which the benefit in kind was £5.8k for the year ending 31 March 2015.

Performance payments

Performance payments are based on performance levels attained and are made as a result of the performance appraisal process. They relate to the performance in the year in which they become payable to the individual. The payments reported in 2014/15 relate to performance in 2013/14 and the comparative payments reported for 2013/14 relate to the performance in 2012/13.

Director's contracts are permanent and open ended until they reach 60, with the exception of Bill Butler, who had a fixed term contract which expired in July 2015.

The Non Executive Board

The remuneration of the Board in the period ending 31 March 2015 is shown in the table below.

	Directorship and significant interests		Salary		Benefits in Kind (to nearest £100)	
			2014/15 £	2013/14 £	2014/15 £	2013/14 £
Elizabeth France (Chair) Appointed 15 January 2014 – 14 January 2017	<ul style="list-style-type: none"> – Chair of Police Advisory Board for England and Wales – Member of British Transport Police Authority – Pro-Chancellor of Aberystwyth University – Member of Ofgem Enforcement Decision Panel 	Fees	50 - 55	10 – 15 (FTE 50 – 55)	1,300	300
Bill Matthews ¹ (Deputy Chair) to 14 January 2014)	<ul style="list-style-type: none"> – Trustee of the BBC – Chair of BBC Pension Trust – Chair of Hubwest Limited – Member of British Transport Police Authority – Director – M2M2 Ltd 	Fees	15 - 20	30-35	3,000	2,100
Sir William Ian Johnston	<ul style="list-style-type: none"> – Chairman of Orpington Rovers Football Club – Member of Audit Committee for British Museum – Deputy Chair of Suzy Lamplugh Trust – Board Member of Canterbury Christ Church University – Advisor and Committee Member of Retired Detective Association 	Fees	5 – 10	0 – 5 (FTE 5 - 10)	0	0
Professor Sir Desmond Rea	<ul style="list-style-type: none"> – Chair of Stanmillis University College – Chairman of N9Jobs.com 	Fees	5 - 10	5 – 10	1,200	3,300
Edward Weiss (Audit Committee Chair) (to 3 Mar 2015)	<ul style="list-style-type: none"> – Director of South Central Ambulance Service – Director of YMCA – Director of Together Mental Health Trust 	Fees	10 - 15	5 – 10	100	400
Geoffrey Zeidler	<ul style="list-style-type: none"> – Chairman of the British Security Industry Association (BSIA) – Director of GZC Ltd – Partner at Wyvern Partners – Advisory relationships with: Littoralis Ltd; Innovative Software 360 Ltd – Chairman of Positive Response Ltd 	Fees	5 - 10	0 – 5 (FTE 5 – 10)	200	200
David Horncastle (from 4 Mar 2015)	<ul style="list-style-type: none"> – Shareholding in BT 	Fees	0 – 5 (FTE 5 – 10)	0	0	0

¹Member worked one additional day in 2013/14.

Pension Benefits

	Accrued pension at age 65 as at 31/3/15 and related lump sum	Real increase in pension at age 65 and related lump sum	CETV at 31/3/15	CETV at 31/3/14	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bill Butler, Chief Executive	80 – 85	0 – 2.5	1,589	1,497	11	18	N/A
Dave Humphries, Director of Compliance & Enforcement	35 – 40 plus 110 – 115 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	711	661	7	16	N/A
Stephen McCormick, Director of Service Delivery	20 – 25	0 – 2.5	345	303	8	21	N/A
Dianne Tranmer, Director of Corporate Services	15 – 20	0 – 2.5	256	226	9	12	N/A

The Non-Executive Directors do not receive pension benefits from the SIA.

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).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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 or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

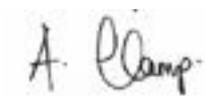
Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

A handwritten signature in black ink that reads "A. Clamp". The signature is written in a cursive style with a large initial 'A' and a stylized 'Clamp'.

Alan Clamp
Chief Executive and Accounting Officer
23 November 2015

Statement of Accounts

Statement of Accounting Officer's responsibilities for the Security Industry Authority

Under the Private Security Industry Act 2001, the Secretary of State for the Home Office has directed the Security Industry Authority to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SIA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

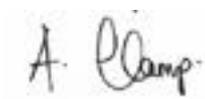
- Observe the Accounts Direction issued by the Secretary of State for the Home Office with the approval of the Treasury, in accordance with Schedule 1, paragraph 16(2) of the Private Security Industry Act 2001, including the relevant accounting and disclosure requirements, and apply suitable accounting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

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

Statement regarding Disclosure of Information to the Auditors

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

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

A handwritten signature in black ink that reads "A. Clamp". The signature is written in a cursive style with a large initial 'A' and a stylized 'Clamp'.

Alan Clamp
Chief Executive and Accounting Officer
The Security Industry Authority
23 November 2015

Governance Statement for the Security Industry Authority for the year ended 31 March 2015

Scope of Accounting Officer's responsibility

As the Chief Executive and Accounting Officer of the Security Industry Authority (SIA), I have personal responsibility for maintaining a sound system of governance, internal control and risk management to support the SIA's statutory functions and the achievement of the Home Office's policies, aims and objectives, whilst safeguarding public funds and SIA and departmental assets.

The system of governance, internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness.

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the 2014/15 twelve month point and am able to provide the following assurances.

Key Issues

For the period under report, I confirm that I am not aware of any issues occurring that have required additional funding, material loss or overspend, or have resulted in any significant loss or leakage of information.

Progress made against key issues identified in 2013/14 Twelve Month statement

The 2012/13 and the 2013/14 Annual Report and Accounts were laid before Parliament in January 2015. They were delayed due to the receipt of whistleblowing allegations in May 2013 covering matters in HR and procurement processes. The investigation into these allegations was completed in May 2014 and reported to the Audit Committee on 29 May 2014. The report and its associated recommendations were shared with the Home Office. This report raised no significant issues. In November 2014 the Audit and Risk Committee considered the progress against these recommendations and were satisfied that the concerns had been addressed.

Governance and Internal Controls

The Board routinely monitors performance, discusses and takes decisions on key policies and allows Board members to note and comment on key strategic issues. The Board comprises of five Non-Executive Directors and the Chair.

Edward Weiss's appointment ended on the 3 March 2015. David Horncastle was appointed as a new Non-Executive by the Secretary of State from 4 March 2015.

Attendance of Meetings

Board

	Apr-14	May-14	Jun-14	Jul-14	Sep-14	Oct-14	Nov-14	Jan-15	Feb-15	Mar-15
Elizabeth France (Chair)	√	√	√	√	√	√	√	√	√	√
Bill Matthews	√	√	√	√	√	√	√	√	√	√
Edward Weiss	√	√	√	√	√	√	√	√	√	n/a
Desmond Rea	×	√	√	√	√	√	√	√	√	√
Geoff Zeidler	√	√	√	×	√	√	√	√	√	√
Ian Johnston	×	√	√	√	√	√	√	√	√	√
David Horncastle	n/a	√								

The Remuneration Committee and Audit and Risk Committee report into the Board.

The Remuneration Committee's main functions are to support the development and maintenance of the SIA's HR policies and frameworks, to oversee the development of pay and remuneration policy, to make recommendations on the pay and performance of the Chief Executive, directors and overall strategies for pay and reward and prepare an annual report on relevant matters. This Committee comprises a minimum of three non-executive members of the Board.

Remuneration Committee	Apr-14	Jul-14	Nov-14	Jan-15
Desmond Rea (Chair)	√	√	√	√
Ian Johnston	√	√	√	√
Bill Matthews	√	√	√	√

The Audit and Risk Committee's main functions are to consider and agree the internal and external audit plans, review and monitor progress on actions arising from audit reports, to support the Accounting Officer in respect of his responsibilities for risk and financial propriety and to consider the annual report and accounts and make recommendations to the Board. This Committee is comprised of three non-executive members of the Board.

Audit and Risk Committee	May-14	Sep-14	Oct-14	Nov-14	Feb-15
Edward Weiss (Chair)	√	√	√	√	√
Bill Matthews	√	×	√	√	√
Geoff Zeidler	√	√	√	√	√
David Horncastle	n/a	n/a	n/a	n/a	n/a

The Board and committees complete an annual self-assessment of effectiveness the assessment comprises of twenty nine questions broken down into seven key areas. A 'yes' response to these questions indicates the Board are happy with the current processes and procedures surrounding that areas. While a 'no' response indicates that the Board feel further action is needed to improve that area. Out of the twenty nine questions two received a 'no' response. These related to an annual review of the Board Terms of Reference, and the Board not having a representative from Wales. Appropriate actions were identified and progressed. The Board complies with all main principles as laid out on the Corporate Governance Code.

Performance Management

The SIA has a well-developed and established system of Performance Management and reporting, which for the period under review is based on the following five strategic objectives:

- Protecting the public
- Customer Service
- Delivering Value
- Developing our people and organisation
- Change Programme

Supporting this system, a performance cascade has been developed, including Key Performance Indicators (KPIs), Primary Performance Indicators (PPIs) and Secondary Performance Indicators (SPIs). All indicators have been developed using SMART principles² Progress of the KPIs is reported to the Board on a regular basis. Of the 16 KPIs, the SIA has reached or exceeded 13, one relating to Programme milestones had to be re-profiled, so the target was no longer relevant, and the other two have not met their targets for the year.

One of the KPIs which did not meet the target relates to the percentage of vacancies filled within six months of approval/post becoming vacant. This was reported at the quarter ending March at 23% and an average of the year of 58.5% against a target of 90%. This KPI has been affected by recruitment controls and the time taken for security clearances. It has also been affected by the restrictions on salaries due to austerity and the competition that this generates with private sector salaries.

The second KPI that has not met its target relates to self-funding within an agreed tolerance of + or - 3% of turnover. The surplus for the year is 10% outside of the 3% of turnover tolerance that has been agreed. The fees have to be managed within the three-year licence cycle, and 2014/15 was a high income year. Fee reviews are ongoing to ensure that we are as close to the 3% tolerance as possible year on year.

² SMART principles refer to a criteria guide in setting objectives. The criteria are Specific, Measurable, Assignable, Realistic and Time-related.

Risk Management

The Board are responsible for the Corporate Risk Register and carry out a review of these risks each month. This review includes the progress against the current risks and any newly identified risks.

The Audit and Risk Committee is responsible for the Risk Management Strategy and approving the annual review to ensure the SIA is improving our risk maturity level. The SIA's maturity level currently sits as Risk Defined. Based upon a programme of training and a review of the tools used to manage risk, the SIA is planning to improve to become Risk Managed within the maturity model.

Financial Management

The SIA has a comprehensive budget and business plan in place that is reviewed and agreed by the Board. A review of management accounts is completed each month and reported to the Board monthly. The SIA prepares, develops and analyses key financial information by regularly liaising with budget holders to ensure that the SIA's management are able to make well informed decisions.

We continue to drive value for money and cost reduction through both internal process reviews and by the improvements that we have made to our procurement processes and contracting arrangements. Significant improvements have also been made to our operational systems to improve value for money and services provided to those being licensed.

The SIA receives capital grant from the Government. The use of this grant is fully documented and is monitored throughout the year. All other funding is derived from fees charged to licensed individuals or subscriptions to the voluntary Approved Contractor Scheme.

Change Programme

The programme is expected to deliver the new system to SIA in Q4 of 2015/16. This system is designed to replace our current licensing, ACS and Intelligence systems and provide one integrated SIA information system. The delays have shifted the profile of delivery as well as the milestone payment dates from 2014/15 to 2015/16 and beyond for Release 2. This has had a significant impact on the capital expenditure for the year, as the milestone payments have been delayed in to later years. Monthly meetings have been held with the Home Office to keep them informed of developments, and the final Grant in Aid drawdown was significantly less than the delegated amount.

We have successfully contracted with BT to be our new systems supplier and we are in the process of developing and delivering a new system that we will use to carry out our regulatory responsibility. We have divided the scope of this work into three projects, Technical Readiness, Operational Readiness and Industry Readiness. The progress against these project plans are reported to the Project Delivery Board.

A Contract Management Committee has been established by the Board to monitor the contract with BT and ensure that the contract process is effectively managed. This Committee meets on an ad hoc basis to ensure it fits the business need.

Managing the Risk of Financial Loss

The SIA has implemented Managing Risk of Financial Loss, a cross government initiative to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. As the organisation is relatively small, the Finance Department was able to complete most of the work with assistance from relevant departments (e.g. Human Resources and Information Communication Technology).

The Government model comprises an Organisational Capability Assessment (OCA) and a Financial Process Assessment (FPA) for each of seven financial processes (payroll, income, asylum support [benefits], grants, procurement, funding, and expenses). Of these, only payroll, income, procurement and expenses were relevant to the SIA. OCAs assess the capability of the SIA to manage financial loss, with action plans in place to address any gaps identified. FPAs have been carried out using the tools provided by the Cabinet Office.

The OCA is to be completed annually and will be completed during the final quarter of 2015/16.

People Management

HR resources have been put in place to address historic problems relating to records management within the HR files and the organisation has been restructured to improve efficiency and effectiveness and meet the planned changes to our methods of working. The HR Strategy has been reviewed and developed and the revised strategy and supporting policies are being implemented across the organisation to build the capability of the workforce to meet business needs.

We have completed an organisational redesign to align all roles across the organisation to ensure we meet our needs for new processes and to ensure we have the correct support for our operational teams. This was completed in two stages, commencing with the senior management and concluding with all other employees. This project has been completed. Work is being undertaken to adjust roles and structures to take account of the changes to the timing of legislative review announced by ministers.

Stage 1 of the new HR system, HR Select has been implemented. Stage 2 is currently underway and stage 3 will follow via a planned upgrade in 2015/16 to ensure a smooth completion.

Information Management

All staff are required to take Information Assurance training level 1, managers are required to take level 1 and 2, and Information Asset Owners are required to take level 1, 2 and 3. All staff completed the required training.

The SIA underwent an One3M assessment, which is designed to provide the organisation with an independent assessment of the maturity of the SIA against the requirements of the Information Assurance Maturity Model. The SIA received the results of the One3M assessment on 13 June 2014, and successfully achieved level 2 in line with the Home Office recommendation. Work continues to develop the organisation's information assurance rating against the terms of the One3M.

The SIA is connected to the Public Services Network PSN to ensure it has a secure channel for e-mail traffic to connected partner organisations up to RESTRICTED level. This connection is accredited until 5 February 2016. The Risk Managed Accreditation Document Set (RMADS) for Liverpool City Council was signed off by the SIA SIRO and is accredited until April 2016. The RMADS for the SIA runs until the end of November 2015.

The roll out of the updated Government Security Classification scheme was completed in June 2014, this included updated policies, e-learning and guidance documents.

Programme and Project Management

The SIA has a comprehensive framework for Programme and Project Management which is supported by a wide range of tools. The framework used within the SIA is closely aligned with both PRINCE 2 and MSP methodologies.

All projects are subject to full business case and benefits realisation plans. Progress is reported at Change Programme Board and Board levels.

Disaster and contingency planning

The SIA has Business Continuity and Disaster Recovery plans in place and all plans have been brought up to date within the six month cycle. An annual programme of testing and training has begun.

Following an incident caused by a major fire in Holborn, London, the SIA successfully implemented certain elements of our Business Continuity plans. During the incident no key processes or procedures were disrupted and all of our Licensing and ACS decisions continued. All services have now been resumed. A 'lessons learned' report was provided to the Board in May 2015, in which the following lessons were identified:

- Communications were delayed to remote workers.
- Functions were not clear when they should start implementing their Business Continuity Plans.
- The staff information line was not available.
- The backup connection is in the same location and therefore was also impacted by the fire.

An action plan has been agreed and the actions are in progress.

Internal and External Audit

The SIA has in place an internal audit programme and this covers key elements of financial control and internal controls. Reports are considered and recommendations followed up by the Audit and Risk Committee. The 2014/15 internal audit programme was produced in line with a risk assessment and was agreed by the Audit and Risk Committee.

Seven pieces of internal audit fieldwork have been completed and the reports finalised. These reports relate to Risk Management, Follow Up on Previous Recommendations, Budget Setting Assumptions, Integrated Assurance Framework, Core Financial Controls, Procurement and Formal Investigations. In total we have received and accepted two high level recommendations, ten medium level recommendations and ten low level recommendations.

In May 2015 Grant Thornton presented their annual report to the Audit and Risk Committee. The report stated the following:

'In our opinion, based on the scope of reviews undertaken as part of our internal audit work, and the sample tests completed during the period, nothing came to our attention which suggests that controls were not suitably designed and operating effectively in internal control, governance and risk management.'

The NAO carried out the interim audit in March 2015 and the final audit visit took place in June 2015. In May 2015 and in September 2015 the NAO reported to the Audit and Risk Committee their findings. The significant findings were as follows:

Journals prepared by the then Acting Deputy Director of Finance were reviewed by a more junior member of staff, i.e. the Financial Accountant which does not allow an appropriate level of review and challenge and creates a risk of management override of controls with the current system.

The SIA Payroll is processed by the managed service provider Baker Tilly. The Finance Department do not perform independent checks on the calculations of either employer National Insurance or pension contributions. Such a reliance on the managed service provider is a risk and whilst HR perform high-level checks on changes made to pension arrangements additional sample checks should be undertaken.

Post Balance Sheet Events

On the 4th August 2015, the SIA received an allegation that a member of staff had fraudulently claimed travel and subsistence allowances. This allegation was investigated and it was clear that it concerned a single individual. The individual in question was suspended on 1 September 2015 pending further investigations into the matter. The SIA Board and Home Office will be informed as to the outcome of the investigations.

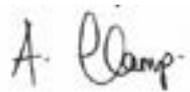
Chief Executive

Bill Butler retired as Chief Executive of the SIA on 31 May 2015, following the reporting period, but ahead of approvals for the Annual Report and Accounts. I obtained assurances from him as to the financial position during 2014/15, the contents of the Annual Report and governance matters as a part of my assurance considerations.

Overall Assessment

In my opinion, I am able to provide a Moderate Assurance as the strengths in the control, governance, risk and information management systems in place outweigh weaknesses. Although there is a need for improvement in some areas, systems generally operate effectively.

The SIA has a well embedded governance structure including a full Board with committees covering Audit and Risk and Remuneration and the BT Contract. All committees have Non-Executive Director membership. There are regular meetings of Executive Directors and the Senior Management Team. A full performance and reporting pack is prepared monthly.

A handwritten signature in black ink that reads "A. Clamp". The signature is written in a cursive style with a large initial 'A' and a stylized 'Clamp'.

Alan Clamp

Chief Executive and Accounting Officer
The Security Industry Authority
23 November 2015

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

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2015 under the Private Security Industry Act 2001. The financial statements comprise: the Statements of Comprehensive Net Income, 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 Security Industry Authority, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

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

In my opinion:

- the financial statements give a true and fair view of the state of the Security Industry Authority's affairs as at 31 March 2015 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Act 2001 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Private Security Act 2001; and
- the information given in the Strategic and Directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or 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

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

24 November 2015

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Accounts 2014/15

The Security Industry Authority Statement of Comprehensive Net Income For the period ended 31 March 2015

	Note	2014/15	2013/14
		£'000	£'000
Expenditure			
Staff Costs	3	(11,080)	(10,432)
Depreciation & Amortisation	5	(586)	(733)
Other Expenditure	5	(15,812)	(14,755)
		<u>(27,478)</u>	<u>(25,920)</u>
Income			
Income from Activities	6	30,075	25,539
Other Income			
Other Income from Activities	6	184	14
Court Costs Recovered	6	144	93
		<u>30,403</u>	<u>25,646</u>
Net Income Before Tax and Interest		2,925	(274)
Interest Receivable		14	17
Corporation Tax		(3)	(3)
Interest repayable to the Consolidated Fund		(11)	(14)
Net income after tax and interest		<u>2,925</u>	<u>(274)</u>

The notes on pages 47 to 70 form part of these accounts

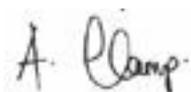
There are no other comprehensive income items. All income and expenditure relates to continuing operations.

The Security Industry Authority

Statement of Financial Position as at 31 March 2015

	Note	2014/15	2013/14
		£'000	£'000
Non-Current Assets:			
Property, Plant and Equipment	8	519	433
Intangible Assets	9	3,430	568
Total Non-Current Assets		3,949	1,001
Current Assets:			
Trade and other Receivables	11	2,554	814
Cash and Cash Equivalents	12	6,990	10,536
Total Current Assets		9,544	11,350
Total Assets		13,493	12,351
Current Liabilities:			
Trade and Other Payables	13	(7,113)	(7,075)
Total Current Liabilities		(7,113)	(7,075)
Non-current assets plus net current assets		6,380	5,276
Non-Current Liabilities			
Provisions	14	0	(60)
Total Non Current Liabilities		0	(60)
Assets less Liabilities		6,380	5,216
Taxpayers' Equity			
General Reserve		6,380	5,216
		6,380	5,216

The financial statements on pages 42 to 70 were approved by the Board on 2 September 2015 and were signed on its behalf by

A handwritten signature in black ink that reads "A. Clamp". The signature is written in a cursive style with a large initial "A" and a stylized "Clamp".

Alan Clamp
Chief Executive and Accounting Officer
23 November 2015

The notes on pages 47 to 70 form part of these accounts.

The Security Industry Authority
Statement of Cash Flows
For the period ended 31 March 2015

	Note	2014/15	2013/14
Cash Flows from Operating Activities		£'000	£'000
Net operating (cost)/surplus		2,925	(274)
Loss on Sale of Assets	5	0	0
Increase in trade and other receivables	11	(1,740)	(214)
Depreciation & Amortisation	5	586	733
Interest paid to consolidated fund		(11)	(14)
Utilisation of provisions	14	(55)	(6)
Expenditure arising from provisions	14	(5)	(65)
Decrease in trade payables	13	38	(273)
Less movement in payables not relating to the Statement of Comprehensive Net Income		(6,502)	0
Corporation tax paid		(3)	(3)
Net Cash (Outflow)/Inflow from Operating Activities		(4,767)	(116)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	8	(241)	(263)
Purchase of intangible assets	9	(3,293)	(499)
Interest received		14	17
Net Cash Outflow from Investing Activities		(3,520)	(745)
Cash Flows from Financing Activities			
Capital Grant		4,741	0
Net Cash Inflow from Financing Activities		4,741	0
Net (Decrease)/Increase in Cash and Cash Equivalents in the period		(3,546)	(861)
Cash and cash equivalents at the beginning of the period	12	10,536	11,397
Cash and cash equivalents at the end of the period	12	6,990	10,536

The notes on pages 47 to 70 form part of these accounts.

The Security Industry Authority

Statement of Changes in Taxpayers' Equity

Period ended 31 March 2015

	General Reserve	Total Reserves
	£'000	£'000
Balance at 31 March 2013	5,490	5,490
Changes in Taxpayers' Equity 2013-14		
Interest surrendered to the Consolidated Fund	(14)	(14)
Release of reserves to the I & E	0	0
Comprehensive Income for the year	(260)	(260)
<i>Recognised in Statement of Comprehensive Income</i>	(274)	(274)
Grant from Home Office	0	0
Repayment due to Home Office	0	0
Balance at 31 March 2014	5,216	5,216
Changes in Taxpayers' Equity 2014-15		
Interest surrendered to the Consolidated Fund	(11)	(11)
Release of reserves to the I & E	0	0
Comprehensive Income for the year	2,936	2,936
<i>Recognised in Statement of Comprehensive Income</i>	2,925	2,925
Grant from Home Office	4,741	4,741
Payments made to Home Office	(3,600)	(3,600)
Repayment due to Home Office	(2,902)	(2,902)
Balance at 31 March 2015	6,380	6,380

The notes on pages 47 to 70 form part of these accounts

The Security Industry Authority

Period ended 31 March 2015

I. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) issued by H M Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Security Industry Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Security Industry Authority for the current year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Ia. Accounting Convention

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

Ib. Grants

Grants, whether in relation to revenue or capital, have been treated as contributions from controlling parties giving rise to financial interest in the organisation and therefore credited to general reserves.

Ic. Licence Fee Income

Income is recognised at the point when an application is accepted. At this point, the fee paid becomes non-refundable and the SIA is committed to paying the managed service provider for processing the application.

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

Id. Approved Contractor Scheme (ACS) Income

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

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

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

I.e. Deferred Income

The SIA will defer ACS income where:–

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

I.f. Property, Plant and Equipment and Intangible Assets

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year. Non-current assets are held at cost less accumulated depreciation. There was no revaluation of assets for 2014/15 because it is deemed immaterial, and the depreciated historical cost basis is considered as a proxy for fair value for assets that have short useful lives.

Intangible assets are reviewed annually for impairment.

The SIA entered into a contract with British Telecommunications in May 2014 for Future Supply and Delivery of an IT Outsourced (ITO) service to replace its current Business Process Outsourcing (BPO) arrangement with the same supplier). As at 31 March 2015 the development to the system has been classified as Assets Under Construction, and will be depreciated from Release One in October 2015.

I.g. Depreciation and Amortisation

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

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three to five years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP) Database	over the remaining life of the contract to 30 September 2014
Approved Contractor Scheme (ACS)	Four years

I.h. Provision for Bad Debt

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

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

Ii. Provisions

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

Ij. Leases

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

Ik. Pension Costs

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

II. Value Added Tax

The SIA is not registered for VAT for its statutory functions but is registered for VAT in respect of certain ancillary activities.

Im. Corporation Tax

The SIA is liable for corporation tax at 20% on interest received on investment income, this relates to the bank interest.

In. Standards in issue but not yet effective

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

The IAS 18 replacement – Revenue Recognitions and Liabilities Recognition may have an impact on the disclosures. This will be effective no earlier than the 2015/16 year, and impacts will be reviewed on an ongoing basis.

No other Standards which have been issued but are not yet effective have a material impact for the SIA.

I o. Significant Estimates and Judgements

Due to the basis of the contract with British Telecommunications PLC, some judgement has been taken over the valuation of the Asset Under Construction based on the milestone payments and other information from BT and the Programme team.

I p. Going Concern

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

The Home Office undertakes a tri-annual of the SIA and the next tri-annual review is scheduled for 2015/16.

Note 2

ANALYSIS OF NET EXPENDITURE BY SEGMENT

This note is to meet HM Treasury's disclosure requirement for fees and charges rather than to support IFRS 8: Reporting Segments. The SIA is required to set fees on a full cost recovery basis.

	2014/15			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(25,010)	(2,468)	0	(27,478)
Income	27,879	2,196	184	30,259
Court Costs Recovered	144	0	0	144
Net Income (Expenditure)	<u>3,013</u>	<u>(272)</u>	<u>184</u>	<u>2,925</u>

	2013/14			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(23,840)	(2,080)	0	(25,920)
Income	23,422	2,117	14	25,553
Court Costs Recovered	93	0	0	93
Net Income (Expenditure)	<u>(325)</u>	<u>37</u>	<u>14</u>	<u>(274)</u>

Note 3

STAFF NUMBERS AND RELATED COSTS

Staff Costs Comprise:

	2014/15			2013/14		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	9,454	6,359	3,095	8,786	6,248	2,538
Social Security Costs	515	495	20	529	522	7
Other Pension Costs	1,111	1,111	0	1,117	1,117	0
Total Net Costs	11,080	7,965	3,115	10,432	7,887	2,545

Pension

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

The PCSPS is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

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

Average number of persons employed

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

Number	2014/15			2013/14		
	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly Employed	157	157	0	164	164	0
Other	23	0	23	20	0	20
Total	<u>180</u>	<u>157</u>	<u>23</u>	<u>184</u>	<u>164</u>	<u>20</u>

Note 4

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 – £25,000	2	0	2
£25,000 – £50,000	2	0	2
£50,000 – £100,000	2	0	2
£100,000 – £150,000	0	0	0
£150,000 – £200,000	0	0	0
Total number of exit packages	6	0	6

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

Note 5

OTHER EXPENDITURE

	Note	2014/15	2013/14
		£'000	£'000
Running Costs			
Licensing Costs		12,195	11,143
Accommodation Costs		1,156	1,232
Travel and subsistence		513	548
Information Technology		526	485
Office supplies and services		443	326
Legal Costs		385	380
Training		153	105
Advertising and Publicity		158	227
Recruitment		174	163
Audit fee – internal		50	112
Audit fee – external		33	33
Catering		7	8
Financial Costs		5	3
Non Cash Items			
Amortisation	9	431	616
Depreciation	8	155	117
Movement in provisions	14	(5)	(65)
Bad and Doubtful Debts		19	55
		16,398	15,488

Note 6

INCOME

	2014/15	2013/14
	£'000	£'000
Licensing	27,879	23,422
Approved Contractors Scheme (ACS)	2,196	2,117
	30,075	25,539

Other Income		
Other Income from activities	184	14
Court Costs Recovered	144	93
	30,403	25,646

Note 7

ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

	2014/15			2013/14		
	Programme	Administration	Total	Programme	Administration	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Staff Costs	(4,592)	(6,489)	(11,081)	(4,506)	(5,927)	(10,433)
Licensing Costs	(11,704)	(494)	(12,198)	(10,424)	(718)	(11,142)
Running Costs	(611)	(3,007)	(3,618)	(594)	(3,082)	(3,676)

Non-Cash Items						
Depreciation	0	(155)	(155)	0	(117)	(117)
Amortisation	0	(431)	(431)	0	(616)	(616)
Profit or Loss on disposal of property, plant and equipment	0	0	0	0	0	0
Provision provided for in year	2	3	5	25	40	65

Income						
Income from activities	28,012	2,207	30,219	23,515	2,116	25,631
Other income	2	182	184	0	14	14
Net Income/(Expenditure) Before Tax	<u>11,109</u>	<u>(8,184)</u>	<u>2,925</u>	<u>8,016</u>	<u>(8,290)</u>	<u>(274)</u>

Note 8

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2014	397	259	675	1,331
Additions	91	10	140	241
Disposals	0	0	(104)	(104)
At 31 March 2015	488	269	711	1,468

Depreciation				
At 1 April 2014	342	63	493	898
Charged in year	15	50	90	155
Disposals	0	0	(104)	(104)
At 31 March 2015	357	113	479	949

Net Book Value at 31 March 2015	131	156	232	519
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Net Book Value at 31 March 2014	55	196	182	433
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Asset financing:				
Owned	131	156	232	519
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value at 31 March 2015	131	156	232	519

Note 8 (continued)

PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	388	281	705	1,374
Additions	9	195	59	263
Disposals	0	(217)	(89)	(306)
At 31 March 2014	397	259	675	1,331

Depreciation				
At 1 April 2013	328	269	490	1,087
Charged in year	14	11	92	117
Disposals	0	(217)	(89)	(306)
At 31 March 2014	342	63	493	898

Net Book Value at 31 March 2014	55	196	182	433
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Net Book Value at 31 March 2013	60	12	215	287
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Asset financing:				
Owned	55	196	182	433
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value at 31 March 2014	55	196	182	433

Note 9

INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Assets Under Construction	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2014	777	9,967	5,345	0	1,075	17,164
Additions	5	0	0	3,288	0	3,293
Disposals	(25)	0	0	0	0	(25)
At 31 March 2015	757	9,967	5,345	3,288	1,075	20,432

Amortisation						
At 1 April 2014	474	9,967	5,080	0	1,075	16,596
Charged in year	166	0	265	0	0	431
Disposals	(25)	0	0	0	0	(25)
At 31 March 2015	615	9,967	5,345	0	1,075	17,002

Net Book Value at 31 March 2015	<u>142</u>	<u>0</u>	<u>0</u>	<u>3,288</u>	<u>0</u>	<u>3,430</u>
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Asset financing:						
Owned	142	0	0	3,288	0	3,430
Finance Leased	0	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0	0

Net Book Value at 31 March 2015	<u>142</u>	<u>0</u>	<u>0</u>	<u>3,288</u>	<u>0</u>	<u>3,430</u>
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Note 9 (continued)

INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Assets Under Construction	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000		£'000	£'000
Cost or valuation						
At 1 April 2013	611	9,967	5,080	0	1,075	16,733
Additions	234	0	265	0	0	499
Disposals	(68)	0	0	0	0	(68)
At 31 March 2014	777	9,967	5,345	0	1,075	17,164

Amortisation						
At 1 April 2013	373	9,967	4,633	0	1,075	16,048
Charged in year	169	0	447	0	0	616
Disposals	(68)	0	0	0	0	(68)
At 31 March 2014	474	9,967	5,080	0	1,075	16,596

Net Book Value at 31 March 2014	<u>303</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>0</u>	<u>568</u>
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Asset financing:						
Owned	303	0	265	0	0	568
Finance Leased	0	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0	0

Net Book Value at 31 March 2014	<u>303</u>	<u>0</u>	<u>265</u>	<u>0</u>	<u>0</u>	<u>568</u>
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Note 10

FINANCIAL INSTRUMENTS

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

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

Liquidity risk

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

Interest rate risk

The SIA is not exposed to significant interest rate risk.

Foreign currency risk

The SIA is not exposed to any foreign exchange risk.

Credit risk

The SIA is not exposed to significant credit risk, other than the bad debt provision that is identified in note 1h.

Note 11

TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2014/15	2013/14
	£'000	£'000
Amounts falling due within one year:		
Trade Receivables	1,438	328
Other Receivables	54	46
Court Debts	372	309
Prepayments and accrued income	804	265
	<u>2,668</u>	<u>948</u>
Less Provision for Bad Debts	(114)	(134)
	<u><u>2,554</u></u>	<u><u>814</u></u>
Amounts falling due after one year:		
	NIL	NIL
Intra-Government Balances		
Balances with other central government bodies	0	0
Local Authorities, NHS Trusts, Public Corporations	240	0
Balances with bodies external to government	2,314	814
	<u><u>2,554</u></u>	<u><u>814</u></u>

Note 12

CASH AND CASH EQUIVALENTS

	2014/15	2013/14
	£'000	£'000
Balance at 1 April 2014 (2013)	10,536	11,397
Net Change in Cash and Cash Equivalent Balances	(3,546)	(861)
Balance at 31 March 2015 (2014)	<u>6,990</u>	<u>10,536</u>
The following balances at 31 March were held at:		
Commercial Banks and Cash in Hand	<u>6,990</u>	<u>10,536</u>

Note 13

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2014/15	2013/14
	£'000	£'000
Amounts falling due within one year		
Other Taxation & Social Security	158	181
Trade Payables	628	280
Monies Due to Consolidated Fund	2,916	3,113
Other Payables	14	29
Accruals & deferred income	3,397	3,472
	7,113	7,075

Amounts falling due after more than one year	NIL	NIL
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Intra-Government Balances		
Balances with other central government bodies	3,143	3,415
Balances with local authorities, NHS Trusts, public corporations and trading funds	466	479
Balances with bodies external to government	3,504	3,181
	7,113	7,075

Note – DBS is now classified as a Public Corporation – 2013/14 intra-government balance figures have been restated.

Note 14

PROVISIONS FOR LIABILITIES AND CHARGES

	Compensation
	£'000
Balance at 1 April 2013	131
Provided in the year	25
Provisions not required written back	(90)
Provisions utilised in the year	(6)
Balance at 31 March 2014	60
Balance at 1 April 2014	60
Provided in the year	0
Provisions not required written back	(5)
Provisions utilised in the year	(55)
Balance at 31 March 2015	0

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

This balance is now zero as a result of a legal case being resolved in the year.

Note 15

CAPITAL COMMITMENTS

As at 31st March 2015 the SIA had a capital expenditure commitment of £6.8m with BT (2013/14: no capital expenditure commitment).

Note 16

COMMITMENTS UNDER LEASES

16.1 Operating Leases

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

	2014/15	2013/14
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	574	574
Later than one year and not later than five years	1,149	1,723
Later than five years	0	0
	<u>1,723</u>	<u>2,297</u>

Office Equipment		
Not later than one year	9	15
Later than one year and not later than five years	1	9
Later than five years	0	0
	<u>10</u>	<u>24</u>

16.2 Finance Leases

The SIA currently does not have any finance leases (2013/14 – none).

Note 17

COMMITMENTS UNDER PFI CONTRACTS

The SIA does not have any PFI contracts (2013/14: None).

Note 18

OTHER FINANCIAL COMMITMENTS

The SIA entered into a contract with British Telecommunications on 27 May 2014 for Future Supply and Delivery of an IT Outsourced (ITO) service, to replace its current Business Process Outsourcing (BPO) arrangement with the same supplier. The contract is let on a five year commitment with a further three year extension option. The contract is based on a multi-milestone payment approach to build and deliver the system, triggered by specific output criteria being met by the Supplier (against each milestone). The Supplier's profit is due for payment three months following the completed build of the system. The system will be delivered over two releases (Release 1 and 2), with Release 1 being the effective point when the BPO contract could be ended and service transitioned to the system being built under the ITO arrangements. The date for Release 1 has been rescheduled from February 2015 to February 2016. The date for Release 2 (which triggers final milestone payment including Supplier profit) has moved to September 2016. Following Release 2 the Supplier is due to commence service charges based on a fixed fee per month. Delay payments to the SIA apply for late delivery of Release 1 & 2 and in life service charges apply for service delivery.

A Transitional BPO service is required for an extended period beyond end of March 2015 due to changes in the new system release schedule. The approach agreed with the Supplier is to provide for this service under the ITO contract as a 'Transitional Service' with a similar type service provision and financial model applying as a ring fenced contract provision. The detail on payment value in this respect has been negotiated between the Parties, as has the detailed contractual terms and provisions to provide the transitional service.

The SIA entered into a contract with their chosen managed access provider, Post Office Ltd, via a call off contract under the terms of the UKBA FOS agreement. The UKBA agreement only allows SIA to contract to FOS expiry i.e. 28th February 2016 whereas the Post Office based their commercial model on a 36 month term requiring a further 4 months cover. The SIA were therefore required to introduce a termination charge applicable to the remaining 4 months of the term not offered under contractual cover. However this charge will not apply if the SIA elects to enter into a new contracting arrangement with the Post Office to provide service delivery for a total of 36 calendar months. Options are currently being considered to provide the Post Office with alternative contractual cover to ensure longevity of supply and are considering the period beyond the initial 3 years that will be necessary.

Note 19

CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2015 (2013/14 – Nil).

Note 20

RELATED PARTIES

The Home Office is the sponsor department of the SIA, and at 31 March 2015 it had an outstanding payable of £2.9m. This is the surplus for the year 2014/15 and the interest receivable for the year 2014/15 which will be passed on to the Consolidated fund.

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

- Access NI
- The Home Office
- Disclosure Scotland

No Board member, key manager or other related parties has undertaken any material transactions with the SIA during the year. The Remuneration Report provides information on key management compensation.

Bill Butler, Chief Executive took up a Non-Executive role with the Gangmasters Licensing Authority in March 2015.

Note 21

LOSSES AND SPECIAL PAYMENTS

There have been no losses or special payments in the year (2013/14 Nil).

Note 22

EVENTS AFTER THE REPORTING PERIOD

The Chief Executive, Bill Butler left the SIA following the reporting period date on 29 May 2015, but before approval of the Annual Report and Accounts.

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

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