

# Security Industry Authority

## Annual Report and Accounts 2015/16

Presented to Parliament pursuant to paragraphs 16(4)(b) and 17(2) of  
Schedule 1 to the Private Security Industry Act 2001

Ordered by the House of Commons to be printed on 16 March 2017

Laid before the Scottish Parliament by the Scottish Ministers March 2017

Laid before the Northern Ireland Assembly by the Department of Justice March 2017

**© SIA copyright 2017**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as SIA copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at:  
Security Industry Authority,  
PO Box 49768,  
London,  
WC1V 6WY

This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474141116

Web ISBN 9781474141123

ID 15021701 03/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

Foreword from the Chair and Chief Executive	1
Performance Report	4
Overview	4
Performance analysis	14
Financial review	20
The accountability report	24
Directors' report	24
Staff sickness and absence	26
Statement of Accounting Officer's responsibilities for the SIA	27
Governance statement	28
Remuneration and staff report	35
Parliamentary accountability disclosures	44
Certificate and report of the Comptroller and Auditor General	45
The financial statements	47



# Foreword from the Chair and Chief Executive



Elizabeth France  
Chair

The Security Industry Authority was established to protect the public and improve standards in the private security industry. We support the key priorities of the Government – reducing and preventing crime, ensuring people feel safe in their homes and communities and, increasingly, keeping the United Kingdom safe from the threat of terrorism.

Our principles of protecting the public and improving standards in the private security industry remain central to our work and our existence means the public is reassured that a regulated private security industry plays an important role in keeping people, property and premises safe.

During 2015/16 our focus has been to maintain high standards of service, monitor compliance with the regulatory regime and to deliver greater value for money. Our staff at the SIA have again performed to a high standard. This has been achieved during a year of change and the development of a new online licensing system. We thank them for this; their commitment together with the engagement and support of the private security industry has enabled us to achieve our objectives and to rise to the challenges and opportunities that have faced us.

Over the last year we have met with the organisations we regulate and the people affected by our work. It is clear from those discussions that our remit remains as important as ever before. We are recognised as an effective and efficient regulator, and we remain committed to making further improvements in our work.

In the coming year we are launching new online services that will improve the service and information we provide to licence holders and security businesses, and speed up the application process. (The online licensing system went live in July 2016). Our new Licence Management service will give businesses control over the licensing of their staff; it provides tools that will enable a business to manage licence applications online. It will also allow businesses to check identity documents thereby removing duplication and reducing the burden on licence holders. This service will only be available to approved contractors who meet an additional set of criteria and conditions.

The Home Office has undertaken a review of the SIA, which it does for all of its non-departmental public bodies. The purpose of this review is to examine our form, function, governance and performance; the Home Office will publish the findings of the review in 2017. We welcome the review as an opportunity to reflect on what we do and how we can contribute further to Home Office objectives and continue to improve standards in the industry we regulate.

We seek, and continue to benefit from the support and cooperation of those working in the private security industry and our many partners to provide effective regulation, and to pursue robustly those who choose not to comply. We are grateful for that support and cooperation and look forward to continuing to work with the private security industry and our partners to deliver high quality regulation in the coming year.

Our Annual Report and Accounts 2015/16 set out our key achievements during the year, the delivery against our strategic goals and give an overview of our financial position. We are committed to ensuring that we continue to be an effective and efficient regulator that plays an important role in raising standards in the private security industry and protecting the public.



Alan Clamp  
Chief Executive

## Our role

The Security Industry Authority (SIA) is a non-departmental public body sponsored by the Home Office. We were established under the Private Security Industry Act 2001 – which covers England, Wales, Scotland and Northern Ireland – to regulate certain activities within the private security industry. We support the key priorities of the Home Office – reducing and preventing crime, ensuring people feel safe in their homes and communities and, increasingly, keeping the United Kingdom safe from the threat of terrorism.

We have a statutory responsibility to license individual security operatives. We do this by applying approved criminality and other fit and proper person criteria and we establish the minimum competency requirements, which have to be met before issuing a licence.

We set and approve standards of conduct and training. We do this by specifying learning and qualifications required for individual licensing. We also require awarding organisations to have robust standards of assessment and appropriate processes for the awarding of qualifications recognised for licensing. The Office of Qualifications and Examinations Regulation and the Scottish Qualifications Authority approve awarding organisations to offer regulated qualifications on the regulated qualifications framework. We in turn endorse awarding organisations, who approve training centres to offer qualifications that can lead to a security licence.

We manage the voluntary Approved Contractor Scheme (ACS), which measures private security companies against independently assessed standards. We do this by applying eligibility and other fit and proper criteria and we establish terms and conditions of approval. We specify management and operational requirements in the ACS and appoint assessing bodies to conduct assessments against this standard before awarding approved contractor status.

The Authority – our non-executive board – is made up of a chair and five members. One member is appointed to represent the interests of Scotland and one to represent the interests of Northern Ireland. The primary role of the Authority is to ensure that we meet our statutory responsibilities. It achieves this by setting our strategic direction and providing both support and challenge to an executive which is responsible for the discharge of these responsibilities on a day-to-day basis.

The regulated private security industry protects people, property and premises and comprises the following sectors:

- Manned guarding:
  - Cash and valuables in transit
  - Close protection
  - Door supervision
  - Public space surveillance (CCTV)
  - Security guarding
- Key holding
- Vehicle immobilising (Northern Ireland).

## Our vision and mission

We are widely recognised as an effective and successful regulator. We have achieved this by developing a distinctive style of principled, proportionate and risk-based regulation, which we refer to as ‘right-touch regulation’. This is underpinned by close working relationships with our partner stakeholders and members of the public who come into contact with our regulation or have an interest in it.

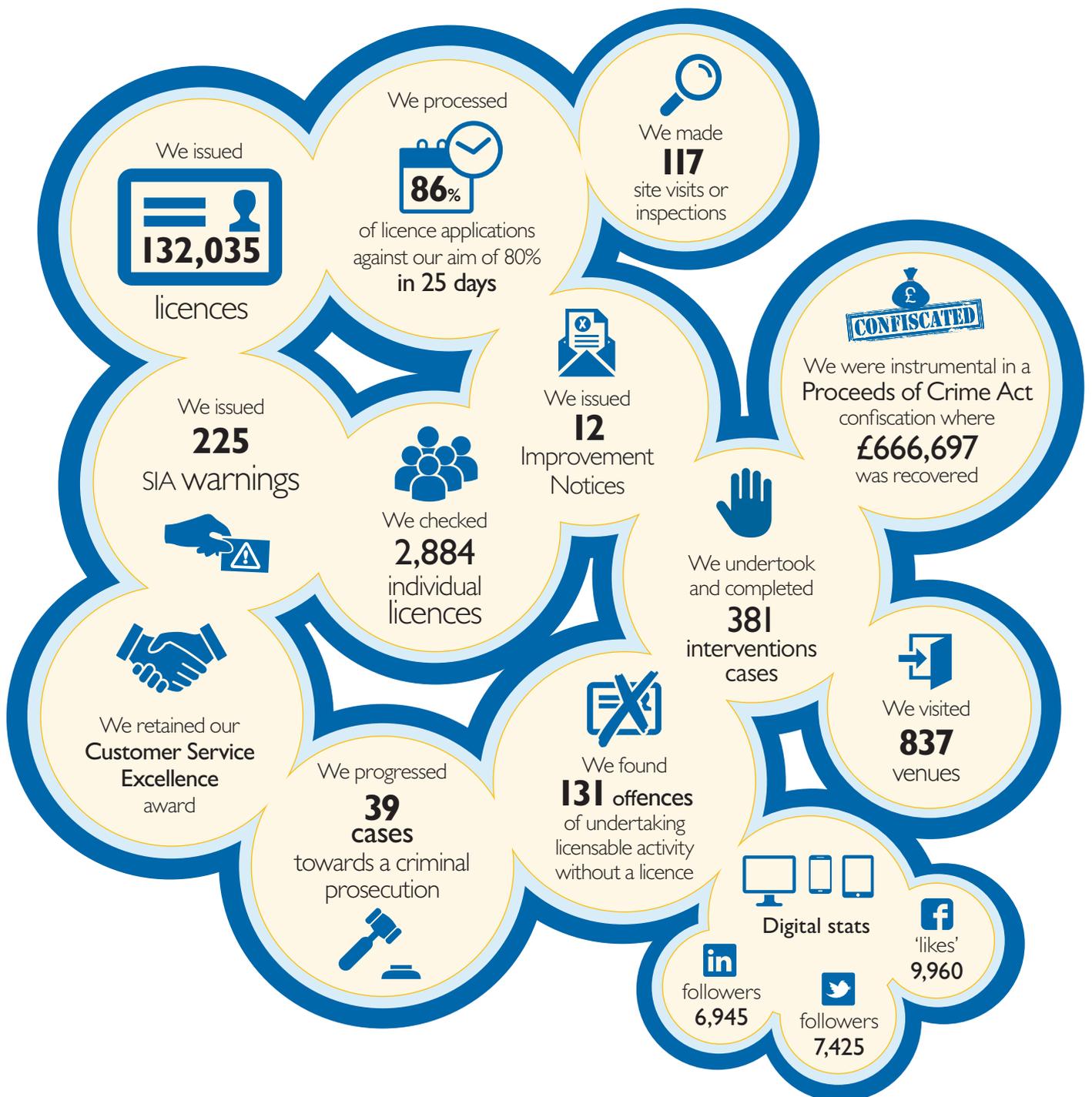
Our vision is one of a private security industry so committed to improving standards and protecting the public that it needs minimal regulation.

Our mission is to hold the private security industry to account for continuously improving standards in order to protect the public.

# Performance report

## Overview

### 2015/16 – Our key achievements



## Achievements against strategic goals

We have continued to perform well against our strategic goals set in the 2015/16 business plan. This performance has been achieved alongside the development of an IT managed service that will bring significant benefits to the operational aspects of regulation in the future.

In setting out to achieve our mission and vision, we pursued the following four strategic aims in 2015/16:

- Manage the risk to the public
- Improve standards
- Ensure individuals and, where it is part of the scope, businesses are fit, proper and competent.
- Engaging buyers to support informed purchasing decisions

We had the following strategic goals in 2015/16, which linked to the strategic aims, mission and vision:

1. Contribute to violence reduction
2. Effective and efficient operating systems
3. Equality and diversity in the industry
4. Working with other agencies (tackling businesses and individuals that cause harm to the public)
5. Compliance with the regime and conformance with the ACS
6. Comprehensive business approval arrangements
7. Business involvement in regulation
8. Minimising the direct cost of regulation
9. The SIA has an engaged and supported workforce

The following principle risks have been identified:

- The risk of ineffective key stakeholder relationships.
- The risk of political and or policy changes causing the SIA's priorities to change.
- The risk of corruption.
- The risk of challenges to the credibility of the SIA's regulatory approach.
- The risk of the SIA's reliance on awarding organisations to make decisions on individual qualifications.
- The risk of information incidents increasing in number.
- The risk of failing to deliver an efficient and robust new licensing system.

These risks are being managed and reported in line with our risk management framework.

### I. Contribute to violence reduction

Violence reduction is a key priority for us. The issues that contribute to violence are complex and we cannot provide the solution by ourselves. We will continue to play our part alongside our partners, using our influence and powers to enable and to support the private security industry to reduce violence.

We have made major progress in our work to reduce violence. Following a comprehensive research piece into violence touching the private security industry, we have made substantial progress against a plan containing 31 actions.

We have convened a steering group which has recruited key partners such as the police, local authorities, the Health and Safety Executive and the private security industry to align efforts to reduce violence.

In support of this, we have made changes to our standards and influenced the standards of others to drive behaviours that make the industry safer for operatives and the community. We have created a dedicated section on our website called 'Protecting society' to promote good practice in violence reduction. We have aligned compliance work to produce outcomes around violence reduction.

During 2015/16, our Partnerships and Interventions teams have been active in driving our violence reduction strategy. There have been a number of local violence reduction initiatives across the country, resulting in a higher level of protection for both members of the public and security operatives.

A violence reduction initiative by our West and Wales Investigations team in Weston- Super-Mare ran from June to December 2015 and resulted in a 9% decrease in the number of violent incidents.

We have worked alongside police and local authorities in Nottinghamshire and Cambridgeshire on some promising initiatives. These involve promoting the use of body-cams and 'alco meters' by door supervisors, provision of additional training about vulnerable persons, raising awareness of the ACS amongst security companies and providing support to police in the prosecution of Private Security Industry Act offences. Feedback from partners has been very favourable with police and local authority licensing teams remarking on how violence (especially by door supervisors towards the public) has noticeably reduced.

## 2. Effective and efficient operating systems

During 2015/16, we issued 132,035 licence applications, 86% were completed within 25 days against a target of 80%.

We have developed a bespoke quality monitoring tool which we use to measure the accuracy and quality of decisions. Each month we take a robust and representative sample of our decisions, and use a quality monitoring tool to ensure we follow the correct process. We check the right information was considered, the right decision was made, and that it was made for the right reasons with reference to the relevant information.

Our target for measuring the accuracy of our licensing decision making is that we get 99.5% of our decisions to issue licences right. During this year, we conducted a robust sample of only the most complex decisions. Of these, we made the correct decisions in 99.95% of cases, an improvement from 99.4% last year.

Our ability to receive, share and accurately process and use intelligence is key to our success as a regulator. This year we have processed more intelligence than ever before with accuracy and within five days for high risk intelligence and 20 days for low risk items. Our ability to perform in this area will improve next year as we gain access to the Police National Database.

Where we have a public safety concern, we aim to disclose information within five days for 90% of cases. In the year 2015/16 we processed this information in the target timeframe for 100% of cases, despite handling more disclosures than in previous years.

For those disclosures or requests where there is not a public safety imperative, we aim to process 90% within ten working days. For the year 2015/6, we processed 99.9% within this timeframe.

We aim to have 95% of eligible companies renewing their approved contractor scheme status during the year. This year, we achieved 97% of companies re-registering.

Our desk based compliance team completed 183 compliance cases of which 90% were within case by case timeframes; against a target of 90%.

### 3. Equality and diversity in the industry

We have been able to engage the industry with the nature and scope of some of the problems it faces in terms of equality and diversity. We will continue to follow up this work and promote fairer access to opportunities in the industry.

In April 2015 we commissioned independent research to better understand employment profiles, patterns, and barriers for women and ethnic minorities working in the private security industry. This independently conducted research looked at comparing the security industry with other industries including passenger transport, construction and the Police in relation to levels of equality and diversity. The research highlighted that there are significant improvements that need to be made to make the security industry more representative and diverse.

#### Key findings

- Only 9% of SIA licence holders are women.
- There is a perception that those with physical disabilities are hardly represented (1-2%) despite only the door supervisor role requiring physical intervention training (total licensed population circa 323,000).
- SIA licence holders from ethnic communities believe that they are frequently placed in less attractive or more dangerous roles than their white British colleagues. For example, lone worker guarding roles at construction or transport sites.

We realise the importance of this work, and convened a seminar in March 2016 in central London focusing on equality and diversity within the private security industry. 46 people from different organisations and companies attended the event and discussed the research findings, shared their knowledge and experiences and considered what the next steps are to drive a change.

### 4. Working with other agencies tackling businesses and individuals that cause harm to the public

#### Police and Security Initiative

We are supporting and promoting the Police and Security initiative, which is seeing the Metropolitan Police Service working in partnership with the private security industry in London, together with some major buyers of security. The initiative has its origins in the legacy of the London 2012 Games and is sponsored by the London Mayor's office, MOPAC. Some excellent progress is being made in respect of police and private security protecting Central London from crime, notably crimes against major retailers. We are active in developing standards to facilitate even greater partnership working and in exploring how the success of the Police and Security initiative can be extended more widely into counter terrorism, public protection and expanding beyond the London area.

## HMRC

Throughout the year we have been engaged in several joint investigations with HMRC. In Northern Ireland we mounted a large scale operation in Belfast and Coleraine alongside the Police Service of Northern Ireland and HMRC. This was the first operation of its type to include HMRC officers, and was highly successful, with examples of Private Security Industry Act non-compliance that are being dealt with by police forces with SIA support, in addition HMRC received productive information on the employment status of individuals.

## Home Office Immigration Enforcement team

We have worked jointly around the country with the Home Office Immigration Enforcement team where companies had been provided with high quality fraudulent documents by individuals without the right to work in the UK. We arranged workshops with security companies to train them in identifying counterfeit and forged identification.

## Government Agency Intelligence Network (GAIN)

We are an active member of GAIN at national, regional and local levels. As well as membership on the GAIN executive, membership at all levels has allowed efficient exchange of information with a wide variety of partners. Furthermore, we will be joining a new information exchange system in order to access partner led operations.

## Child sexual exploitation

We continue to work with experts in the field to engage the industry in helping to combat child sexual exploitation. We started this work back in 2013 when we made changes to the training regime to include awareness of this issue. We have recently worked with organisations like the National Working Group which provides specialist support to professionals working with issues relating to child sexual exploitation.

More recently we have worked with Barnardo's, which has accessed funding to promote awareness of the problem in the night time economy. They have developed a training package, which we reviewed and promoted to the industry. Feedback from Barnardo's is that there has been a high take-up of the training.

We have had feedback that, on two separate occasions, public space surveillance CCTV operatives who have attended the courses have gone on to identify behaviours associated with child sexual exploitation. As a result, two missing girls have been found. One adult man has been charged with serious crimes associated with child sexual exploitation. We continue to promote this training.

## 5. Compliance with the regime and conformance with the ACS

We currently contract eight assessing bodies to provide independent assessment services on our behalf for the approved contractor scheme.

We require all assessing bodies to maintain a 90% achievement rate against performance indicators on the accuracy of their assessments, or we implement sanctions. We have managed the relationships with assessing bodies so that they all achieved 90% and above.

All new assessors that have worked this year have been both trained and observed by us before they can start working without supervision. Assessors continue to be risk rated and monitored.

This year, 86% of ACS companies were deemed to have met the ACS standard after their first visit by the assessor.

## 6. Comprehensive business approval arrangements

We developed proposals outlining arrangements to register non-ACS businesses. We are awaiting the results of the ongoing Home Office review into the SIA before planning the next steps.

## 7. Business involvement in regulation

We engaged the private security industry to help review the Approved Contractor Scheme to make sure our standards remain at the right level. We held a consultation to determine the type of evidence that companies can submit to maintain their approved contractor status.

We held a number of ACS events earlier in the year and are conducting research that will determine the content, timing and style of future events. In addition, we have involved the assessing bodies in a root and branch review of the approved contractor scheme.

The project to allow some approved businesses to have more control of the licensing process is making progress. There are a number of businesses currently piloting the new 'Licence Management' functionality of the new system which will allow them to take some oversight for the licence applications and renewals of their staff.

## 8. Minimising the direct cost of regulation

We have undertaken significant work during the year that will, in future, provide cost savings in the way in which we regulate:

- The implementation of our new self-service website, as part of the new licensing system, will take away the need for a contracted call centre operation and will transfer responsibility for managing our relationship with our customers in-house.
- We have been working on providing an on-line environment which will enable individuals and businesses the opportunity to get licensed more easily and more efficiently and this will be implemented soon.
- Smarter use of technology, plus improved productivity from process and quality improvements, will produce a lower operational cost base for our regulatory activities.

We continue to develop our approach to risk-based regulation, so that those who are compliant will face less burden and less cost for regulation.

## 9. The SIA has an engaged and supported workforce

The staff survey conducted in the autumn of 2015 had a 72% response rate with an overall satisfaction rating of 75% - the highest ever recorded in such surveys at the SIA. During the year 2015/16 staff turnover reduced from 26% to 20%.

## Other significant achievements

### Partnerships & Interventions – Overview

Our Partnerships & Interventions function is made up largely of regionally based teams of investigators. They work very closely with law enforcement partners, key Government agencies, the private security industry and other key stakeholders in our regulatory regime. Working collaboratively with other teams in our organisation they are responsible for providing robust and effective regulation across the UK.

Many of our partnerships support compliance but some, additionally, identify and disrupt serious and organised crime associated with the private security industry and intervene where there are threats to the regulatory outcomes we are seeking to achieve.

Our investigators work with partners to reduce risk across a wide range of public safety threats. They are increasingly involved in supporting law enforcement partners to identify, disrupt, manage and progress cases escalated from the Intelligence & Risk Management function, ACS, Decisions and Customer Support teams. The Partnerships & Interventions teams conduct licence inspections and business eligibility and approval visits to identify and tackle non-compliance. They use a range of interventions and sanctions at their disposal, including criminal investigation and prosecution of the most serious offences. The teams provide evidence to support the withdrawal or withholding of business approval in appropriate cases.

## Prosecutions

During 2015/16 we progressed 39 cases towards a criminal prosecution against both businesses and individuals. Average fines for offences under the Private Security Industry Act are on the rise as well as more significant penalties, indicating the increasing seriousness with which the courts take security licensing offences. This year also saw the first custodial sentence imposed for exclusively Private Security Industry Act offences. Some examples of the types of cases prosecuted include:

### WNT Security Ltd

On 13 May 2015 at Manchester and Salford Magistrates Court, Wayne Tunstall and Kristian Saunders, the former shadow and statutory directors of WNT Security Ltd were sentenced for offences under the Private Security Industry Act 2001. This case was notable, because for the first time a custodial sentence was imposed solely for offences under the Act.

WNT Security Ltd provided 11 security guards between October 2013 and February 2014 on a contract at an industrial premises. None of the guards (except Saunders) were licensed. Tunstall, the controlling mind of the company, also undertook security guard duties at the site, even though he did not possess a licence. Tunstall had a previous licence revoked in April 2011 due to criminality.

Neither Tunstall nor Saunders assisted the SIA during the case investigation, refusing to speak formally to investigators. They also both failed to provide company details when requested.

Saunders pleaded guilty to providing unlicensed operatives and failure to provide information to the SIA. He was sentenced to pay a fine of £500 and costs of £1250.

Tunstall was found guilty of working in a licensable activity without a licence, acting as a security company director without a licence, providing unlicensed security operatives and failing to provide information to the SIA. He was sentenced to a custodial sentence of 16 weeks, to pay costs of £10,000 and was disqualified from working as a director for five years. WNT Security Ltd is no longer trading.

### Louis Alexander Ltd

On 3rd August 2015 at Walsall Magistrates' Court, a security company, Louis Alexander Ltd based in Lichfield, Staffordshire, the company director and two security guards deployed by the company were sentenced for various offences under the Private Security Industry Act 2001 and the Forgery and Counterfeiting Act 1981.

The company pleaded guilty to five offences in relation to the supply of unlicensed security guards at five construction sites over an 18 month period. Seven unlicensed security guards were deployed

on more than 500 shifts. The company also pleaded guilty to holding itself out as an SIA approved contractor, when no longer accredited for that purpose. All the unlicensed guards were engaged on zero hour contracts, some of whom were working using a false SIA licence.

The director, Khan William Rose, pleaded guilty to five offences of supplying unlicensed security guards to construction sites in Telford and Newport area of the West Midlands and one offence of failure to provide information to the SIA.

Clement Ezeazu, an unlicensed security guard, pleaded guilty to using a false instrument, which he passed off as an SIA licence and also working as an unlicensed security guard on 152 occasions, while Trevor Ranger, another unlicensed operative, pleaded guilty to working as an unlicensed security guard on 156 occasions.

The respective sentencing was as follows:

- The company was fined a total of £3,500 for six offences and required to pay costs of £10,303 and a victim surcharge of £100.
- Rose was fined a total of £3,500 for his offences and required to pay a contribution to the prosecution costs of £3,000 and a victim surcharge of £100.
- Ezeazu was fined a total of £350 for his two offences and required to pay a contribution to the costs of £200 and a victim surcharge of £20.
- Ranger was fined £150 for his offence and required to pay a contribution to the costs of £200 and a victim surcharge of £20. Ranger was given a sentence discount for an early plea of guilty.

### Mark Pursglove Security Limited

On Tuesday 2 February 2016, Mark Pursglove, Peter Smith and Simon Lane of Mark Pursglove Security Limited pleaded guilty to offences under the Private Security Industry Act 2001. Smith was employed to undertake licensable activity but did not hold a licence. Pursglove had provided a falsified rota which excluded Smith, showing Lane as working these shifts in his place. Lane was also asked to provide information on his employment history with Mark Purslove Security Ltd but failed to do so. Smith was then asked about his role at the company but stated that he was not a security guard, despite undertaking licensable activity. This amounted to false information under the Private Security Act. The judge sentenced Pursglove to fines totalling £3,000. Pursglove was also ordered to pay costs of £5,000. Smith and Lane were both fined £120 each and ordered to each pay costs of £660.

### Proceeds of Crime Act 2002

During 2015/16, we received derogated powers under the Proceeds of Crime Act 2002. Creating the capacity to exercise these powers will comprise an important work-stream for us over the coming year. We will recruit two accredited financial investigators, who will join our Formal Investigations team. In the meantime, in appropriate cases, we work with partner agencies to identify the benefit of criminal conduct to recover these funds.

For example, on 1 September 2015, John Anah and Tony O’Gonna, co-directors of Anco UK Ltd, AA Guarding Ltd and Metro Guards UK Ltd appeared before the London Central Criminal Court, The Old Bailey. They were ordered to pay confiscation orders totalling £666,697 under the Proceeds of Crime Act 2002 (Anah was ordered to pay £175,000 and O’Gonna was ordered to pay £491,697). This was the conclusion of successful confiscation proceedings by the SIA in partnership with the London Regional Asset Recovery Team (RART) after Anah and O’Gonna were found guilty of supplying 33 unlicensed guards in relation to 10 separate contracts in London.

The pair face default custodial sentences of two years three months and three years six months respectively, if they fail to pay. We will benefit through receiving a share of the payments made. We received the first instalment, which was £24,000, on 31 March 2016. The remaining share due to us stands at £96,000, should the offenders pay up rather than face the default sentences. It is noteworthy, however, that even if they serve the default sentences, that they still need to satisfy the confiscation orders.

## Contributing to the fight against serious and organised crime

Examples of our work to contribute to the fight against serious and organised crime this year include the following:

Organised Crime Group (OCG) mapping results provided by Police Scotland show a reduction in the last 12 months of OCG connected businesses in security of 21%.

A joint partnership initiative with North Wales Police resulted in:

- an individual being referred to HMRC who are looking back over 20 years into whether he has been paying all taxes due;
- a problem venue linked to organised crime has had to change its security provider to an ACS provider; and
- the level of information we share with North Wales Police has significantly increased.

Work alongside Merseyside Police supporting a charity to move away from a security provider that was using intimidation tactics and extorting money from them. This has allowed an ACS business to obtain their work and the charity has saved significant amounts of money.

An ACS applicant business in the East Midlands linked to an organised crime group went into liquidation following our work with local police, after the business was found to be deploying unlicensed door supervisors.

## Working with security buyers

This year as part of our Buying Right in Construction initiative we followed up meetings with major construction businesses with inspections at construction sites across the UK. Our teams visited 53 separate construction sites. 37 security companies were identified of which 21 were approved contractors (56%). Only one site had non-compliance. This site also has issues of operatives without the right to work and led to the joint working with Home Office Immigration Enforcement in South Yorkshire.

Work with local authorities has led Conwy, Telford and Liverpool City councils to amend their procurement approaches to require security suppliers being SIA approved.

We presented in March to the North East Regional Retail Crime Conference (attended by buyers of security, security providers and enforcement partners) on the role of the SIA and the important role of buyers in raising the standards of the private security industry.

## Counter-terrorism

Work with a wide range of other organisations produced a successful counter terrorism workshop on 10 February at London's City Hall. This was designed to help to equip the private security industry to play its part in protecting the public from acts of terrorism. It promoted greater

collaboration between the counter-terrorism law enforcement community and the private security industry. It also covered the important role significant buyers of private security have to play. We co-hosted the event with the National Counter Terrorism Police Headquarters, who discussed with delegates the concept of a counter terrorism tactical menu, to include some new sections specifically designed for the private security industry.

A working group has been established to take forward the action points and ideas coming out of the workshop. The SIA will continue to work with counter terrorism partners in order to support this working group, and a similar strategy is now being planned in Scotland.

## A new online service

We have made significant progress throughout 2015/16 towards the implementation of a new self-service website and licensing system which will deliver service improvements for individuals and businesses in the industry. The system went live in July 2016. The new systems will change the way in which the industry interacts with us to a more modern and interactive approach allowing approved contractor security businesses to take more responsibility for the licensing process.

## Customer service

The continued commitment of our teams to deliver a first class front-line service ensured that we retained the Cabinet Office Customer Service Excellence award. The independent assessor remarked that we had continued to seek information to give a deeper understanding of client needs and that we had a "clear customer focussed philosophy in place."

The changes to our customer service have been underpinned by user acceptance testing as part of the new licensing system. Consultation with customers, partners and stakeholders remained a pivotal part of ensuring we responded to customer needs.

This year we have developed and implemented more effective ways to monitor the quality of our communications with customers leading to the raising of standards in the communications that licence applicants and businesses receive. We have successfully dealt with over 90% of customer enquiries to SIA head office at the first contact. Our new licensing system will help to improve our communications with customers further.

## Stakeholder and external communications

We continued to use a mix of low-cost or no cost channels of digital communication, face-to-face meetings, events and conferences to engage with audiences across the private security industry.

The annual stakeholder conference continues to be our flagship engagement event and was held in London in November 2015. Speakers included Professor Martin Gill and Commander Simon Letchford of the Metropolitan Police Service. As the conference occurred shortly after the attacks in Paris, the involvement of the private security industry in terrorism prevention was a major talking point.

The team has supported the Home Office Review of the SIA by providing documentation and research as required, but also by encouraging stakeholders to contact the Home Office with their views. The very high level of response to the Home Office survey indicates a sector that contains people and businesses who are passionate about what they do and the future of their industry.

Digital engagement with our stakeholders remains a very effective method for communicating our key messages and information. We now have real time insight about their thoughts, perceptions and needs. It is a convenient access platform for stakeholders to communicate information that will improve our services and inform and shape future policy and approaches.

In February 2016 we launched our official YouTube channel consisting of 11 guidance videos for individuals and businesses to help them understand and prepare for the new licensing system. By the end of the reporting year our videos have been viewed over 4,000 times. This is a very effective way for us to help our stakeholders familiarise themselves with the new licensing system in advance of its launch.

By March 2016 our digital community of stakeholders grew by 17% to just over 45,000 including; 9,960 Facebook, 7,425 Twitter and, 6,945 LinkedIn followers, and, 19,200 email subscribers. These comprise a wide range of stakeholders such as licence holders, private security businesses, enforcement partners, training providers and buyers of security.

Over the year we published twelve editions of our email newsletter SIA Update. As a result of regular evaluation we know that each edition is shared widely giving us a potential readership of over 30,000 each month. We also published an ACS Update email newsletter to 1,800 ACS contacts.

## Performance analysis

In addition to achievement against our strategic goals, we measure a number of key performance indicators to ensure that we are effective in our work. These are aligned to our key responsibilities.

### How we measure performance

We have based our performance measurement on a simple framework which focuses on our people i.e. both customers and staff and ensures that the right things are measured at all times. In doing this, we have ensured that our performance measures are:

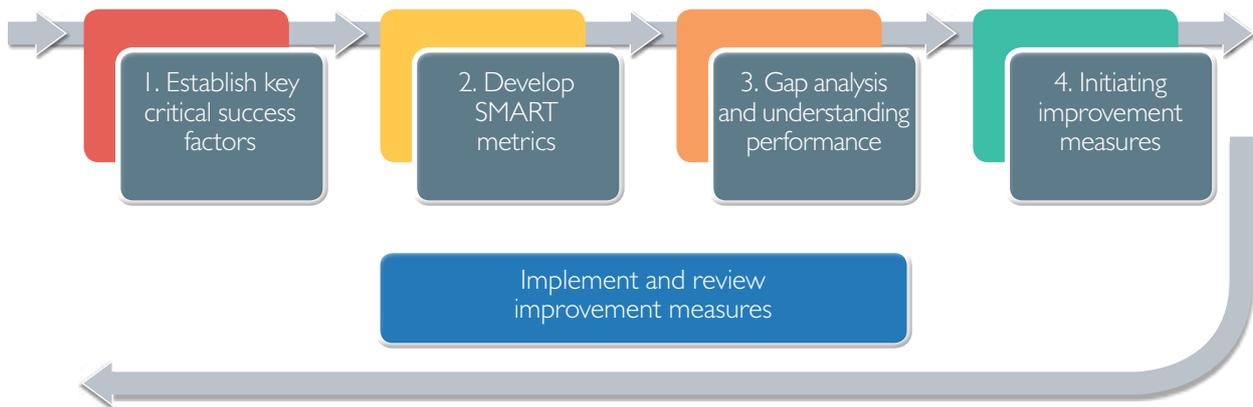
- unambiguous, meaningful and widely understood
- owned and managed by the teams within the organisation
- based on a high level of data integrity
- such that data collection is embedded within the normal procedures
- able to drive improvement
- linked to critical goals and key drivers of the organisation

Our framework approach to performance measurement can be summarised in four key steps:

1. Our strategic objectives as defined in our business case are converted into desired standards of performance. Here, we focus on a few key factors that are critical to the success of our organisation and ensure they are SMART.
2. These SMART metrics are developed and the data is to be collected using a formally agreed data collection/reporting process. The collected data is used to compare the desired performance with the actual achieved standards.

3. The gap between current and desired performance is then measured on distinct short-term intervals e.g. monthly or quarterly.
4. Improvement actions are then initiated if required, where a minimum, achievable set of actions are determined, with plans, assigned responsibilities and owners.

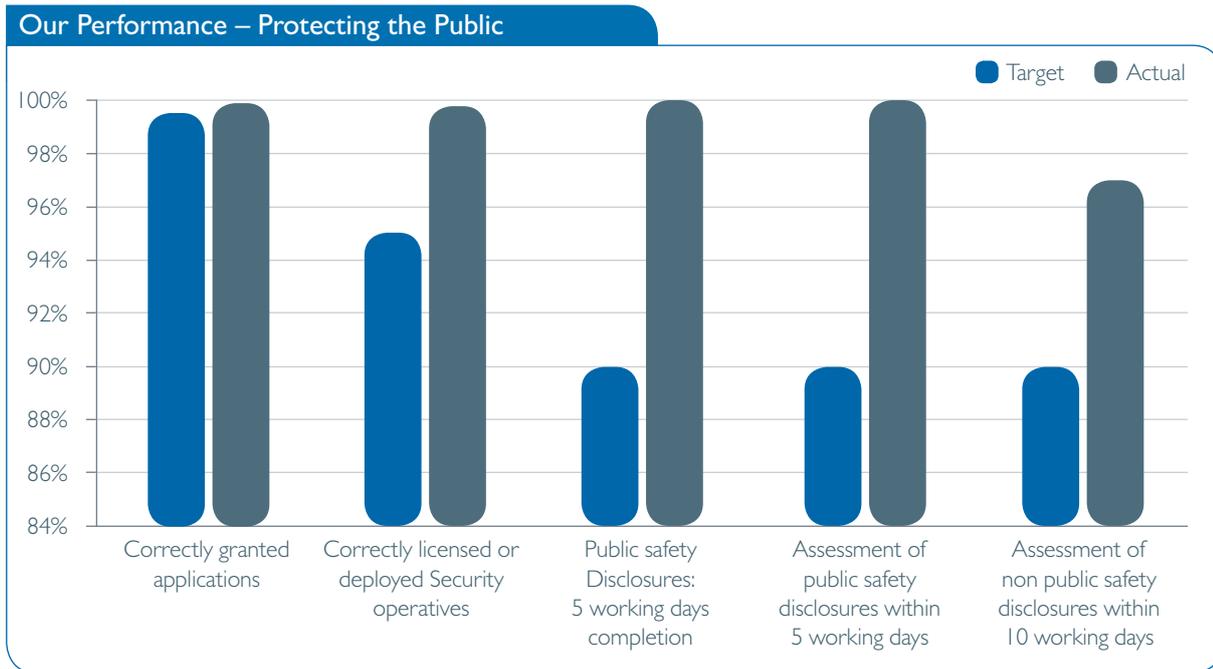
These four steps are continuously implemented and reviewed as shown in the diagram below:



## Protecting the public

Success factor	Key performance indicator	Target	Achieved
Developing and maintaining compliance and enforcement	Licence applications granted correctly at time of decision using our licensing criteria.	99.5%	99.95%
	Security operatives correctly licensed or deployed under a valid licence dispensation notice.	95%	99.9%
	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%
	Assessment or initial action taken on disclosures received from partners that do not indicate public safety concerns completed within ten working days.	90%	97%

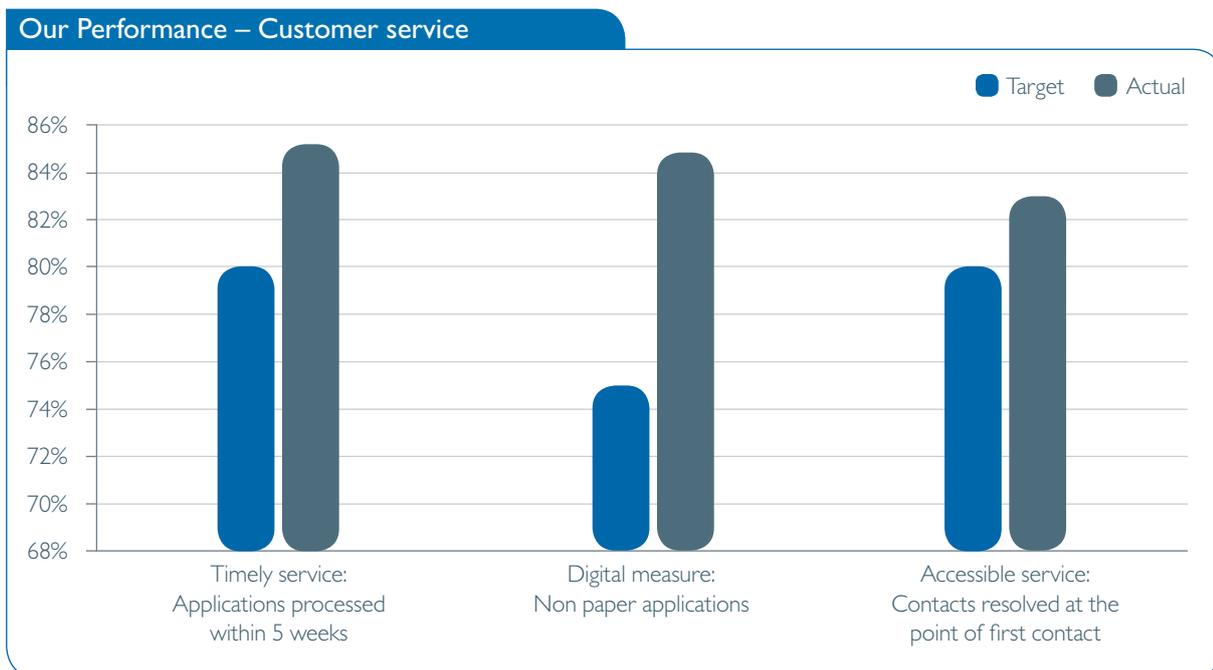
All key performance indicators for protecting the public have been met, reflecting a continued focus on ensuring that compliance levels are high. A number of the compliance checks significantly exceeded the target set.



## Customer service

During 2015/16 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%	85.2%
Digital measure	Proportion of applications that were paper applications.	≤25%	15.1%
Accessible service	All contacts (calls, letters, faxes and emails) resolved at the point of first contact.	80%	83%



## Delivering value

We are self-financing and are required to manage our costs effectively to balance against the licence fee income we receive 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%	14.9%

The tolerance target of achieving a budget surplus (or deficit) of +/- 3% of turnover was not achieved in the year. This was as a result of a number of factors such as a reduction in licensing costs due to lower application volumes and renegotiated supplier terms, the provision of in-house legal services and the postponement of the proposed fee reduction until the Home Office review is concluded.

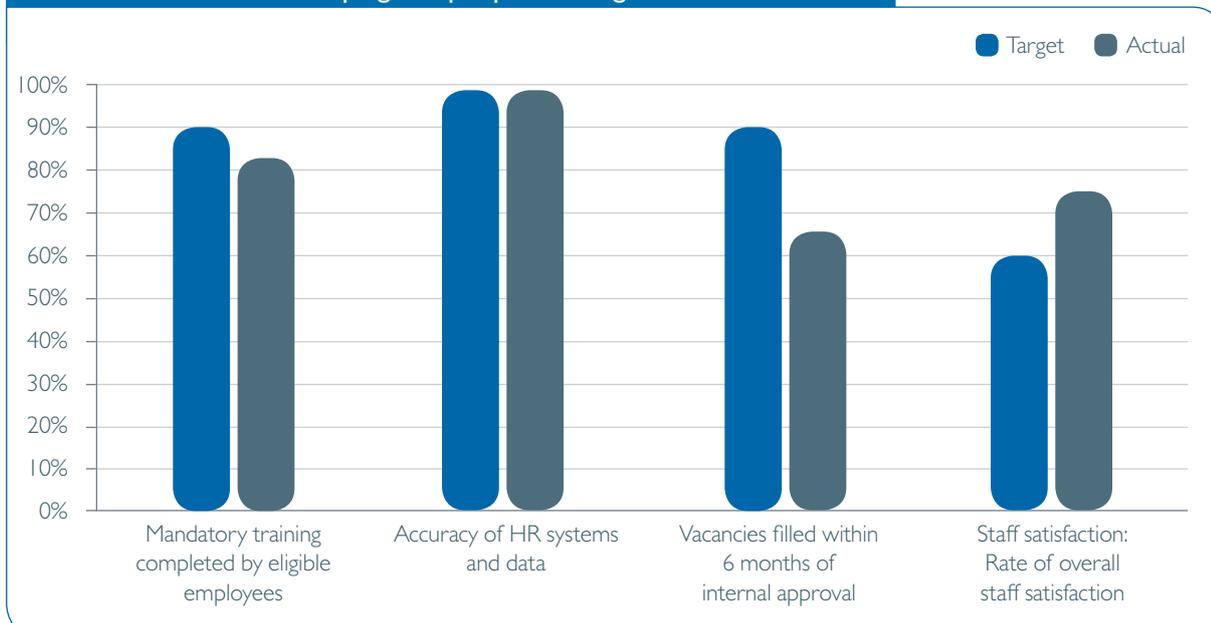
As an NDPB, any surplus at the end of the financial year is transferred back to the Home Office to be managed at a departmental level, adhering to Managing Public Money, and Consolidated Budgeting guidance.

## 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 us as an employer.

Success factor	Key performance indicator	Target	Achieved
Staffing effectively	Mandatory training completed by eligible employees during the financial year.	90%	82.8%
	Accuracy of HR systems and data.	99%	99%
	Vacancies filled within six months of internal approval.	90%	65.7%
Staff satisfaction	Rate of overall staff satisfaction.	60%	75%

### Our Performance – Developing our people and organisation



The percentage measure of mandatory training completed by eligible employees, within 12 weeks of starting to work at the SIA was 82.8% at the end of the year compared to a 90% target. The primary reason for the shortfall was the volume of new starters needing to complete their mandatory training. Processes are now in place to better monitor the training and ensure its completion within 12 weeks. As at 31 March 2016 all of the outstanding training courses have been completed.

The measure on vacancies filled within six months of approval achieved an average measure over the year of 65.7% against a target of 100%. This was mainly due a number of work force approval templates which were signed by the CEO in the first quarter where actioning was delayed or where it took some time to fill all the approved posts. Corrective action was taken and the position is steadily improving. In the second half of the year 73% of vacancies were filled within the target KPI period.

## Environmental, social and community performance

We are committed to working to ensure that we take proper account of the impact of our 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

	2015/16		2014/15	
	Consumption kWh	Cost £	Consumption kWh	Cost £
<b>Direct Emissions</b>	-	-	-	-
<b>Indirect Emissions</b>				
Electricity: Non-renewable	188,174	29,708	184,042	30,037
Gas	7,458	-	5,408	-

#### Official Business Travel

	2015/16		2014/15	
	Consumption CO <sup>2</sup>	Cost £	ConsumptionCO <sup>2</sup>	Cost £
Private Fleet Business Travel	67.15	128,137	65.67	113,762
Rail Business Travel	Not Available	134,315	Not Available	134,675
Other Business Travel	Not Available	58,686	Not Available	77,278
<b>Total Business Travel</b>	<b>67.15</b>	<b>321,138</b>	<b>65.67</b>	<b>325,715</b>

## Waste Minimisation and Management \*

	2015/16		2014/15	
	Consumption Kgs	Cost £	ConsumptionKgs	Cost £
Hazardous Waste	-	-	-	-
<b>Non-hazardous Waste:</b>				
Landfill*	Not Available		174	
Recycled/Reused	2,576	3,215	2,879	3,509
Incinerated	-	-	-	-

\* This information is unavailable to the SIA due to a change in supplier mid-way through the period.

## Finite Resource Consumption

	2015/16		2014/15	
	Consumption M <sup>3</sup>	Cost £	Consumption M <sup>3</sup>	Cost £
Water Supply**	944	-	625	

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

## Recycling

The use of recycling bins continues to be well supported during 2015/16 with 25% of total wastage recycled in the year.

## Charity assistance

Staff continue to support charities selected by staff members. The charity group has been active during the year and has raised and distributed a total of £846 to worthy causes (2014/15 £771).

Several international food days and raffles were held during the year to help raise money for the charity: Mind. In 2016/17 the selected charity will be UNICEF.

## Procurement

We invite 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, which are laid out in the accreditation guidance. In this way we actively promote 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.

## Financial review

We are required by HM Treasury to operate on the basis of full cost recovery. Cost recovery should be considered in the context of a pattern of licensing driven by the majority of licences having a three-year span with the licence application fee paid and accounted for 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 mean that our income follows a three year cycle. A summary of the last three years' results is shown in the table below.

	2015/16	2014/15	2013/14
Application numbers (net)	132,035	134,296	114,521
	£'000	£'000	£'000
<b>Income</b>			
Licence fees	27,248	27,879	23,422
ACS	2,217	2,196	2,117
Other income from activities	45	184	14
Court costs recovered	76	144	93
<b>Total self-generated income</b>	<b>29,586</b>	<b>30,403</b>	<b>25,646</b>
<b>Expenditure</b>			
Employment costs*	13,004	11,080	10,432
Accommodation	1,237	1,156	1,235
Stakeholder and External Communications	164	158	227
Licensing costs	8,334	12,195	11,143
Depreciation	343	586	733
Other costs	2,524	2,303	2,150
<b>Total expenditure</b>	<b>25,606</b>	<b>27,478</b>	<b>25,920</b>
<b>Operating (deficit)/surplus</b>	<b>3,980</b>	<b>2,925</b>	<b>(274)</b>

\*Employment costs include staff costs and other staff related costs and includes £3m support costs in 2015/16 related to the development of the new licensing system (STEP).

## Overview

During 2015/16 we processed and accepted over 132k licence applications which was within 3.5% of budgeted levels. The high level of surplus at £3.98m reflects a number of major changes within the year.

Overall income was £925k below the level expected, mainly caused by the reduction in demand. There is an aspiration to propose a fee reduction as soon as is practicable.

In addition, we are awaiting the outcome of the Home Office review of the SIA. Costs were £3.7m below budget with the predominant factor being a £2.8m reduction in licensing costs through lower volumes and re-negotiation of supplier terms. Other factors included savings in support costs, salaries, legal costs and other targeted savings. The delay in commissioning the new licensing system has also meant that depreciation costs were £1m below the level originally budgeted.

## Funding considerations

Our operation is funded through licence fees from individuals and ACS subscriptions. The level of fees is considered on an annual basis. In making a decision about fee levels, the Board has 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 Home Office, for the surplus to be managed at a departmental level.
- To provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.

The SIA operates on a cost recovery basis and does not make a profit. As an NDPB, any surplus at the end of the financial year is transferred back to the Home Office to be managed at a departmental level, adhering to Managing Public Money, and consolidated budgeting guidance.

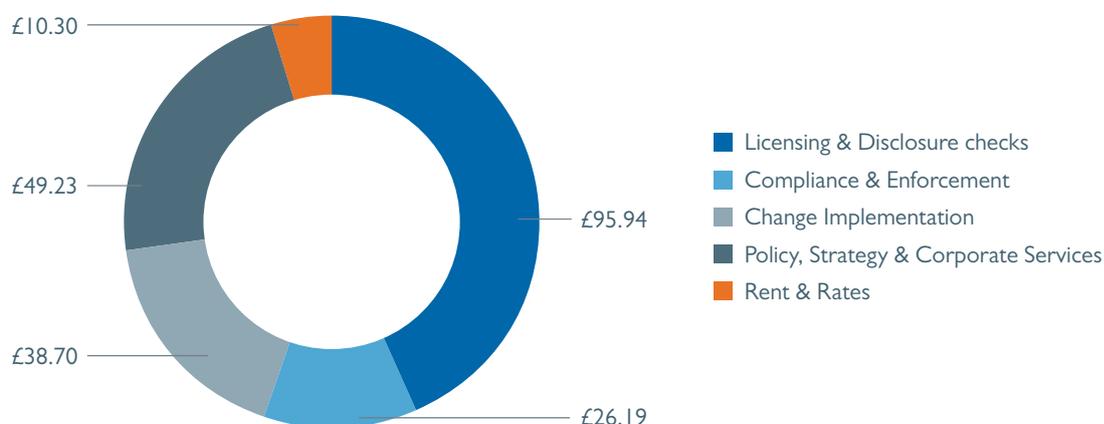
Licensing was introduced from 2006/07, with the largest sectors being licensed for the first time in that year; this means that our income follows a three year cycle; licence application fees are set on this basis. We have implemented a new licensing system that improves the efficiency of the application process and we are awaiting the outcome of the Home Office review of the SIA. When both of these factors are concluded, with agreement from the Home Office, we will consider any changes to the individuals' licence application fee.

## How the licence fee was spent

During 2015/16 the fee has been held at £220 for a three year licence (except for vehicle immobilising in Northern Ireland which is a one year licence). 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.
- The requirement to fund those activities associated with regulatory changes which can be funded from licence fees.

A breakdown of the way the licence fee was spent in 2015/16 is set out in the following chart:



## Forecast results for the next three years

We carry out a comprehensive annual cycle of planning. The resultant plan covers the three years, commencing with 2016/17. The plan and forecasts are summarised in the following table:

	Forecast			Net result
	2016/17	2017/18	2018/19	2016–2019
	£'000s	£'000s	£'000s	£'000s
<b>Income</b>				
Licence fees	21,204	25,663	26,008	72,875
ACS	2,160	2,160	2,160	6,480
Other income	20	20	20	60
<b>Total income</b>	<b>23,384</b>	<b>27,843</b>	<b>28,188</b>	<b>79,415</b>
<b>Expenditure</b>				
Licensing	13,815	14,237	14,291	42,343
Compliance	2,453	2,446	2,516	7,415
Support services*	6,614	6,997	8,039	21,650
<b>Total expenditure</b>	<b>22,882</b>	<b>23,680</b>	<b>24,846</b>	<b>71,408</b>
<b>Surplus/(deficit)</b>	<b>502</b>	<b>4,163</b>	<b>3,342</b>	<b>8,007</b>

\* Support Services expenditure is normally circa £8m per year, however in 2016/17 and 2017/18 we are anticipating to benefit to a total of £2.5m from the supplier of the new licensing system to cover increased cost of workings caused by a delay in the contracted implementation timescales.

Significant points to note are:

- The licence application fee in this model has been maintained at £220 and although it is intended to reduce this level the timing is not yet agreed and therefore no reduction has been factored into the above table.
- The projected surplus for future years will inform the fee review which takes place on an annual basis.
- Overall licence demand is expected to fall slightly over time.
- We assume there are no significant changes in SIA activities as a result of the Home Office review of the SIA.

## Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2019 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.

	2015/16		2014/15	
	£000s	Number	£000s	Number
Total invoices paid in year	20,232	2,330	20,004	1,779
Total invoices paid within 10 day target	18,445	2,092	18,810	1,398
Percentage of invoices paid within 10 day target	91%	89%	69%	79%

Alan Clamp  
Chief Executive and Accounting Officer  
27 February 2017

# The accountability report

## Directors' report

### Composition of management board

#### Directors during the year | April 2015 to 31 March 2016

Bill Butler	Chief Executive until 31 May 2015
Dr Alan Clamp	Chief Executive from 1 June 2015
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 2015 to 31 March 2016

Elizabeth France	Chair	To 14 January 2017
Bill Matthews	Non-Executive Director Deputy Chair Chair of Audit and Risk Committee	To 14 January 2017
Professor Sir Desmond Rea	Chair of HR and Remuneration Committee	To 3 March 2018
Geoffrey Zeidler		To 15 December 2016
Sir Ian Johnston		To 4 February 2017
David Horncastle		To 3 March 2018

## Pension liabilities

Details of the pension schemes of which SIA staff are members are in the Staff report (page 42).

## 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 35).

## Financial instruments

Due to the largely non-trading nature of our activities and the way in which we were financed, we were not exposed to the degree of financial risk faced by commercial entities.

## Off-payroll engagements

The tables below provides the total number of off-payroll engagements, who are earning in excess of £220 per day plus new engagements during the year and also a table showing those who were board members or senior officials during the year. These are contractors and consultants who have their own tax and national insurance arrangements, none were current or former employees of the SIA.

This table shows the number of off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months.

	Total
Number of existing engagements as of 31 March 2016	11
Of which:	
Number that have existed for less than one year at time of reporting	4
Number that have existed for between one and two years at time of reporting	7

For all off-payroll engagements that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months.

	Total
Number of engagements that reached six months in duration, between 1 April 2015 and 31 March 2016	3

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016.

	Total
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0

## Payment to auditors

The audit fee for 2015/16, payable to the National Audit Office has been set at £33,000. (2014/15 £33,000) No other payments were made to the National Audit Office for non-audit services during the year.

## Personal data related incidents

During 2015/16 there were 37 information security related incidents reported. All of the incidents were of a minor nature and involved breaches of policy, minor information loss and breaches of information; none of these required reporting to the Information Commissioner's Office. All incidents have been investigated and closed. 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. Work was undertaken to improve the transparency of the reporting process, this caused an increase in the number of reported incidents. 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 the 2015/16 financial year employees have taken an average of 11 days sickness absence per employee (8.1 days for 2014/15) against the SIA's target for the year of eight days sickness per employee per annum. Total sickness absence for the 12 month period excluding long-term absences (12 cases) was an average of four days per person.

In response to this increase in absence we contracted with a new occupational health provider to provide support for those on sick leave. We have updated our health management policy and reduced the paid sick leave entitlement for people during their probation period and have started work on designing workshops for managers on implementing the updated health management policy and managing staff with enduring health conditions.

# Statement of Accounting Officer's responsibilities for the SIA

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](http://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.

I can confirm that as far as I am aware, there is no relevant audit information of which the SIA's auditors are unaware.

I can confirm that I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the SIA's auditors are aware of that information.

I confirm that the annual report and accounts as a whole is fair, balanced and understandable.

I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Alan Clamp  
Chief Executive and Accounting Officer  
27 February 2017

## Governance statement

### 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 2015/16 twelve month point and am able to provide the following assurances.

### Key issues

On the 4 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 and subsequently left the SIA on 11 December 2015.

On the 13th September 2016, the individual was convicted of one count of fraud by abuse of a position of trust and one count of possession of articles for use in fraud and was sentenced to 12 months' imprisonment suspended for two years and 150 hours of unpaid work. She was also subject to a compensation order of £35,363.

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

## Governance and internal controls

### Chief Executive

Bill Butler retired as Chief Executive of the SIA on 31 May 2015. I obtained assurances from him as to the financial position up until his departure, the contents of the Annual Report and governance matters as a part of my assurance considerations.

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

## Attendance of meetings

Board	Apr-15	May-15	Jun-15	Jul-15	Sep-15	Oct-15	Nov-15	Jan-16	Feb-16	Mar-16
Elizabeth France (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bill Matthews	✓	✓	✓	✓	✓	X	✓	✓	✓	✓
Desmond Rea	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Geoff Zeidler	✓	✓	✓	X	✓	✓	✓	✓	✓	✓
Ian Johnston	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
David Horncastle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The Board did not meet in August or December; standard performance and finance papers were circulated instead.

The Human Resources and Remuneration Committee (HRRC) reports into the Board.

The HRRC'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 policies, to make recommendations on the pay and performance of the Chief Executive and Directors 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.

The name of this committee was changed in January 2016 (previously Remuneration Committee) to better reflect its purpose as described in the Terms of Reference.

HR & Remuneration Committee	Apr-15	Jul-15	Oct-15	Jan-15
Desmond Rea (Chair)	✓	✓	✓	✓
Ian Johnston	✓	✓	✓	✓
Bill Matthews	✓	✓	✓	✓

The Audit and Risk Assurance Committee (ARAC) reports into the Board.

The ARAC'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.

The name of this committee was changed in February 2016 (previously Audit Committee) to better reflect its purpose as described in the Terms of Reference.

Audit and Risk Assurance Committee	May-15	Nov-15	Feb-16
Bill Matthews (Chair)	✓	✓	✓
Geoff Zeidler	✓	✓	X
David Horncastle	✓	✓	✓

In June and October 2015 the Board meeting was held in Belfast and Glasgow respectively.

The Board complies with all main principles as laid out on the Corporate Governance Code.

The Board and committees complete an annual self-assessment of effectiveness along with progress against any actions that are identified. There were thirty four questions asked around the following themes, roles, independence, skills, scope, communications, the Chair and committee support. Of these thirty four questions all received a yes response, indicating the Board were satisfied with the controls in place.

## Performance management

The SIA has a well-developed and established system of Performance Management and reporting, which was based on the following five strategic objectives for the 2015/16 financial year:

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

This performance management system includes Key Performance Indicators (KPIs) which are linked directly to the achievement of corporate objectives and a cascade of performance indicators which, in turn, drive the KPIs. All indicators have been developed using SMART principles.

Prior to October 2015, there were 16 KPIs reported to the Board to support the above strategic objectives. However, due to the changing needs of the organisation and our commitment to a continuous improvement of services both to our staff and customers, the KPIs were updated to include other useful indicators and to reflect other areas which were not previously measured.

We continue to report the progress of all KPIs to the Board on a regular monthly basis. At the end of the 2015-16 financial year, all KPIs exceeded their targets except for the following two KPIs.

The first is the measure on vacancies filled within six months of approval, which achieved an average measure over the year of 65.7% against a target of 90%. This was mainly due a number of work force approval templates which were signed by the CEO in the first quarter where actioning was delayed or where it took some time to fill all the approved posts. Corrective action was taken and the position is steadily improving. In the second half of the year 73% of vacancies were filled within the target KPI period.

The second is the percentage measure of mandatory training completed by eligible employees, within 12 weeks of starting to work at the SIA was 82.8% at the end of the year compared to a 90% target. The primary reason for the shortfall was the volume of new starters needing to complete their mandatory training. As at 31 March 2016 all of the outstanding training courses have been completed.

Processes are now in place to better monitor the training and ensure its completion within 12 weeks.

## Risk management

The Board is responsible for the corporate risk register and carries out an assessment of these risks each month. This includes the progress against the current risks and any newly identified risks.

The corporate risks are identified in the overview section of the performance report.

The Audit and Risk Assurance 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.

The Integrity Committee has carried out a review of the key Integrity risks across the SIA.

The three stage process has included identifying processes across the SIA that could be impacted by fraud or corruption, working with the process owners to understand what controls we have in place to mitigate the risk of fraud or corruption in those areas and then understanding what assurance is in place to ensure the controls are effective. For any process that has been identified as having limited assurances an audit will be carried out in 2016/17 to understand the assurance gaps and identify recommendations.

## 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 along with a financial report which provides detailed explanations for any significant variances.

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 based on accurate and up to date information.

We continue to ensure 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 a capital grant from the Government via the Home Office. 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 first phase (Phase 1) of the new licensing system went live in July 2016. It will enable individual licences to be managed digitally and will significantly improve the experience of individuals and businesses in their engagement with the SIA. Individuals will have their own personal account through which they will be able to easily interact with the SIA, be kept aware of the progress of their application and manage any changes to their licence at a time convenient for them. They will also receive a more secure licence card. We are introducing additional facilities to enable businesses to act on behalf of individuals, saving them both time and money. We recognise that not everyone can access digital services and therefore we will provide an assisted digital channel through a paper-based process.

The key benefits of Phase 1 are greater efficiency for the SIA by removing the need for the resource intensive business process outsource arrangement, increased efficiencies for businesses in managing the people that they deploy and greater convenience for individuals in their engagement with SIA.

The delivery timescale was moved from the initial forecast with consequent impact upon milestone payments and forecast capital expenditure for the year. The Home Office has been kept informed of these developments.

The programme comprises three projects: Technical Readiness, Operational Readiness and Industry Readiness. Each project is sponsored by a member of SIA's senior management team with progress monitored through project boards as well as the Programme Delivery Group. Monthly reports are also provided to the Executive Directors' Meeting and the SIA Board.

The SIA senior management team and the Board are currently reviewing plans for the second phase of the change programme, which is expected to deliver greater functionality within IT systems, permitting more effective and efficient regulation.

## People management

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 will be undertaken to adjust roles and structures to take account of the Home Office review of the SIA and to meet the business needs of the SIA.

Stage 1 of the new HR system, HR Select has been implemented. Stage 2 is currently underway and stage 3 followed the upgrade in Q1 of 2016/17 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 in 2015/16.

The SIA underwent the annual 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 and successfully achieved level 2. 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. This connection is accredited until 13 February 2018.

## 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 Programme Delivery Group 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.

A project has been initiated to ensure the SIA's Business Continuity and Disaster Recovery plans are aligned with the ISO Standard. This will ensure that our plans are suitable for the future state of the SIA.

## Internal 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 Assurance Committee. The 2015/16 internal audit programme was produced in line with a risk assessment and was agreed by the Audit and Risk Assurance Committee.

Three pieces of internal audit fieldwork have been completed. These reports relate to future income processes, core financial controls and governance and risk management.

Two further pieces of work are ongoing these relate to business continuity and anti-fraud.

The Internal Audit opinion was confirmed at the May 2016 Audit and Risk Assurance Committee as being moderate, assuring the SIA that we have key structures and policies and processes in place to ensure effective governance, risk management and internal control.

## External audit

In relation to external audit, in September 2015 the NAO reported to the Audit and Risk Assurance Committee their findings on controls from the 14-15 external audit. There were two key findings one relating to the preparation of the journals and the second in relation to independent checks on NI or pension contributions within payroll.

## Overall assessment

The SIA has a well embedded governance structure including a full Board with committees covering Audit and Risk Assurance and HR & Remuneration. 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 moderate rating has been received from our lead internal auditor.

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.

# Remuneration and staff report

(Audited 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.

## 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 2015/16 was £125k-£130k (2014/15: £135k-£140k). This was 4 times (2014/15, 4.4 times) the median remuneration of the workforce, which was £32,371 (2014/15, £33,383).

Two members of staff were paid more than the highest paid director during the year. Both staff members were on a fixed term contract and left the SIA by 31 March 2016.

Remuneration ranged from £20k-£25k to £145-£150k (2014/15, £20k-£25k to £145-£150k).

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.

	Directorship and significant interests	Salary (£'000)		Performance Payment (£,000)		Pension benefits (to nearest £1,000)		Total (to nearest £1,000)	
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Dr Alan Clamp (Chief Executive from 1 June 2015)	<ul style="list-style-type: none"> <li>– Governor at Royal Latin School</li> <li>– Member of the National DNA Database Ethics Group</li> <li>– Member of Qualifications Committee at Bar Standards Board</li> </ul>	105-110  (FTE 125-130)	-	-	-	42,000	-	145-150	-
Bill Butler (Chief Executive from 27 July 2009 to 31 May 2015)	Member of Disciplinary Appeals Committee, CIPFA	25-30  (FTE 125-130)	125-130	-	5-10	26,000	19,000	55-60	155-160
Dave Humphries (Director of Partnerships & Interventions)	None	95-100	95-100	0-5	0-5	35,000	21,000	130-135	115-120
Stephen McCormick (Director of Operations)	None	100-105	100-105	0-5	0-5	35,000	27,000	135-140	130-135
Dianne Tranmer (Director of Corporate Services)	None	95-100	95-100	-	0-5	41,000	22,000	135-140	115-120
Band of highest paid Director's Total Remuneration (£'000)		125-130	135-140						
Median Total Remuneration		32,371	33,383						
Ratio		4.0	4.4						

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

## 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 expenses amounted to £15k of which the benefit in kind was £2.6k for the year ending 31 March 2016.

## 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 2015/16 relate to performance in 2014/15 and the comparative payments reported for 2014/15 relate to the performance in 2013/14.

## The Non Executive Board

The remuneration of the Board in the period ending 31 March 2016 is shown in the table below.

	Directorship and significant interests		Salary		Benefits in Kind (to nearest £100)	
			2015/16	2014/15	2015/16	2014/15
			£	£	£	£
Elizabeth France (Chair)	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 Member of Financial Conduct Authority's Regulatory Decision Committee and Enforcement Decision Committee	Fees	50-55	50-55	1,500	1,300
Bill Matthews	Trustee of the BBC Chair of BBC Pension Trust Chair of Hubwest Limited Member of British Transport Authority Board Advisor to the Criminal Injuries Compensation Authority	Fees	15-20	15-20	700	3,000
Sir William Ian Johnston	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 Trustee of Bromley Youth Music Club Deputy Lieutenant of London	Fees	5-10	5-10	0	0
Professor Sir Desmond Rea	Chair of Stanmillis University College Chairman of N9Jobs.com	Fees	5-10	5-10	400	1,200
Geoffrey Zeidler	Honorary Member of the British Security Industry Association (BSIA) Non-Executive Director of Kings Solutions Group Ltd and Kings Security Systems Ltd Advisor to Prime Interaction Ltd	Fees	5-10	5-10	0	200
David Horncastle	Shareholding in BT Trustee of Seer Green Church	Fees	5-10	0-5 (FTE 5-10)	0	0

## Pension benefits

	Accrued pension at age 65 as at 31/3/16 and related lump sum	Real increase in pension at age 65 and related lump sum	CETV at 31/3/16	CETV at 31/3/15	Employee Contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Dr Alan Clamp (Chief Executive from 1 June 2015)	0-5	0-2.5	27	0	8	19	N/A
Bill Butler (Chief Executive from 27 July 2009 to 31 May 2015)	80-85	0-2.5	1,638	1,589	2	25	N/A
Dave Humphries Director of Compliance & Enforcement	35-40 plus 115-120 lump sum	0-2.5 plus 2.5-5 lump sum	802	711	7	31	N/A
Stephen McCormick Director of Service Delivery	20-25	0-2.5	409	345	8	30	N/A
Dianne Tranmer Director of Corporate Services	15-20	0-2.5	305	256	7	19	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 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier

benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash equivalent transfer values

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

The figures include the value of any pension benefit in another scheme or arrangement which the 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.

## Staff report

### Staff costs comprise:

	2015/16			2014/15		
	Permanently employed staff	Others	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	6,789	4,381	11,170	6,359	3,095	9,454
Social Security Costs	528	10	538	495	20	515
Other Pension Costs	1,296	0	1,296	1,111	0	1,111
Total Net Costs	8,613	4,391	13,004	7,965	3,115	11,080

## Pension

### Principle Civil Service Pension Scheme

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](http://www.civilservice-pensions.gov.uk). The PCSPS is now closed to new members.

### Civil Servants and Other Pension Scheme

The Civil Servants and Others Pension Scheme (CSOPS) known as Alpha is a new unfunded, defined benefit scheme and the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. The Alpha scheme started from 1 April 2015. Many PCSPS members transferred into Alpha on that date, while others will transfer into it over the next few years. Those members who were less than 10 years from retirement on 1 April 2012 are not required to move to Alpha.

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.

	2015/16			2014/15		
	Total	Permanent staff	Others	Total	Permanent staff	Others
Directly Employed	186	186	0	157	157	0
Other	28	0	28	23	0	23
Total	214	186	28	180	157	23

## Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2015/16			2014/15		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	0	0	0
£10,000 - £25,000	0	0	0	2	0	2
£25,000 - £50,000	0	0	0	2	0	2
£50,000 - £100,000	0	0	0	2	0	2
£100,000 - £150,000	0	0	0	0	0	0
£150,000 - £200,000	0	1	1	0	0	0
<b>Total number of exit packages</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>6</b>

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. There was one exit package in 2015/16 under the previous scheme. 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.

## Parliamentary accountability disclosures

(Audited information)

### Losses and special payments

There have been no losses or special payments in the year (2014/15 Nil).

### Fees and charges

	Income	Full Cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
Operating Segment	£000	£000	£000	%	%
Licensing Income	27,248	(23,036)	4,212	118	100
ACS Income	2,217	(2,570)	(353)	86	100
	<b>29,465</b>	<b>(25,606)</b>	<b>3,859</b>		

#### Notes:

Licensing Income is the application fee for an individual SIA Licence. Individuals working in specific sectors of the private security industry are required by law to hold an SIA Licence.

Approved Contractor Scheme (ACS) income is the registration and application fees for companies joining the voluntary scheme for providers of security services. Companies who satisfactorily meet the agreed standards may be registered as approved and advertise themselves as such.

### Remote contingent liabilities

The SIA had no remote contingent liabilities as at 31 March 2016. (2014/15 - Nil).

Alan Clamp  
Chief Executive and Accounting Officer  
27 February 2017

# The 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 2016 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 and Staff Report and the Parliamentary Accountability disclosures that is described in those reports 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 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Private Security Act 2001; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report, and the Parliamentary Accountability disclosures 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**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date 28 February 2017**

# The financial statements

## Statement of comprehensive net income

For the period ended 31 March 2016

	Note	2015/16	2014/15
		£'000	£'000
<b>Income</b>			
Income from Activities	5	29,465	30,075
<b>Other Income</b>			
Other Income from Activities	5	45	184
Court Costs Recovered	5	76	144
<b>Total Operating Income</b>		<u>29,586</u>	<u>30,403</u>
<b>Expenditure</b>			
Staff Costs	2	(13,004)	(11,080)
Depreciation & Amortisation	4	(343)	(586)
Other Expenditure	4	(12,259)	(15,812)
<b>Total Operating Expenditure</b>		<u>(25,606)</u>	<u>(27,478)</u>
Net Income Before Tax and Interest		3,980	2,925
Interest Receivable		14	14
Corporation Tax		(3)	(3)
Interest repayable to the Consolidated Fund		(11)	(11)
<b>Net Income after Tax and Interest</b>		<u><b>3,980</b></u>	<u><b>2,925</b></u>

## Statement of financial position

For the period ended 31 March 2016

	Note	2015/16		2014/15	
		£'000		£'000	
<b>Non-Current Assets:</b>					
Property, Plant and Equipment	7	383		519	
Intangible Assets	8	7,697		3,430	
<b>Total Non-Current Assets</b>			<b>8,080</b>		<b>3,949</b>
<b>Current Assets:</b>					
Trade and other Receivables	10	2,030		2,554	
Cash and Cash Equivalents	11	6,719		6,990	
<b>Total Current Assets</b>			<b>8,749</b>		<b>9,544</b>
<b>Total Assets</b>			<b>16,829</b>		<b>13,493</b>
<b>Current Liabilities:</b>					
Trade and Other Payables	12	(10,023)		(7,113)	
Provisions	13	(431)		0	
<b>Total Current Liabilities</b>			<b>(10,454)</b>		<b>(7,113)</b>
<b>Current assets</b>			<b>6,375</b>		<b>6,380</b>
<b>Non-Current Liabilities:</b>					
Provisions	13	(18)		0	
<b>Total Non Current Liabilities</b>			<b>(18)</b>		<b>0</b>
<b>Total Assets Less Total Liabilities</b>			<b>6,357</b>		<b>6,380</b>
<b>Taxpayers' Equity</b>					
General Reserve			6,357		6,380
			<b>6,357</b>		<b>6,380</b>

Alan Clamp  
 Chief Executive and Accounting Officer  
 27 February 2017

The notes on pages 51 to 65 form part of these accounts.

## Statement of Cash Flows

For the period ended 31 March 2016

	Note	2015/16	2014/15
<b>Cash Flows from Operating Activities</b>		£'000	£'000
Net income		3,980	2,925
(Increase)/Decrease in trade and other receivables	10	524	(1,740)
Increase in trade payables	12	2,910	38
Utilisation of provisions	13	0	(55)
Depreciation & Amortisation	4	343	586
Interest paid to consolidated fund		(11)	(11)
Expenditure arising from provisions	13	449	(5)
Less movement in payables not relating to the Statement of Comprehensive Net Income		(4,003)	(6,502)
Corporation tax paid		(3)	(3)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>		<b>4,189</b>	<b>(4,767)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	7	(77)	(241)
In Year Adjustment	7	7	0
Purchase of intangible assets	8	(4,404)	(3,293)
Interest received		14	14
<b>Net Cash Outflow from Investing Activities</b>		<b>(4,460)</b>	<b>(3,520)</b>
<b>Cash Flows from Financing Activities</b>			
Capital Grant		0	4,741
<b>Net Cash Inflow from Financing Activities</b>		<b>0</b>	<b>4,741</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents in the period</b>		<b>(271)</b>	<b>(3,546)</b>
Cash and cash equivalents at the beginning of the period	11	6,990	10,536
Cash and cash equivalents at the end of the period	11	6,719	6,990

The notes on pages 51 to 65 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the period ended 31 March 2016

	General Reserve
	£'000
<b>Balance at 31 March 2014</b>	5,216
<b>Changes in Taxpayers' Equity 2014-15</b>	
Interest surrendered to the Consolidated Fund	(11)
Release of reserves to the I & E	0
Comprehensive Income for the year	2,936
<b><i>Recognised in Statement of Comprehensive Income</i></b>	<b>2,925</b>
Grant from Home Office	4,741
Payments Made to Home Office	(3,600)
Repayment due to Home Office	(2,902)
<b>Balance at 31 March 2015</b>	<b>6,380</b>
<b>Changes in Taxpayers' Equity 2015-16</b>	
Interest surrendered to the Consolidated Fund	(11)
Release of reserves to the I & E	0
Comprehensive Income for the year	3,991
<b><i>Recognised in Statement of Comprehensive Income</i></b>	<b>3,980</b>
Grant from Home Office	0
Repayment due to Home Office	(4,003)
<b>Balance at 31 March 2016</b>	<b>6,357</b>

The notes on pages 51 to 65 form part of these accounts.

The General Reserve is the only reserve the SIA operate.

## Notes

### I. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015/16 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.

The accounts have been prepared under the direction issued by the Secretary of State under the Private Security Industry Act 2001.

#### 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.

#### Ie. 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.

### **If. 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 2015/16 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 a contract with British Telecommunications plc from 30 September 2010. The contract includes the implementation of a number of enhancements to the existing managed service provider database. Currently the implementation of the new system is at Milestone 4b out of 8 Milestones. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract and all future improvements will also be capitalised.

### **Ig. 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 assets expected useful life as follows:

Leasehold improvements	over the remaining term of the lease (March 2018)
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	MSP and MSP II had fully amortised at September 2014
Approved Contractor Scheme (ACS)	ACS had fully amortised at February 2010

The asset under construction has not been amortised as it has not come under use and therefore does not meet the requirements under IAS 38 Intangible Assets.

### **Ih. Provision for Bad Debt**

Licensing Debts – the SIA have a number of licence applicants whose cheques fail to clear.

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**

a) Principal Civil Service Pension Scheme (PCSPS):

The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

b) Civil Servants and Others Pension Scheme (CSOPS):

CSOPS known as Alpha is a new unfunded, defined benefit scheme which started on 1 April 2015. The Security Industry Authority recognises the expected costs on a systematic and rational basis over the period during which it benefits from employees' services by payments to the CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS.

### **Il. 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. The amounts involved are immaterial.

### **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**

IFRS 9 Financial Instruments was issued in July 2014, effective for periods beginning on or after 1 January 2018. It is not yet adopted by the EU. HM Treasury is working towards implementing the standard in the FReM from 2018-19. It is not expected to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. It is not yet endorsed by the EU but is expected to be in late 2016. HM Treasury is working towards implementing the standard in the FReM from 2018-19. It is not expected to have a material impact on the financial statements.

IFRS 16 Leases was issued in January 2016, effective for periods beginning on or after 1 January 2019. The introduction of IFRS 16 is subject to analysis and review by HM Treasury and the other Relevant Authorities. HM Treasury will issue an Exposure Draft on IFRS 16 in advance of the effective date.

### **Io. 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.

### **Ip. Going Concern**

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

The Home Office are currently carrying out a review of regulation in the Private Security Industry. This review has terms of reference that cover the need for regulation, who should regulate and what the structure and form should be for regulation. Initial findings are supportive of both the need for regulation and for that regulation to be carried out by the SIA. The final report is expected to be published in 2017. Therefore it is reasonable to prepare the accounts on a going concern basis.

## 2. Staff Numbers and Related Costs

Staff costs comprise:

	2015/16			2014/15		
	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	6,789	4,381	11,170	6,359	3,095	9,454
Social Security Costs	528	10	538	495	20	515
Other Pension Costs	1,296	0	1,296	1,111	0	1,111
<b>Total Net Costs</b>	<b>8,613</b>	<b>4,391</b>	<b>13,004</b>	<b>7,965</b>	<b>3,115</b>	<b>11,080</b>

Further staff disclosures can be found in the Staff Report section of the Annual Report.

## 3. 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.

	2015/16				2014/15			
	Licensing	ACS	Other	Total	Licensing	ACS	Other	Total
Gross Expenditure	(23,036)	(2,570)	0	(25,606)	(25,010)	(2,468)	0	(27,478)
Income	27,248	2,217	45	29,510	27,879	2,196	184	30,259
Court Costs recovered	76	0	0	76	144	0	0	144
<b>Net Income/ (Expenditure)</b>	<b>4,288</b>	<b>(353)</b>	<b>45</b>	<b>3,980</b>	<b>3,013</b>	<b>(272)</b>	<b>184</b>	<b>2,925</b>

#### 4. Other Expenditure

	Note	2015/16	2014/15
		£'000	£'000
<b>Running Costs</b>			
Licensing Costs		8,334	12,195
Accommodation Costs		1,237	1,156
Travel and subsistence		484	513
Information Technology		454	526
Office supplies and services		441	443
Legal Costs		231	385
Training		150	153
Advertising and Publicity		164	158
Recruitment		278	174
Audit fee – internal		12	50
Audit fee – external		33	33
Catering		4	7
Financial Costs		6	5
<b>Non Cash Items</b>			
Amortisation	8	137	431
Depreciation	7	206	155
Movement in provisions	13	431	(5)
Bad and Doubtful Debts		(0)	19
		<b>12,602</b>	<b>16,398</b>

No payments have been paid to the NAO during 2015-16 for non-audit work (2014-15 Nil).

## 5. Income

	2015/16	2014/15
	£'000	£'000
Licensing	27,248	27,879
Approved Contractors Scheme (ACS)	2,217	2,196
	<b>29,465</b>	<b>30,075</b>
<b>Other Income</b>		
Other Income from activities	45	184
Court Costs Recovered	76	144
	<b>29,586</b>	<b>30,403</b>

## 6. Analysis of Net Expenditure by Programme and Administration budget

	2015/16			2014/15		
	£'000			£'000		
	Programme	Administration	Total	Programme	Administration	Total
<b>Expenditure</b>						
Staff Costs	(4,665)	(8,339)	(13,004)	(4,592)	(6,489)	(11,081)
Licensing Costs	(7,845)	(490)	(8,335)	(11,704)	(494)	(12,198)
Running Costs	(582)	(2,911)	(3,493)	(611)	(3,007)	(3,618)

<b>Non-cash items</b>						
Depreciation	0	(206)	(206)	0	(155)	(155)
Amortisation	0	(137)	(137)	0	(431)	(431)
Provision provided for in year	(431)	0	(431)	2	3	5

<b>Income</b>						
Income from activities	27,324	2,217	29,541	28,012	2,207	30,219
Other income	5	40	45	2	182	184
<b>Net Income/(Expenditure) Before Tax</b>	<b>13,806</b>	<b>(9,826)</b>	<b>3,980</b>	<b>11,109</b>	<b>(8,184)</b>	<b>2,925</b>

## 7. Property, plant and equipment

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2015	488	269	711	1,468
In Year Adjustment*	(7)	0	0	(7)
Additions	3	14	60	77
Disposals	0	0	(75)	(75)
<b>At 31 March 2016</b>	<b>484</b>	<b>283</b>	<b>696</b>	<b>1,463</b>

<b>Depreciation</b>				
At 1 April 2015	357	113	479	949
In Year Adjustment	(2)	1	1	0
Charged in year	43	53	110	206
Disposals	0	0	(75)	(75)
<b>At 31 March 2016</b>	<b>398</b>	<b>167</b>	<b>515</b>	<b>1,080</b>

Net Book Value at 31 March 2016	<b>86</b>	<b>116</b>	<b>181</b>	<b>383</b>
---------------------------------	-----------	------------	------------	------------

Net Book Value at 31 March 2015	<b>131</b>	<b>156</b>	<b>232</b>	<b>519</b>
---------------------------------	------------	------------	------------	------------

<b>Asset financing:</b>				
Owned	86	116	181	383
<b>Net Book Value at 31 March 2016</b>	<b>86</b>	<b>116</b>	<b>181</b>	<b>383</b>

## 7. Property, plant and equipment (continued)

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

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

Net Book Value at 31 March 2015	<b>131</b>	<b>156</b>	<b>232</b>	<b>519</b>
---------------------------------	------------	------------	------------	------------

Net Book Value at 31 March 2014	<b>55</b>	<b>196</b>	<b>182</b>	<b>433</b>
---------------------------------	-----------	------------	------------	------------

<b>Asset financing:</b>				
Owned	131	156	232	519
<b>Net Book Value at 31 March 2015</b>	<b>131</b>	<b>156</b>	<b>232</b>	<b>519</b>

\*The In Year Adjustment relates to an invoice which had been accrued from 2014/15 however later in 2015/16 the accrual was no longer needed.

## 8. Intangible Assets

	Software Licences	Managed Service Provider Database*	Managed Service Provider II Development*	Assets Under Construction	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 April 2015	757	9,967	5,346	3,288	1,075	20,433
Additions	52	0	0	4,352	0	4,404
Disposals	(2)	0	0	0	0	(2)
<b>At 31 March 2016</b>	<b>807</b>	<b>9,967</b>	<b>5,346</b>	<b>7,640</b>	<b>1,075</b>	<b>24,835</b>

<b>Amortisation</b>						
At 1 April 2015	615	9,967	5,346	0	1,075	17,003
Charged in year	137	0	0	0	0	137
Disposals	(2)	0	0	0	0	(2)
<b>At 31 March 2016</b>	<b>750</b>	<b>9,967</b>	<b>5,346</b>	<b>0</b>	<b>1,075</b>	<b>17,138</b>

<b>Net Book Value at 31 March 2016</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>7,640</b>	<b>0</b>	<b>7,697</b>
----------------------------------------	-----------	----------	----------	--------------	----------	--------------

<b>Asset financing:</b>						
Owned	57	0	0	7,640	0	7,697
<b>Net Book Value at 31 March 2016</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>7,640</b>	<b>0</b>	<b>7,697</b>

## 8. Intangible Assets (continued)

	Software Licences	Managed Service Provider Database*	Managed Service Provider II Development*	Assets Under Construction	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
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)
<b>At 31 March 2015</b>	<b>757</b>	<b>9,967</b>	<b>5,345</b>	<b>3,288</b>	<b>1,075</b>	<b>20,432</b>

<b>Amortisation</b>						
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)
<b>At 31 March 2015</b>	<b>615</b>	<b>9,967</b>	<b>5,345</b>	<b>0</b>	<b>1,075</b>	<b>17,002</b>

<b>Net Book Value at 31 March 2015</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>3,288</b>	<b>0</b>	<b>3,430</b>
----------------------------------------	------------	----------	----------	--------------	----------	--------------

<b>Asset financing:</b>						
Owned	142	0	0	3,288	0	3,430
<b>Net Book Value at 31 March 2015</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>3,288</b>	<b>0</b>	<b>3,430</b>

## 9. Financial Instruments

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

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

### Liquidity risk

The SIA's net revenue resource requirements are financed by licence fees and its capital expenditure is largely funded by resources which are granted annually by Parliament. 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.

## 10. Trade Receivables and Other Current Assets

	2015/16	2014/15
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade Receivables	1,265	1,438
Other Receivables	16	54
Court Debts	460	372
Prepayments and accrued income	416	804
	<b>2,157</b>	<b>2,668</b>
Less Provision for Bad Debts	(127)	(114)
	<b>2,030</b>	<b>2,554</b>
<b>Amounts falling due after one year:</b>	NIL	NIL

## 11. Cash and Cash Equivalents

	2015/16	2014/15
	£'000	£'000
Balance at 1 April 2015	6,990	10,536
Net Change in Cash and Cash Equivalent Balances	(271)	(3,546)
Balance at 31 March 2016	<u>6,719</u>	<u>6,990</u>

The following balances at 31 March 2016 were held at:		
Barclays Banks and Cash in Hand	<u>6,719</u>	<u>6,990</u>

## 12. Trade Payables and Other Current Liabilities

	2015/16	2014/15
<b>Amounts falling due within one year</b>		
Other Taxation & Social Security	185	158
Trade Payables	188	628
Monies Due to Consolidated Fund	6,930	2,916
Other Payables	28	14
Accruals & deferred income	2,692	3,397
	<u>10,023</u>	<u>7,113</u>
<b>Amounts falling due after more than one year</b>	NIL	NIL

### I3. Provisions for Liabilities and Charges

	Compensation	TUPE	Dilapidation	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	60	0	0	60
Provided in the year	0	0	0	0
Provisions not required written back	(5)	0	0	(5)
Provisions utilised in the year	(55)	0	0	(55)
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Balance at 1 April 2015	0	0	0	0
Reclassified Provision	0	0	18	18
Provided in the year	0	431	0	431
Provisions not required written back	0	0	0	0
Provisions utilised in the year	0	0	0	0
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>431</b>	<b>18</b>	<b>449</b>

#### I3a. Compensation

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

#### I3b. TUPE

Provision has been made under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). The SIA has accepted the liability for TUPE costs arising out of the move from the managed licence processing system to the in house provision. Arrangements were agreed in 2015/16 for staff from the managed service provision to become SIA employees or take voluntary redundancy. The provision reflects the best estimate by the SIA of the liability arising from this.

#### I3c. Dilapidation

The SIA makes provisions to cover its obligations for the reinstatement of its leasehold buildings to their original state before its occupation.

### I4. Capital Commitments

As at 31st March 2016 the SIA had a capital expenditure commitment of £3.7m with BT (2014/15: £6.8m).

## 15. Commitments Under Leases

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

	2015/16	2014/15
	£'000	£'000
Obligations under operating leases comprise		
<b>Buildings</b>		
Not later than one year	574	574
Later than one year and not later than five years	574	1,149
	<u>1,148</u>	<u>1,723</u>

<b>Office Equipment</b>		
Not later than one year	11	9
Later than one year and not later than five years	13	1
	<u>24</u>	<u>10</u>

### 15.2 Finance Leases

The SIA currently does not have any finance leases.

## 16. Commitments under PFI Contracts

The SIA does not have any PFI contracts (2014/15: None).

## 17. Other Financial Commitments

The continued delays for the new IT Managed Service (now called STEP -SIA Technology Platform) necessitated a major contract change note which was signed off on 31 March 2015. This note effectively linked the "manual" Business Process Outsourcing service to the new STEP process by requesting continuation of the BPO service until such time as the new system was delivered. The latter (STEP) was delivered in July 2016, the former (BPO) has been provided at nil cost since November 2015 and was discontinued two weeks after go live of the STEP system.

The SIA entered into a contract with their chosen MAP provider, the Post Office Ltd, via a framework agreement put in place by UKBA. This agreement has now been taken over by the Home Office who have recently extended the contract until February 2017 from February 2016. The commercial terms remain as before. The SIA are also exploring the possibility of migrating their arrangements to a contract put in place by DVLA which runs until 2020. In addition the SIA are considering the service specification with the Post Office to ensure there is the optimum service alignment with the needs of the new license application management system (STeP).

## 18. Contingent Liabilities Disclosed Under IAS 37

The SIA had no contingent liabilities as at 31 March 2016. (2014/15 – Nil).

## 19. Related Parties

The Home Office is the sponsor department of the SIA, and at 31 March 2016 the SIA had an outstanding payable of £6.9m to the Home Office. This is the surplus for the years 2014/15 & 2015/16 and the interest receivable for the years 2014/15 & 2015/16 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:–

- Disclosure and Barring Service
- 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 took up a Non-Executive role with the Gangmasters Licensing Authority in March 2015.

## 20. Events after the reporting period

There have been no events after the reporting date requiring an adjustment to the accounts. However there is an ongoing discussion concerning the settlement of a compensation relating to ongoing delays on the delivery of the STeP system.

The provision made under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) was fully utilised on the 12 August 2016 following the closure of the managed service provider and no staff were transferred to the SIA.

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





