



Security Industry Authority

# SECURITY INDUSTRY AUTHORITY

Annual Report and Accounts 2018/19

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# FOREWORD FROM THE CHAIR AND CHIEF EXECUTIVE

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 by contributing to the reduction and prevention of crime, and to public protection. We also have a responsibility to support business growth.

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

2018/19 was an important year of consolidation for us. During the year we successfully relocated our headquarters to a new government hub while continuing to meet our Key Performance Indicators (KPI's) and making further improvements to our online licensing system.

In the final quarter of 2018/19 I was pleased to welcome Ian Todd, our new Chief Executive, who joined us from the Independent Office for Police Conduct (IOPC). We were also pleased to receive an endorsement from the Minister of State for Policing and the Fire Service, Nick Hurd, for our regulatory role and the work we are doing on safeguarding and counter-terrorism.

The Minister was responding to the recommendations of the review of the SIA, which was published in June 2018. It is a tribute to the leadership of our previous Chief Executive, Alan Clamp, that we have anticipated many of the Review's recommendations: completing the review of the Approved Contractor Scheme (ACS); updating and explaining more clearly the licensing criteria by revising Get Licensed; and beginning a major review of the standards and qualifications required by licence holders.

In his response the Minister concluded that there is no substantive case for extending the current regime, and therefore no need for significant legislative change such as business licensing, or replacing licensing with a compulsory ACS. The challenge for us, therefore, is to ensure that we make full use of the Private Security Act 2001, and look for ways of taking forward our objectives without the need for legislative change.

Input from our stakeholders is so valuable to us. This year we have actively sought opinion on the ACS via face-to-face workshops and survey responses, and have involved more than 6,000 people in consultations on our skills and qualification review.

The overwhelmingly positive response to the tailored training sessions on counter terrorism ('You can ACT') that we piloted with Police Scotland, proves that we can successfully do more. We continue to benefit from constructive comments that come out of the quarterly Strategic Forum, which is made up of industry representatives. 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.

No progress can be made without a committed and professional workforce. Our staff at the SIA have again performed with dedication and professionalism to a very high standard. We thank them for their hard work, and the way in which they have embraced change during the year and have continued

to meet their KPI's. Dave Humphries (interim Chief Executive) ensured a smooth transfer between chief executives, and we wish him well as he moves on to new challenges.

This Annual Report and Accounts 2018/19 sets out our key achievements during the year, the level of delivery against our strategic goals, and gives 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.



A handwritten signature in black ink that reads "Elizabeth France".

**Elizabeth France**  
Chair  
Security Industry Authority



A handwritten signature in black ink that reads "Ian Todd".

**Ian Todd**  
Chief Executive  
Security Industry Authority

## 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. 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; and
- vehicle immobilising (Northern Ireland).

We support the key priorities of the Home Office: reducing and preventing crime, and ensuring that people feel safe in their homes and communities.

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 that individuals have to meet before applying for a licence.

We work closely with the police, local authorities, other government agencies, training providers, trade associations and industry representatives to ensure that individuals and companies operating within the private security industry comply with the law. Our enforcement operations are part of this work.

We set and approve standards of conduct and training. We do this by specifying the learning and qualifications needed for individual licensing. We 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 is responsible for regulating qualifications in England; the Scottish Qualifications Authority regulates qualifications in Scotland; Qualifications Wales is responsible for regulating qualifications in Wales; and the Council for the Curriculum, Examinations and Assessment regulates all qualifications in Northern Ireland.

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 independent 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 that is responsible for the discharge of these responsibilities on a day-to-day basis.

## OUR VISION AND MISSION

We have developed 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

## SIA: A year in numbers



# PERFORMANCE ANALYSIS

We have a well-developed and established system of performance management and reporting, based on the following four strategic aims for the 2018/19 financial year:

1. To protect the public by delivering excellent regulation.
2. To maintain strong relationships with our partners and our stakeholders to improve the quality of our work.
3. To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives.
4. To seek continuous improvement in the way we run the SIA and provide value for money for licence holders, approved contractors and the public.

Our performance management system includes Key Performance Indicators (KPIs), which are linked directly to the achievement of our corporate objectives, and a cascade of performance indicators which, in turn, drive the KPIs. We continue to report on the progress of all KPIs to the Board on a monthly basis.

## Achievements against strategic aims

### Strategic aim 1: To protect the public by delivering excellent regulation

Ref.	Performance Indicator	Target 2018/19	Average 2018/19
KPI 1	Percentage of all correctly completed individual licence applications processed within 25 working days.	≥80%	88%
KPI 2	Percentage of correct decisions to grant an individual licence against the SIA decision-making framework.	≥99%	100%
KPI 3	Percentage of eligible companies that successfully re-register or renew their approved contractor status	≥90%	96%
KPI 4	Percentage of disclosures that indicate a public safety concern dealt with within five working days	100%	100%
KPI 5	Percentage compliance with the licensing requirements, based on random inspections of security operatives	≥98%	99%
KPI 6	No more than 20% of individual licence applications at checks in progress will be older than 6 months as at midnight on the last day of each month	<20%	11%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

#### Maintaining effective and efficient operating systems

During 2018/19, we granted 152,471 licence applications. We completed 88% of licensing decisions within 25 working days of receiving a correct and complete application, against a target of 80%. To gain a better understanding of our performance in this area, we have categorised licensing decisions depending on their complexity, to enable us to further analyse and provide more detailed reporting on our performance in the future.

Our target for measuring the accuracy of our licensing decision-making is that we get 99% of our decisions to issue licences correct. During this year, we conducted a robust sample of only the most complex decisions. Of these, we made the correct decisions in 100% of cases, an improvement from 99.95% last year.

Where we have a public safety concern, we aim to take action on this within five days for 100% of cases. In the year 2018/19, we processed this information within the target timeframe for 100% of cases. In the vast majority of cases we took action within one to two days. Intelligence is subject to assessment upon receipt and if an imminent threat is determined action will be taken immediately.

We aim to have 90% of eligible companies renewing their ACS status during the year. This year, we achieved 96% of companies re-registering.

## Partnerships and Interventions

We undertake a range of inspections, some with partners and some by ourselves, to check compliance with the licensing requirements. During 2018/19 we checked 3,229 individuals; of these, 3,193 individuals (99%) were correctly licensed or deployed under a licence dispensation notice.

To tackle non-compliance with the licensing requirements or non-compliance with the ACS we undertake intervention cases. During 2018/19 we undertook 677 intervention cases compared to 448 last year (+47%).

Prosecution is not our default option when people or businesses fail to comply with the Private Security Industry Act 2001. We aim to encourage compliance with the law in the first instance, and will support businesses to meet their obligations. However, in appropriate cases we have the will and capability to prosecute offenders and to seek the confiscation of assets that have been obtained as a result of criminal activity.

As of 31 March 2019, we were conducting 56 criminal investigations involving 65 businesses and 171 individuals. The number of criminal investigations has increased from 42 compared to the same time last year (+33%).

## Confiscation orders and the Proceeds of Crime Act

As a 'designated body' under the Proceeds of Crime Act (POCA), our Accredited Financial Investigators (AFIs) are having a significant impact. We obtained court confiscation orders to the value of £419k during 2018/19. Confiscation is an important deterrent. It also limits the ability of individuals to use money gained through criminality to re-enter the security industry as a new business. Under the Asset Recovery Incentivisation Scheme (ARIS) the SIA can expect to receive 34% of confiscation payments. We can use ARIS funds in three ways: to fund ongoing investigations, to compensate victims, or for 'good causes'.

## Improving industry standards

### ACS

This year saw us finalise the review of the ACS. The changes arising from that review came into effect on 1 April 2019. The scheme has been updated and refreshed to reflect current best practice, as well as being streamlined to make it less burdensome. We have revised the eligibility criteria and 'fit and proper' conditions and this has been incorporated into 'Get Approved' to ensure that only sound, sustainable and credible companies are able to join the scheme. Further improvements – and, crucially, support for businesses – will be developed over the coming year.

### Review of qualifications

This year saw the start of the review of SIA licence linked qualifications. This review is to ensure that the qualifications stay up to date with changes to the law, technology, and the way people work. Over 6,000 individuals have contributed to public consultations, which has allowed us to develop specifications for learning and qualifications that are fit for purpose. Crucially, we have expanded on a number of public safety points in the training, such as including advice on knife crime and how to deal with acid attacks. The qualifications will be implemented in the next financial year.

### You Can Act

We have been working with Police Scotland to develop terror threat awareness training, 'You Can Act', to help individuals understand, and guard against, current terrorist methods. Training sessions have been rolling out across 18 Scottish towns and cities with specialist events focussing on stadia, university campus and shopping centre security. Glasgow Caledonian University recently provided a very positive evaluation of 'You Can Act', and we are considering how to make the initiative available UK wide.

## Strategic aim 2: To maintain strong relationships with our partners and our stakeholders to improve the impact of our work

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

### Scottish security industry initiative wins 'best project' at Counter Terrorism Awards

An initiative conceived and funded by the SIA, supported by Police Scotland and the Scottish Business Resilience Centre (SBRC), won the 'best UK and Ireland Counter Terrorism project award' at the second Counter Terror Awards in London on 5th March 2019.

The award to the Security Industry Safer Scotland (Counter Terrorism) Group was for their sponsorship of the SIA and Police Scotland's 'You Can ACT' counter terror training product.

### HMRC and SIA agree new partnership arrangements

HMRC and the SIA agreed new partnership arrangements in July 2018 to tackle incidents of tax fraud in the private security industry. Tax avoidance can give criminal businesses a significant advantage, and frustrate and damage lawful competition. We have been working together to identify problems in the sector, including businesses abusing employment rules, running up high debts, and taking part in payroll company fraud. The Memorandum of Understanding (MoU) will allow HMRC and the SIA to share information about businesses and individuals and clamp down on those operating illegally.

### The SIA is a partner in Programme Challenger

Programme Challenger is Greater Manchester's partnership approach to tackling serious and organised crime in all its forms. We have an SIA investigator co-located with the Challenger team on a part-time basis.

### SIA festival and event forum

We have initiated a series of festival and event forums. Attendees include representatives from events security, event organisers and the police's National Events Gold Group. The forum provides an opportunity to hear from key stakeholders on the main issues and risks to help inform our activity in the sector.

### Working with partners to reduce violence

We work with a wide range of partners across the UK on a range of issues. A key focus of this work is to reduce violence directed towards security operatives while they are doing their jobs, or violence committed by the security operatives themselves. Examples of our partnership work include:

- Supporting Colchester's Local Alcohol Action Area (LAAA) to tackle crime and disorder in the area, including participating in a multi-agency operation in June 2018.
- Contributing to a workshop in Barnsley as part of our support to Barnsley's LAAA to help make their night time economy (NTE) a safer space.
- Delivering an event in Carlisle alongside Cumbria Police to door supervisors, venue operators, bar staff and street pastors promoting public safety and violence reduction in the night time economy.
- Supporting Sussex Police licensing and Crawley's Business Crime Manager in a multi-agency operation in response to an increase in drug associated violence in the town over the summer.

### Open days

We have delivered a number of regional SIA open days, providing one to one support for individuals and businesses on our licensing system. Specialists on the ACS and representatives from our Partnerships and Interventions Team were also available on the day.

### Review of Intelligence and Risk Management

It is crucial that we have strong, effective intelligence partnerships. Key to this is compatibility of working practices and principles. With this in mind, we have conducted an independent review of our Intelligence and Risk Management function, and intend to implement any recommendations in the coming financial year.

### Improving standards for individuals in the sector

We have been working closely with the private security industry in setting standards. Two examples include:

- the involvement of the Strategy and Standards group in the development of the new arrangements for the revised ACS. The group, which is made up of representatives from security businesses and industry membership bodies, scrutinised the proposals and offered informed opinions on their viability to ensure that changes to the scheme were effective.
- expert working groups, made up of industry practitioners and subject matter experts from awarding organisations, to drive the development of the new qualification specifications.

### Assessing bodies

We continue to work closely with the assessing bodies to ensure consistent and robust assessment of the ACS. Our work with them has included the training and assessment of new assessors, as well as working collaboratively to help the industry improve performance in a number of critical areas.

### Awarding bodies

We have worked closely with our awarding bodies, and this has helped us to look at the quality of training and assessment. We have supported these relationships by making a number of visits to training providers to assist in the monitoring of quality.

### Stakeholder and external communications

We have continued to use a mix of low-cost or no-cost channels to engage audiences and stakeholders across the private security industry on issues and developments that affect them. We have consulted on the ACS through workshops and online surveys, and have invested heavily in communicating the new requirements and standards resulting from the ACS review. Over 5,000 people took part in our consultation on the proposed specifications for new licensed linked qualifications.

We are committed to being more accessible and visible to the industry and have delivered a range of events across the UK such as open days and industry surgeries.

Digital engagement with our stakeholders remains a very effective method for communicating our key messages, sharing information, and having a dialogue with members of the industry. We have set up new Twitter feeds for our Partnerships and Interventions teams to enable them to promote their work and provide further insight into how they engage with the industry and our partners.

### Strategic aim 3: To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives

Ref.	Performance Indicator	Target 2018/19	Average 2018/19
KPI 7	Average rate of staff turnover	≤20%	19%
KPI 8	Number of vacant posts as a percentage of headcount	≤10%	20%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

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

The staff survey, conducted in autumn 2018, had a 70% response rate against a target of 65% (71.6% response rate in 2017), with an overall satisfaction rating of 78.9% (78.3% in 2017).

The survey results are set against a year of consolidation in 2017/18, after a year of significant change in 2016/17, during which we implemented our new online licensing system.

We have developed and partly implemented a two year people strategy and are starting the preparations for this strategy to take us through to 2021.

In 2018/19 we moved from our offices in Holborn to the government hub in Canary Wharf.

During 2018/19, staff turnover increased from 15.4% to 19%. We had predicted that turnover might increase by as much as 10% because of the above relocation.

We have recognised that to fill as many of our staff vacancies as possible, and to ensure we meet our operational demands, we need to offer employment opportunities that are not based on a traditional 'office hours' employment model. We have piloted a

number of part-time roles outside of standard working hours.

For example, in 2017 we piloted engaging with local universities in London and promoted opportunities for their students to work part-time, primarily in the evening, in our Customer Service team. We successfully recruited a number of people via this route. This was so successful that we repeated the process in 2018. One individual from the pilot group has now gone on to win a place on the Civil Service Fast Stream scheme.

We have also offered part-time work opportunities that have been successful in attracting a number of staff who are returning to work and looking to achieve a realistic work-life balance.

Finally, we are piloting a small number of our core processing roles being carried out remotely, with minimum attendance at the office.

**Strategic aim 4:** To seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public

Ref.	Performance Indicator	Target 2018/19	Average 2018/19
KPI 9	Percentage of undisputed invoices paid within ten working days	≥90%	96%

The following examples demonstrate our achievements and show how we have carried out our activities in a way that supports those we regulate to comply and grow.

#### Customer Service Excellence

We have maintained our accreditation to the Customer Service Excellence award, with an improved performance against the standard. The assessor commented on how much pride staff took in the customer-facing work of the SIA. Our performance against the standards included two areas where it exceeded the requirement.

#### Quality monitoring

Our Quality and Standards team has continued to quality monitor our customer facing processes and interaction. Tools have been developed to measure the quality of responses to complaints, service requests and telephone calls. The feedback has been well received and is used to improve our responses to our customers. These tools allow us an objective measure of our conduct, which demonstrate a positive performance.

#### Updating the website

We have started to design and develop new digital services. This includes our corporate website, where work is underway to develop a digital service that is: fully optimised for mobile devices; engaging and responsive; with information available at the point of need; and is presented in a language style that suits our users.



## Summary of achievements

✓ **KPI** Percentage of all correctly completed individual licence applications processed within 25 working days.

**SUMMARY** During 2018/19, we granted 152,471 licence applications. We completed 88% of licensing decisions within 25 working days of receiving a correct and complete application, against a target of 80%.

✓ **KPI** Percentage compliance with the licensing requirements, based on random inspections of security operatives.

**SUMMARY** During 2018/19 we checked 3,229 individuals, of these, 3,193 individuals (99%) were correctly licensed or deployed under a licence dispensation notice, against a target of 98%.

### STRATEGIC AIM 1

**To protect the public by delivering excellent regulation**

✓ **KPI** N/A

**SUMMARY** We have worked with Police Scotland to develop terror threat awareness training, ('You Can Act') to help individuals understand, and guard against, current terrorist methods. Training sessions took place in 18 Scottish towns and cities, and we are looking at ways to make the initiative available UK wide.

✓ **KPI** No more than 20% of individual licensing applications at checks in progress will be older than 6 months as at midnight on the last day of each month.

**SUMMARY** We have achieved this with a series of enhancements to our online licensing system and development of our reporting capabilities. We have improved the way that we communicate with applicants, speeded up requests for information and enhanced the clarity of application information available to our staff.

 KPI N/A

**SUMMARY** We agreed new partnership arrangements in July 2018 to tackle incidents of tax fraud in the private security industry. The memorandum of understanding (MoU) will allow HMRC and the SIA to share information about businesses and individuals and clamp down on those operating illegally.

 KPI N/A

**SUMMARY** We work with a wide range of partners across the UK on a range of issues. Examples include:

- We have initiated a series of festival and event forums. Attendees include representatives from events security, event organisers and the police's National Events Gold Group.
- Delivering an event in Carlisle alongside Cumbria Police to door supervisors, venue operators, bar staff and street pastors promoting public safety and violence reduction in the night time economy.
- Supporting Sussex Police licensing and Crawley's Business Crime Manager in a multi-agency operation in response to an increase in drug associated violence in the town over the summer.

 STRATEGIC AIM 2

**To maintain strong relationships with our partners and our stakeholders to improve the impact of our work**

 KPI N/A

**SUMMARY** The staff survey, conducted in autumn 2018, had a 70% response rate against a target of 65% with an overall satisfaction rating of 78.9%.

 KPI N/A

**SUMMARY** We have maintained our accreditation to the Customer Service Excellence award, with an improved performance against the standard. We achieved a 'compliance plus' result having shown innovative, original or ground breaking practices to support the overall customer experience.

 STRATEGIC AIM 3

**To have a skilled, diverse and motivated team who are proud to work at the SIA and are committed to achieving our objectives**

 STRATEGIC AIM 4

**To seek continuous improvement in the way we run the SIA and our value for money for licence holders, approved contractors and the public**

## Environmental, social and community performance

### Sustainability

We are committed to ensuring 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 tables.

**Table 1: Greenhouse gas emissions**

	2018/19		2017/18	
	Consumption kWh	Cost £	Consumption kWh	Cost £
<b>Direct emissions</b>	-	-	-	-
<b>Indirect emissions:</b>				
Electricity: Non-renewable*	480,331	Not available	171,855	26,900
Gas*	78,423	Not available	-	-

**Table 2: Official business travel**

	2018/19		2017/18	
	Consumption CO2	Cost £	Consumption CO2	Cost £
Private fleet business travel	71.44	144,677	69.39	130,914
Rail business travel	Not available	143,262	Not available	121,487
Other business travel	Not available	129,875	Not available	55,836
Total business travel	71.44	417,814	69.39	308,237

**Table 3: Waste minimisation and management**

	2018/19		2017/18	
	Consumption kgs	Cost £	Consumption kgs	Cost £
<b>Hazardous waste</b>	-	-	-	-
<b>Non-hazardous waste:</b>				
Landfill**	3,347		Not available	
Recycled/reused*	6,234	Not available	6,625	3,528
Incinerated	-	-	-	-

\*\* This information is only available to the SIA since office move.

\*\*\* Limited access to information following office move shown as 'not available'.

**Table 4: Finite resource consumption**

	2018/19		2017/18	
	Consumption m <sup>3</sup>	Cost £	Consumption m <sup>3</sup>	Cost £
Water Supply*	1,181	-	519	

\* 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 2018/19 with 60% 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 £740 to worthy causes (2017/18 £740).

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

### Procurement

We invite tenders for goods and services through 'Buying Solutions' provided by the Government Procurement Service.

### Approved Contractor Scheme (ACS)

In seeking 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 pay regard to the particular aptitudes and abilities of disabled persons. We continue the employment of, and arrange appropriate training for, employees of the SIA who have become disabled persons during the period of employment. We promote the training, career development and promotion of disabled persons employed by the SIA.

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

# FINANCIAL REVIEW

## Overview

The operating surplus of £3.3m for 2018/19 is in line with the forecast, and £3.5m below the prior year (£6.8m). The volume of licence applications was 9% higher than predicted generating income of £31m. We are in the process of moving our licensing system to a cloud based solution. This has resulted in one-off accelerated amortisation charges

and transition costs which have increased operating expenditure in the financial year. 'Other expenditure' also increased in 2018/19 as a result of one-off costs incurred due to the office move to the Government hub in Canary Wharf.

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

**Table 5: Summary of financial results, 2016/17 to 2018/19**

	2018/19	2017/18	2016/17
Application numbers*	149,731	143,894	110,437
	£'000	£'000	£'000
Licence fees	30,939	29,745	22,745
ACS	2,267	2,219	2,094
Other	119	109	2,403
<b>Total self-generated income</b>	<b>33,325</b>	<b>32,073</b>	<b>27,242</b>
Staff costs	12,325	11,692	12,091
Licensing costs	6,823	6,703	5,173
Amortisation and depreciation	2,904	2,162	1,529
Other expenditure	7,991	4,757	4,767
<b>Total operating expenditure</b>	<b>30,043</b>	<b>25,314</b>	<b>23,560</b>
<b>Operating surplus</b>	<b>3,282</b>	<b>6,759</b>	<b>3,682</b>

\*Paid for application number differs from number of licences issued.

## Funding considerations

Our operation is funded through licence fees from individuals and ACS subscriptions. We are required by HM Treasury to operate on a full cost recovery basis. Regarding the setting of fee levels, in accordance with government regulations (*Managing Public Money*, section 6.3), HM Treasury consent is required for all proposals to extend or vary charging schemes. ACS is a voluntary scheme by which companies seek accreditation to attain SIA approved contractor status. All licences (excluding vehicle immobilisation) have a three-year lifespan, with the licence application fee paid in full in the first year. Income follows a three-year cycle. The level of fees is reviewed on an annual basis. In making a decision about fee levels, our Board has to take into account the following factors:

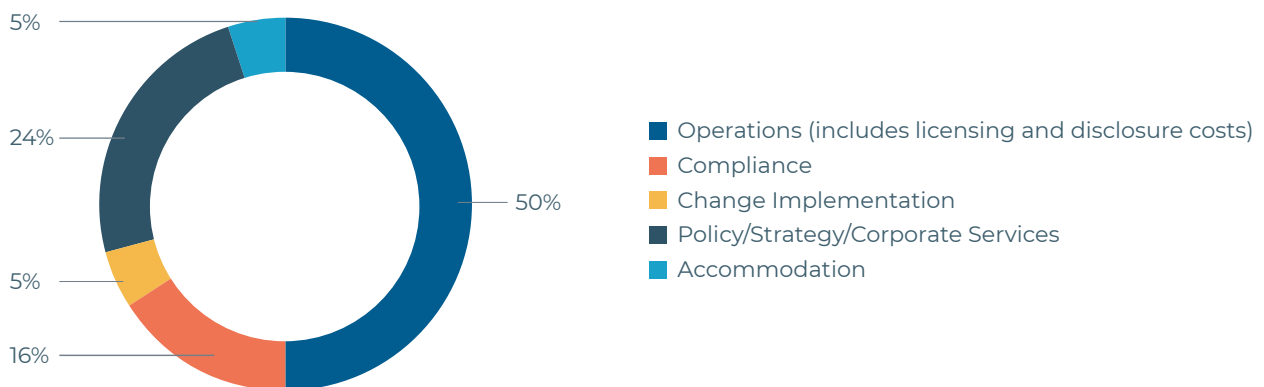
- The fluctuation of income against a largely fixed cost base over the three-year licence demand cycle.
- The requirement to provide the industry and individuals with cost stability by ensuring that the fees do not fluctuate on an annual basis.
- The requirement in *Managing Public Money* only to recover costs and avoid making a surplus.

## How the licence fee was spent

During 2018/19, 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). The fee has been set at this level since January 2012; if adjusted for inflation over this period using the Consumer Price Index, the licence fee would be £257 at March 2019.

A breakdown of the way the licence fee was spent in 2018/19 is set out in Figure 1.

**Figure 1: How the licence fee was spent in 2018/19**



## Going concern

The accounts have been prepared on a going concern basis as indicated by future forecasts.

## Payment practice

We follow the principles of the Better Payment Practice 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.

**Table 6: Summary of payment practice**

	2018/19		2017/18	
	Value £'000	Number	Value £'000	Number
Total invoices paid in year	14,197	1,512	15,493	2,231
Total invoices paid within ten day target	13,821	1,452	14,254	2,089
Percentage of invoices paid within ten day target	97%	96%	92%	94%

# THE ACCOUNTABILITY REPORT

Corporate governance report

Directors' report

Composition of the management Board

## Directors during the year 1 April 2018 to 31 March 2019

Dr Alan Clamp (to Feb 19)	Chief Executive
Ian Todd (from Feb 19)	Chief Executive
Dave Humphries	Director of Partnerships & Interventions
Stephen McCormick	Director of Operations
Dianne Tranmer	Director of Corporate Services

## Non-executive Board members during the year 1 April 2018 to 31 March 2019

Elizabeth France	Chair
Trevor Reaney (from Nov 2018)	Board member
Professor Sir Desmond Rea (to Nov 2018)	Chair of Human Resources and Remuneration Committee
Geoffrey Zeidler	Deputy Chair Member of Audit and Risk Assurance Committee Member of Human Resources and Remuneration Committee
Sir Ian Johnston	Member of Human Resources and Remuneration Committee
David Horncastle	Chair of Audit and Risk Assurance Committee
Ian McKay	Member of Audit and Risk Assurance Committee

## Pension liabilities

Details of the pension schemes of which our staff are members can be found in note 1.7 – (page 52).



## Register of interests

A register of company directorships and significant interests held by Board members is maintained and refreshed throughout the year.

Significant interests *relevant to the SIA* are as follows:

Board member	Details
Geoffrey Zeidler*	Director of Kings Solutions Group Ltd; Kings Security Services Ltd and subsidiaries. Lead of the Police & Security Initiative on behalf of the British Security Industry Association (BSIA). Employed by GZC Ltd, an investment and advisory business. Member of the Security Institute. Honorary member of the BSIA. Advisory relationship with Prime Kings Ltd which also covers Cougar Monitoring Ltd and Defence Security Services Ltd.

\*Authority members are required to discuss with the SIA Chair any existing or prospective outside roles, which may on occasion present a conflict of interest. In this case we appointed Geoffrey Zeidler as our industry representative; as such, he needs to be aware of industry developments. He is not involved in executive actions and does not have access to SIA information about individual security businesses. The onus is on him to declare an interest and then to absent himself from discussions in which he may be conflicted. The SIA Chair is aware of all declared outside interests and, as such, is satisfied that this takes place.

## 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 our affairs and of our 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 online 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 has been made aware of that information in connection with its 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 judgements required for determining that it is fair, balanced and understandable.

Ian Todd  
Chief Executive and Accounting Officer  
15 July 2019

# GOVERNANCE STATEMENT

## Scope of Accounting Officer’s responsibility

As the Chief Executive and SIA Accounting Officer, I have personal responsibility for managing a budget delegated to me by the Home Office. I am responsible 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. I commenced in role on 25 February 2019, therefore my opinion is informed by a handover from my predecessors in year.

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 and that I am able to provide the following assurances.

## SIA Authority – the Board

The SIA is a non-departmental public body, created by the Private Security Industry Act 2001, which gives the ‘Authority’ responsibility for implementing the regulation of the private security industry. The statute passed by Parliament created the Authority, which is not the SIA but a group of appointed people who interpret the Act, set out strategy and oversee its implementation.

The Authority appoints a Chief Executive and staff to undertake all the work needed to bring the Act into being. The Authority comprises five non-executive directors and the Chair.

The Authority complies with the *Corporate Governance in Central Government Departments: Code of Good Practice*.

The Board and its sub-committees oversee the work of the SIA and provide scrutiny and assurance against controls, to ensure that corporate aims and objectives are met.

Figure 2 provides an illustration of the high-level governance arrangements.

**Figure 2: SIA governance arrangements**



## Board effectiveness

This is the fourth year in which the Authority members (non-executive directors) have undertaken a self-assessment exercise. We used a tailored version of a questionnaire produced by Mazar's on behalf of the National Audit Office, as a model for public sector bodies. The responses were used as the basis for discussion and the development of a collective view, shared with the Executive.

The questionnaire covered eight key areas. These were:

1. Objectives, strategy and remit.
2. Performance measurement.
3. Relationship with key stakeholders.
4. Propriety, fraud and other leakage.
5. Delivery chain and project management.
6. Risk management.
7. Sub-committees, internal audit and corporate reporting.
8. The Authority.

The Chair was pleased to note improved markings in all areas compared with earlier years. In particular the areas highlighted for action in 2017 had been effectively progressed. For the year ahead members identified the need to improve effectiveness further by:

1. Building on good strategic discussion to ensure translation of thoughts into action.
2. Helping to set the tone to ensure that risk can be more widely seen as an opportunity.
3. Improving links with the non-executive directors of other arm's length bodies to share experience and bridge any skills gaps.
4. Working with the Home Office to use recruitment opportunities to improve the balance of the Authority.

## SIA sub-committees

Supporting the SIA Board are two sub-committees that have contributed to the work of the Authority over the past year:

## Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee reports to the Authority.

The committee's main functions are: to support the development and maintenance of the SIA's human resources 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 to prepare an annual report on relevant matters. This committee is comprised of a minimum of three non-executive members of the Authority.

Matters of health and safety are overseen by the Health and Safety Executive Group which reports to this committee.

## Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee reports to the Authority.

The committee's main functions are: to consider and agree the internal and external audit plans; to 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 Authority. This committee is comprised of three non-executive members of the Authority.

Matters relating to integrity and fraud are overseen by the Integrity Lead, who reports to this committee.

Matters relating to information management (including security of our data and information assets) are overseen by the Knowledge and Information Assurance Group, chaired by the Senior Information Risk Owner, which reports to this committee.

## Attendance

Name of Board member	SIA Board	Audit and Risk Assurance Committee	Human Resources and Remuneration Committee
Elizabeth France	9/9	N/A	N/A
Geoff Zeidler	9/9	4/4	3/4
David Horncastle	9/9	4/4	N/A
*Sir Desmond Rea	6/7	N/A	4/4
Sir Ian Johnston	9/9	N/A	4/4
Ian McKay	8/9	3/4	N/A
*Trevor Reaney	1/1	N/A	N/A

\*Sir Desmond Rea left the SIA Board in November 2018

\*Trevor Reaney replaced Sir Desmond Rea on the SIA Board in November 2018.

Management assurances for all committees include:

- performance and financial reporting
- risk reporting;
- committee reports to SIA Board;
- change portfolio reports to SIA Board; and
- self-assessment of effectiveness reporting

### Risk management

Our approach to risk management is aligned with the 'management of risk in government' framework and the Home Office's risk management policy.

Risks are identified with appropriate assessments of threats. Risks are proactively managed in line with an established risk framework.

The framework describes:

- who is responsible for the management of risks and at what level our risks are captured
- where our risks are assured; and
- routes for escalation and overall governance

We have taken steps to increase our level of risk maturity, and in December 2018 were re-assessed by the Government Internal Audit Agency (GIAA) as risk 'managed'; an increase upwards from risk 'defined'.

Management assurances include:

- Assessments against the Risk Maturity Model provided by the Government Internal Audit Agency (GIAA)
- Monthly risk reporting to SIA Board
- Quarterly risk assurance reporting to the Audit and Risk Assurance Committee
- Business Continuity Plans

Detail of our top- level risks during 2018/19, and the steps we are taking currently to manage them, are included at Figure 2.

## Principal risks and key mitigating factors 2018/19

Principal risks	What are we doing about them?
<p>There is a risk that the controls put in place to mitigate threats to the SIA's information are not effective.</p>	<ul style="list-style-type: none"> <li>• Full reporting structure is in place to provide assurance that monitoring, compliance and policies are effective.</li> <li>• Accreditation process and associated controls reviewed with our external accreditator on a quarterly basis and when any changes occur within our structure.</li> <li>• Training on information security provided to all staff.</li> </ul>
<p>There is a risk to our Legislative Remit. The Private Security Industry Act 2001 did not foresee a number of technological innovations or developments regarding the use/provision of private security by other third party organisations.</p>	<ul style="list-style-type: none"> <li>• Board level workshop was held in early 2019 to consider the issues and to explore further possible solutions given the unlikelihood of legislative change, with external consultation ahead of a final paper in March 2019.</li> </ul>
<p>We may not have all the information we need to make informed/timely decisions to protect the public There is a risk we may affect public safety and/or undermine the credibility of the regime by making a wrong decision to either grant a licence, incorrectly give a business approved contractor status or not take appropriate compliance/enforcement action.</p>	<ul style="list-style-type: none"> <li>• A range of tools is currently being explored with regards to alternative/more proactive methods of obtaining criminality intelligence on applicants and licence holders – to support robust decision making – an action plan is being developed.</li> <li>• Quality monitoring.</li> <li>• We work with stakeholders and partners to further refine and execute the 'closing the information gap' action plan to increase intelligence and disclosure information.</li> </ul>
<p>There is a risk that we are unable to deliver statutory licensing functions effectively and efficiently</p>	<ul style="list-style-type: none"> <li>• Business Continuity plans in place to maintain operational capacity in the event of an incident affecting normal operating processes.</li> <li>• New ways of working with the incumbent suppliers to ensure that all changes to the system are fully tested and of the appropriate quality before release and that there are no regression issues experienced.</li> <li>• Transition plans are robust and have sufficient guarantees to ensure service continuity and the efficacy of SIA operations.</li> </ul>

Principal risks	What are we doing about them?
Sports exemption – public safety risk caused by gaps in regulatory oversight	<ul style="list-style-type: none"> <li>• We are highlighting issues and have escalated to Departments.</li> <li>• We continue to work with the Sports Ground Safety Authority and Home Office and the Department for Digital, Culture, Media and Sport to address the risks identified.</li> </ul>
Brexit – end to RTW for EU license holders	<ul style="list-style-type: none"> <li>• We maintain an open dialogue with Home Office officials in the Sponsor Unit and Policy, to ensure that the SIA is aware of any latest ‘Exiting the EU’ developments affecting the private security industry.</li> <li>• To agree with the Home Office what may be communicated on to the regulated sector.</li> <li>• We are working with the Home Office to determine our future procedures in respect of our legal obligations under the Mutual Recognition of Professional Qualifications Regulations 2015, subject to the subsequent terms of the UK’s exit from the EU.</li> </ul>

## Financial management – resource allocation, budget and asset management

We have a comprehensive budget and business plan in place that is reviewed and agreed by the Board. Monthly meetings are held with budget holders to discuss any material variances and key trends, with corrective action taken as appropriate. A comprehensive finance report is produced on a quarterly basis along with monthly updates at the remaining Board meetings. In addition a compliance pack, which looks at key balance sheet accounts and transactions, is prepared monthly and reviewed by the Deputy Director of Finance.

## Programme and project management

The Portfolio Steering Group (via business planning) sets a new change portfolio every year. There were five live projects in 2018/19:

1. Police National Database
2. Security Industry Skills and Qualifications Review
3. Procurement of new technology platform
4. New website
5. GSI

Delivery projects, which form the change portfolio, report into the Portfolio Steering Group whose membership consists of the executive directors, a Home Office representative, a non-executive director, and relevant members of the senior management team.

## People management – workforce planning and development

The senior management team (SMT) review each team's business and staffing plans every spring in preparing the budget for the coming year. This includes a final sign-off by finance and executive directors. Each January the SIA prepares a Recruitment Envelope Dispensation Bid for approval by the Home Office CCL Board.

All staff are security cleared by the Home Office DSU (at DV, SC and CTC level) or by a third party contractor (at baseline level) before commencing employment. All new starters receive a thorough induction. The process has been overhauled this year, and a successful compliance test was performed in August 2018.

The induction runs in parallel with our probation process, and a second line assurance check tests our staff induction process. We noted improvements due to more proactive involvement by line managers.

## Incidents reported to the Information Commissioner's Office (ICO)

In 2018/19, the SIA's Data Protection Officer reported 8 data breaches to the ICO; of which 4 involved the incorrect delivery of identity documents by a third party, 2 involved the incorrect disclosure of a customer's data to another customer due to an administrative error by a member of staff, and 2 were breaches by a third party involved in the processing of SIA employee data.



One of the data breaches in 2018/19 occurred when the SIA's third party payroll provider incorrectly disclosed 244 names, account numbers and sort codes of SIA employees to another client. The details were disclosed due to an administrative error by the third party provider. Both the SIA and the payroll provider reported this to the ICO and staff were informed of the breach.

The ICO did not require the SIA to take any further action on any of the data breaches reported.

## Information management

We have access to the National Crime Agency Joint Asset Recovery Database, and it is a strategic aim of the SIA to gain access to the Police National Database in support of our criminal investigation function.

The SIA infrastructure has been migrated from an on-premise deployment to an 'infrastructure as a service' model delivered by UKCloud. We will make plans to further outsource our IT requirements. Such a move improves flexibility to respond to future requirements and reduces the cost of IT services.

All new systems, processes and changes are tested. We undertake a complete range of user acceptance testing to ensure functionality remains stable during migration.

Our suppliers are selected from G-Cloud and have a proven track record in delivering secure systems; for example UKCloud, MDS Technologies and BT.

## Internal audit

The internal audit service, provided by the GIAA, operating to the standards set out in Public Sector Internal Audit Standards, draws up its annual audit plans based on an analysis of the risk to which we are exposed and discussions with senior management. The plans are endorsed by the Audit and Risk Assurance Committee. Internal audit issues opinions and assurance ratings for completed audits.

Five audits were commissioned and completed during the year with the following assurance ratings. The overall opinion of GIAA was moderate, meaning that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Audit subject	Assurance rating
Approved Contractor Scheme	Moderate
Health and safety of frontline workers	Moderate
Cyber security	Moderate
Risk maturity and corporate assurance	Moderate
Disaster recovery and business continuity	Moderate

## Disaster and contingency planning

A full refresh of our business continuity plans has taken place, and table-top tests have been carried out. Work is ongoing to ensure a separate detailed communications plan is in place and effective.

## Provision of information and data to the Board

The Authority recognises the need to ensure that the Board and sub-committees receive sound advice and information to enable informed decisions to be made. A standard template is used for committee papers, structured to ensure that risks and resource implications are highlighted and that there will be sufficient engagement and challenge during discussions. The structure and information contained in regular agenda items have been reviewed, improved and updated over the course of the year.

## Highlights of Board committee reports

Discussion areas during the year included:

- ACS review
- demand forecasting
- fee reduction
- corporate risks
- STeP
- relocation to new offices.

## Fraud

We have internal controls in place to mitigate against risk in relation to fraud, corruption and wrongdoing. No instances of this nature were detected or reported during the year.

## Overall assessment

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

Ian Todd  
Chief Executive and Accounting Officer  
15 July 2019

# REMUNERATION AND STAFF REPORT

## 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 Chair recommends the pay award of the Chief Executive which is submitted to ministers for approval.

## Remuneration

The role of the Human Resources and Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for us and the remuneration of our directors. The committee also provides advice to the Chair on the pay of the Chief Executive. The committee meets at least three times a year. The Human Resources and Remuneration Committee comprised three independent non-executive board members; Sir Ian Johnston, Geoff Zeidler and Trevor Reaney. The Chief Executive and Executive Director of Corporate Services attend the meeting as executives.

## Salary payments to directors

(Audited information)

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 financial year 2018/19 was £135k – £140k (2017/18: £140k – £145k). This was 4.2 times (2017/18, 4.2 times) the median remuneration of the workforce, which was £32,775 (2017/18, £32,586). No employees were paid more than the highest paid director.

Remuneration ranged from £20k – £25k to £135k – £140k (2017/18, £25k – £30k to £140 – £145k).

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

	Salary (£'000)		Performance payment (£,000)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Ian Todd Chief Executive from 25 February 2019	10-15 (FTE 135-140)	-	-	-	4,000	-	14-19	-
Dr Alan Clamp Chief Executive to 31 October 2018	75-80 (FTE 130-135)	130-135	5-10	5-10	28,000	47,000	115-120	185-190
Dave Humphries Director of Partnerships & Interventions to 31 October 2018 Acting Chief Executive from 1 November to 31 March 2019	115-120	95-100	-	-	112,000	2,000	225-230	100-105
Stephen McCormick Director of Operations	95-100	95-100	-	-	35,000	20,000	130-135	120-125
Dianne Tranmer Director of Corporate Services	95-100	95-100	0-5	-	50,000	30,000	150-155	125-130
Ed Bateman Acting Director of Partnerships & Interventions from 5 November 2018*	40-45 (FTE 95-100)	-	-	-	15,000	-	55-60	-
Band of highest paid Director's total remuneration	140-145	140-145						

\*Ed Bateman was a Deputy Director in the period to 5 November 2018

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 HMRC 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, 'home to

office' expenses reimbursed to non-executive directors constituted a benefit in kind of £0.9k for the year ending 31 March 2019.

## 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 2018/19 relate to performance in 2017/18 and the comparative payments reported for 2017/18 relate to the performance in 2016/17.

## The non-executive Board

(Audited information)

The remuneration of the Board in the period ending 31 March 2019 is shown in the table below.

	Salary (£'000)		Benefits in kind* (to nearest £100)	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£	£
Elizabeth France (Chair)	50 – 55	50 – 55	900	-
Sir William Ian Johnston	5 – 10	5 – 10	-	-
Ian McKay	10 – 15	0 – 5 (FTE 15 – 20)	-	-
Professor Sir Desmond Rea to 6 November 2018	5 – 10 (FTE 5 – 10)	5 – 10	-	400
Geoffrey Zeidler	5 – 10	5 – 10	-	400
David Horncastle	5 – 10	5 – 10	-	-
Trevor Reaney from 7 November 2018	0 – 5 (FTE 5 – 10)	-	-	-

\*The 2018/19 and 2017/18 benefits in kind figures relate to all travel and subsistence incurred on journeys to London.

## Pension benefits

(Audited information)

	Accrued pension at 31/3/19 and related lump sum	Real increase in pension and related lump sum	CETV at 31/3/19	CETV at 31/3/18	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	15-20	0-2.5	292	251	6	14	-
Ian Todd Chief Executive	55-60	0-2.5	676	672	1	1	-
Dave Humphries Director of Partnerships and Interventions	45-50 plus a lump sum of 140-145	5-7.5 plus a lump sum of 15-17.5	1,116	912	8	113	-
Stephen McCormick Director of Operations	25-30	0-2.5	597	505	7	35	-
Dianne Tranmer Director of Corporate Services	30-35	2.5-5	462	377	7	30	-
Ed Bateman Acting Director of Partnerships and Interventions	5-10	0-2.5	145	126	3	12	-

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 Public Service (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: three 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 ten 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 officials show pension earned in PCSPS or alpha as appropriate. Where the official 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

(Audited information)

Staff costs comprise:

	2018/19			2017/18		
	Permanent staff	Other staff	Total	Permanent staff	Other staff	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	9,201	487	9,688	8,575	660	9,235
Social security costs	943	7	950	881	8	889
Other pension costs	1,677	-	1,677	1,568	-	1,568
Redundancy costs	-	10	10	-	-	-
Total costs	11,821	504	12,325	11,024	668	11,692

### Consultancy costs

Expenditure on consultancy in 2018/19 was £728,000 (2017/18: £332,000). External consultants were commissioned in year to provide expertise on the transition of the licensing system and other projects.

### Trade union facility time

Two employees, who were relevant trade union officials during 2018/19, spent 12.75 hours of facility time at a total cost of £316.55 representing 0.003% of the total pay bill.

Number of employees who were relevant union officials during 2018/19	Full-time equivalent employee number (2018/19)	Number of employees who were relevant union officials during 2017/18	Full-time equivalent employee number (2017/18)
2	2	2	2

Percentage of time spent on facility time	Number of employees 2018/19	Number of employees 2017/18
0%	-	-
1-50%	2	2
51-99%	-	-
100%	-	-

	2018/19	2017/18
Total cost of facility time	£316.55	£2,076
Total pay bill	£12,325,313	£11,691,303
% of pay bill spent on facility time	0.003%	0.02%

## Pension

### Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk). The PCSPS is now closed to new members.

### Public Service (Civil Service and Others) Pension Scheme

Public Service (Civil Service and Others) Pension Scheme, known as 'alpha', is a new unfunded, defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The alpha scheme started on 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 ten 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.

## Actual number of persons employed

(Audited information)

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

	2018/19			2017/18		
	Permanent	Other	Total	Permanent	Other	Total
Directly employed	237	-	237	224	-	224
Other	-	6	6	-	6	6
Total	237	6	243	224	6	230

## Staff composition from April 2018 to March 2019

(Audited information)

	2018/19			2017/18		
	Female	Male	Total	Female	Male	Total
Other employees	104	129	233	113	117	230
Senior Civil Servant or equivalent	1	3	4	1	3	4
Board	1	5	6	1	5	6
Total	106	137	243	115	125	240

## Off-Payroll Engagements

**Table 1: For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months**

No. of existing engagements as of 31 March 2019	1
Of which...	
No. that have existed for less than one year at time of reporting.	1
No. that have existed for between one and two years at time of reporting.	
No. that have existed for between two and three years at time of reporting.	
No. that have existed for between three and four years at time of reporting.	
No. that have existed for four or more years at time of reporting.	

**Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months**

No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	1
Of which...	
No. assessed as caught by IR35	
No. assessed as not caught by IR35	1
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	
No. of engagements reassessed for consistency / assurance purposes during the year	
No. of engagements that saw a change to IR35 status following the consistency review	

**Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019**

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. (2)	0

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

(Audited information)

Exit package cost band	2018/19			2017/18		
	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	-	-	-	-	-	-
£10,000-£25,000	1	-	1	-	-	-
£25,000-£50,000	-	-	-	-	-	-
£50,000-£100,000	-	-	-	-	-	-
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	1	-	1	-	-	-
Total resource cost (£)	£10K		£10K	-	-	-

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

### Payment to auditors

The audit fee for 2018/19 payable to the National Audit Office has been set at £40K (2017/18: £40k). No other payments were made to the National Audit Office for non-audit services during the year.

## Staff sickness and absence

During the 2018-19 financial year, an average of seven days per employee was lost due to sickness absence which is below the SIA's target for the year of a maximum of eight days sickness absence per employee. This is an increase of one day per employee compared to the 2017-18 financial year when it was six days per employee.

While our management of sickness absence has led to consistency year on year in the overall number of days lost, we are continuing to work with our occupational health provider to support those on sick leave and with health conditions.

## Parliamentary accountability disclosures

(Audited information)

### Losses and special payments

There have been no losses or special payments in the year (2017/18: nil).

### Fees and charges 2018/19

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing	30,939	(27,348)	3,591	113	100
ACS	2,267	(2,504)	(237)	91	100
Total	33,206	(29,852)	3,354		

### Fees and charges 2017/18

Operating segment	Income	Full cost	Surplus/ (deficit)	Fee recovery actual	Fee recovery target
	£000	£000	£000	%	%
Licensing income	29,745	(22,971)	6,774	129	100
ACS income	2,219	(2,343)	(124)	95	100
Total	31,964	(25,314)	6,650		

#### 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.

Demand for licences was higher than expected, leading to higher fee recovery than planned or achieved in the prior year.

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

## Remote contingent liabilities

We had no remote contingent liabilities as at 31 March 2019 (2017/18: nil).

Ian Todd  
Chief Executive and Accounting Officer  
15 July 2019

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

## Opinion on financial statements

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2019 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2019 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 regularity

In my opinion, in all material respects the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Security Industry Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Security Industry Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board 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.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001.

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Security Industry Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



## Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Private Security Act 2011;
- in the light of the knowledge and understanding of the Security Industry Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Gareth Davies** **Date: 15 July 2019**  
**Comptroller and Auditor General**

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

# THE FINANCIAL STATEMENTS

## Statement of comprehensive net income for the year ended 31 March 2019

		2018/19	2017/18
	Note	£'000	£'000
<b>Income</b>			
Income from activities	4	33,206	31,964
<b>Other income</b>			
Other income from activities	4	16	59
Court costs recovered	4	103	50
<b>Total operating income</b>		<b>33,325</b>	<b>32,073</b>
<b>Expenditure</b>			
Staff costs	2	(12,325)	(11,692)
Depreciation	5	(180)	(195)
Amortisation	6	(2,724)	(1,967)
Other expenditure	3	(14,814)	(11,460)
<b>Total operating expenditure</b>		<b>(30,043)</b>	<b>(25,314)</b>
Net income before tax and interest		3,282	6,759
Interest receivable	4	89	21
Corporation tax		(17)	(4)
Net income after tax and interest		<b>3,354</b>	<b>6,776</b>
<b>Other comprehensive net expenditure</b>			
Net gain on revaluation of intangible assets		8	150
<b>Net income after tax and interest</b>		<b>3,362</b>	<b>6,926</b>

The notes on pages 51 to 62 form part of these accounts.

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

## Statement of financial position as at 31 March 2019

	Note	2018/19		2017/18	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	5	474		474	
Intangible assets	6	4,467		6,524	
<b>Total non-current assets</b>			<b>4,941</b>		<b>6,998</b>
<b>Current assets</b>					
Trade and other receivables	8	300		1,442	
Cash and cash equivalents	9	26,252		19,217	
<b>Total current assets</b>			<b>26,552</b>		<b>20,659</b>
<b>Total assets</b>			<b>31,493</b>		<b>27,657</b>
<b>Current liabilities</b>					
Trade and other payables	10	(3,393)		(3,380)	
Provisions	11	(839)		(378)	
<b>Total current liabilities</b>			<b>(4,232)</b>		<b>(3,758)</b>
<b>Total assets less current liabilities</b>			<b>27,261</b>		<b>23,899</b>
<b>Total assets less total liabilities</b>			<b>27,261</b>		<b>23,899</b>
<b>Taxpayers' equity</b>					
Revaluation Reserve			158		150
General reserve			27,103		23,749
<b>Total equity</b>			<b>27,261</b>		<b>23,899</b>

The notes on pages 51 to 62 form part of these accounts.

Ian Todd  
Chief Executive and Accounting Officer  
15 July 2019

## Statement of cash flows for the year ended 31 March 2019

		2018/19	2017/18
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating surplus for the year		3,282	6,759
<b>Adjustments for non-cash transactions</b>			
Amortisation	6	2,724	1,967
Depreciation	5	180	195
Increase/(Decrease) in provisions	11	461	(180)
<b>Changes in working capital</b>			
Decrease in trade and other receivables	8	1,142	1,293
Decrease in trade and other payables	10	13	540
Corporation tax paid		(17)	(4)
<b>Net cash inflow from operating activities</b>		<b>7,785</b>	<b>10,570</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(180)	(318)
Purchase of intangible assets	6	(659)	(204)
Interest received		89	21
<b>Net cash outflow from investing activities</b>		<b>(750)</b>	<b>(501)</b>
<b>Cash flows from financing activities</b>			
Capital grant		–	–
<b>Net cash inflow from financing activities</b>		<b>–</b>	<b>–</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>7,035</b>	<b>10,069</b>
Cash and cash equivalents at the beginning of the year	9	19,217	9,148
Cash and cash equivalents at the end of the year	9	26,252	19,217

The notes on pages 51 to 62 form part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2019

	Revaluation Reserve	General Reserve	Taxpayers' Equity
	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	–	16,973	16,973
<b>Changes in taxpayers' equity 2017-18</b>			
Comprehensive income for the year	–	6,776	6,776
Net gain on revaluation of STeP	150	–	150
<b>Balance at 31 March 2018</b>	<b>150</b>	<b>23,749</b>	<b>23,899</b>
<b>Changes in Taxpayers' Equity 2018-19</b>			
Comprehensive income for the year	–	3,354	3,354
Net gain on revaluation of STeP	8	–	8
<b>Balance at 31 March 2019</b>	<b>158</b>	<b>27,103</b>	<b>27,261</b>

The notes on pages 51 to 62 form part of these accounts.

## Notes to the Financial Statements

### 1. Accounting policies, key accounting estimates and judgements

#### 1.1. Statement of Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the Government Financial Reporting Manual (FRM) issued by HM Treasury.

The accounting policies adopted by the SIA are described below. Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the SIA for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the financial statements.

#### 1.2. Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets. The accounts have been prepared under the direction issued by the Secretary of State under the Private Security Industry Act 2001.

#### 1.3. Significant estimates and judgements.

Some judgement was required for the dilapidations provision which represents the sum required to reinstate the High Holborn premises to a state required under the lease following HQ relocation in June 2018. The provision was based on industry standard and the floor space occupied by the SIA.

In prior years, due to the basis of the contract with British Telecommunications PLC, some judgement was taken on the valuation of the STeP asset, based on milestone payments, information from BT and the programme team.

#### 1.4. International Financial Reporting Standards (IFRS) and other changes that have been issued and affect the 2018-19 Accounts

IFRS 9 Financial Instruments, effective from 2018-19, includes requirements for classification, recognition and measurement, impairment, derecognition and general hedge accounting. SIA's only financial instruments are trade receivables and payables which are low risk. SIA does not operate hedge accounting, so the specific requirements of IFRS 9 for hedging instruments do not apply.

IFRS 15 Revenue from Contracts with Customers, effective from 2018-19, provides a comprehensive standard for revenue recognition. SIA have assessed the delivery of performance obligations for each of their income streams and concluded that revenue recognition under IFRS 15 does not materially change from that under IAS 18. Our assessment for each income stream is as follows:

- The performance obligation for licence fee income is delivered when the application for a security licence is accepted and third party checks are initiated. Revenue is recognized at the point of payment as the fee is non-refundable if an application is rejected; and
- The Approved Contractor Scheme (ACS) is voluntary and only available to businesses. There are two fees in respect of the ACS scheme:
  - Application fee – the performance obligation for the application fee is delivered when an application for registration is submitted and the registration process is started. Revenue is recognised at the point of payment as the registration fee is non-refundable.
  - Annual registration fee – the performance obligations for the

registration fee are delivered across the year from the date the fee was paid. Revenue is recognised evenly across the year from the date the fee was paid.

IFRS 16 Leases will replace IAS 17 for periods beginning on or after 1 January 2019.

FReM has deferred implementation of this standard until 1 April 2020; it therefore does not affect the 2018-19 financial statements. Introduction of this standard will require significant operating leases will be treated in the same way as finance leases. SIA will assess the impact of the introduction of IFRS 16 on the Statement of Financial Position but at this stage it is not deemed to be significant.

### Contract Liabilities

Opening balance	£847k
Movement	£316k
Closing balance	£1,163k

### 1.5. Going Concern

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

The Triennial Review of SIA published in June 2018 reaffirmed the continuing need for SIA to regulate the Private Security Industry.

### 1.6. Financing

SIA covers its expenditure by charging fees for licensing and ACS registration.

### Accounting policies for expenditure

#### 1.7. Pensions

- 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.

### 1.8. 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.

### 1.9. Value Added Tax on purchases

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 not material.

### 1.10. Corporation Tax

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

### Accounting policies for income

#### 1.11. Licence Fee Income

Income is recognised at the point when payment is made for an application. At this point, the fee paid becomes non-refundable as the SIA is committed to paying third party providers 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.

### 1.12. 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 the payment is made for an application and is non-refundable.

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

#### Accounting policies for assets and liabilities

### 1.13. Property, Plant and Equipment

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 Property, Plant and Equipment assets for 2017/18 because it is deemed immaterial and the depreciated historic cost basis is considered as a proxy for fair value for assets that have short useful lives.

### 1.14. 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.

STeP is reviewed annually for impairment and is revalued on the basis of depreciated replacement cost using published indices.

Any revaluation surplus is credited to the Revaluation Reserve.

### 1.15. Depreciation and Amortisation

Depreciation and amortisation is provided on all non-current assets on a straight-line basis to

write off the cost or valuation evenly over the asset's expected useful life as follows:

Leasehold improvements	over the remaining term of the lease (to June 2018)
Furniture	five years
IT Hardware	three to five years
Software Licences	three years
Approved Contractor Scheme (ACS)	ACS (fully amortised at February 2010)
STeP system	five years

### 1.16. Contract Liabilities

The SIA will defer ACS income where:-

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.

### 1.17. Provision for Bad Debt

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 and a provision is made for debt which has been outstanding for more than 12 months.

### 1.18. 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 into account the resources required to cover future payment obligations. Measurement is based on the settlement amount with the highest probability.



## 2. Staff costs

Staff costs comprise:

	2018/19			2017/18		
	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	9,201	487	9,688	8,575	660	9,235
Social security costs	943	7	950	881	8	889
Other pension costs	1,677	–	1,677	1,568	–	1,568
Redundancy costs	–	10	10	–	–	–
<b>Total Staff Costs</b>	<b>11,821</b>	<b>504</b>	<b>12,325</b>	<b>11,024</b>	<b>668</b>	<b>11,692</b>

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

## 3. Other expenditure

	Note	2018/19	2017/18
		£'000	£'000
<b>Running costs</b>			
Licensing costs		6,823	6,703
Accommodation costs		1,518	1,192
Travel and subsistence		547	524
Information Technology		2,724	872
Office supplies and services		583	716
Legal costs		170	32
Training		308	365
Advertising and publicity		238	168
Recruitment		262	135
Audit fee – internal		27	48
Audit fee – external		40	40
Catering		1	4
Financial costs		3	5
Consultancy		728	332
Home Office recharge		305	308
<b>Non Cash Items</b>			
Decrease in provision for bad debts	8	(218)	–
Increase in provision for dilapidations	11	461	(180)
Bad and doubtful debts		294	196
<b>Total other expenditure</b>		<b>14,814</b>	<b>11,460</b>

External audit fees for 2018/19 do not include any non-audit work undertaken by the NAO (2017-18 Nil).

Increase in Other Expenditure in 2018/19 due to one-off IT costs incurred as a result of transitioning the licensing system to a cloud based solution.

## 4. Income

	2018/19	2017/18
	£'000	£'000
<b>Operating Income</b>		
Licensing	30,939	29,745
Approved Contractors Scheme (ACS)	2,267	2,219
<b>Income from activities</b>	<b>33,206</b>	<b>31,964</b>
<b>Other income</b>		
Other income from activities	16	59
Court costs recovered	103	50
<b>Total operating income</b>	<b>33,325</b>	<b>32,073</b>
<b>Interest receivable on bank deposits</b>	<b>89</b>	<b>21</b>

## 5. Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2018	484	283	1,065	1,832
Additions	–	–	180	180
Disposals	(484)	(283)	(454)	(1,221)
<b>At 31 March 2019</b>	<b>–</b>	<b>–</b>	<b>791</b>	<b>791</b>
<b>Depreciation</b>				
At 1 April 2018	484	275	599	1,358
Charged in year	–	8	172	180
Disposals	(484)	(283)	(454)	(1,221)
<b>At 31 March 2019</b>	<b>–</b>	<b>–</b>	<b>317</b>	<b>317</b>
Net book value at 31 March 2019	–	–	474	474
Net book value at 31 March 2018	–	8	466	474
<b>Asset financing:</b>				
Owned	–	–	474	474
<b>Net Book Value at 31 March 2019</b>	<b>–</b>	<b>–</b>	<b>474</b>	<b>474</b>
<b>Cost or valuation</b>				
At 1 April 2017	484	283	747	1,514
Additions	–	–	318	318
Disposals	–	–	–	–
<b>At 31 March 2018</b>	<b>484</b>	<b>283</b>	<b>1,065</b>	<b>1,832</b>
<b>Depreciation</b>				
At 1 April 2017	441	221	501	1,163
Charged in year	43	54	98	195
Disposals	–	–	–	–
<b>At 31 March 2018</b>	<b>484</b>	<b>275</b>	<b>599</b>	<b>1,358</b>
Net book value at 31 March 2018	–	8	466	474
Net book value at 31 March 2017	43	62	246	351
<b>Asset financing:</b>				
Owned	–	8	466	474
<b>Net book value at 31 March 2018</b>	<b>–</b>	<b>8</b>	<b>466</b>	<b>474</b>

## 6. Intangible assets

	Software Licences	STeP	ACS	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2018	823	9,762	1,075	11,660
Impairment	–	–	–	–
Additions	20	639	–	659
Revaluation	–	19	–	19
<b>At 31 March 2019</b>	<b>843</b>	<b>10,420</b>	<b>1,075</b>	<b>12,338</b>
<b>Amortisation</b>				
At 1 April 2018	746	3,315	1,075	5,136
Charged in year	44	2,680	–	2,724
Revaluation	–	11	–	11
<b>At 31 March 2019</b>	<b>790</b>	<b>6,006</b>	<b>1,075</b>	<b>7,871</b>
<b>Net book value at 31 March 2019</b>	<b>53</b>	<b>4,414</b>	<b>–</b>	<b>4,467</b>
<b>Asset financing:</b>				
Owned	53	4,414	–	4,467
Finance leased	–	–	–	–
On balance sheet PFI contracts	–	–	–	–
<b>Net book value at 31 March 2019</b>	<b>53</b>	<b>4,414</b>	<b>–</b>	<b>4,467</b>

## 6. Intangible assets (continued)

	Software Licences	STeP	ACS	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2017	750	9,404	1,075	11,229
Impairment	–	–	–	–
Additions	73	131	–	204
Revaluation	–	227	–	227
<b>At 31 March 2018</b>	<b>823</b>	<b>9,762</b>	<b>1,075</b>	<b>11,660</b>
<b>Amortisation</b>				
At 1 April 2017	704	1,313	1,075	3,092
Charged in year	42	1,925	–	1,967
Revaluation	–	77	–	77
<b>At 31 March 2018</b>	<b>746</b>	<b>3,315</b>	<b>1,075</b>	<b>5,136</b>
<b>Net book value at 31 March 2018</b>	<b>77</b>	<b>6,447</b>	<b>–</b>	<b>6,524</b>
<b>Asset financing:</b>				
Owned	77	6,447	–	6,524
Finance leased	–	–	–	–
On balance sheet PFI contracts	–	–	–	–
<b>Net book value at 31 March 2018</b>	<b>77</b>	<b>6,447</b>	<b>–</b>	<b>6,524</b>

## 7. 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.

## 8. Trade receivables and other current assets

	2018/19	2017/18
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade receivables	–	1,020
Other receivables	59	70
Court debts	193	415
Prepayments and accrued income	144	251
	<u>396</u>	<u>1,756</u>
Less provision for bad debts	(96)	(314)
	<u><b>300</b></u>	<u><b>1,442</b></u>

## 9. Cash and cash equivalents

	2018/19	2017/18
	£'000	£'000
Balance at 1 April 2018	19,217	9,148
Net change in cash and cash equivalent balances	7,035	10,069
<b>Balance at 31 March 2019</b>	<b>26,252</b>	<b>19,217</b>
The following balances at 31 March 2019 were held at:		
<b>Barclays bank and cash in hand</b>	<b>26,252</b>	<b>19,217</b>

## 10. Trade payables and other current liabilities

	2018/19	2017/18
	£'000	£'000
<b>Amounts falling due within one year</b>		
Other taxation & social security	276	249
Trade payables	491	839
Other payables	18	15
Accruals	1,445	1,430
Contract liabilities	1,163	847
	<b>3,393</b>	<b>3,380</b>

## 11. Provisions for liabilities and charges

	Total
	£'000
Balance at 1 April 2018	378
Provided in the year	461
Provisions written back as not required	–
<b>Balance at 31 March 2019</b>	<b>839</b>
Balance at 1 April 2017	558
Provided in the year	–
Provisions written back as not required	(180)
<b>Balance at 31 March 2018</b>	<b>378</b>

### Dilapidation

The SIA makes provision to cover its obligations for the reinstatement of its leasehold buildings to their original state when SIA vacate the leased building. This provision relates to its current lease in relation to 10 South Colonnade.

## 12. Capital Commitments

SIA had no capital commitments at 31 March 2019.

## 13. Commitments under leases

### 13.1 Operating leases

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

	2018/19	2017/18
	£'000	£'000
Obligations under operating leases comprise		
<b>Buildings</b>		
Not later than one year	521	761
Later than one year and not later than five years	2,085	2,085
Later than five years	4,290	4,811
	<b>6,896</b>	<b>7,657</b>
<b>Office Equipment</b>		
Not later than one year	1	5
Later than one year and not later than five years	–	1
	<b>1</b>	<b>6</b>

### 13.2 Finance Leases

The SIA does not have any finance leases.

## 14. Contingent Liabilities Disclosed Under IAS 37

The SIA had no contingent liabilities as at 31 March 2019. (2017/18 – Nil).



## 15. Related-party transactions

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

- Disclosure and Barring Service
- Disclosure Scotland
- The Home Office (includes a recharge)

Geoff Ziedler is a Director of Kings Security Systems Ltd which is an ACS registered company.

During 2018/19 the SIA recognised £2,265 ACS fees from Kings Security Systems Limited (£4,185 2017/18).

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.

## 16. Events after the reporting period

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

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

