EXPLANATORY MEMORANDUM TO
THE PRIVATE SECURITY INDUSTRY ACT 2001 (LICENCES)
REGULATIONS 2007
2007 NO.810

THE PRIVATE SECURITY INDUSTRY ACT 2001 (APPROVED
CONTRACTOR SCHEME) REGULATIONS 2007
2007 NO.808

1. 1.1 This Explanatory Memorandum has been prepared by the Home Office
and is laid before Parliament by Command of Her Majesty.

1.2 This memorandum contains information for the Joint Committee on
Statutory Instruments.

2. Description

consolidate and revoke the current Private Security Industry (Licences)
Regulations 2004 (SI 2004/255) and amending instruments. The instrument
makes provision in respect of licences granted by the Security Industry
Authority (SIA) under section 8 of the Private Security Industry Act 2001
(“2001 Act”) and increases the fee to be paid on application for an SIA licence
from £190 to £245.

2.2 The Private Security Industry Act 2001 (Approved Contractor
Scheme) Regulations 2007 consolidate and revoke the current Private Security
Industry Act 2001 (Approved Contractor Scheme) Regulations 2006 (SI
2006/425). The instrument makes provision in respect of approvals granted by
the SIA under section 15 of the 2001 Act and extends the Approved
Contractor Scheme to Scotland.

2.3 Both instruments come into force on 6th April 2007.

3. Matters of Special Interest to the Joint Committee on Statutory
Instruments

3.1 Regulation 8 of the Private Security Industry Act 2001 (Licences)
Regulations 2007 prescribes a fee of £245 which increases the fee prescribed
in the Private Security Industry (Licences) Regulations 2004 by £55. The new
fee of £245 has been set for two financial years (2007/08 and 2008/09) at a
level which covers the estimated costs to be incurred by the SIA in exercising
its licensing function over those two years. Such an approach, which departs
from the standard year on year recovery applicable to fee setting powers, is
possible by virtue of the Private Security Industry ( Licence Fees) Order 2007
which was approved by the House of Commons on 7 March 2007 and made on 12 March 2007. The fee will be reviewed for the purposes of the financial year 2009/10.

4. **Legislative Background**


4.2 Section 3 of the 2001 Act requires persons to be licensed by the SIA when undertaking certain types of conduct. Within England and Wales door supervisors, those who clamp, restrict or remove vehicles, security guards and keyholders are required to be licensed. The Private Security Industry (Licences) Regulations 2004 (SI 2004/255) made provision in respect of those licences (in particular their form, conditions and fee of £190) and that instrument was extended to Scotland on 1 February 2007. Persons have been able to apply for licences to undertake licensable conduct in Scotland since 1 February 2007 and (Scottish) Statutory Instruments will be made to make licensing compulsory in Scotland from November 2007. The Private Security Industry Act 2001 (Licences) Regulations 2007 consolidate the 2004 instrument, as previously amended, and increase the fee to be paid on application for a licence from £190 to £245.

4.3 Sections 14 and 15 of the 2001 Act require the SIA to make arrangements for the granting of approvals to, and registering, companies providing security services through an Approved Contractor Scheme (ACS). Section 4(4) of the 2001 Act enables certain persons who work for an approved person to undertake licensable conduct without a licence so long as they have made an application for such a licence. The existing Private Security Industry Act 2001 (Approved Contractor Scheme) Regulations 2006 (SI 2006/425), made provision for the ACS in England and Wales (in particular a requirement to be met, and fees to be paid, by approved persons). The Private Security Industry Act 2001 (Approved Contractor Scheme) Regulations 2007 extend the scheme to Scotland. In addition, regulation 3(3) of the instrument amends the list of persons who the approved person must ensure are licensed before undertaking licensable conduct with a child or vulnerable person to remove the licensing requirement from bodies corporate or unincorporate. This does not affect the requirement that all directors, partners, employees and individual contractors have to be SIA licensed if they carry out licensable conduct involving children or vulnerable adults.

5. **Territorial Extent and Application**

5.1 These instruments apply to England and Wales and Scotland.

6.1 As these instruments are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

7. Policy Background

7.1 The 2001 Act was intended to increase standards and remove criminality within the private security industry by introducing a regulatory regime that was proportionate to the risks posed to the public.

7.2 The Private Security Industry Act 2001 (Licences) Regulations 2007 consolidate provision made in respect of licences issued by the SIA under section 8 of the 2001 Act. They will also increase the fee to be paid on application for an SIA licence from £190 to £245.

7.3 Based on projected numbers of future applications it is expected that the SIA’s intake of new applications will fall in 2007/08 and rise in 2008/09 (as renewal applications commence). As a result, in-year unit costs are expected to rise in 2007/08 and fall in 2008/09. When setting a fee under a statutory power, the costs to be recovered are considered to be those incurred in the accounting period in which the function is exercised. However, because of the expected fluctuation in numbers of applications, strict adherence to in-year recovery of costs in the case of the fee prescribed under section 8(7) would require the licence fee to be raised in 2007/08 and then reduced in 2008/09. We do not regard that as an acceptable position. Therefore an Order was made on 12 March 2007 under section 102(4) of the Finance (No. 2) Act 1987 to enable a fee to be set based on estimates of unit costs over the two years.

7.4 The Private Security Industry Act 2001 (Approved Contractor Scheme) Regulations 2007 are necessary to ensure that the ACS is extended to Scotland. The ACS came into force in England and Wales on 20 March 2006. The scheme’s objectives are to protect the public and to maintain and improve standards within the private security industry. The scheme is voluntary and was developed in consultation with representatives from across the private security industry. It is a single scheme, with sector-specific approval based on a relevant set of qualifying criteria.

8. Impact

8.1 A formal consultation exercise was conducted by Scottish Ministers in 2001 which sought stakeholders’ comments on proposals for a Scottish Private Security Industry regulatory regime. The option of using the SIA was comprehensively supported. Additionally, a Regulatory Impact Assessment was published with the passage of the Serious Organised Crime and Police Act
2005 through Parliament. This set out the manner in which regulation would be introduced in Scotland. The legislation was also subject to a Legislative Consent Motion in the Scottish Parliament which was debated on 2 February 2005.

8.2 A Regulatory Impact Assessment on the Approved Contractor Scheme was published on 16 February 2006. A copy is attached to this Memorandum for information.

8.3 A Regulatory Impact Assessment on the proposed increase in the licence fee was published on 12 January 2007. A slightly revised copy is attached to this Memorandum for information.

9. **Contact**

9.1 John Cairncross at the Home Office Telephone: 020 7035 0227 or e-mail: john.cairncross@homeoffice.gsi.gov.uk can answer any queries regarding these instruments.
FULL REGULATORY IMPACT ASSESSMENT
16 FEBRUARY 2006

REGULATIONS TO IMPLEMENT
THE PRIVATE SECURITY INDUSTRY ACT 2001
IN RESPECT OF
THE APPROVED CONTRACTOR SCHEME

Security Industry Section
Crime Reduction and Community Safety Group
Home Office
4th Floor
Peel Building
2 Marsham Street
London
SW1P 4DF

Tel No. 020 7035 0229
Fax No. 0870 336 9130
FOREWORD

Dear Recipient

PRIVATE SECURITY INDUSTRY: APPROVED CONTRACTOR SCHEME

Since the Private Security Industry Act 2001 was passed the Home Office has been working with the Security Industry Authority to develop policies, structures and procedures under which the Authority will regulate the private security industry. The SIA was formally established as a non-departmental public body on 1 April 2003 and is responsible to the Home Secretary for its performance.

The Home Office and the SIA have worked with a wide range of stakeholders to develop regulations in the private security industry. Following the rollout of licensing for door supervisors and vehicle immobilisers, and its planned introduction for manned guards and keyholders, the Home Office decided to consult on whether an Approved Contractor Scheme (ACS), under the Act, should now be launched and if so, what it should look like.

The Act requires the SIA to “establish a voluntary system of inspection of providers of security services, under which those which satisfactorily meet the agreed standards may be registered as approved, and may advertise themselves as such”. The Act does not specify the exact nature of the approval scheme nor how it should operate.

The attached document “Full Regulatory Impact Assessment 16 February 2006: Implementing the Private Security Industry Act 2001 in Respect of the Approved Contractor Scheme” sets out how the Approved Contractor Scheme is to be implemented in the light of the recent consultation. The consultation provided the opportunity for interested groups and individuals to examine and choose from one of the range of options contained in the document. The Home Office is pleased that recipients took the opportunity to respond with their views.

This consultation followed the Cabinet Office Code of Practice on Consultation which can be found at the Cabinet Office website: www.cabinetoffice.gov.uk. The consultation period lasted for 12 weeks until 17th November 2005.

Security Industry Section
Purpose and intended effect of measure
The objective
Rationale for government intervention
Public Consultation
Options
Option 1: The Do Nothing Option
Option 2: The No Standards Scheme
Option 3: Passporting (prior accreditations)
Option 4: Self Assessment against ACS Standard
Recommendation: Combination of Options 3 and 4
Standards required for approval
Summary of Recommendations
Impact on the entire industry
Fee Structure Proposed
Results of the consultation exercise
Use of Subcontractors
Equity, Fairness and Race Equality
Consultation with small business: the Small Firms’ Impact Test
Competition Assessment
Enforcement and Sanctions
How the Policy will be monitored after implementation
Economic Benefits
Benefits: Environmental and Social
Costs: Environmental and Social
Annex A: Cost Model for calculating impact to industry of no Scheme
Option 1: The Do Nothing Option
Annex B – Summary of findings of previous research
Annex C: Implementation and Delivery Plan
Communications Strategy
Implementation Period and other matters
Annex D: Summary and Analysis of ACS Consultation Responses
Annex E - Proposed changes in light of Better Regulation
Purpose and intended effect of measure

The objective

1. Regulation of the private security industry was originally proposed\(^1\) for the following reasons:
   - Awareness of the need to protect public property and the public themselves, with a particular concern for vulnerable groups such as the elderly or children;
   - The Government’s commitment to a partnership approach to crime and disorder;
   - The opportunity for the private security industry to play a wider role in securing community safety.

2. The Private Security Industry Act (PSIA) provided for the creation of the Security Industry Authority (SIA) as a Non Departmental Public Body. The SIA’s statutory functions are to:
   - License individuals in specific sectors and to approve companies;
   - Keep under review the private security industry and the operation of the legislative framework;
   - Monitor the activities and effectiveness of those working in the industry;
   - Conduct inspections;
   - Set and approve standards of conduct, training and supervision within the industry; and
   - Make recommendations to improve standards.

3. The licensing of individuals is designed to help ensure that criminals are not employed in the industry. However, it has long been understood that licensing is not the whole answer. The public and business expect a high standard of service from the companies that they employ or come into contact with.

4. To meet this expectation, the purpose of the proposed Approved Contractor Scheme ("the Scheme") is to protect the public and to maintain and improve standards within the industry. The Scheme will enable the SIA to, “maintain and improve standards in the delivery of security services” (Private Security Industry Act 2001 Para 1(2)(e) and (f)).

5. The main problems that the introduction of the Scheme seeks to address are:
   - The costs to industry of the introduction of compulsory licensing without the existence of a Scheme of £20 - 40m per annum (see Annex A);
   - A general shortage of supply of trained security personnel, increasing the risks to public safety and impacting on customer service in a wide range of contexts. The shortage of staff is likely to be 50% or more at

the outset of compulsory security licensing in April 2006, reducing to 20-30% by the end of 2006;

• Low standards across the industry. Employee vetting is not well performed\(^2\) Many are of the view that without an effective Scheme addressing the problems of poor management of staff and contracts, the benefits of compulsory licensing of individual officers will not be realised. The newly trained, higher quality officers will become demotivated by poor management and may leave the industry for other types of jobs;

• Assurance for purchasers of security services. Purchasers require assurance that their security services supplier will be able to meet their business requirements by managing their people and resources properly. An effective Scheme will reduce the time and effort purchasers have to take in evaluating and monitoring suppliers. The licensing of individuals is important but of secondary interest to most purchasers;

• The wider crime and public safety agenda. There is a need for the security industry to contribute to a reduction in crime and reassurance of the public. An effective government-backed Scheme will both help provide public reassurance and reduce the opportunities for criminal activity to take place;

• Lack of take-up. Of around 2500 or more firms in the industry, only around 300 (typically larger firms) have already invested in standards and accreditation schemes. The existing schemes either are not sufficiently attractive or are too onerous to achieve. The challenge is to create a Scheme with high standards that is accessible and attractive to more (smaller) firms;

• Transition to a new Scheme. There is likely to be a high volume of applications for Approval after opening of the Scheme.

In addressing any of the above problems, it is important to avoid unintended consequences (such as allowing unlicensed individuals access to sensitive areas without adequate controls in place).

6. A key outcome of the Scheme will be to enable security firms to operate more efficiently in a post-licensing environment by providing a mechanism for those who satisfactorily meet the agreed standards to deploy staff waiting to receive a licence, who have already undertaken the appropriate training.\(^3\)

7. For those industry sectors where licensing has been made compulsory (dates vary by sector), it is a criminal offence to deploy staff before they have physically received their licence, which will typically take six weeks (the SIA’s target processing time).

\(^2\)“The impact of Licensing and other changes upon the Security Sector” - Perpetuity Research, June 2003. Extracts from this report are shown in Annex B.

\(^3\)In accordance with section 4(4) of the Private Security Industry Act 2001.
8. The Scheme aims to ensure that only those firms that the SIA is satisfied will meet and maintain certain standards will be allowed to deploy staff who have been trained but have licence applications pending. The aim is to reduce to an acceptable level the risk that this dispensation presents.

9. It is recognised that firms need to be financially viable, and therefore the Scheme needs to enable firms to achieve a financial return from their investment in being approved under the Scheme while keeping the costs of the Scheme to a minimum. The Scheme will also seek ways to reduce the operational and administrative burden on firms in complying with standards.

10. Giving recognition to the Better Regulation\(^4\) agenda in general and the Better Regulation Task Force paper on ‘Alternatives to Regulation’ in particular, the Scheme is required to achieve the following:
   - regulate only when necessary;
   - reduce the cost of administering regulations; and
   - rationalise (and avoid duplication in) the inspection and enforcement arrangements for both business and the public sector.

How the Scheme proposes to achieve this proportionate approach to regulation is detailed throughout this paper.

11. Those indirectly affected by the ACS are:
   - the customers and employees of approved contractors, through the sharing in costs and benefits where these are passed on by contractors;
   - insurers, who will need to consider whether security-related risks are lowered by the use of approved contractors;
   - police forces, which are able to operate their own accreditation schemes under the Police Reform Act by choosing to link these with the SIA’s Scheme. The current thinking of ACPO Crime Prevention Initiatives (CPI) is that they would use ACS as a method for companies to become accredited under ACPO for police family work, although it has yet to be determined whether membership of ACS would be sufficient for accreditation through ACPO CPI. ACPO CPI would only seek additional verification of any matters not already covered by ACS;
   - existing certification bodies and assessors in the industry, in that they will be invited to provide evidence of suitability of companies for SIA approved contractor status;
   - the general public.

\(^4\) Better Regulation Executive - Established in May 2005 within the Cabinet Office. Responsibility for improving the regulatory environment and reducing the burden of regulation on organisations.
Rationale for government intervention

12. The Approved Contractor Scheme aims to, “establish a voluntary system of inspection of providers of security services, under which those which satisfactorily meet the agreed standards may be registered as approved and may advertise themselves as such” (Private Security Industry Act 2001 Explanatory Notes, paragraph 48.)

13. The Scheme will enable the SIA, in accordance with the Act, to enable responsible, trustworthy companies that are considered to present a low risk to public safety, by meeting certain requirements and standards, to deploy staff prior to receiving a licence (section15(3) of the Act.)

14. Without a Scheme, the impact on industry of the roll-out of SIA licensing, currently in progress, is likely to be considerable. Firms would not be able to deploy staff until they had received their licences, and thus would have to pay them to undertake un licensable activities, or risk losing them to jobs in other industries. This could place additional costs on industry because to take individuals onto the payroll without deploying them while their licence applications are in progress would add significantly to staff costs (SIA target licence application processing time is 6 weeks). The possibility of reducing this processing time has been considered but because of essential fixed checks (in particular the Criminal Records Bureau check) is likely to take a minimum of a few weeks. There is therefore a long term structural processing problem to address. The lack of a Scheme could also lead to wages rising for licensed staff because of staff shortages. This will tend to have a greater effect on firms with larger numbers of staff and higher turnover. Firms with few staff and low turnover may be relatively unaffected.

15. Without a Scheme it is unlikely that the ‘lower’ end of the industry will take any action to improve standards. One industry commentator writes: “I believe that if the companies at the lower end of the industry were forced to operate to [a high] standard it would be a much better place for us to work within…. …I don’t believe that a stricter inspection to current British Standards goes far enough. British Standards, however well inspected against, will never address the real weakness of our industry, which is the way certain companies choose to treat their staff.”

5 Estimated 1% of turnover on total industry turnover of £4bn, to provide cover for 10% of staff who leave each year for a total of 6 weeks each.

Public Consultation

16. A number of studies have been commissioned by the SIA to consider the impacts on the private security industry, and include:
   - “The Impact of Licensing and other changes upon the Security Sector” – Professor Martin Gill and Dr. Tony Burns-Howell, June 2003;

A summary of findings is shown in Annex B – Summary of findings of previous research.

17. There have been over 200 formal and informal discussions between the SIA and security contractor representatives across all the relevant industry sectors, other industry bodies, representatives of training organisations, purchasers of security services, academics and insurance companies.

18. During October and November 2004, the SIA held a series of ten workshops with invited industry representatives to define the Criteria and Standards for the Scheme. The people had been made known to the SIA through existing contacts, such as the British Security Industry Association, as having an interest in industry standards. All suitable contacts were used in generating as representative a list of attendees as possible from firms of all sizes. This was followed in March 2005 with workshops involving both purchasers and suppliers of security services to define the minimum standards for entry to the Scheme. The suppliers (those previously involved in generic workshops) and purchasers were invited from a long list of contacts known to the SIA. Consultation was mainly relevant to options 3 and 4 and resulted in the ACS Standard, made available on the SIA’s website.

19. A four-week period of consultation on this proposed ACS Standard closed on 7th February 2005 and a summary of responses was made available on the SIA’s web site.

Options

20. The broad options for the setting of standards within the Scheme presented in the Partial RIA were:
   - Do Nothing (i.e. no Scheme);
   - Scheme with no standards set;
   - Scheme using existing industry standards;
   - Scheme with new standards (building on existing).
Option 1: The Do Nothing Option

Description of Scheme
21. This option would effectively continue the current system of self-regulation with no additional government intervention. Licensing would be enforced by law across all Manned Guarding sectors from 20 March 2006. Door Supervision (from April 2005) and Vehicle Immobilising (from May 2005) is already licensable by law.

22. The effects of the Do Nothing Option include:
   • Possible additional costs of up to £20m-£40m per annum in wages across the industry, or £180 per employee that equates to around 1% of turnover on average\(^7\);
   • Firms would not be able to deploy staff while unlicensed.

Option 2: The No Standards Scheme

Description of Scheme
23. Firms would apply to the SIA for Approved Contractor status. There would be no assessment of the company’s suitability against any quality standard. The SIA would do no more than carry out certain checks on companies applying including:
   • “fit and proper person” checks on directors;
   • confirming that the total percentage of staff licensed is above a certain level (ultimately 85% minimum from April 2006);
   • confirming that there are no significant concerns or complaints against the firm, for example through intelligence checks.

24. The SIA would also provide Information and Education to the industry to encourage but not enforce improvement in standards.

25. The effects of the No Standards option include:
   • Companies would have the right under the Act to advertise themselves as “approved companies” without having to meet any service delivery standards;
   • There is a risk that clients relax controls because they assume SIA approval means that the contractors operate good practices;
   • There is a risk of confusion among the public who would expect Approved Contractors to meet certain quality standards;

\(^7\) Opportunity cost of paying an employee earning £15,000 to do nothing for 6 weeks while waiting for a licence is £1,730. Total cost of covering for 10% of employees is £173 per employee, or around 1% of turnover for a typical security guarding firm. For the estimated 200,000 licensable employees, total cost to the industry is then £34.6M. Alternatively, given the estimated market size of £2bn to £4bn, total cost to the industry is 1% of turnover or £20 to £40m – a similar result. Actual industry staff turnover is typically 20-50% or more. It is assumed that some staff waiting for a licence to arrive could be deployed on other tasks, but that a residue of 10% could not.
Companies are less likely to maintain existing accreditations as the Scheme represents lower cost and effort. This could lead to a lowering of standards across the industry as a whole in the medium term.

**Option 3: Passporting (prior accreditations)**

**Description of Scheme**
26. This option is the same as option 2 (paragraph 23) with the addition of the requirement to hold one or more of certain specified accreditations. These would include:
- ISO9000:2000 plus specified existing British Standards as below (confirmed by a UKAS accredited assessment body):
- Conformance with British Standards
  - BS7960:2005 – Door Supervisors/stewards
  - BS7858:2004 – Security screening of personnel employed in a security environment
  - BS7499:2002 – Static Site Guarding
  - BS7984:2001 – Keyholding and response services
  - BS7872:2002 – Cash in Transit services
  - BS7958:2005 – Closed Circuit Television (CCTV) management and operation;
  - other British Standards applicable to licensable sectors as they are developed.
- Adherence to approved standards or schemes operated by existing certification bodies.

27. A diagram illustrating the process by which applicants would achieve approval is shown below.

![Diagram showing the approval process using prior accreditations](attachment:figure1.png)

**Figure 1: Approval Process using prior accreditations**
28. Over 300 companies are understood to have ISO9000:2000 accreditation combined with one or more British Standards compared with an estimated 2,500 or more companies in the industry. There are no schemes widely recognised as covering Vehicle Immobilising firms specifically, although a Code of Practice developed by the British Parking Association does exist.

29. Under this option, any existing or future certification body could submit its scheme (existing or new) to be considered by the SIA for inclusion in the list of approved schemes.

30. The SIA would require each scheme to be assessed against a common Standard to achieve consistency across multiple accreditations.

Benefits
31. The benefits of the Passporting option include:
   - Companies could deploy staff waiting for a licence, avoiding additional salary costs, which equates to a net benefit of between approximately 0.1% and 0.9% of turnover (see table below), depending upon whether the company already possesses a qualifying accreditation or not;
   - For companies that already have approved accreditations there would be minimal regulatory intervention in how they operate;
   - Companies without an existing accreditation will be encouraged to achieve one thereby improving standards (particularly relating to customer service) across the industry;
   - An estimate of the benefits to two example firms is shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>£500,000 turnover firm (25 staff) with no existing accreditation</th>
<th>£5,000,000 turnover firm (250 staff) with ISO9000 and British Standards accreditation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation cost</td>
<td>£2,000</td>
<td>minimal</td>
</tr>
<tr>
<td>Additional inspection fees</td>
<td>£1,500</td>
<td>minimal</td>
</tr>
<tr>
<td>SIA application fee</td>
<td>£800 (3 years)</td>
<td>£2,400 (3 years) i.e. £800 p.a.</td>
</tr>
<tr>
<td>SIA annual fee</td>
<td>£500 p.a.</td>
<td>£5000 p.a.</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>£4,267 p.a.</strong></td>
<td><strong>£5,800 p.a.</strong></td>
</tr>
<tr>
<td>Estimated benefit at 1% of turnover</td>
<td>£5,000 p.a.</td>
<td>£50,000 p.a.</td>
</tr>
<tr>
<td><strong>Net benefit</strong></td>
<td><strong>£733 p.a.</strong></td>
<td><strong>£44,200 p.a.</strong></td>
</tr>
</tbody>
</table>

or 0.15% of turnover or 0.88% of turnover

Costs and Risks
32. The costs and risks of the Passporting option include:
   - Companies that do not have the approved accreditations already (an estimated 1,500 to 2,000) could be faced with significant financial and logistical hurdles to achieve approval;
• It would take most companies three to six months simply to gain one of the approved accreditations, prior to applying for Approved Contractor status with the SIA, which would take a further period of weeks. This would mean that these companies could not take advantage of the licensing dispensation until some months after the time when licensing for most security sectors becomes enforceable by law on 20 March 2006. This would commercially disadvantage these (typically smaller) companies;
• The standard of assessors would not be under the influence of the SIA and therefore there is a risk of variably applied standards;
• It could be more difficult for the SIA to impose sanctions on firms, including removal from the Scheme, as these existing standards are outside of its influence. The Scheme could be “toothless” without additional controls and effort.

Option 4: Self Assessment against ACS Standard

Description of Scheme
33. This option is the same as Option 2 (paragraph 23) with a self-assessment approach verified by independent assessment in order to achieve approved status.
• This option would build upon and cross-reference to existing standards including ISO9000:2000, relevant British Standards, Investors In People and ISO14001 within an EFQM\(^8\)-style framework;
• It would provide a Self Assessment Workbook with guidance notes for users;
• It would allow companies with certain existing accreditations (as Option 3) to “fast track” into the Scheme without needing to wait for an independent assessment;
• Companies would have a choice of assessment organisations from the SIA-approved list (which would be open to all certification bodies to apply to);
• The scheme would use existing UK (or international) assessment organisations (UKAS-approved) to conduct assessments, therefore using existing infrastructure and expertise.

34. A diagram illustrating the process by which applicants would achieve approval is shown below.

\(^8\) European Foundation for Quality Management, a widely used quality system that uses the EFQM Business Excellence Model®
Benefits

35. The option has the following benefits:

- Companies could deploy staff waiting for a licence, avoiding additional salary costs, which equates to a net benefit of between approximately 0.6% and 0.9% of turnover (see table below), depending upon whether the company already possesses a qualifying accreditation or not;
- There is the potential for a flexible approach to enable one Standard to apply to all sizes and types of firms;
- Competition between assessing bodies helps keep down costs;
- Existing accreditations are recognised by allowing fast-tracking to approval;
- This option could reduce the overall cost of voluntary regulation because firms with several accreditations would be able to reduce the number to which they subscribe from three or four to one;
- This option would bring the maximum number of firms under voluntary regulation and adherence to standards, improving working conditions for employees and reducing risks to public safety;
- This option provides an environment for closer working with the police to help reduce crime;
- An estimate of the benefits to two example firms is shown in the table below:
£500,000 turnover firm (25 staff) with no existing accreditation

| Cost of completing Workbook (opportunity cost) | £200 (half day) | £400 (one day) |
| Additional inspection fees | £1,000 | minimal |
| SIA application fee | £800 (3 years) | £2,400 (3 years) |
| i.e. £267 p.a. | i.e. £800 p.a. |
| SIA annual fee | £500 p.a. | £5,000 p.a. |
| **Total costs** | **£1,967 p.a.** | **£6,200 p.a.** |
| Estimated benefit at 1% of turnover | £5,000 p.a. | £50,000 p.a. |
| **Net benefit** | **£3,033 p.a.** or 0.61% of turnover | **£43,800 p.a.** or 0.88% of turnover |

**Risks**

36. The risks associated with this option are:

- Firms without any existing accreditations would need to be assessed before receiving approval, with the whole approval process likely to take a few months (compared to a few weeks for Fast Track approval). This means that these firms might not be able to take advantage of the licensing dispensation at the time licensing becomes enforceable by law on 20 March 2006 for most security sectors;
- The quality of assessing bodies might not be consistent, leading to a lowering of standards and complaints.

**Recommendation: Combination of Options 3 and 4**

37. The majority of responses to consultation expressed a preference for either options 3 or 4. It is therefore proposed to offer companies both **routes towards approval** under the Approved Contractor Scheme. Firms that already have an existing accreditation will be able to use that accreditation towards approval, depending upon its scope. Firms that do not have an existing accreditation will have the choice of going with an established scheme or the SIA-provided self-assessment workbook approach. Market forces will be a key driver determining the long term shape of the Scheme.

38. The SIA would carry out certain eligibility checks on companies applying including:

- “fit and proper person” checks on directors;
- Assessing the company’s approach to operating within a compulsory licensing environment with reference to:
the total percentage of staff licensed, which should be at least 85% from June 2006 (i.e. at most 15% are in the process of being trained and applying for licences);

• the company’s record-keeping in relation to employees, training plans and licence applications;

• the proportion of licence applications returned as incomplete;

• the proportion of licence applications rejected on criminality grounds;

• that there are no significant concerns or complaints against the firm, for example through intelligence checks;

• that any prior accreditations provided have the appropriate scope for the application and have been awarded by a recognised and trusted body (e.g. UKAS-accredited);

• that the Self Assessment Workbook (if applicable) has been completed properly with justification provided for the self assessment.

Information provided at the time of application would be made available to the assessing body for verification. This will include director information and the status of employee licensing.

39. The above information gathering has a dual purpose. One purpose is to reject applications from unsuitable firms to avoid wasting time and cost in assessments. The second is to enable an assessment of risk to target the assessing bodies towards certain areas. An assessment of low risk will enable the SIA to direct that a ‘lighter touch’ assessment be carried out. Conversely, a higher risk assessment will lead to a fuller examination of relevant areas of concern.

Standards required for approval

40. Through consultation there were many different views expressed on the standards that should be required for Approved Contractor status. Some took the view that ISO9000:2000 and British Standards were sufficient. Others, including purchasers and ACPO representatives, argued that additional standards were needed to manage the risks to public safety (associated with licence dispensation) and to raise standards across the industry generally. For example, the submission from ACPO stated, “a security contractor unable to demonstrate clearly an organisational commitment to social responsibility would be unlikely to command an assumed level of confidence…”10 Some (e.g. NEC Group and others) were concerned that ISO9000:2000 was unnecessary, bureaucratic, expensive and not in line with reducing regulation. Some of these views are

9 The requirement that a minimum of 85% of staff should be licensed at all times was arrived at by a process of consultation and analysis including examination of typical staff turnover rates. The rate is considered sufficiently high to encourage firms to apply for licences for 100% of their staff in readiness for 20 March 2006, allowing for failure rates, turnover, errors, etc. It is also low enough to give firms the flexibility to, for example, take on a new outsourcing contract representing 15% of their turnover, without falling below the required standard. Until June 2006 transitional arrangements are in place for each licensable sector, details of which are on the SIA’s web site.

diametrically opposed to each other and therefore it is not possible to accept them all.

41. The recommendation seeks to address better regulation principles and manage the risks to public safety, i.e.:
- ISO9000:2000 will not be required but can be used as evidence to show adherence to certain requirements;
- The relevant British Standards will be used to define the minimum requirement for approval (where relevant to scope), for which there is virtually universal support;
- A small number of additional standards must be met to demonstrate ability to manage the wider public safety risks associated with deploying staff that have not yet received a licence.

Organisations with existing standards should be able to “passport” through a proportion of the full ACS requirements. The diagram opposite is illustrative only and not to scale. It shows that the ACS Standard takes elements from existing standards but that no single existing standard already addresses all requirements.

Guarding firms with ISO9000 and British Standards (BS7858 and BS7499) should have addressed at least two thirds of the indicators in the ACS Standard. The remainder – up to 30 – are drawn from other existing standards and examples of good practice. None of the indicators are genuinely new to the industry.

42. The rationale for this recommendation is as follows.

- **Through consultation.** A wide variety of stakeholders consulted have expressed concern at the suggestion that firms complying only with ISO9000 and British Standards be given approval and dispensation to deploy staff prior to receiving a licence. These groups include:
  - Purchasers of security services
  - Contractors
  - Assessing Bodies
  - Police (ACPO)

Those groups consulted would accept the idea only on certain strict conditions, i.e.:
- Potential approved contractors must have been inspected against ISO9000 and British Standards by a UKAS body;
- They must have confirmed their adherence to appropriate good practice (via the Self Assessment Workbook or otherwise);
o An assessment visit must have been scheduled to take place within a limited period of time;
o Any concerns (via intelligence) about a firm must have been investigated prior to approval;
o Non-adherence to the requirements must result in removal from the Register of Approved Contractors.

- **Original purpose of the standards.** ISO9000:2000 was designed to assure purchasers of the ability to meet customer requirements rather than to address the needs of any other stakeholders such as the general public, the police, employees, or the local community.

  While ISO9000 provides useful reassurance for purchasers buying from Approved Contractors it is not sufficient for the wider objectives of the Scheme, including allowing the deployment of unlicensed staff.

- **Building trust.** Certain elements in the ACS Standard not covered by ISO9000 and British Standards – around one third of the indicators – are designed to help build trust in the organisation to be given the dispensation. The criteria relating to leadership, corporate social responsibility, and people management play a crucial role in building trust. An organisation that was not willing to recognise its wider responsibilities will be considered unsuitable for licence dispensation.

- **Risk to public safety.** To fail to take account of the wider public safety issues when there is an opportunity to do so could be considered negligent.

43. The recommendation builds on option 2 (paragraph 23) with the addition of the requirement to demonstrate adherence to certain standards. There are three broad routes to accreditation.

**Route 1. Self Assessment Workbook approach**

44. Organisations that do not have existing standards may choose to use the ACS Self Assessment Workbook to show their adherence. A draft Self Assessment Workbook was made available during the consultation period for reference. As a result of consultation and feedback received from small and large firms, the Workbook has been simplified and adapted for use with the Scheme as follows:

- To incorporate only the **essential elements** of existing standards required to give assurance of quality to purchasers and reassurance that public safety is not put at unacceptable risk. This reduces the burden on businesses compared with requiring full adherence to methods imposed by existing standards;
- Reduction in the number of indicators;
- Reduction in the number of different levels of achievement on some indicators, for simplicity;
• Clearer and easier cross-referencing to existing British Standards (and ISO9000:2000).

45. The Self Assessment is followed up by a verification visit from one of the assessing bodies approved by the SIA to confirm that the standards are being met satisfactorily.

**Route 2. Fast Track (partial Passporting)**

46. Organisations that adhere to the following standards will be able to “Fast Track” through the corresponding standards of the Scheme. To address the items not covered their existing standards, they can “top up” their accreditations to the full set of requirements by completing part of the Self Assessment workbook referred to above:

- ISO9000:2000 (confirmed by a UKAS accredited assessment body);
- British Standards relevant to the sector(s) for which approval is sought:
  - BS7960:2005 – Door Supervisors/stewards
  - BS7858:2004 – Security screening of personnel employed in a security environment
  - BS7499:2002 – Static Site Guarding
  - BS7984:2001 – Keyholding and response services
  - BS7872:2002 – Cash in Transit services
  - BS7958:2005 – Closed Circuit Television (CCTV) management and operation
  - Other British Standards applicable to licensable sectors as they are developed.

47. An additional benefit for organisations under Route 2 that have been inspected against ISO9000:2000 and British Standards is that they can “Fast Track” into the Scheme without an inspection for ACS. Any additional standards not covered by their existing accreditation can be combined with their next scheduled ISO9000:2000 inspection as convenient.

**Route 3. Approved Accreditations (Passporting)**

48. Any organisation that has an accreditation via a scheme approved by the SIA as meeting the equivalent standard to the other routes to approval can also be “passported” through to approval. This is subject to meeting the same eligibility criteria mentioned above.

49. Any existing or future certification body may submit its scheme to be considered by the SIA for inclusion in the list of approved schemes. The SIA will assess every scheme against a common Standard to achieve consistency across multiple accreditations. Consideration of potential schemes forms part of the implementation plan covered in **Annex C: Implementation and Delivery Plan**.
50. Existing schemes that may contribute to at least some of the required standards for the Approved Contractor Scheme include:

- Investors in People;
- Investors In Excellence (based on EFQM – the European Foundation for Quality Management);
- ISO14001 (Environmental Management);
- NSI Gold and Silver.

Summary of Recommendations

51. There is some additional central cost and complexity associated with this solution, but it reduces the impact of some of the risks of both Options 3 and 4 and brings additional benefits to individual firms by enabling them to choose their preferred route to regulation. This solution offers greater benefits and fewer risks (if not costs) than any of the four main options in the Partial RIA.

52. A choice of routes to approval under ACS is offered to accommodate the wide ranging requirements of the industry, as below:

| Route | Description of route | Prior accreditation(s) required | Applicant completes ACS Workbook? | ACS approval given?
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Standard ACS workbook</td>
<td>None</td>
<td>Yes</td>
<td>After inspection</td>
</tr>
<tr>
<td>2</td>
<td>Fast Track (partial passporting)</td>
<td>ISO9000 &amp; British Standards from a UKAS body</td>
<td>Yes, but main focus is on the elements not already covered by prior accreditation</td>
<td>Immediate approval</td>
</tr>
<tr>
<td>3</td>
<td>Passporting (approved accreditations)</td>
<td>Any SIA-approved scheme from a certification body</td>
<td>No, unless there are gaps</td>
<td>After inspection</td>
</tr>
</tbody>
</table>

Benefits

53. Benefits include:

- Firms can choose an approval route that is most appropriate to their situation. Most respondents to the RIA should find an acceptable option;
- Companies can deploy staff waiting for a licence, avoiding additional salary costs equating to a net benefit of up to 0.9% of turnover (see examples in table overleaf);
- Companies with prior accreditations have a Fast Track route to approval and can advertise themselves as “approved companies”;
- The risks to public safety of providing large numbers of firms with a licensing dispensation are managed to an acceptable level;
- This option makes extensive use of existing standards in line with better regulation principles;
- Four or more existing accreditations could be replaced with just one: the new ACS Standard could reduce the cost of voluntary regulation because it provides firms with an opportunity to replace several existing
accreditations (ISO9000, British Standards, LiP, ISO14001, etc) with just one, more than achieving the “one in, one out” better regulation principle;

- The risk of a “log jam” prior to 20 March 2006 caused by demand for assessor resources is reduced by allowing all companies with certain prior accreditations (at least 300) to schedule their next assessments for later in the year;

- Companies without an existing accreditation have incentives to achieve one thereby improving standards generally across the industry;

- Opportunities for Approved Contractors to expand into new markets would be possible because the Scheme provides new clients with assurance of good standards;

- The insurance industry might introduce more favourable terms for Approved Contractors or their clients;

- All industry sectors could be approved under this option including Vehicle Immobilisers for whom there is no British Standard at present;

- There would be natural competition between routes of accreditation and assessing bodies so that costs will be kept down and the most economically advantageous routes will be in greatest demand;

- The Scheme could enable measurement of improvements in service delivery (albeit against a framework of multiple standards;)

- There is the potential for a flexible approach to enable one Standard to apply to all sizes and types of firms.

- An estimate of the benefits to two example firms is shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>£500,000 turnover (25 staff) firm with no existing accreditation</th>
<th>£5,000,000 turnover (250 staff) firm with ISO9000 and British Standards accreditation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of completing</td>
<td>£200 (half day)</td>
<td>£400 (1 day[11])</td>
</tr>
<tr>
<td>Workbook (opportunity cost)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional inspection fees</td>
<td>£1,000</td>
<td>minimal</td>
</tr>
<tr>
<td>SIA application fee</td>
<td>£800 (3 years) i.e. £267 p.a.</td>
<td>£2,400 (3 years) i.e. £800 p.a.</td>
</tr>
<tr>
<td>SIA annual fee</td>
<td>£500 p.a.</td>
<td>£5,000 p.a.</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>£1,967 p.a.</strong></td>
<td><strong>£6,200 p.a.</strong></td>
</tr>
<tr>
<td>Estimated benefit at 1% of turnover</td>
<td>£5,000 p.a.</td>
<td>£50,000 p.a.</td>
</tr>
<tr>
<td><strong>Net benefit</strong></td>
<td><strong>£3,033 p.a.</strong> i.e. 0.61% of turnover</td>
<td><strong>£43,800 p.a.</strong> i.e. 0.88% of turnover</td>
</tr>
</tbody>
</table>

Costs and Risks

\[11\] Assumes a firm meeting existing standards will have majority of evidence readily to hand.
54. The costs and risks could include:

- Maintaining a wide range of accreditation routes risks adding slightly to central SIA costs in running the scheme (e.g. application form design);
- Communicating and advising on accreditation routes is more complex and firms could be confused by the array of choices;
- Maintaining (recognition of) consistency of standards across the options will be an on-going challenge;
- Firms that do not have an existing accreditation will have very little time to achieve ‘approved’ status before 20 March 2006 when licensing for most security sectors becomes enforceable by law. This could commercially disadvantage these (typically smaller) companies;
- The standard of some of the assessors would not be under the direct influence of the SIA and therefore there is a risk of variably applied standards;
- Companies with existing prior accreditations would not require assessment prior to approval, because this would be delayed under the Fast Track mechanism. This means that some firms with poor practices might achieve approved status until they are inspected;
- The net benefit to some companies may be less than that estimated in the table above if they need to make substantial improvements to their operations in order to meet ACS requirements.

Impact on the entire industry

55. A significant cost to the industry is that of inspections by independent external bodies (not the SIA.) There is a variety of guidance provided on the inspection time required for different schemes. Note that these are indicative only; full guidance is available from the relevant accreditation organisation.

<table>
<thead>
<tr>
<th>Size of firm by employees</th>
<th>UKAS guidance on ISO9000 inspections</th>
<th>IiP guidance</th>
<th>SIA guidance on ACS Self Assessment verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 - 20</td>
<td>2-3 days</td>
<td>1-2 days</td>
<td>1-2 days</td>
</tr>
<tr>
<td>21 - 50</td>
<td>4 days</td>
<td>2-3 days</td>
<td>2-4 days</td>
</tr>
<tr>
<td>51 - 100</td>
<td>5-7 days</td>
<td>2-4 days</td>
<td>3-6 days</td>
</tr>
<tr>
<td>101 - 500</td>
<td>8-10 days</td>
<td>2-7 days</td>
<td>4-8 days</td>
</tr>
<tr>
<td>501 - 1000</td>
<td>11-13 days</td>
<td>2-8 days</td>
<td>5-10 days</td>
</tr>
<tr>
<td>1001 - 2000</td>
<td>14-15 days</td>
<td>3-11 days</td>
<td>6-12 days</td>
</tr>
<tr>
<td>2001 - 5000</td>
<td>16-19 days</td>
<td>3-13 days</td>
<td>7-14 days</td>
</tr>
<tr>
<td>5001 +</td>
<td>20+ days</td>
<td>4-15 days</td>
<td>8-16 days</td>
</tr>
</tbody>
</table>

56. Key points of note from the above table are:

- The IiP (Investors in People) guidance can result in a low level of inspections for non-complex organisations. The scope of IiP is quite small compared to ISO9000:2000 and the ACS Self Assessment workbook.
• ISO9000:2000 inspections require significant amounts of inspection time because there is fairly wide scope and the assessor must check compliance with documented procedures, which takes time;

• Although the scope of the ACS Self Assessment verification is broadest of all, the inspection time is lower than ISO9000 because the assessment approach is different. As per EFQM and Investors In Excellence principles, verification is achieved through on-site interviews with customers, staff and others;

Consultation with assessing bodies and pilot assessments suggests that the guidance on the ACS verification is reasonable.

57. Firms that need to maintain their existing ISO9000:2000 accreditation may be able to find an assessor to carry out a combined ISO9000 and ACS assessment within the same time as the ISO9000 inspection, i.e. without adding to the burden of inspections.

58. Firms that have no existing accreditation will typically require around half the inspection time for an ACS Self Assessment verification than for ISO9000:2000 accreditation (assuming single sector, non-complex arrangements.) The cost difference becomes even greater if the preparation of ISO9000:2000 documentation is included. This typically requires external consultancy of at least £1,000 (but some reported through consultation that at least £5,000 is required.)

59. The guidance for assessing bodies on the amount of time required for individual assessments will depend upon the intelligence received and an evaluation of the risk presented by each individual company. This information will be built upon each year so that some firms might find the level of inspections reduce, while others find they increase.

60. The choice of routes towards Approved Contractor status means that organisations can select the option that presents the greatest benefit or least regulatory burden.

61. An analysis of the estimated cost impacts of the options (to the entire industry) is shown in the table below.

<table>
<thead>
<tr>
<th>Option (no. of firms in Scheme)</th>
<th>Cost of assessments</th>
<th>Cost to the entire industry</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do Nothing (no firms)</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>2. No Standards Scheme (800 firms)</td>
<td>£0</td>
<td>£1.2m p.a. possibly reducing over time</td>
<td>£1.2m p.a.</td>
</tr>
<tr>
<td>Option (no. of firms in Scheme)</td>
<td>Cost of assessments</td>
<td>Cost to the entire industry</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------</td>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>3. Existing accreditations (600 firms)</td>
<td>c. £0.45m to £0.6m p.a. (300 firms at £1,500 to £2,000)</td>
<td>£1.35m p.a. c. £0.3m to £0.6m (300 firms at £1,000-2,000)</td>
<td>£2.1m to £2.55m p.a. + costs for 200+ firms of paying unlicensed staff unable to work</td>
</tr>
<tr>
<td>4. New SIA standard (800 firms)</td>
<td>c. £0.65m to £1.0m p.a.</td>
<td>£1.35m p.a. Zero to £250,000</td>
<td>£2.0m to £2.6m p.a.</td>
</tr>
<tr>
<td>Combination of Options 3 and 4 (800 firms)</td>
<td>c. £0.65m to £1.0m p.a.</td>
<td>£1.35m p.a. Zero to £250,000</td>
<td>£2.0m to £2.6m p.a.</td>
</tr>
</tbody>
</table>

62. Option 1 could incur an estimated £20-40m cost across the industry to manage without the dispensation to deploy unlicensed staff.

63. Option 2 “no standards” has the lowest costs. The estimate of £1.2m is based upon the fees payable to the SIA for processing applications and carrying out additional checks as set out above. This total covers SIA staff costs but may reduce over time after the development costs have been fully recovered.

64. For Option 3 (use existing standards), it is assumed that at most 300 firms that do not already possess an approved accreditation would apply for one because of the higher costs of this route. The average cost of preparation is expected to be £1,000 to £2,000 (typical consultancy costs to help prepare for ISO9000:2000 accreditation). The additional cost of assessments is expected to be between £1,500 and £2,000 for those firms that are not already accredited. The fees to the SIA are expected to be £1.35m spread between companies according to the fee structure options set out below to cover the eligibility checks proposed for all options except Option 1.

65. Option 4 is assumed to require a cost of preparation of an average of £500 per firm for 500 firms, but many will not require external assistance. The cost of assessments is expected to be around £800 to £1200 per company for 500 companies. The 300 firms assumed to have existing accreditations might also incur an additional £800 to £1200 per company in inspection costs to accommodate any additional requirements of Option 4 (i.e. around £300,000 across the industry.) The fees payable to the SIA are the same as for Option 3. There is a possibility of grants for small businesses such as to train individuals in improving business practices. Each firm would need to apply for such a grant individually.
66. The SIA fees are the same for Options 3 and 4 because the work to be undertaken (application processing, eligibility checks, quality assurance) is the same. Assessments are outsourced under all options.

67. The recommendation – a combination of Option 3 and 4 – has the same costs as Option 4 because Option 4 already assumed maximum use of existing accreditations.

Fee Structure Proposed

68. In line with advice and guidance from HM Treasury, it is proposed to separate fees into two parts: Pre Approval (the Application Fee) and Post Approval (the Annual Registration Fee.) The application fee is intended to cover the cost of considering applications; whereas the annual registration fee covers the cost of running the Scheme, e.g. SIA overheads, management, administration, compliance work, maintaining standards, systems, website and other operating costs.

69. The proposed fees vary by size of the company as used by the DTI:

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Employees (numbers)</th>
<th>Application Fee</th>
<th>Annual Registration Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>under 10</td>
<td>£400</td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>10 to 25</td>
<td>£800</td>
<td>£20 per licensable</td>
</tr>
<tr>
<td>Medium</td>
<td>26 to 250</td>
<td>£1,600</td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>over 250</td>
<td>£2,400</td>
<td></td>
</tr>
</tbody>
</table>

The approval is granted for a maximum of three years under the Act, following which a renewal application must be submitted. The proposed renewal fees will be reviewed before the first renewals are processed.

70. The recommendation for the Annual Registration Fee is Option c:

Option c: fee is based on the number of employees (licensable). Further analysis of costs and projected income has led to the proposal that for the first year of the Scheme, the rate per employee should be £20, which is the same as the indicative rate per employee in the Partial RIA.

A significant number of consultees preferred this option, although many also suggested option a - relating fees to fixed turnover bands (i.e. all firms with turnover in the same range pay the same fee). Option b – relating fees to a % of turnover (estimated at 0.1% of annual turnover) was least popular. Option c fits HM Treasury guidance more closely than the other options and is therefore recommended for implementation.

---

12 DTI Definition of size of firm
Results of the consultation exercise

71. A summary of the responses to the consultation can be found at Annex D.

72. Most respondents selected either Option 3 or 4, which were fairly evenly selected (45% and 46% respectively). Most of those that selected Option 3 as first choice selected Option 4 as second choice and vice versa. Few respondents (6%) selected Option 2 (no standards) and only 2% selected Option 1 (do nothing) as their first choice.

73. Overall the responses show that the vast majority of respondents want a scheme that has comprehensive and exacting standards. Some respondents gave the reason for their choice as “higher standards” for both Options 3 and 4. As there was no information available about the standard to be required under Option 4, some respondents believed this would be set low and therefore selected Option 3 as their preferred choice.

74. There is clearly wide support for the maintenance and improvement of standards and for effective regulation.

Use of Subcontractors

75. After the first year of the Scheme’s operation, the annual review of the Scheme should consider whether all subcontractors used by Approved Contractors should themselves be Approved Contractors. Otherwise companies could use unapproved subcontractors while implying to clients that the contracts are being run under the Scheme. The reason that this restriction is not proposed for the first year is to avoid preventing firms from using their existing subcontractors simply because the subcontractors are in the process of applying for Approved Contractor status.

Equity, Fairness and Race Equality

76. There are no recommendations under any of the options that are believed to discriminate between any particular groups, whether by geographical region, age, race, religion, disability or gender. On the contrary, a Scheme should make it easier for companies to employ people with more complex licence applications by enabling firms to deploy staff whose licence applications are pending, even if those licence applications take longer than average. Companies might otherwise be deterred from employing such people without the Scheme.

77. Companies wishing to join the Scheme will also be asked to demonstrate commitment to promoting diversity. Awareness of the race and diversity regulations will be a minimum requirement of the Scheme. The Scheme may help provide a forum for firms to share common issues and find solutions to address these.
Consultation with small business: the Small Firms’ Impact Test

78. As the ACS is a voluntary scheme, small firms are not obliged to join or to incur the costs of joining.

79. The SIA carried out stage one of a Small Firms Impact Assessment in mid 2004. A large consultation exercise was carried out on the impact of the Scheme, involving over 200 firms of all sizes. It suggested that there is significant interest in the ACS, but that the cost of joining could deter small to medium sized firms. One of a series of small firms focus groups was held in June 2005 to look at the impact of the proposed Scheme on smaller firms. It is not expected that small firms will be unfairly disadvantaged.

80. Since the Partial RIA was issued, the proposed ‘entry-level’ charge for applying to the Scheme has been lowered to £400 for firms of 10 or fewer staff, as a result of analysis into the likely cost of processing.

81. A separate consultation exercise on the draft ACS Standard, in January/February 2005, produced the feedback that some were concerned that any standards-based scheme (i.e. Options 3 or 4) might be too onerous for small firms to join. Under the recommended combination of Option 3 and Option 4 these concerns are addressed as follows:
   • Not making ISO9000:2000 accreditation a pre-requisite of the Scheme as this could add to costs and complexity for some firms;
   • Providing specific guidance for assessors on dealing with smaller firms appropriately;
   • Piloting the Scheme with smaller firms from a variety of sectors to ensure the Scheme is workable for all sizes of firm;
   • Providing worked examples of documents and procedures from other firms that do meet the Standard as templates for smaller firms to work from (Information and Education);
   • While applying the same standard to all firms, allowing smaller firms the opportunity of justifying a simpler approach than might be expected of a large firm, where appropriate.

82. The SIA has consulted with the Small Business Service of the Department for Trade and Industry at key stages, addressing a number of concerns and issues raised about the nature of the emerging Scheme. Under the recommendation it is believed that the impact on small firms is not significantly different to larger firms.
Competition Assessment

83. The Competition Filter test recommended by the Cabinet Office indicates that there is no significant effect on competition in security services as a result of this measure under the recommendations. There is some advantage in the short term to those firms with existing accreditations, which is reflective of the investment these firms have made in standards.

84. In the short term, the Scheme will enable purchasers of security services to differentiate between those in the Scheme and those outside. If certain purchasers decide to buy only from Approved Contractors, non-approved contractors could lose business. Companies will have a commercial decision to make whether to invest in standards and apply to become approved.

85. Under the recommendation, the effect on Assessment or Inspection organisations is expected to be:
   • To create additional demand for assessments in an open marketplace. The opportunity for other assessors to enter the marketplace would remain open;
   • To create a competitive market to keep costs down without additional intervention.

Option 2 would have reduced significantly the demand for assessments and inspections because firms would not require these to achieve approved contractor status. Option 1 might have had no effect.

Enforcement and Sanctions

86. Under the Private Security Industry Act it is a criminal offence to claim to be an Approved Contractor if this is not the case. The SIA will aim to use partner agencies where appropriate to pursue those committing offences and will have the power and resources to pursue prosecutions itself.

87. A critical element of the Scheme (as required by the Act) is conformance with standards and the law. Most of the work to achieve this will be carried out by existing assessment bodies and by partner organisations (e.g. police). Most external certifications and accreditations require annual inspections on a sample of sites and individuals. The assessments against the ACS Self Assessment Workbook are expected to require between one and eight days for single-sector organisations without any existing accreditation, which is somewhat lower than that required for a typical ISO9000:2000 inspection.

88. Much of the feedback received through the RIA process and otherwise was around the need to ensure consistency between organisations. There will therefore be a small team of quality assurance managers deployed by the SIA, who will also respond to complaints and carry out a programme of assessments to provide assurance that risks are being managed acceptably. Evidence of non-conformance will be dealt with according to a
standard process, which will involve using existing assessing or certification bodies (where feasible) to issue non-conformance notices giving companies or individuals a specific time to respond.

89. Dependent upon the assessment of risk, the SIA may require fewer or more inspections. Approved Contractors will be expected to comply with any additional inspection requirements to maintain the Scheme’s overall integrity.

90. The sanctions that might be applied by the SIA to Approved Contractors are:
   • requiring firms to be subjected to and to pay for additional inspections;
   • removal of the ability to deploy staff whose licence applications are pending (under section 4.4 of the Private Security Industry Act);
   • removing the authority to use the ACS logo on stationery, uniforms, vehicles, and elsewhere and the authority to describe the firm as an Approved Contractor;
   • withdrawal of services that may be provided to approved contractors, such as access to information services;
   • removal from the SIA register of Approved Contractors and from the Scheme altogether.

91. In the event that SIA-approved assessors fail to meet the required standards of assessment, sanctions that might be applied by the SIA are:
   • requiring assessors to be re-accredited (by UKAS) to carry out inspections;
   • withdrawing SIA approval for assessors to carry out certain types of inspections or for certain companies;
   • removing assessors from the SIA approved assessor list. For someone whose business is mainly in carrying out assessments for the SIA this would have a major impact;
   • removing external accreditations from the list of SIA-approved accreditations for “passporting”.

92. These sanctions should be sufficiently robust to ensure compliance as long as sufficient resources are available. Some of the compliance activity might be sub-contracted by the SIA to accredited assessors if necessary.

How the Policy will be monitored after implementation

93. The SIA will continually monitor take-up of the Scheme as this directly affects the Scheme’s income. This will be part of the normal monthly management meeting.

94. The effectiveness of the Scheme and the standards being applied will be reviewed annually. Any proposed changes to ACS Standards will be submitted to the Secretary of State for agreement.
95. It is proposed to establish a “User Group” of Approved companies who will provide feedback on the operation of the Scheme. There will also be project reviews at key stages to monitor how well the Scheme is achieving its objectives.

96. Existing industry bodies will continue to represent their members’ interests to the SIA. The SIA will welcome and take account of these views.

**Economic Benefits**

97. Benefits to approved companies include:
   - Reduced cost equivalent to up to 0.9% of turnover through dispensation to deploy staff waiting for a licence;
   - Being included on more Invitations to Tender and winning more contracts as a result of Approved status;
   - Retaining business with existing customers as a result of ACS accreditation;
   - Inclusion on the public Register of Approved Contractors;
   - Possible insurance discounts to Approved Contractors and their clients if it can be demonstrated that the risk of loss or the number of claims is lower;
   - Reduced risk of unsuccessful insurance claims due to greater compliance with good practice and the law.

**Benefits: Environmental and Social**

98. The Scheme will achieve social benefits through giving people the opportunity to work before they have received a licence when otherwise firms might not be prepared to take them on. The Scheme could also require firms to raise standards across the whole industry to address specific issues.

99. The Scheme is expected to help increase the public trust and confidence in the private security industry by improving the professionalism of and opportunities for all who work in the industry.

100. A further SIA aim is to strengthen the extended police family by encouraging and supporting further engagement of the private security industry. The ACPO response to the Partial RIA states:

   “Part of the SIA’s mission is around the reduction of crime and disorder and the promotion of community safety and we feel it would be possible to achieve significant gains in this area from the security industry if the scheme is implemented.”

101. The Scheme could be a key contributor in helping the police to tackle crime and disorder and reducing the fear of crime.
102. The Scheme could improve working conditions for employees by specifying minimum standards that all employers must reach. In the longer term, there is the potential that more people can see the security industry as a valid career choice rather than a stop-gap job. A carefully targeted scheme could increase job satisfaction and ultimately reduce the long-hours culture prevalent in the industry, improving quality of life generally for employees. This would be indicated by a reduction in average turnover levels in the industry.

103. Better management practices might help reduce labour turnover, thus demonstrating an increasing level of security felt by employees.

104. Proposals to change the Working Time Directive are currently being discussed in Europe. The situation will be monitored for impact on the Scheme.

**Costs: Environmental and Social**

105. No specific environmental impact is expected for the foreseeable future for any of the options considered.

106. No additional social costs are anticipated as a result of the implementation of the Scheme.

107. It is not expected that the Scheme will result in a lack of availability of personnel because it allows more timely and flexible recruitment of staff. If businesses choose not to join the Scheme and ultimately fail because customers insist on ACS accreditation, then it is expected that licensed staff will join other companies that are ACS-approved. The social impact is therefore expected to be small.
Option 1: The Do Nothing Option

Description of Scheme
1. This option would effectively continue the current system of self-regulation with no additional government intervention. Licensing would be enforced by law across all Manned Guarding sectors from 20 March 2006. Door Supervision (from April 2005) and Vehicle Immobilising (from May 2005) is already licensable by law.

2. Workarounds that firms might find include:
   - Some clients might seek to move security services in-house to avoid the costs of licensing;
   - Some security firms might choose to provide the security management team through a contract, managing the client’s in-house front-line staff;
   - Security firms that also offer unlicensed services might deploy staff on those activities until the licence arrives;
   - Some firms might be tempted to deploy unlicensed staff illegally. However, as well as the risk of prosecution, clients will come to realise that they are not covered by insurance and decide this is not a risk worth taking.

Benefits of Option
- Ensuring all staff have licences before employment starts could have public safety benefits by reducing the risk that undesirable individuals are deployed in security roles for the typical six-week period between application and receipt of a licence;
- Wage rates could rise by as much as 25-50% (based upon the experience of the roll-out of Door Supervisor licensing) leading to improvements in the standard of living for those employed in the security industry and the status of the profession generally;
- Companies would not have to pay for a Scheme costing £1.35m per annum

Risks/Costs of Option
- Customer service and public safety might be compromised as people and property cannot be made secure due to non-availability of licensed staff.
- Staff turnover might increase caused by ‘poaching’ of licensed staff.
- Possible additional costs of up to £20m-£40m in wages across the industry, or £180 per employee that equates to around 1% of turnover on average (see overleaf).
- Customers would have to pay for the increased wages in an increased costs of service;
- The end consumers of would incur increased costs of general goods and services as a result of increases in the cost of services
- The development and research costs incurred to date (up to £1.5m) would cause a deficit in public finances in the 2005/6 financial year
Benefits of Option

- More security firms might go out of business.
- Some companies may be tempted to risk deploying unlicensed staff in order to fulfil contractual obligations or to avoid losing contracts. This could present greater risks to public safety.

Risks/Costs of Option

Calculation of cost – Benefit of Approved status
3. The Approved Contractor Scheme will provide the opportunity for firms to receive special dispensation to deploy staff with licence applications pending. The benefit of this dispensation is calculated as at least £180 per employee (around 1% of turnover) to a typical organisation. A number of organisations have undertaken their own estimates of the cost of remaining outside the scheme, confirming this analysis.

4. The benefit arises because of the way a firm would have to operate outside of the Scheme. One approach is to maintain a “off duty bench” of employees not currently deployed on contracts. If a firm experiences 10% staff turnover (relatively low) and pays replacement staff while they apply for licences, this will cost

\[
10\% \times £15,000 \times (6 \text{ weeks out of 52}) = £173 \text{ per employee}
\]

Assumptions
- Turnover of staff is 10% (typical turnover can be 20-50% or more);
- These 10% of new staff recruited do not already have valid PSIA licences. If new recruits already possess licences, there is no additional cost;
- This 10% of staff cannot be deployed on any other useful revenue generating activity;
- Basic salary is £15,000;
- No on-costs are included in the salary figure (which could therefore slightly understate the total cost);
- SIA processing time for a licence is 6 weeks;
- With Approved status, a firm would be able to deploy the member of staff at the start of that 6 week waiting time period on revenue-generating activity.

5. For most firms, except those that are very small or that have low turnover of staff, there will be a net financial benefit associated with Approved status.

---

13 Typical current basic salary for a security guard.
14 Except where specified, all industry data, including employee numbers and annual turnover, are based on SIA research.
Additional benefit calculation: gross profit

6. This benefit can be considered to be in addition to the benefit of cost avoidance calculated above.

7. An Approved company is able to take on new contracts that a non-approved company will not be in a position to do. Firms typically might gain one month’s notice of the beginning of a new contract, which is insufficient time to recruit, train and gain licences for new staff. However, Approved companies should be able to respond within this time.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average gross profit:</td>
<td>14%</td>
</tr>
<tr>
<td>Salary</td>
<td>£15,000</td>
</tr>
<tr>
<td>Staff turnover:</td>
<td>10%</td>
</tr>
<tr>
<td>Weeks waiting for licence</td>
<td>6</td>
</tr>
</tbody>
</table>

**Additional benefit per employee:** £24 per annum
Annex B – Summary of findings of previous research

“The Impact of Licensing and other changes upon the Security Sector” June 2003
Perpetuity Research & Consultancy International (PRCI) Ltd, 6 Salisbury Road, Leicester, LE1 7QR.

The following are selected statements from the Executive Summary:

“There are some bleak findings. Standards across the industry are low. The initial five-year vet is not well performed. Ten year vetting is not always carried out fully, some argue that it will become unnecessary as a basic requirement with a Criminal Record Bureau search, though that is hardly a justification for not having complied with British Standards in the past. Moreover, in the future given changes of the labour pool by the inclusion of more immigrant workers, vetting difficulties may actually increase. The impact of enforcing even quite basic standards – specifically for vetting – will be a big step-up for many companies and not just small ones.”

“Some staff do not receive any Management training or do not complete even minimum requirements.”

“Management training and the practice of effective management of staff and contracts were poor across most sub sectors. There was also some sporadic evidence that managers prevented accurate descriptions of operational and other problems from passing up the line to senior executives. These two factors have considerable implications for the ability to make better use of more highly vetted, trained and potentially motivated staff that will exist once licensing has been introduced. There are equally important implications for the ability of many companies to deal with the diverse drivers of change that are currently impacting upon the Sector.”

“Many felt that the Approved Contractor Scheme would, if rigorous in its standards, provide a key mechanism for improving performance in the industry, for many this is more important than the licensing of individual officers. There was widespread agreement too that a key determining factor in whether the regulation is effective or not is the quality and scale of the enforcement regime. Experience abroad shows weak enforcement undermines the good intentions of regulators.”
Awareness & costs
Most of those respondents aware of the SIA’s proposed accreditation scheme were inclined to join, providing it offered a reasonable balance of benefits and costs. Many respondents indicated that the SIA would be the preferred choice of accreditation provider, given that it is a government-backed organisation and that they would prefer to join the SIA scheme, rather than the alternatives, assuming the overall propositions of the schemes were similar. Almost three quarters (72%) of respondents said that they were ‘very likely’ to seek to become an Approved Contractor with the SIA.

However, the industry is being negatively affected by additional costs due to the introduction of licensing, and the consequent requirement for additional training, and is not at all keen to add further costs into their overall business structures. Indeed the issue of costs, and the fact that the industry is very price oriented, was very apparent and companies are going to be very sensitive to any further additional costs.

The results of the pricing element of the survey were a little disappointing, but maybe predictable, in that most respondents opted for the cheapest option for both the application fee and annual membership fee. Where a respondent specified amounts they would be prepared to pay, these were always very low.

A few respondents indicated that as the scheme is government backed then the government should fund it rather than demanding fees from an already hard-pressed industry...

The sectors’ responses were generally very similar, and the following illustrates the key benefits that security companies would be looking for as part of any scheme:

Benefits of the scheme mentioned by security firms
Must have: staff training, favourable insurance terms for security company, ability to use ACS/SIA logo on corporate literature/vehicle livery, publicly available Member database, SIA Advertising & PR Campaign to end users – to influence buyers and open up markets, Should have: favourable insurance terms for the security company’s customers, guidance from assessors on improving internal processes.
**Would like:** access to a help line for urgent queries such as legal, taxation, employment, health & safety, access to research and information, including market trends.

A number of other benefits were also quoted, including assistance with employee criminal checks prior to job offer; fast communication with members i.e. answers to queries on email; concessions on bulk licensing; support from the police in prosecutions; rapid and visible enforcement against false claims; and lists of preferred suppliers for materials and services.

**Features mentioned by end customers**

The key factors expected by the end user were as follows:

- Some element of time and therefore cost saving in being able to trust the SIA Scheme - time and effort saved vetting suppliers and staff.
- Peace of mind and confidence that the company will offer a reasonable degree of service quality: professionalism, high standards and levels of training.
- High quality of staff, including appearance, training, competence, attitudes, standards and good rates of pay to attract such personnel. Lower staff turnover.
- Excellent customer focus– with the security provider having a distinct interest in achieving the aims of the end user. Excellent customer interface, liaison between security provider and end-user, pro-active suggestions and good feedback on end user security processes and issues.
- Evidence that the company is financially sound and fiscally stable.
- Ability to offer advice to the end user on all relevant legislation and other matters relating to the security industry.
- In addition, the end user would ideally expect that the SIA would effectively offer a back up service in the event of problems with an accredited company, and would ensure ongoing maintenance of the scheme such that the accreditation could be trusted. This would probably mean the SIA would need to ensure that there would be sanctions for security providers who under-perform as well as marketing and communications to the end users to reinforce the fact that the accreditation is valid.
Annex C: Implementation and Delivery Plan

1) The **delivery objectives and outcomes** for the implementation mirror those for the Scheme itself detailed under **Purpose and Intended Effect of Measure**. Specific implementation objectives are:
   - To ensure all firms have the information necessary to select the most appropriate route to approval;
   - To enable as many firms as possible, meeting the appropriate standards, to deploy staff waiting for a licence, by the end of March 2006 in readiness for the enforcement of licensing.

2) **Success criteria** are that:
   - Firms representing at least £1 billion of turnover are approved within six months of the Scheme's launch.
   - At least two firms with turnover under £500,000 are approved within six months of the launch of the Scheme;
   - The approval process can take as little as two weeks for firms with prior accreditations and no problematic circumstances;
   - Some firms are refused approval, or approval is put on hold pending action to be taken by those firms, indicating that standards are not easy to achieve;
   - A variety of routes to approval are selected by different firms, indicating that it is appropriate to offer alternative approval routes;
   - There is a choice of assessing bodies for firms to use;
   - Firms can generally find an assessing body with availability to begin an inspection within a reasonable time (e.g. three months of the initial enquiry).

3) Consultation will take place with all those affected, including:
   - Security firms;
   - Assessing bodies;
   - Other government departments including the Small Business Service, the Office of Fair Trading;
   - Police forces;
   - Local authorities.
4) Key milestones are:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Activities</th>
<th>Timing</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme definition</td>
<td>• Ministerial approval</td>
<td>Start</td>
<td>Ministerial approval</td>
</tr>
<tr>
<td></td>
<td>• Create application form &amp; pack</td>
<td>Month 1</td>
<td></td>
</tr>
<tr>
<td>Preparation</td>
<td>• Write statutory instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Write contracts for assessing bodies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Invite applications for “approved accreditations”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Complete systems development &amp; testing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>• Issue “how to get approved” brochure</td>
<td>Months 1-2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Publish names of assessing bodies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open for Business</td>
<td>• Process applications</td>
<td>Months 1-3 on</td>
<td>Receive first applications</td>
</tr>
<tr>
<td></td>
<td>• Issue approvals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheme set in statute</td>
<td>• Statutory Instruments laid before parliament 21 days</td>
<td>Month 2-3</td>
<td>Issue first approvals</td>
</tr>
<tr>
<td>ACS Accreditation</td>
<td>• Submit application for registration of the ACS scheme by UKAS</td>
<td>To be reviewed</td>
<td>UKAS accreditation for ACS</td>
</tr>
<tr>
<td>Post approvals</td>
<td>• Process appeals</td>
<td>Month 4 on</td>
<td>Approved Contractor names on SIA website</td>
</tr>
<tr>
<td></td>
<td>• Programme of conformance checks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post implementation review changes</td>
<td>• Publish approved accreditations</td>
<td>On-going, as new accreditations are approved.</td>
<td>New list of approved accreditations is available</td>
</tr>
<tr>
<td>Preparing for Year 2</td>
<td>• Advise changes to sub contracting rules</td>
<td>Month 10</td>
<td>New fees</td>
</tr>
<tr>
<td></td>
<td>• Advise changes in fees if any</td>
<td></td>
<td>Any changes to Scheme announced</td>
</tr>
<tr>
<td>Year 2</td>
<td>• Process re-registration applications</td>
<td>Month 12 on</td>
<td>First annual re-registrations are issued</td>
</tr>
</tbody>
</table>
5) The main risks to the implementation are:

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Impact</th>
<th>Mitigation</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tasks delayed or completed late</td>
<td>Fewer firms achieve approved contractor status before 20 March 2006</td>
<td>Ministerial decision as soon as possible. Early communication. Draft in additional resources</td>
<td>Home Office / SIA joint</td>
</tr>
<tr>
<td>High volume of demand for applications causes delays in processing</td>
<td>As above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessing bodies do not reach the required standard in time</td>
<td>Non Fast Track firms cannot get approved (does not immediately affect Fast Track firms)</td>
<td>Aim to have several assessing bodies prepared.</td>
<td>SIA</td>
</tr>
<tr>
<td>Challenge to process (e.g. Judicial Review) causes delay</td>
<td>Minimal effect on implementation resources</td>
<td>Ensure proper procedures and documentation followed at all times.</td>
<td>Home Office / SIA joint</td>
</tr>
<tr>
<td>Statutory Instruments are not approved by Parliament</td>
<td>Approvals cannot be granted.</td>
<td>Discuss with Minister to resolve</td>
<td>Home Office</td>
</tr>
</tbody>
</table>

Other low level risks are managed through standard procedures within the normal project environment.

6) The main resources involved in the implementation are from the Security Industry Authority, Home Office and the selected external assessing bodies. Home Office resources are required to ensure the approvals are in place to enable the Scheme to launch and that the necessary statutory instruments are prepared and implemented. SIA resources will ensure the systems and processes are in place and that communications have been carried out to all interested parties. The assessing bodies will need to ensure their staff are trained and have been quality-assessed by the SIA prior to being made available for live assessments.

7) The SIA project team and other resources are in place. The latest forecast cost of the implementation is now £1.5m compared with an original budget of £2.2m so resources are well under control. Operational costs are forecast to remain the same as earlier estimates. Overall, the effect is to reduce the annual cost of the Scheme since issue of the Partial RIA document by around £250,000 to £1.35m per annum.

8) The other people affected by the implementation are the potential applicants. They will be advised on the full range of options open to them and how to prepare and apply should they wish to do so. See the Communications section below.
9) Compliance will be checked along the lines discussed earlier under the sections ‘How the Policy will be monitored after implementation’ (and ‘Enforcement and Sanctions’ (paragraphs 86 – 92). Non conformance with the workbook or selected items from the workbook will be checked by SIA staff or the assessing bodies. Non conformance with external accreditations is a matter for the awarding body. The SIA would be concerned to check that all of the approved external accreditations were applied consistently, using risk-based intelligence-led techniques.

10) Further checks will be made against the eligibility criteria. Many of these will be made by existing SIA staff and enforcement partners (police, local authorities) who will provide information on the compliance of firms with licensing and any abuses of the licence dispensation.

11) The sanctions to be employed are those listed in the Partial RIA, for which there has been general support.

Communications Strategy

12) Communications objectives are:
- To ensure those interested, in particular potential applicants, are aware of the Scheme;
- To provide potential applicants with information on routes to accreditation to enable them to select the most appropriate route for their circumstances;
- To achieve the maximum choice of routes to accreditation that meet the required standards;
- To publicise the fact that the Scheme remains open to new accreditations, new assessing bodies and to invite interest from appropriate organisations;
- To ensure assessing bodies are ready to respond to requests for assessment and are able to give consistent information about the assessment process;
- To set expectations appropriately about the length of the approval processes, particularly in the event of a rush of applications prior to 20 March 2006.

13) The key elements of the communications plan are included already in the milestones plan shown in paragraph 4).

14) Communications methods to be employed will include:
- direct mail and email to the 1600+ organisations that have expressed an interest in the Scheme;
- advertising in trade journals and magazines;
- publicity on the SIA web site and other relevant web sites (such as BSIA, UKAS, Business Links, etc.)
Implementation Period and other matters

15) Certain groups will be disproportionately affected by these proposals. Organisations without existing accreditations could be at a significant disadvantage in achieving approved status by 20 March 2006 compared to those that have accreditations.

16) The implementation period is effectively unlimited. The Scheme is voluntary and so there is no time limit by which time firms have to comply with the proposed regulations. A twelve month timetable has been developed for full implementation of the Scheme. After this time the Scheme will be subject to annual review.

17) Advice from the Better Regulation Unit of the Home Office is that a Common Commencement Date is not necessary or appropriate for this Scheme as it is a long-term business planning initiative (proposals were announced to business a year in advance) and predate the arrangements for Common Commencement Dates.
Annex D: Summary and Analysis of ACS Consultation Responses

1) The following summarises the responses and comments relating to the six key questions on the consultation on the Regulatory Impact Assessment (RIA) on the Approved Contractor Scheme (ACS). The graph attached summarises responses to a further 15 key questions. The consultation period lasted 12 weeks. The questionnaire comprised 27 questions. 2302 questionnaires were issued and 141 responses were received. Ten stakeholders opted to respond with a letter rather than using the standard form, and their views have been included in the analysis as far as possible.

2) **Question 2: Which of the options do you feel would be the most appropriate way for the SIA to fulfil its responsibilities under the Act?**

(First choices)

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 1 (do nothing)</td>
<td>2%</td>
</tr>
<tr>
<td>Option 2 (no standards scheme)</td>
<td>6%</td>
</tr>
<tr>
<td>Option 3 (existing industry standards)</td>
<td>45%</td>
</tr>
<tr>
<td>Option 4 (new ACS standard)</td>
<td>46%</td>
</tr>
<tr>
<td>Option 3/4 hybrid</td>
<td>1%</td>
</tr>
</tbody>
</table>

3) **Option 1** is supported by three respondents (2%), including UKAS and the Association of British Insurers. They believe that the current system of self-regulation is of a high standard.

4) **Option 2** is supported by eight respondents (6%). The Better Regulation Task Force did not express a preference for any option, although their comments indicate that this would be their preferred option as it is the least regulatory.

5) Other comments from those preferring this option include:
   - There are already enough regulatory bodies;
   - While a quality system is essential, lack of ACS membership could disadvantage companies and their clients in developing new work;
   - This option would be fairer for smaller companies.

6) **Option 3** is supported by 61 respondents (45%), including the DTI and the National Security Inspectorate (NSI). The NSI conducted a survey of its members and the broad view was that existing standards should be used as the basis for further development. The NSI is also critical of Option 4, viewing it as an unjustifiably high risk solution.

7) The International Professional Security Association (IPSA) believes that a monitored and developed Option 3 could achieve the objective of bringing more companies under inspection and up to standard without driving firms out of business, and that this option best addresses the needs of small businesses. They also see this option as having the best fee structure.
8) The Cash and Valuables in Transit (CVIT) section of Group 4 Securicor also prefers this option, believing that the CVIT sector is already successfully self-regulated, and that a change in the ACS standard would inappropriately increase the burden of regulation on this sector.

9) Chubb Security Personnel Ltd believe this option to be a fairer system, providing more consistency.

10) **Option 4** is supported by 63 respondents (46%), including the British Security Industry Association (BSIA) and ACPO, who see it as a potential passport into their own accreditation scheme. They see it as a real sanction for non-compliant organisations, together with a clear incentive for compliance, whilst still retaining some reservations about this option concerning the areas of standards, consistency of inspection regime, access to ACS and sanctions.

11) Group 4 Securicor supports this option if coupled with a fast track approach mechanism. They believe Option 4 would be the most beneficial approach in order to improve standards across the industry, but that attainment of the criteria of the scheme needs to be evidenced with relevant existing British Standards.

12) The BSIA believes that this option provides reassurance about a company’s ethos and integrity.

13) The Security Watchdog feels that Option 4 is the best way to improve on a weak inspection system, indicating the current standards are inadequate and poorly policed.

14) UKAS has concerns that the ACS standard under Option 4 appears to be very broad and general, and that it may unintentionally reduce standards.

15) Other comments from those preferring this option include:
   - Option 4 should be the minimum standard, and more should be done to increase standards even further in the future
   - The workbook would make the process easier and less bureaucratic

16) **Option 3/4 hybrid** was suggested by the SIA and was not included in the partial RIA issued for consultation. One respondent specifically mentioned it, but a number of respondents, including the NSI and ACPO, suggested that elements of Options 3 and 4 should be combined to produce similar hybrid options. Some respondents mentioned that they did not see the need for organisations to meet all of the additional standards in Option 4 if they already had accreditation under Option 3.

17) **Question 1: Which schemes or accreditations do you feel should allow ‘passporting’ or fast-tracking into the ACS without a further independent assessment?** (respondents could select more than one option)
ISO9000:2000: 26%
ISO9000:2000 plus relevant British Standards: 78%
Relevant British Standards alone: 13%
Other: 8%

18) Comments
- The total quality systems laid down by ISO provide adequate external auditing to allow for passporting into the ACS;
- ISO standards tend to allow firms to rest on their laurels;
- UKAS standards are also relevant.

19) Other suggested options include:
- The relevant British Standard plus a relevant and verifiable track record in the industry;
- ISO9000 plus another “one of the better inspection regimes” e.g. IPSA, Investors in People and the National Security Inspectorate.

20) Question 4: If the costs are fixed, which of the fee structure options do you feel would be the most reasonable way to share out the costs of the scheme between all potential approved contractors?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>By turnover band</td>
<td>38.7%</td>
</tr>
<tr>
<td>By percentage of turnover</td>
<td>17.7%</td>
</tr>
<tr>
<td>By number of licensable employees</td>
<td>43.5%</td>
</tr>
</tbody>
</table>

21) Comments
- Costs of the scheme should be kept to a minimum;
- The rates proposed in the RIA are excessive;
- The key benefit of the ACS is the ability to deploy staff prior to the issue of licenses, therefore the cost of the scheme should be directly related to levels of licensable employees;
- A multi-faceted service company would be unfairly penalised unless the turnover criterion were related solely to security operations.

22) Some respondents favoured none of the options on the grounds that payment is already required for ISO9000 and the licensing of relevant employees.

23) Question 15: Are there any areas you feel are missing from the list of nine ACS criteria and standards? Question 16: Are there any you feel are unnecessary?

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q15:</td>
<td>Yes</td>
<td>21%</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>Q16:</td>
<td>Yes</td>
<td>21%</td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>76%</td>
</tr>
</tbody>
</table>

24) Comments
Areas missing from the list of nine ACS criteria and standards include:
• Past company performance (without discriminating against new companies)
• Performance management
• Public liability insurance
• Audit
• ISO9000
• British Standards
• Communication
• Professional training and competence

25) Areas of the nine ACS criteria and standards deemed unnecessary include:
• Leadership (difficult to quantify)
• Corporate responsibility (potential disagreement over definition of ‘responsibility’)
• Financial management (detracts from ACS’s stated aim of raising standards)

26) Question 21: Do you agree with the proposal that firms should demonstrate compliance with legal licensing requirements to be considered for ACS accreditation? Do you have any comments on the proposed percentages by month (85% from April 2006) and by sector (too high/too low)?

Yes 90%
No 10%

27) Comments
• Eleven respondents considered the 85% to be too high and proposed a range of other percentages, down to 50%. Eleven considered it to be about right and five considered it too low;
• Of those considering it too high, key concerns are turnaround time for the SIA to process applications; disruption caused to the industry by the move into a regulated environment; the proposed timescale to March 2006;
• Of those considering it too low, the key concern is the possible dilution of standards.
<table>
<thead>
<tr>
<th>Question</th>
<th>% Yes</th>
<th>% No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q5: If fees are per employee, should the SIA charge per employee hour to take account of part-time staff?</td>
<td>59</td>
<td>41</td>
</tr>
<tr>
<td>Q6: Should firms be able to deduct the costs of sub-contractors in calculating turnover for Fee Structure Options 1&amp;2?</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>Q7a: Approved Contractors should only sub-contract work to other Approved Contractors</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>Q7b: This restriction should be relaxed for the first year of the scheme to allow all sub-contractors time to apply for ACS</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>Q8: Some of the proposals discriminate against particular groups</td>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>Q9: These proposals have given sufficient consideration to the needs of smaller firms</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>Q11: The sanctions mentioned are sufficient to ensure compliance</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Q12: The sanctions mentioned for assessing bodies are sufficient to ensure standards are maintained</td>
<td>83</td>
<td>17</td>
</tr>
<tr>
<td>Q13a: We would welcome the establishment of a User Group to agree future developments</td>
<td>87</td>
<td>13</td>
</tr>
<tr>
<td>Q13b: We would join the User Group, were one to be established</td>
<td>84</td>
<td>16</td>
</tr>
<tr>
<td>Q14: We support the communication of the benefits of the Scheme to potential purchasers of security services</td>
<td>3</td>
<td>97</td>
</tr>
<tr>
<td>Q17: There should be unannounced spot checks at operational sites to ensure compliance with standards</td>
<td>81</td>
<td>19</td>
</tr>
<tr>
<td>Q18: Minimum standards should be raised over time, meaning that firms who do not improve could be removed from the Scheme</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Q19: Firms with existing accreditations under Options 3 &amp; 4 should be allowed to become Approved without waiting for an inspection, assuming they meet the other Q21: Firms should demonstrate compliance with legal licensing requirements to be considered for ACS accreditation</td>
<td>88</td>
<td>12</td>
</tr>
<tr>
<td>Q21: Firms should demonstrate compliance with legal licensing requirements to be considered for ACS accreditation</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Q24: Companies should be allowed to select and negotiate their own assessment organisations for ACS accreditation</td>
<td>84</td>
<td>16</td>
</tr>
<tr>
<td>Q25: If companies select and pay for assessments for accreditation, does this provide sufficient assurance that the assessment will be independent?</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Q26: If you represent a potential ACS applicant firm, would you want the SIA to request and publish standard daily rates or prices from assessors?</td>
<td>74</td>
<td>26</td>
</tr>
<tr>
<td>Q28. If you represent a potential assessor, would you see any difficulties or constraints in providing standard daily rates or prices if asked to do so? (Option 4)</td>
<td>5</td>
<td>95</td>
</tr>
</tbody>
</table>
## Annex E - Proposed changes in light of Better Regulation

1) The following gives a summary of the key changes made to the proposals in the Full RIA since the Partial RIA was issued for consultation.

<table>
<thead>
<tr>
<th>Paragraph reference(s)</th>
<th>Description of change</th>
<th>Impact/effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>37 and following; 53</td>
<td>Choice</td>
<td>Firms can choose route that minimises the regulatory burden for their situation.</td>
</tr>
<tr>
<td>55 - 59</td>
<td>Reduced inspections</td>
<td>Could reduce the quantity of inspections by 50% compared with a typical ISO9000 inspection regime because the assessment approach is different, avoiding detailed compliance checking.</td>
</tr>
<tr>
<td>48 - 50</td>
<td>Greater recognition of existing accreditations</td>
<td>Most firms should see no increase in the total quantity of inspections required where existing accreditations are held – unless the risk assessment dictates otherwise.</td>
</tr>
<tr>
<td>46 - 47</td>
<td>Partial Passporting</td>
<td>Reduced burden of inspections. Simplified application process.</td>
</tr>
<tr>
<td>46 - 47</td>
<td>Fast Tracking</td>
<td>300 or more firms could be approved without inspections (70% of the industry by turnover and 15% by number of firms.)</td>
</tr>
<tr>
<td>11</td>
<td>Link to other schemes</td>
<td>Greater likelihood that companies will achieve accreditation through ACPO automatically or with minimal additional effort through addressing ACPO requirements within ACS Standard</td>
</tr>
<tr>
<td>Paragraph reference(s)</td>
<td>Description of change</td>
<td>Impact/effect</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>35, 53</td>
<td><strong>Reduced burden of voluntary regulation</strong>&lt;br&gt;The number of accreditations companies need to maintain could reduce from as many as four to just one. (Existing standards ISO9000:2000, selected British Standards, Investors in People, ISO14001 could ultimately be replaced by one ACS Standard.)</td>
<td>Reduced burden of voluntary regulation; Lower entry level price to voluntary regulation for smaller and start-up companies</td>
</tr>
<tr>
<td>39, 59</td>
<td><strong>Risk-based approach to verification</strong>&lt;br&gt;Information gathered at the time of application is used to focus attention on the areas of greatest risk.</td>
<td>Reduced quantity of investigations required. Lower cost and therefore speed of approvals. (Proposed entry-level application fee is reduced by 50% to £500 covering 3 years of approval.)</td>
</tr>
<tr>
<td>86 - 96</td>
<td><strong>Monitoring, Enforcement and Sanctions</strong>&lt;br&gt;Clarification that most of the monitoring will be undertaken by existing bodies and individuals overseen by a small team at the SIA to ensure consistency.</td>
<td>Balance achieved between consistency and minimising costs and impact of monitoring.</td>
</tr>
</tbody>
</table>
UPDATED REGULATORY IMPACT ASSESSMENT TO REFLECT NEW LICENCE APPLICATION FEE AND CHARGES

March 2007

1. Regulations to implement the Private Security Industry Act 2001 in respect of Door Supervisors and Vehicle Immobilisers

2. Regulations to implement the Private Security Industry Act 2001 in respect of Manned Guards and Keyholders

Security Industry Section
Crime Reduction and Community Safety Group
Home Office
4th floor
Peel Building
Marsham Street
London SW1P 4DF
MISSION, VISION AND AIMS

Mission

To help protect society by collaboratively developing and achieving high standards in the private security industry.

Vision

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

Aims\textsuperscript{15}

1. Enhanced protection of the public through increased public trust and confidence in the private security industry by reducing criminality, setting and maintaining standards of probity, and improving the professionalism of all who work in the industry.

2. Businesses in the private security industry improving their standards through the creation of a framework for developing, promoting and spreading best practice.

3. A private security industry centre of knowledge and expertise enabled, which supports and encourages effective industry development and investment.

4. A strengthened extended police family by encouraging and supporting further engagement of the private security industry.

5. Recognition, by all our stakeholders, of the SIA as a model of good practice.

In pursuing these aims the authority will continue to work in partnership with the industry and its customers, the police and the public.

\textsuperscript{15} We adjusted our vision and aims in March 2005 to ensure that our purpose and approach reflects stakeholder needs and the changing environment in which we function. The mission and direction remain unchanged.
EXECUTIVE SUMMARY

One of the functions of the SIA is to license specific sectors of the private security industry. The SIA intend to increase the licence application fee from £190 to £245 on 6 April 2007. The purpose of this RIA is to transparently show the case for the licence application fee increase and to show the impact of the fee increase on the private security industry and on the objectives of the licensing scheme.

The SIA is required to be self-funding through charging for the services it provides. An increase of the licence application fee is needed because income from licensing has been less than expected owing to less than predicted numbers requiring a licence. This stems from unavailable or unreliable base data in 2002/03, and from changes taking place across various industry sectors.

Further options of:
1. increasing the size of the licensable base (and therefore increasing income) and,
2. reducing the licence duration,
were considered and rejected as inappropriate (see paragraphs 4.17 – 4.21).

The fee has been calculated by dividing the predicted expenditure over the financial years 2007/08 and 2008/09 by the number of licence applications expected during the same period. This includes an element of ‘churn’, that is new entrants and leavers to the licensable private security industry. The SIA considered both current and future churn across the industry in identifying the licence fee increase (see paragraph 4.15 – 4.16 for details). The forecast churn rate has been set at 24% for Door Supervisors, and 20% for other manned guarding sectors. The SIA is confident that forecast numbers are accurate within a range of 10%.

From 2009/10 it is intended that the SIA will achieve cost recovery on an annual basis and the fee will be reviewed each year in line with Treasury guidelines.

It is believed that the increased licence application fee will not impact on the achievement of the objectives of licensing.

A risk remains that the increased fee will have a negative impact on the implementation of licensing including initial licence take up in Scotland, however it is believed that the launch of the Approved Contractor Scheme in April 2007 will help mitigate this risk.

The fee increase will be implemented on 6 April 2007. Any application received by the SIA before 00.01am on 6 April 2007 will be charged £190, all after £245. Licence renewal applications can be made up to four months in advance of licence expiration and, if received by the SIA before 6 April 2007, will be processed at the current fee of £190.

The fee increase proposed in this RIA is conditional upon the making of a section 102 Order under the Finance (No 2) Act 1987, followed by the appropriate negative regulations under the Private Security Industry Act 2001, to come into force by 6 April 2007.
1. BACKGROUND

1.1 The Private Security Industry Act 2001 (the Act) provided for the creation of the Security Industry Authority (SIA) as a Non-Departmental Public Body. The SIA was created in April 2003 by Order of the Secretary of State.

1.2 The SIA’s main tasks are to license individuals in specific security sectors who meet specified criteria and to approve security companies which meet agreed standards. The organisation was created in 2003 and has been formed from scratch since then, including:
   - Development, design and implementation of the licensing criteria and systems.
   - Creation of compliance and investigation teams.
   - Introduction of the voluntary Approved Contractor Scheme.

Around 270,000 individuals have achieved the SIA licence qualifications, 160,000 licences have so far been granted and 260 companies approved.

1.3 SIA set up and development in 2003/04 was funded by the Home Office. It is intended that the organisation is financed through income generated from regulatory activities in line with rules set out by Central Government. The current, and original, licence application fee is £190 and was set in 2003.

1.4 The following RIAs are updated by this document:

1.5 The first two documents were issued for consultation and set out options for licensing and included questions on the nature of criminality and competency criteria. The documents also included cost benefit analysis and basic modelling. This RIA updates the cost/benefit analysis, using the best available evidence, to consider the ongoing costs of regulation and to examine the impact of the intended increase to the licence application fee.

1.6 The private security industry, across its volume sectors, is traditionally an industry with high labour needs, high staff turnover and relatively low wages. Self regulation and the market alone did not work to maintain standards and it was decided that Government intervention was needed. There were also concerns over pockets of criminality posing a risk to public safety. The SIA’s strategic direction states that the introduction of the regulation is a catalyst to stimulate productive and

---

16 October 2006
18 See http://www.the-sia.org.uk/home/about_sia/publications/publications_ria.htm
long overdue change within the industry – enabling the industry to raise standards and consequently become equipped to contribute to increased public safety and the crime reduction agenda (as a component of the extended police family).

1.7 The objectives of the SIA licensing scheme are thus to:
- Remove from the private security industry those who seek to use their position to pursue criminal activities.
- Raise standards and competence and professionalism in the industry.
- Increase public confidence in the industry.
- Provide recognition for companies and individuals who do operate to high standards and who have invested in training and selective recruitment.

The figure below shows SIA measures of achievement in very broad terms:

**Figure 1: SIA Measures of achievement**

<table>
<thead>
<tr>
<th>Measures of achievement</th>
<th>Outputs</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals with SIA licences – basic competency and fit and proper person checks</td>
<td>Less criminality in industry</td>
<td>Improved security business/financial performance</td>
</tr>
<tr>
<td>Approved contactor scheme – meeting quality standards throughout business</td>
<td>Confidence in licence holders with qualifications</td>
<td>Respect for industry</td>
</tr>
<tr>
<td>Compliance targets met</td>
<td>Better employment practices</td>
<td>Less crime</td>
</tr>
<tr>
<td></td>
<td>Staff turn over in industry reduced</td>
<td>Improved public safety</td>
</tr>
<tr>
<td></td>
<td>More police contacts with private security industry</td>
<td>Reduced public spending: health care and police</td>
</tr>
<tr>
<td></td>
<td>Better supplier/purchaser relationships</td>
<td></td>
</tr>
</tbody>
</table>

1.8 Licensing was commenced in England and Wales on the following dates:

**Figure 2: Dates of introduction of SIA licensing**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Open for Business</th>
<th>Offence date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door Supervisor (Justices on licence)</td>
<td>1 March 2004 (first region)</td>
<td>11 April 2005 (regional roll out completed)</td>
</tr>
<tr>
<td>Door Supervisor (Events)</td>
<td>March 2005</td>
<td>12 September 2005</td>
</tr>
<tr>
<td>Vehicle Immobilisers (one year duration)</td>
<td>1 November 2004</td>
<td>3 May 2005&lt;sup&gt;19&lt;/sup&gt;</td>
</tr>
<tr>
<td>Security Guard</td>
<td>10 January 2005</td>
<td>20 March 2006</td>
</tr>
<tr>
<td>Cash and Valuables in Transit</td>
<td>10 January 2005</td>
<td>20 March 2006</td>
</tr>
<tr>
<td>Public Space Surveillance (CCTV)</td>
<td>27 June 2005</td>
<td>20 March 2006</td>
</tr>
<tr>
<td>Close Protection</td>
<td>1 September 2005</td>
<td>20 March 2006</td>
</tr>
</tbody>
</table>

<sup>19</sup> Delayed from 28<sup>th</sup> February
1.9 It is planned to commence in Scotland the regulation of all manned guarding and keyholder sectors currently regulated in England and Wales during 2007. Precognition Agents will also be regulated in Scotland over future years.

1.10 There has been no increase of the licence application fee since the introduction of licensing.

2. PROPOSAL

2.1 It is intended that the SIA licence application fee will be increased from £190 to £245 on 6 April 2007.

3. THIS RIA AND GOOD REGULATION

3.1 The SIA is committed to the Government’s principles of good regulation. The organisation aims to be:
- Proportionate by intervening with regulation only where justified.
- Accountable by reaching decisions in a logical and open manner.
- Consistent by working with partners in the delivery of shared initiatives and policies.
- Transparent by consulting on our policies, services and strategies and by ensuring people know what to expect from us.
- Targeted by focussing our resources on tackling issues and problem solving.

3.2 The objectives of this RIA are to:

i) Transparently show the case for the SIA licence application fee increase.

ii) Show the impact of the licence fee increase in the context of the overall costs of regulation.

3.3 The scope of this impact assessment and fee increase is the SIA’s current and agreed planned remit: England, Wales and Scotland.

Business sectors affected

3.4 The business sectors affected are those currently regulated by the SIA (listed below). The licence is granted to the individual conducting designated activities, usually under a contract for services.

Manned Guarding sectors:
- Door Supervisor (includes those employed ‘in-house’)
- Close Protection
- Cash and Valuables in Transit
- Public Space Surveillance (CCTV)
- Security Guard

Keyholders
Vehicle Immobilisers (England and Wales) (includes those employed ‘in-house’)

It is likely that the fee increase would impact on any future sector regulated by the SIA, including Precognition Officers (Scotland only) and private investigators.

3.5 Since the commencement of regulation, certain groups are now not subject to SIA licensing:

- A decision has recently been made by Ministers to remove some in-house security staff at certain sports grounds from the scope of licensing.
- The SIA has also published an exemption framework, which sets out how groups regulated under ‘suitable alternative arrangements’ can gain exemption from licensing. This has led to certain aviation security personnel being exempted.

4. ANALYSIS: WHY IS A FEE INCREASE NEEDED?

Licence fee level (principles of cost recovery)

4.1 The aim of the licence application fee increase is so that the SIA can be self-financing. This is in line with Government policy to encourage efficiency in ‘arms-length’ bodies. It is deemed not appropriate to use public funds to subsidise regulation of an industry or to use regulation to raise taxation.

4.2 The SIA licence application fee was originally set at the level believed necessary to meet the expected full cost of running the SIA. The fee is currently £190 including the charges to obtain the appropriate criminal record disclosure and all licence processing costs. The remainder of the licence fee is spent on the costs of enforcing the licence regime via a team of investigators and central intelligence function, infrastructure, development, legal and marketing costs (see figure 3 below).

**Figure 3: Where does the licence fee go?**

---

20 Detailed information on the scope of the Act is available on the SIA website: www.the-sia.org.uk.

21 See: http://www.the-sia.org.uk/home/licensing/exemption/
4.3 The SIA also recovers revenue from the Approved Contractor Scheme and from specific project/development funding e.g. to set up regulation in Scotland. This revenue contributes to infrastructure costs but does not cross-subsidise ongoing licensing costs.

4.4 Income and specific costs for sub sectors e.g. the close protection sector are not accounted for separately and cost recovery is not obtained on this basis.

Financial self-sufficiency

4.5 The SIA’s financial self-sufficiency is reliant upon three fundamental factors:

• The size of the security market.
• The revenue that can be generated from regulatory activities.
• The cost base (fixed and variable).

SIA cost management

4.6 The SIA operate a continual business planning process and via this manages its costs to achieve optimum levels of productivity and the most effective use of resources.

4.7 In early 2006 the SIA introduced its second service, the Approved Contractor Scheme (ACS). The introduction of this service has allowed unit costs for licensing to be reduced by sharing overheads over the two services, previously completely recovered from the licence fee.

4.8 The SIA is continually seeking to improve value for money and customer service improvements. In particular the licensing system is being streamlined and modified.

Why an increase in licence fee is needed: SIA income

4.9 The licence fee was agreed in 2003 based on the income estimated from licence applications at that time (figure 4, below, sets out the licensable population for the period 2004 – 2007, as estimated in 2003). The business case and therefore fee calculations were based on the best available data of licensable numbers. However, the risk attached to the unreliable data and the response of the private security industry to a regulated environment was fully recognised by the SIA and the Home office.

22Figure 4: Estimations of licensable population (2003)23

<table>
<thead>
<tr>
<th>Sector</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door Supervisors</td>
<td>102,064</td>
<td>22,800</td>
<td>22,800</td>
</tr>
<tr>
<td>Vehicle Immobilisers</td>
<td>1,272</td>
<td>288</td>
<td>288</td>
</tr>
<tr>
<td>Other Manned Guards</td>
<td>31,920</td>
<td>114,876</td>
<td>30,000</td>
</tr>
<tr>
<td>Key holders</td>
<td>23</td>
<td>93</td>
<td>24</td>
</tr>
<tr>
<td>Private Investigators</td>
<td>0</td>
<td>0</td>
<td>12,300</td>
</tr>
<tr>
<td>Security Consultants</td>
<td>0</td>
<td>0</td>
<td>1,230</td>
</tr>
</tbody>
</table>

22 Figures shown are inclusive of churn rate.
23 Ref – Corporate Plan 2003
4.10 The industry was previously unregulated and ill defined. There were also considerable difficulties in predicting the pace of implementation, the response of the industry to regulation and the impact of licensing. In particular the level of industry staff turnover (churn) was expected to reduce creating a reducing licensable population. A significant number of door supervisors were part-time or casual, often employed as part of the ‘informal’ economy.

4.11 Forecast numbers of licence applications and targets have been continuously amended as further information became available. The figure below compares the number of licence applications originally predicted in 2003 with the actual numbers licensed.

Figure 5: Licence applications processed by the SIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Predicted Numbers</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>135,279</td>
<td>24,408</td>
<td>-110,871</td>
</tr>
<tr>
<td>2005/06</td>
<td>138,056</td>
<td>100,541</td>
<td>-37,515</td>
</tr>
<tr>
<td>2006/07</td>
<td>66,642</td>
<td>88,051</td>
<td>21,409</td>
</tr>
<tr>
<td>(latest estimate)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>339,977</td>
<td>213,000</td>
<td>-126,977</td>
</tr>
</tbody>
</table>

4.12 The SIA has been supported financially by the Home Office from Grant in Aid as follows:

Figure 6: Amount of Grant-in-aid received from the Home Office

<table>
<thead>
<tr>
<th>INCOME</th>
<th>2005/6</th>
<th>2004/5</th>
<th>2003/4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence Fees</td>
<td>£18,900,250</td>
<td>£4,637,558</td>
<td>£1,102</td>
</tr>
<tr>
<td>ACS</td>
<td>£207,664</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotland (project cost recovery from Scottish Executive)</td>
<td>£368,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>£74,465</td>
<td>£5,185</td>
<td></td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>£67,035</td>
<td>£41,114</td>
<td>£22,406</td>
</tr>
<tr>
<td>TOTAL SELF GENERATED INCOME</td>
<td>£19,618,311</td>
<td>£4,683,857</td>
<td>£23,508</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>£</th>
<th>£</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Costs</td>
<td>£6,018,245</td>
<td>£5,451,628</td>
<td>£4,324,248</td>
</tr>
<tr>
<td>Accommodation</td>
<td>£971,814</td>
<td>£853,972</td>
<td>£746,034</td>
</tr>
<tr>
<td>Advertising and publicity</td>
<td>£1,207,328</td>
<td>£1,578,565</td>
<td>£1,098,652</td>
</tr>
<tr>
<td>Licensing costs</td>
<td>£10,603,342</td>
<td>£5,381,316</td>
<td>£275,487</td>
</tr>
<tr>
<td>Depreciation</td>
<td>£3,442,349</td>
<td>£2,719,065</td>
<td>£390,161</td>
</tr>
<tr>
<td>Other costs</td>
<td>£431,237</td>
<td>£504,681</td>
<td>£374,357</td>
</tr>
</tbody>
</table>
### TOTAL EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/Deficit (-) before grant</td>
<td>-3,056,004</td>
<td>-11,805,370</td>
<td>-7,185,431</td>
</tr>
<tr>
<td>Grant in Aid</td>
<td>2,500,141</td>
<td>12,512,047</td>
<td>7,479,932</td>
</tr>
<tr>
<td>Net Surplus/ Deficit (-)</td>
<td>-555,863</td>
<td>706,677</td>
<td>294,501</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of grant-in-aid received from the Home Office</th>
<th>Grant-in-aid as a proportion of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>£7,479,932</td>
<td>100%</td>
</tr>
<tr>
<td>2004/05</td>
<td>£12,512,047</td>
<td>73%</td>
</tr>
<tr>
<td>2005/06</td>
<td>£2,500,141</td>
<td>11%</td>
</tr>
</tbody>
</table>

4.13 The table below shows new estimates of licensable population and explanations of why total populations are amended.

#### Figure 7: Reviewed SIA licensable populations by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Estimate of predicted licensable population</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door Supervisors</td>
<td>71,000/46,000</td>
<td>Poor &amp; unreliable original data.</td>
</tr>
<tr>
<td>Sport &amp; Events security</td>
<td>24,000/16,000</td>
<td>Home Office policy decision to remove in house security at certain sports and events venues</td>
</tr>
<tr>
<td>Remaining Manned Guarding Sectors</td>
<td>125,000/120,000</td>
<td>Front line licences annual, original assumption 3 years</td>
</tr>
<tr>
<td>Vehicle Immobilisers</td>
<td>1,200/3,600</td>
<td>Policy decision to defer.</td>
</tr>
<tr>
<td>Private Investigators</td>
<td>10,000/0</td>
<td>Policy decision to defer.</td>
</tr>
<tr>
<td>Security Consultants</td>
<td>1,000/0</td>
<td>Policy decision to defer.</td>
</tr>
<tr>
<td>Keyholding</td>
<td>100/0</td>
<td>Policy decision to defer.</td>
</tr>
<tr>
<td>Scotland</td>
<td>0/15,000</td>
<td>Remit extended to Scotland</td>
</tr>
<tr>
<td>Churn</td>
<td>84,353/36,939</td>
<td>18% pa compared to original 24%</td>
</tr>
<tr>
<td>Total</td>
<td>316,653/237,539</td>
<td></td>
</tr>
</tbody>
</table>

4.14 In addition to the differences of numbers of door supervisors a notable change to the two estimates relate to the regulation of the private investigation sector. The ongoing delay of this work means that potential SIA income is reduced by £2.45million. Significantly, the total licence numbers now include an additional demand for 15,000 licences as a result of the rollout of licensing in Scotland.

4.15 Churn rate is the proportion of licence holders who leave the private security industry each year and the corresponding proportion that enter the industry. The
churn rate is also impacted upon the licence renewal rate, as those who have left the private security industry will not renew their licence. This leads to a slowly decreasing total demand for licences. Figure 7 illustrates the impact of a reduced churn rate from 24% to 18%. 60% of the reduction in predicted licensable population from 2003 – 2006 is accounted for by a reduced churn assumption.

4.16 Beyond the unreliable licensable population data across most sectors, determining verifiable churn rate has been most difficult. Few security businesses accurately monitor churn data and where they do, monitoring does not differentiate between ‘in industry’ churn and individuals joining and leaving the industry.

Options to increase SIA revenue

4.17 Options to increase revenue are to:
   i. Increase size of licensable base, thus develop economies of scale.
   ii. Reduce licence duration to two years.
   iii. Increase licence fee.

4.18 To increase the size of the licensable base there are two approaches: increasing compliance of current sectors and regulating new groups.

i) Increasing size of licensable base

Compliance

4.19 Compliance targets are being met through targeted communications and compliance and investigation activity. Compliance levels currently remain high at over 90% and it is believed current and planned resources will mean that compliance is maintained at around 95% over the years the fee is being calculated. The SIA has a regional staff of 37 who work with enforcement partners to encourage compliance. As in all forms of enforcement, the majority of industry willingly comply through education and information and then through the threat of enforcement activity and sanctions. It is the resistant few that require most of the effort; an increase in spending on compliance then leading to diminishing returns.

New sectors

4.20 In regard to increasing the size of the licensable base, regulation would not commence for any new sector (including ‘in-house’ security) without a full regulatory impact assessment (RIA). The RIA would need to show evidence that licensing is appropriate to protect vulnerable members of the public from people employed in a position of trust. The SIA will not licence new groups solely in order to raise funds. This would be disproportionate and would not meet the commitment to the good regulatory agenda.

ii) Reduce licence duration to two years

4.21 Assuming the licence fee remains at £190, a reduction of the licence duration to two years would increase costs for licence holders by £95 over three years. It would also increase the administrative and processing costs to the SIA and increase the burden on individuals and companies to an unacceptable level. In addition, there is no additional risk to the public or evidence which warrants more regular identity and criminal record checks and thus a reduction in licence duration. It is therefore decided not to decrease the licence duration.

iii) Increase licence fee
4.22 The final option is to increase the licence fee to cover SIA costs. The detail of this option is set out below.

Calculating the licence fee

4.23 It is intended that on 6 April 2007 the licence application fee will increase from £190 to £245. The fee has been calculated by dividing the SIA’s predicted expenditure by the number of licence applications expected during the same period (see figure 8 below). Initially the fee is modelled over a two year period, but it is expected that the SIA will obtain cost recovery on an annual basis in the future. Full details of planned SIA expenditure are given in Annex B.

Figure 8: Calculation of SIA licence fee

<table>
<thead>
<tr>
<th></th>
<th>2007-8</th>
<th>2008-9</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application numbers</td>
<td>64,884</td>
<td>91,657</td>
<td>156,541</td>
</tr>
<tr>
<td>Expenditure</td>
<td>£18,074,704</td>
<td>£20,198,348</td>
<td>£38,273,053</td>
</tr>
</tbody>
</table>

The licensing income and expenditure for the next two years would be:

<table>
<thead>
<tr>
<th></th>
<th>2007-8</th>
<th>2008-9</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application numbers</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>15,896,580</td>
<td>22,455,965</td>
<td>38,352,545</td>
</tr>
<tr>
<td>Expenditure</td>
<td>18,074,704</td>
<td>20,198,348</td>
<td>38,273,053</td>
</tr>
<tr>
<td>Surplus/deficit (-)</td>
<td>-2,178,124</td>
<td>2,257,617</td>
<td>79,492</td>
</tr>
</tbody>
</table>

4.24 Based on the application numbers and related expenditure for the next two years the application fee for licence applications needs to be set at £245 from 6 April 2007. This reflects an increase of 29%.

4.25 These projections will now be reviewed annually to allow further fee changes if required.

4.26 Expenditure does not currently include repaying grant in aid to the Government, however it has been agreed that the level of deficit will be calculated and will be recovered gradually over future years in keeping with normal practise.

Reducing costs

4.27 In considering the range of options available to ensure that any new fee is kept to a minimum, the SIA (supported by the Home Office) identified efficiency savings in the way it operates and manages the licensing process (both internally and with external managed service providers who are involved in the licensing process).

4.28 The SIA delivered efficiency savings during 2005/06 and 2006/07, and is currently working with a 30% reduction in the planned staff numbers for 2004/05 and 2005/06. Further operational efficiencies are also included in the expenditure plans.

---

24 This section, “Reducing costs” was added to the RIA in March 2007
for 2007/8 and 2008/9. These include cost efficiencies which the SIA has delivered through its recent office move, saving approximately £100,000 per annum through relocation to Holborn. Options involving relocation out of London were considered at the time, but it was decided that co-location with the IPCC in Holborn was good value for money, enabling IPCC to reduce the space they occupy in Central London, and still enabling the SIA to work frequently on essential policy development activity with the Home Office. Accommodation costs were just over £689,000 in 2005/06, just over £651,000 in 2004/05 and £597,000 in 2003/04 and are less than 4% of the total cost of operations.

4.29 To achieve the equivalent income levels with the expected application numbers and without these savings would have required a 48% increase in the fee to £281 rather than the £245 (i.e. 29%) proposed. In making these efficiency savings the SIA’s has avoided an additional £36 per licence plus further increases to take account of the effect of inflation over the last three years and the next 2 years.

4.30 The SIA already outsources all its public interfacing functions, e.g. the Call Centre at Bournemouth and Licence processing centres at Gateshead and Wolverhampton. Furthermore over a third of SIA staff are geographically spread across Britain, using their homes as their office base.

**Risks and confidence of forecasts**

4.31 The licensable numbers for the two years 2007/08 to 2008/09 are lower then originally estimated at the time of the Private Security Industry Bill and in the following years. Three years on from the establishment of the SIA, licensing has now been introduced to the main sectors and licensable numbers based on applications received over the last 30 months can be forecast with a degree of certainty not previously possible (see Annex A).

4.32 The following risks remain which could result in lower than expected numbers of applications and thus a reduced income:

- Impact of licence fee increase on compliance
- Licence take up, churn rate
- Exemptions, exclusions and other removals from the Private Security Industry Act 2001
- Move by purchasers of security services to avoid licensing by taking security in-house
- Security rationalisation (away from physical security presence)

4.33 It is believed that the new forecast is accurate within a range of 10%.
5. LICENSING SECURITY: UPDATE TO COST/BENEFIT ANALYSIS

5.1 The private security industry in England and Wales has already invested much time and money into the introduction of regulation: the industry is right to expect a return and benefits from its investment.

Research and evidence base

5.2 Evidence to support this RIA comes from the following sources:

- Review of security industry trade journals up to October 2006.
- Online sources and discussion groups.
- Review of recruitment and adverts for manned guarding jobs.
- Evidence from SIA investigators and senior staff who meet private security industry representatives on a regular basis.
- Discussions and evidence submitted from trade associations.

5.3 As part of the SIA’s longer term research and benefit realisation strategy, and in partnership with the industry, the Authority intends to conduct research examining the impacts of licensing and the Approved Contractor Scheme. Specifically, we will be contacting stakeholders across the private security industry to get feedback on the extent to which suppliers are now passing costs onto customers; whether customers are now buying into quality; what impact licensing has had on the supplier/ customer relationship; whether regulation has resulted in improved staff retention rates (and whether this has been as a consequence of the investment in staff training and development); whether employment practises have improved (either through regulation or the ACS), and other related areas. Information on how to become involved will be available on the website nearer the time.

5.4. Research on the industry so far is patchy, but includes:

- The Impact of Licensing and other changes upon the Security Sector. Prof M. Gill and Dr A. Burns-Howell, June 2003.
- Future Earnings, Golden Vocations (January 2006) City and Guilds policy group.
- Survey from Security Management Today Magazine in conjunction with Reliance Security Services for purchasers of security services (November 2006).

Forthcoming research includes;

- SIA survey of door supervision suppliers and operatives on the impact of licensing in the door supervision sector.
- Labour market workforce survey to identify the size and scope of the industry across all sectors, developed by Skills for Security (due to be published in 2007).

Benefits of a licence application fee increase

5.5 There will be no increase in benefits relating to the licence application fee increase, except those already to be gained from licensing. If there is no increase in
the fee then the SIA will need to continue to request grant-in-aid from the Home Office.

**Costs of a licence application fee increase**

**Ongoing costs of SIA regulation**

5.6 The licence application fee is only one component of the costs of regulation. Other costs of licensing relate to:
- Obtaining required SIA endorsed training and qualifications.
- Administration (project management, administration, legal).
- Recruitment and deployment costs.

**Licence application cost and endorsed training**

5.7 New entrants to the licensable private security industry must apply for their SIA licence before they commence work. From 6 April 2007 the licence application fee will be £245. The licence renewal cost will also be £245. A second licence would be £122.50 (the full-price licence must have more than four months unexpired).

5.8 If an applicant pays his own licence fee he will be able to claim tax relief against his taxable income. For example, if the basic rate of tax is paid, the relief is worth £53.90. Companies are also eligible to claim tax relief in certain circumstances.

5.9 Training costs will depend on the sector the candidate is working in, and on the extent of any recognition of recent training and qualifications held through accreditation of prior learning (APL). Example costs of training can be found in Annex D. As part of the SIA's competency renewal strategy (see Annex C) licence holders will not be required to complete any further training before the first round of licence renewals.

**Costs for overseas applicants**

5.10 There may be extra costs to be borne by the applicant if they reside or have lived overseas. These costs include:
- Mapping of qualifications obtained overseas against the SIA core competency criteria for APL purposes.
- Cost of overseas criminality certificate (if spent more than six months continuously overseas in the last five years).
- Translation costs.

5.11 If an applicant has spent a significant amount of time outside of the UK in the last five years then they must present information showing any criminal convictions obtained during that period (or confirming a lack of criminal convictions). Advice on obtaining overseas records is available from the SIA25. Example costs are shown in Annex D.

**Impact of the licence application fee on licence holders**

5.12 The cost impact of the licence application fee on licence holders will differ per sector and on the business model adopted by their employer. We have been told by

---

our regional investigators and trade associations that businesses within the private security sector are adapting to regulation in different ways. For example, some employers pay all costs relating to licensing, others might lend the licence fee to the employee and reclaim through wages and some companies will not pay any costs. The costs to individuals working in the manned guarding and key holder sectors will increase by £55 over three years (around 35p a week).

**Figure 9: Example cost impact of licence application fee by sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Impact –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door supervisor</td>
<td>For example, an individual working as a door supervisor at £8.50 an hour (after tax) who pays for his licence would have to complete roughly five shifts of six hours to pay for his licence renewal. Applicants who pay their own licence fee are able to reclaim £53.90 income tax on their applications.</td>
</tr>
<tr>
<td>Close protection</td>
<td>For example, an individual working a 37 hour week at £15 an hour (after tax) might pay for his own licence. He would have to work just over 2 days to pay for his licence renewal cost. He would also be able to reclaim £53.90 income tax on his licence application.</td>
</tr>
<tr>
<td>Security Guarding</td>
<td>Typically security guarding jobs currently have long hours, including 12 hour shifts and up to 60 hour weeks with few benefits. For example, an individual in the security guarding sector might have his licence initially paid by his employer and then have deductions from his wages. Wages will differ by sector and geographic location. Assuming a security guard is paid £6 an hour for a 40 hour week he would receive approximately £184.80 after tax. A typical scenario is that an individual might repay the licence fee to his employer over 10 weeks which would mean a reduced income to £160.30 for those 10 weeks.</td>
</tr>
<tr>
<td>Vehicle Immobilisers</td>
<td>Increased costs for vehicle immobilisers would be £55 a year.</td>
</tr>
</tbody>
</table>

**Impact of licence application fee on companies**

5.13 We understand that the private security industry is adapting to regulation in different ways, and that some companies are now undertaking the following activities (but not exclusively):

- Obtaining Approved Contractor status to market their activities and utilise the flexibility to deploy staff under a licence dispensation notice\(^{26}\).
- Only recruiting staff with licences (or licences being processed).
- Offering cash bonuses to new employees holding licences, payable after a period of employment.

\(^{26}\) Individuals working under a licence dispensation notice must not work with children or vulnerable adults.
• Recruiting new staff without licences and paying and supporting their training and licence applications (sometimes reclaiming through salary).
• Taking on staff and employing them while the licence is being processed.
• Improving terms and conditions to retain staff.
• TUPE and contract transfers of licensed staff.

5.14 Anecdotal evidence would suggest that security companies are seeking to negotiate with their customers for licensing costs to be reflected in contracts. Some are achieving this.

5.15 Licensing has a differential impact depending on whether it is an individual or a company. Some companies will adapt to regulation by absorbing the cost of licensing through passing the costs onto purchasers. Individuals may pay for their licence directly or this may be covered by their employer. The impact depends on a range of factors, some of which are shown in para. 5.13. - 5.14.

Are the objectives of licensing being met?

5.16 It is too early to say whether the objectives of the licensing scheme (as set out in section one) are being met. Licensing has meant that within licensed groups, criminality checks and minimal levels of training have been introduced, meaning that the risk is lower of those people in a position of trust using their position to pursue criminal activities.

5.17 It is believed that the increase to the licence fee will not impact on the achievements of the objectives of licensing. Now that regulation is in effect for all currently licensable sectors, further research will be undertaken to assess the impact of regulation and licensing over time.
6. RISKS AND UNINTENDED CONSEQUENCES

6.1 This updated RIA does not contain a risk assessment related to the need for licensing or that it is a proportionate intervention into the security industry market. No changes in the scope or criteria for licensing are proposed.

Increasing the licence application fee and compliance

6.2 There are many factors and influences which affect compliance levels. This is reflected in the SIA compliance strategy, which has four strands:

1. Designing in compliance: making it more attractive in business terms for the security industry, and its purchasers, to comply.
2. Selective, consistent and proportional enforcement: no routine inspections.
3. Intelligence – led operations: using the National Intelligence Model to produce strategic and tactical assessments, to prioritise and inform targeted compliance activity and identification of potential criminality.
4. Engaging partners: seeking to exploit the strengths and specific focus of ourselves and each partner to enable each of us to achieve our goals and avoid duplication of effort.

6.3 An example of the first strand is the influence on the owner of a premise licensed to sell alcohol: if the owner does not employ licensed door supervisors, their business may be at risk. A second is the relationship between the SIA approved contractor scheme and the need to have a high proportion of staff licensed before approval.

6.4 It is estimated that the level of the licence application fee will have a minimal effect on compliance. Regardless of licence fee, a small proportion of the industry will continue to not comply. The same amount of effort will need to be applied by the SIA regardless of licence fee.

6.5 It is believed that the level of increase is such that it will not affect compliance to a level that will affect revenue from licensing.

Scotland

6.6 The licence application fee increase on 6 April 2007 will take place during the implementation period for regulation in Scotland. There are three potential consequences of this increase:

1) Licence applications are all submitted early, before 6 April 2007 leading to a small peak in licence applications and the predicted income from the fee increase post 6 April not being obtained.
2) A negative impact on application rates which could lead to higher spending on compliance in Scotland.
3) No overall impact on income and/or compliance in Scotland.

6.7 It is predicted that the increase of the licence application fee will have no significant impact on the introduction of licensing in Scotland. It is believed the
introduction of the Approved Contractor Scheme in April will encourage companies to submit their licence applications in a timely manner.
7. IMPLEMENTATION

7.1 The licence application fee payable will be the one prescribed in regulations on the date the completed application is received by the SIA.

7.2 It is intended that the licence application fee increase will increase on 6 April 2007 in England, Wales and Scotland. All applications received before 00.01 on 6 April 2007 will be charged £190, all after, £245.

7.3 If licence renewals are submitted before the fee increase then the price applicable at the time that the licence is received will apply. The new licence will take effect upon the expiry of the first. Licence renewal applications can be made up to four months in advance of licence expiration and, if received by the SIA before 6 April 2007, will be processed at the current fee of £190.

7.4 Any licence application returned to the applicant as incomplete and then resubmitted after the fee increase on 6 April 2007 must pay the applicable fee.

Northern Ireland

7.5 The consultation by the Northern Ireland Office on options for regulating the private security industry in Northern Ireland has now concluded. The remit of the Security Industry Authority (SIA) is to be extended into Northern Ireland, creating a single United Kingdom regulatory scheme for the private security industry. Any fee increase would apply to Northern Ireland on commencement of regulation.

Administrative burden reductions and simplification plans

7.6 As part of the ongoing process of simplification planning, and identifying measures to reduce the administrative burden on licence applicants, the SIA is currently reviewing its service to:

   i) Improve customer experience
   ii) Reduce administrative burdens

Areas under consideration are:
- on-line applications
- streamlined application form for renewals
- identity document requirements (particularly for renewals)
- improving dual licence fee payment process
- call centre performance
- licence processing time

7.7 Suggestions to simplify SIA processes and policies can be submitted to the SIA via simplificationproposal@the-sia.org.uk. Please do not submit a proposal until you have read the Better Regulation Executive guidance on submission of proposals. The SIA will respond within 90 days.

8. EQUALITIES IMPACT TEST

8.1 A basic equalities impact test has been carried out. The groups affected by the increased fee are licence applicants or security companies, depending on who pays the licence application fee. Purchasers of security services are also likely to be affected as costs may be passed on. If there is no increase in the licence application fee it is likely that central Government (Home Office) will have to fund the short fall in costs. It is known that low numbers of women and believed that high numbers of individuals from minority ethnic groups currently hold SIA licences.

8.2 The fee would be applied equally across all licence applicants. There are no subsidies or discounts for those in low income brackets. Groups will be affected by the policy in a similar way. It is believed the policy cannot promote equalities and/or good race relations.

8.3 The SIA is committed to measuring and assessing its impact on the industry on an ongoing basis and research activity includes seeking to collect evidence of the racial, gender and age composition of the industry labour market and SIA contribution to any changes over time. This work will be progressed through the SIA research programme.

8.4 It is believed that the licence application fee increase is not relevant to equality and/or discrimination.
9. SMALL FIRMS IMPACT TEST

9.1 The SIA recognises that most policies affecting business will bear on small businesses equally, if not more heavily, than on large business, even where the policy seeks to treat them equally. This is because small businesses probably have less resources and time available to manage changes resulting from regulation.

9.2 In developing the original proposals for SIA regulation the SIA consulted widely including the DTI Small Business Service, trade associations and directly with small businesses. In addition to involvement with a large number of conferences, seminars and exhibitions, the SIA has sought to target those smaller businesses who may not attend such events. This has been done through publications in the trade press, and that of security purchasers.

9.3 In relation to door supervisors and vehicle immobilisers, apart from a few of the largest companies, the majority of companies are classified as small, having less than 50 employees. The vehicle immobiliser industry sector is marked by the number of micro firms which spring up very easily and quickly. The door supervisor market is more stable, though still heavily populated by small firms or self employed individuals.

9.4 The table below shows the approximate size of companies in the security guarding sector. In absolute numbers small and micro companies make up 95% of companies, however they only have a combined market share of between 10 and 17%.

Figure 10: market breakdown of security guarding companies

<table>
<thead>
<tr>
<th>Classification</th>
<th>Size of firm</th>
<th>Est. no. of Security Guarding firms</th>
<th>Combined turnover</th>
<th>Combined market share of SG market (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large (250 employees or more)</td>
<td>Over £50m (up to £500m)</td>
<td>8</td>
<td>£1,000m</td>
<td>45%</td>
</tr>
<tr>
<td>Large Medium (fewer than 250 employees)</td>
<td>£5m to £50m (£500,000 to £5m)</td>
<td>46</td>
<td>£700m</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>87</td>
<td>£170m</td>
<td>8%</td>
</tr>
<tr>
<td>Small (fewer than 50 employees)</td>
<td>£200,000 to £500,000</td>
<td>700</td>
<td>£200m</td>
<td>10%</td>
</tr>
<tr>
<td>Micro (fewer than 10 employees)</td>
<td>Under £200,000</td>
<td>1200</td>
<td>£100m+</td>
<td>5-7%</td>
</tr>
<tr>
<td>Total</td>
<td>c. 2,000</td>
<td>2-3bn</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

9.5 It is recognised that small and medium sized companies without specialised HR functions have faced the most challenges during the introduction of licensing (micro companies not needing any complicated management). With the exception of

---

28 SBS definitions
this, as licensing is a ‘per head’ cost, licensing costs will increase in proportion to the size of the company.

9.6 The increased fee explained in this document does not change the compliance requirements or administrative burden of licensing. The proposal is not judged to have a significant or complex impact on small businesses.

10. COMPETITION ASSESSMENT

10.1 The affected markets are represented by the various sectors of security providers. The largest sector, security guarding, is dominated by the top twenty companies which represent 75% of the market share\(^2\). One company holds more than 10% of the market. As above, the other sectors, including door supervision and vehicle immobilisation are characterised by smaller companies competing on a more local level.

10.2 A competition filter test has been carried out. This test did not indicate that the licence fee increase will have any impact on competition other than the current situation.

11. ENFORCEMENT, SANCTIONS AND MONITORING

11.1 The SIA’s compliance strategy is flexible and adaptable as set out in section 6. The SIA does not propose any changes to their compliance and enforcement strategy in relation to this RIA; or at this time. More information on compliance can be found at: [www.the-sia.org.uk](http://www.the-sia.org.uk)

\(^2\) [www.infologue.com/](http://www.infologue.com/)
ANNEX A:

Figure 11: Target licence population 2007/08 - 2008/09

<table>
<thead>
<tr>
<th></th>
<th>2007/8</th>
<th>2008/9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door Supervisors (46,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numbers / Renewals</td>
<td>10,499</td>
<td>11,432</td>
</tr>
<tr>
<td>Churn</td>
<td>14,160</td>
<td>14,160</td>
</tr>
<tr>
<td><strong>Total Door Supervisors</strong></td>
<td>24,659</td>
<td>25,592</td>
</tr>
</tbody>
</table>

| Other Manned Guarding (120,000) |        |        |
| Numbers / Renewals             | 101    | 36,931 |
| Churn                          | 24,900 | 24,900 |
| **Total other Manned Guarding**| 25,001 | 61,831 |

| Vehicle Immobilisers (1,200)   |        |        |
| Numbers / Renewals             | 1,200  | 1,200  |
| Churn                          |        |        |
| **Total VI**                   | 1,200  | 1,200  |

| Scotland (15,000)              |        |        |
| Numbers / Renewals             | 14,000 | -      |
| **Total Demand (Applications)**| 64,884 | 91,657 |
## Annex B

### Figure 12: Summary of SIA Costs 2007/08 - 2008/09

<table>
<thead>
<tr>
<th></th>
<th>2007-8</th>
<th>2008-9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>MSP Costs</td>
<td>7,218,837</td>
<td>8,756,726</td>
</tr>
<tr>
<td>Salaries and Fees</td>
<td>4,612,846</td>
<td>5,060,180</td>
</tr>
<tr>
<td>Other Staff Costs</td>
<td>1,412,717</td>
<td>1,456,149</td>
</tr>
<tr>
<td>Accommodation Costs</td>
<td>664,350</td>
<td>684,281</td>
</tr>
<tr>
<td>IT Costs</td>
<td>260,515</td>
<td>268,330</td>
</tr>
<tr>
<td>Office Services</td>
<td>846,718</td>
<td>871,820</td>
</tr>
<tr>
<td>Consultancy</td>
<td>477,360</td>
<td>491,681</td>
</tr>
<tr>
<td>Depreciation, audit etc</td>
<td>2,582,644</td>
<td>2,504,874</td>
</tr>
<tr>
<td>Communications</td>
<td>671,317</td>
<td>797,508</td>
</tr>
<tr>
<td>Discounts</td>
<td>117,500</td>
<td>117,500</td>
</tr>
<tr>
<td>Costs allocated to ACS</td>
<td>- 690,100</td>
<td>- 710,700</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>- 100,000</td>
<td>- 100,000</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>18,074,704</strong></td>
<td><strong>20,198,348</strong></td>
</tr>
</tbody>
</table>
ANNEX C: EXPLANATION OF ONGOING COMPETENCY RENEWAL STRATEGY

1. The SIA has now published its competency renewal strategy ([www.the-sia.org.uk](http://www.the-sia.org.uk)). In developing the strategy they considered both the level of change ongoing across the private security industry and wider factors such as qualification sector developments relevant to the approach. The published strategy recognises the benefits of allowing for a period of stabilisation across the private security industry and represents a pragmatic approach for delivery.

Reviewing Competency Requirements for Licensing

2. The published strategy sets out short and long term approaches to maintaining the core competency specifications for each sector.

- No major changes will be made to the core competency specifications until after the first round of licence renewals.
- Until the core competency specifications are revised, applicants seeking to renew their licence will not be required to undergo refresher training or undertake a new qualification. It is believed this will allow for a necessary period of stabilisation.
- Each licensing sector's core competency specification will be reviewed in time for the second round of licence renewals. The SIA will then determine the nature and extent of any revisions which may be necessary. In doing so, the SIA will take into consideration any changes undergone by the private security industry and any impact the competency for licensing requirements may have had on those working within it.
- SIA licence linked qualifications will remain current for licensing purposes until the SIA introduces any changes in the current standard / qualification for a licensable sector.
- On an ongoing basis the SIA will begin to promote methods of best practise and the importance of continued professional development (CPD) to complement our competency for licensing requirements.

Potential Costs of Future Competency Renewal

3. The potential costs of any future competency training or assessment, linked to licence renewal, will be determined following each sector specific review. Where there are any updates or changes to a sector's core competency specification, resulting in the need for a new licence linked qualification, the cost and impact on the licence holder will vary depending on the level of continued professional development undertaken in between renewals. However, it is likely that candidates will need to do one of the following:

- Undertake a new licence linked qualification.
- Accredit prior learning and experience against a new licence linked qualification, resulting in a full exemption.
- Accredit prior learning and experience against a new licence linked qualification, resulting in a partial exemption, and undertake appropriate update training.

30 Except for Vehicle Immobilisers, where it will be the corresponding year; i.e. the sixth year of licensing.
4. For more information on our competency renewal approach, please visit our website (www.the-sia.org.uk).
### ANNEX D: EXAMPLE COSTS OF SIA ENDORSED TRAINING AND OVERSEAS CRIMINAL RECORD CHECKS

#### Figure 13: Examples of costs of training and qualifications

<table>
<thead>
<tr>
<th>Sector</th>
<th>Example Qualification</th>
<th>Example Cost (including VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Door Supervisor</td>
<td>City and Guilds Level 2 Qualification in Door Supervision</td>
<td>£200 - 250</td>
</tr>
<tr>
<td>Security Guarding</td>
<td>City and Guilds Level 2 Qualification for Security Guards</td>
<td>£200 - 250</td>
</tr>
<tr>
<td>Vehicle Immobilisation</td>
<td>Edexcel: BTEC Level 2 Award in Vehicle Immobilisation</td>
<td>£400 - 500</td>
</tr>
<tr>
<td>Cash and Valuables in Transit</td>
<td>NOCN: Level 2 Award in Cash and Valuables in Transit</td>
<td>£500 - 600</td>
</tr>
<tr>
<td>Public Space Surveillance</td>
<td>Edexcel: Level 2 BTEC Award in CCTV Operations (Public Space Surveillance)</td>
<td>£300 – 400</td>
</tr>
<tr>
<td>Close Protection</td>
<td>BTEC Level 3 Qualification in Close Protection.</td>
<td>£1500 - 2500</td>
</tr>
</tbody>
</table>

#### Figure 14: Example of costs of overseas criminality certificates

<table>
<thead>
<tr>
<th>Country</th>
<th>Process</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Applicants can either apply via the Embassy in London or direct from within Poland. ID is only checked and no fingerprints are needed.</td>
<td>From UK Embassy: £51. From Poland direct: PLN 50.</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Apply via Embassy in UK who initiate search through authorities in Bratislava.</td>
<td>£3 fee only.</td>
</tr>
<tr>
<td>Somalia</td>
<td>No government in Somalia and therefore no diplomatic representation in the UK for applicants to approach for OCC’s. Upon investigation (verifying claims), sworn oath approval granted to</td>
<td>Variable as sworn oath cost depends on individual solicitors, although ranges from £10 - £30.</td>
</tr>
<tr>
<td>Country</td>
<td>Application Process</td>
<td>Fee/Cost</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Applicants apply directly at Embassy providing ID and two photos only.</td>
<td>£17</td>
</tr>
<tr>
<td>USA</td>
<td>Applicants must submit request to FBI who will process request and issue certificate – fingerprints needed.</td>
<td>$18 certificate fee and fingerprint cost as above</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Applicants can make a request for their certificate at the High Commission and provide ID only.</td>
<td>Free</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>No Embassy help available. Applicants must apply to Police HQ in Harare and supply fingerprints.</td>
<td>£45 certificate cost and fingerprint cost as above</td>
</tr>
</tbody>
</table>