

## Summary: Intervention & Options

Department /Agency:  
**Home Office/Security  
Industry Authority**

Title:  
**Impact Assessment of Reduction of Annual Registration  
Fee for the Approved Contractor Scheme**

**Stage:** Legislation

**Version:** 1

**Date:** 21 August 2007

**Related Publications:** Full Regulatory Impact Assessment 16 February 2006: Regulations to Implement the Private Security Industry Act 2001 in Respect of the Approved Contractor Scheme

**Available to view or download at:**

<http://www.homeoffice.gov.uk/about-us/publications/>

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**What is the problem under consideration? Why is government intervention necessary?**

Companies approved by the Security Industry Authority (SIA) under the Approved Contractor Scheme (ACS) pay an annual registration fee based on the number of their employees licensed by the SIA. The number of companies who joined the ACS during 2006 was 19% higher and covered 30% more employees than originally projected. This could potentially lead to an over-recovery of costs of £300k in 2007-08. The fee, currently £20 per employee, therefore needs to be reduced.

**What are the policy objectives and the intended effects?**

Fees for services provided by public bodies are required to be kept at a level to break even. The objective is to better reflect the pattern of demand from the private security industry which has emerged since the ACS commenced in 2006, and to ensure, as far as possible, that the fees charged by the SIA in respect of registration under the ACS only enable it to break even, with the financial objective of full cost recovery.

**What policy options have been considered? Please justify any preferred option.**

- (i) Reduce the application fee (paid on application for approval): SIA have reviewed the scheme costs and found that this fee remains appropriate since the level of work and costs associated with applications remain as in previous assumptions;
- (ii) (Preferred) Reduce (from £20 to £17) the annual registration fee (per employee) covering the post-approval costs of ensuring that standards are maintained by all employees covered. These costs are projected to reduce in comparison to the work load due to economies of scale resulting from the higher than forecast level of membership of the Scheme.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** The fee will be reviewed annually in line with Government policy on fees. This process would take into account any under or over-recovery in costs during the year following the fee change.

**Ministerial Sign-off** For final proposal/implementation stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.***

Signed by the responsible Minister:

.....Date:

## Summary: Analysis & Evidence

|                     |  |
|---------------------|--|
| Policy Option: (ii) | Description: Reduce (from £20 to £17) the annual registration fee per employee |
|---------------------|--|

|  |   |   |
|--|---|---|
| <b>COSTS</b>   | <b>ANNUAL COSTS</b>   | Description and scale of <b>key monetised costs</b> by 'main affected groups' There is no change to the administrative processes for business and therefore no benefit in terms of reduced administrative costs. This is a reduction in the fee charged, which reduces the costs faced by business. The total value of the reduction is calculated at £3 x 99,000 licensed employees = approx - £300,00 |
|  | One-off (Transition) <span style="float: right;">Yrs</span> |   |
|  | £ None  |   |
|  | Average Annual Cost (excluding one-off)                     |   |
|  | £ - 300,000   |   |
| <b>Total Cost (PV)</b>   |   | <b>£ - 300,000</b>  |
| Other <b>key non-monetised costs</b> by 'main affected groups' |   |   |

|   |  |   |
|---|--|---|
| <b>BENEFITS</b>   | <b>ANNUAL BENEFITS</b>                         | Description and scale of <b>key monetised benefits</b> by 'main affected groups' There is no change to the policy which the SIA enforces and thus no additional benefits to running the scheme. This change solely concerns a reduction in the fee charged. |
|   | One-off <span style="float: right;">Yrs</span> |   |
|   | £ None   |   |
|   | Average Annual Benefit (excluding one-off)     |   |
|   | £ None   |   |
| <b>Total Benefit (PV)</b>   |  | <b>£ Nil</b>  |
| Other <b>key non-monetised benefits</b> by 'main affected groups' |  |   |

**Key Assumptions/Sensitivities/Risks** This proposed fee level is derived from projections using the best evidence currently available to the SIA.

|                         |                        |   |   |
|-------------------------|------------------------|---|---|
| Price Base<br>Year 0708 | Time Period<br>Years 1 | <b>Net Benefit Range (NPV)</b><br>£ N/A | <b>NET BENEFIT (NPV Best estimate)</b><br>£ N/A |
|-------------------------|------------------------|---|---|

|   |                     |              |               |              |
|---|---------------------|--------------|---------------|--------------|
| What is the geographic coverage of the policy/option?                 | Engl, Wales & Scotl |              |               |              |
| On what date will the policy be implemented?                          | 1 October 2007      |              |               |              |
| Which organisation(s) will enforce the policy?                        | SIA                 |              |               |              |
| What is the total annual cost of enforcement for these organisations? | £ N/A               |              |               |              |
| Does enforcement comply with Hampton principles?                      | Yes                 |              |               |              |
| Will implementation go beyond minimum EU requirements?                | No                  |              |               |              |
| What is the value of the proposed offsetting measure per year?        | £ N/A               |              |               |              |
| What is the value of changes in greenhouse gas emissions?             | £ N/A               |              |               |              |
| Will the proposal have a significant impact on competition?           | No                  |              |               |              |
| Annual cost (£-£) per organisation (excluding one-off)                | Micro<br>N/A        | Small<br>N/A | Medium<br>N/A | Large<br>N/A |
| Are any of these organisations exempt?                                | Yes/No              | Yes/No       | N/A           | N/A          |

|   |       |                       |       |                         |
|---|-------|-----------------------|-------|-------------------------|
| <b>Impact on Admin Burdens Baseline</b> (2005 Prices) |       | (Increase - Decrease) |       |                         |
| Increase of   | £ Nil | Decrease of           | £ Nil | <b>Net Impact</b> £ Nil |

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### 1.1 Introduction

The original fee proposal, contained in the **Full Regulatory Impact Assessment of 16 February 2006** ( [http://www.the-sia.org.uk/NR/rdonlyres/EA372332-8300-428C-8B71-DC71781D8E70/0/sia\\_acs\\_ria\\_v2.pdf](http://www.the-sia.org.uk/NR/rdonlyres/EA372332-8300-428C-8B71-DC71781D8E70/0/sia_acs_ria_v2.pdf) ) was put together prior to the start of the scheme using the best evidence available. One of its functions was to forecast the take-up by companies. The Scheme has now operated for 16 months and the SIA is now able to quantify better the demand, as well as the financial and staff resources required to operate the scheme.

## 2 Background

### 2.1 Description of the Scheme

The Security Industry Authority ('the SIA') is an NDPB established under the Private Security Industry Act 2001 ('the Act') to regulate the delivery of certain security services in England & Wales. The scope of services is broadly those delivered through personnel rather than through systems or equipment (except when used by a person.)

### 2.2 Private Security Industry Act

The Act requires the licensing of individuals carrying out certain specified security-related services and this is covered under separate proposals.

The Approved Contractor Scheme ('the Scheme') has been developed as a result of a separate part of the Act (sections 14 to 18), which places a duty on 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".

An additional benefit of the Scheme is to enable security firms to operate more efficiently in a post-licensing environment by providing a mechanism for firms to deploy staff with licence applications pending (which could take six weeks). It is an offence to deploy staff without a licence unless the SIA has given the firm a dispensation under the Scheme.

The Scheme is voluntary and competes with other commercially available accreditation schemes in the industry, because the power to prescribe a fee is given to the SIA by statute (the Act), the fee is defined as statutory. There are two elements to ACS fees, an application fee based on the size of the company and an annual registration fee based on numbers of licensable employees. Both these fees were set in early 2006, prior to the formal launch of ACS.

### 2.3 Financial Objective for the Scheme

The financial objective for the Scheme is full cost recovery. This is in accordance with the Treasury Guide to Fees & Charges. Costs include:

- Development costs ;
- Operational costs ;

- Overheads (staff related);
- Indirect costs incurred by the SIA eg corporate services ( HR, IT, Finance, Marketing staff) costs and technology infrastructure.

The full annual cost of ACS, including application processing, for the year from 1st October 2007 is expected to be £1.77 million.

## 2.4 Demand forecast for 2007/08 v Original Fee Proposal

The number of companies who joined the scheme for 2006 was 19% higher than the original projections, and covered 30% more licensable employees. This has led to a significant over-recovery of costs - £661,000 in 2006-7 and potentially £300K in 2007-08.

### Comparison with original assumptions

| Year   | Applications      |                             | No. of Approved companies |                             | No of Licensable employees |                             |
|--------|-------------------|-----------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
|        | Original Proposal | Current Forecast or Actual* | Original Proposal         | Current Forecast or Actual* | Original Proposal          | Current Forecast or Actual* |
| 2006/7 | 393               | 467*                        | 261                       | 352*                        | 66,813                     | 87,625*                     |
| 2007/8 | 79                | 100                         | 261                       | 400                         | 66,813                     | 99,000                      |

### Application fees generated

| Size of company | Original Plan for 2007/8 |          | Forecast for 2007/8 |          |
|-----------------|--------------------------|----------|---------------------|----------|
|                 | No of applications       | Income £ | No of applications  | Income £ |
| Micro           | 7                        | 2,800    | 20                  | 8,000    |
| Small           | 24                       | 19,200   | 46                  | 36,800   |
| Medium          | 53                       | 84,800   | 26                  | 41,600   |
| Large           | 16                       | 38,400   | 8                   | 19,200   |
| TOTAL           | 100                      | 145,200  | 100                 | 105,600  |

### Licensable employees for Annual registration fees

| Year   | 2007/8            | 2007/08         | Comments                              |
|--------|-------------------|-----------------|---------------------------------------|
|        | Original Proposal | Latest Forecast |                                       |
| 2006/7 | 66,813            | 87,625          | Actual numbers at 31/3/2007           |
| 2007/8 | 66,813            | 99,000          | Forecast based on number at July 2007 |

The scheme has been very popular with companies and has exceeded the original demand forecasts. It is now into the second year and numbers are continuing to increase. Virtually all companies have renewed, increases are coming from the introduction of licensing & ACS to

Scotland and general growth in ACS companies. Demand forecasts are therefore based on current numbers and have a high level of certainty. There will be some additional growth through the year from Scotland and smaller companies joining, this is not expected to be material and will be picked up at future reviews.

## 2.5 Expenditure forecast for 2007/08 v Original Fee Proposal

Staffing for the scheme is in the process of being increased in line with the increase in companies and the number of licensable employees. There is also an increase in other operational cost, specifically legal advice and additional communications and awareness campaigns for purchasers of security services.

The costs of the individual services and the overall finances for ACS are shown below. The costings for application processing are based on the fee structure as originally proposed and currently in force. The fees for post approvals services are shown as a comparison of the original projection of demand using the current fee of £20 and of current projections using the reduced fee of £17. If the fee of £20 is used in the latter calculation it results in a surplus of about £300,000

### Application Processing

|                            | 2007/8<br>ORIGINAL<br>FEE<br>PROPOSAL | 2007/08<br>Year from<br>1/10 to<br>30/9/08 |
|----------------------------|---------------------------------------|--|
| Assumptions                |                                       |  |
| Number of applications     | 78                                    | 100  |
| Apportionment of ACS costs | 5.10%                                 | 5.75%                                      |
| Income                     | 79,200                                | 105,600                                    |
| Expenditure                |                                       |  |
| Salary costs               | 19,300                                | 31,058                                     |
| Operational costs          | 10,984                                | 18,722                                     |
| Depreciation               | 15,497                                | 15,458                                     |
| Share of indirect costs    | 23,245                                | 32,864                                     |
| Recovery of start-up costs | 3,065                                 | 3,505                                      |
|                            | <u>72,091</u>                         | <u>101,607</u>                             |
| Surplus                    | 7,109                                 | 3,993                                      |

### Post Approvals services – Registrations

|                                   | 2007/8                      | 2007/08                         |
|-----------------------------------|-----------------------------|---------------------------------|
|                                   | ORIGINAL<br>FEE<br>PROPOSAL | Year from<br>1/10 to<br>30/9/08 |
| Assumptions                       |                             |                                 |
| Apportionment of ACS costs        | 94.90%                      | 94.25%                          |
| Fee per licensable employee       | £20                         | £17                             |
| Number of licensable employees    | 66,813                      | 99,000                          |
| <br>                              |                             |                                 |
| Income                            | 1,336,260                   | 1,683,000                       |
| <br>                              |                             |                                 |
| Expenditure                       |                             |                                 |
| Salary costs                      | 358,484                     | 509,087                         |
| Operational costs (less salaries) | 204,016                     | 306,878                         |
| Depreciation                      | 287,845                     | 253,370                         |
| Share of indirect costs           | 431,755                     | 538,690                         |
| Recovery of start-up costs        | 56,935                      | 57,451                          |
|                                   | <u>1,339,035</u>            | <u>1,665,476</u>                |

## 2.6 Conclusion

We have considered the implications of the proposed cost reduction in respect of each of the above and concluded that there will be no impact. Any benefit from the cost reduction will be spread proportionately across all sizes of firms involved as the cost depends on the number of staff employed

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

| Type of testing undertaken | <i>Results in Evidence Base?</i> | <i>Results annexed?</i> |
|----------------------------|----------------------------------|-------------------------|
| Competition Assessment     | No                               | No                      |
| Small Firms Impact Test    | No                               | No                      |
| Legal Aid                  | No                               | No                      |
| Sustainable Development    | No                               | No                      |
| Carbon Assessment          | No                               | No                      |
| Other Environment          | No                               | No                      |
| Health Impact Assessment   | No                               | No                      |
| Race Equality              | No                               | No                      |
| Disability Equality        | No                               | No                      |
| Gender Equality            | No                               | No                      |
| Human Rights               | No                               | No                      |
| Rural Proofing             | No                               | No                      |

## Annexes

Home Office/Security Industry Authority

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<http://www.homeoffice.gov.uk/about-us/publications/regulatory-impact-assessments/#assess2007>