



**FULL REGULATORY IMPACT
ASSESSMENT
16 FEBRUARY 2006**

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

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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.

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Purpose and intended effect of measure

The objective

1. Regulation of the private security industry was originally proposed¹ 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

¹ White Paper, "The Government's Proposals for Regulation of the Private Security Industry in England and Wales" 1999

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 performed² 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 Regulation⁴ 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 (section 15(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 unlicensable 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)⁵. 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.”⁶

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.

⁶ Stuart Lowden, Managing Director of Wilson James, *Security Management Today* Best Guarding company in 2002/3/4 on Infologue.com.

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;
- Research into likely volumes for the Scheme – AMA Research, 2004.

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 average⁷;
- 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 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.

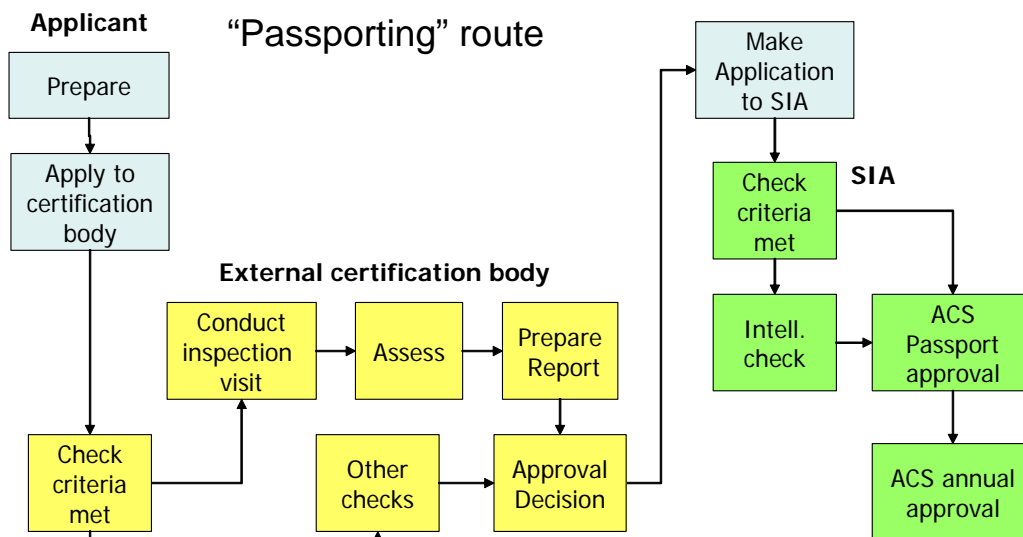


Figure 1: Approval Process using prior accreditations

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:

	£500,000 turnover firm (25 staff) with no existing accreditation	£5,000,000 turnover firm (250 staff) with ISO9000 and British Standards accreditation
Preparation cost	£2,000	minimal
Additional inspection fees	£1,500	minimal
SIA application fee	£800 (3 years) i.e. £267 p.a.	£2,400 (3 years) i.e. £800 p.a.
SIA annual fee	£500 p.a.	£5000 p.a.
Total costs	£4,267 p.a.	£5,800 p.a.
Estimated benefit at 1% of turnover	£5,000 p.a.	£50,000 p.a.
Net benefit	£733 p.a. or 0.15% of turnover	£44,200 p.a. 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 EFQM⁸-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®

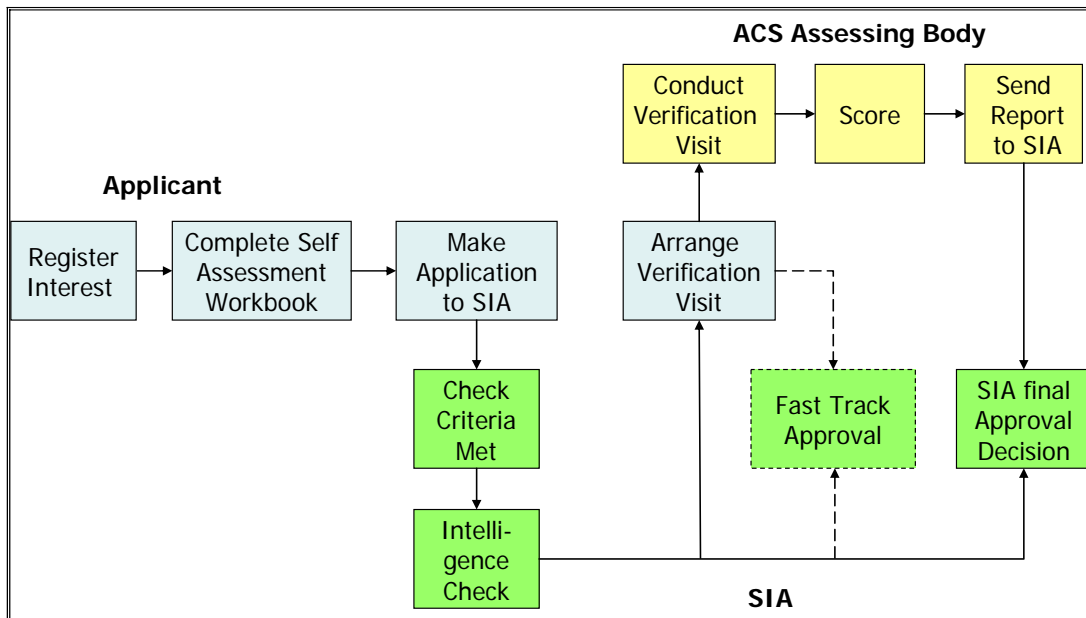


Figure 2: Approval Process using Self Assessment

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	£5,000,000 turnover firm (250 staff) with ISO9000 and British Standards 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) i.e. £267 p.a.	£2,400 (3 years) 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%⁹ 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

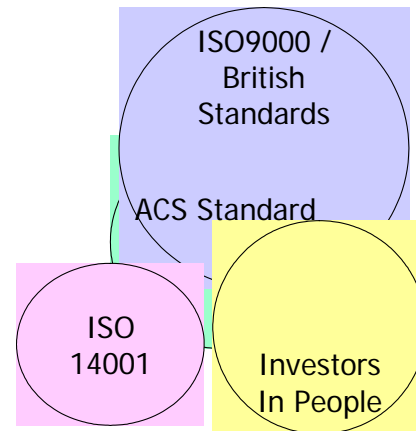
⁹ The requirement that a minimum of 85% of staff should be licensed at all times was arrived at by a process of consultation and analysis including examination of typical staff turnover rates. The rate is considered sufficiently high to encourage firms to apply for licences for 100% of their staff in 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.

¹⁰ ACPO response to Partial Regulatory Impact Assessment 16 November 2005.

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);

- An assessment visit must have been scheduled to take place within a limited period of time;
 - Any concerns (via intelligence) about a firm must have been investigated prior to approval;
 - 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 “passporting” 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?
1	Standard ACS workbook	None	Yes	After inspection
2	Fast Track (partial passporting)	ISO9000 & British Standards from a UKAS body	Yes, but main focus is on the elements not already covered by prior accreditation	Immediate (fast track) approval
3	Passporting (approved accreditations)	Any SIA-approved scheme from a certification body	No, unless there are gaps	After inspection

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:

	£500,000 turnover (25 staff) firm with no existing accreditation	£5,000,000 turnover (250 staff) firm with ISO9000 and British Standards accreditation
Cost of completing Workbook (opportunity cost)	£200 (half day)	£400 (1 day ¹¹)
Additional inspection fees	£1,000	minimal
SIA application fee	£800 (3 years) i.e. £267 p.a.	£2,400 (3 years) 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

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.

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

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

- The liP (Investors in People) guidance can result in a low level of inspections for non-complex organisations. The scope of liP 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.

Option (no. of firms in Scheme)	Cost to the entire industry			
	Cost of assessments	Fees to the SIA	Cost of preparation	Total
1. Do Nothing (no firms)	£0	£0	£0	£0 but £20-40m p.a. cost of paying unlicensed staff who are unable to work

Option (no. of firms in Scheme)	Cost to the entire industry			
	Cost of assessments	Fees to the SIA	Cost of preparation	Total
2. No Standards Scheme (800 firms)	£0	£1.2m p.a. possibly reducing over time	£0	£1.2m p.a.
3. Existing accreditations (600 firms)	c. £0.45m to £0.6m p.a. (300 firms at £1,500 to £2,000)	£1.35m p.a.	c. £0.3m to £0.6m (300 firms at £1,000-2,000)	£2.1m to £2.55m p.a. + costs for 200+ firms of paying unlicensed staff unable to work
4. New SIA standard (800 firms)	c. £0.65m to £1.0m p.a.	£1.35m p.a.	Zero to £250,000	£2.0m to £2.6m p.a.
Combination of Options 3 and 4 (800 firms)	c. £0.65m to £1.0m p.a.	£1.35m p.a.	Zero to £250,000	£2.0m to £2.6m p.a.

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:

Type of firm ¹²	Employees (numbers)	Application Fee	Annual Registration Fee
Micro	under 10	£400	£20 per licensable employee
Small	10 to 25	£800	
Medium	26 to 250	£1,600	
Large	over 250	£2,400	

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.

Annex A: Cost Model for calculating impact to industry of no Scheme (the Do Nothing Option)

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	Risks/Costs of Option
<ul style="list-style-type: none"> • Ensuring <i>all</i> 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; 	<ul style="list-style-type: none"> • 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.
<ul style="list-style-type: none"> • 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; 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Companies would not have to pay for a Scheme costing £1.35m per annum 	<ul style="list-style-type: none"> • 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	Risks/Costs of Option
	<ul style="list-style-type: none"> • 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.

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

$$10\% \times £15,000^{13} \times (6 \text{ weeks out of } 52) = \text{£173 per employee}$$

Assumptions¹⁴

- 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.

Average gross profit:	14%
Salary	£15,000
Staff turnover:	10%
Weeks waiting for licence	6
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.”

“Research into Approved Contractor Scheme - Volumetric Analysis”, 2004

AMA Research, 13 Imperial Square, Cheltenham, Gloucestershire GL50 1QB.

The following are selected statements from the Executive Summary:

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:

Stage	Activities	Timing	Milestones
Scheme definition	<ul style="list-style-type: none"> • Ministerial approval 	Start	Ministerial approval
Preparation	<ul style="list-style-type: none"> • Create application form & pack • Write statutory instruments • Write contracts for assessing bodies • Invite applications for “approved accreditations” • Complete systems development & testing 	Month 1	
Communication	<ul style="list-style-type: none"> • Issue “how to get approved” brochure • Publish names of assessing bodies 	Months 1-2	
Open for Business	<ul style="list-style-type: none"> • Process applications • Issue approvals 	Months 1-3 on	Receive first applications
Scheme set in statute	<ul style="list-style-type: none"> • Statutory Instruments laid before parliament 21 days 	Month 2-3	Issue first approvals
ACS Accreditation	<ul style="list-style-type: none"> • Submit application for registration of the ACS scheme by UKAS 	To be reviewed	UKAS accreditation for ACS
Post approvals	<ul style="list-style-type: none"> • Process appeals • Programme of conformance checks 	Month 4 on	Approved Contractor names on SIA website
Post implementation review changes	<ul style="list-style-type: none"> • Publish approved accreditations 	On-going, as new accreditations are approved.	New list of approved accreditations is available
Preparing for Year 2	<ul style="list-style-type: none"> • Advise changes to sub contracting rules • Advise changes in fees if any 	Month 10	New fees Any changes to Scheme announced
Year 2	<ul style="list-style-type: none"> • Process re-registration applications 	Month 12 on	First annual re-registrations are issued

5) The main risks to the implementation are:

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

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)

Option 1 (do nothing)	2%
Option 2 (no standards scheme)	6%
Option 3 (existing industry standards)	45%
Option 4 (new ACS standard)	46%
Option 3/4 hybrid	1%

- 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?

By turnover band	38.7%
By percentage of turnover	17.7%
By number of licensable employees	43.5%

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?

Q15: Yes	21%	Q16: Yes	21%
No	76%	No	76%

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)

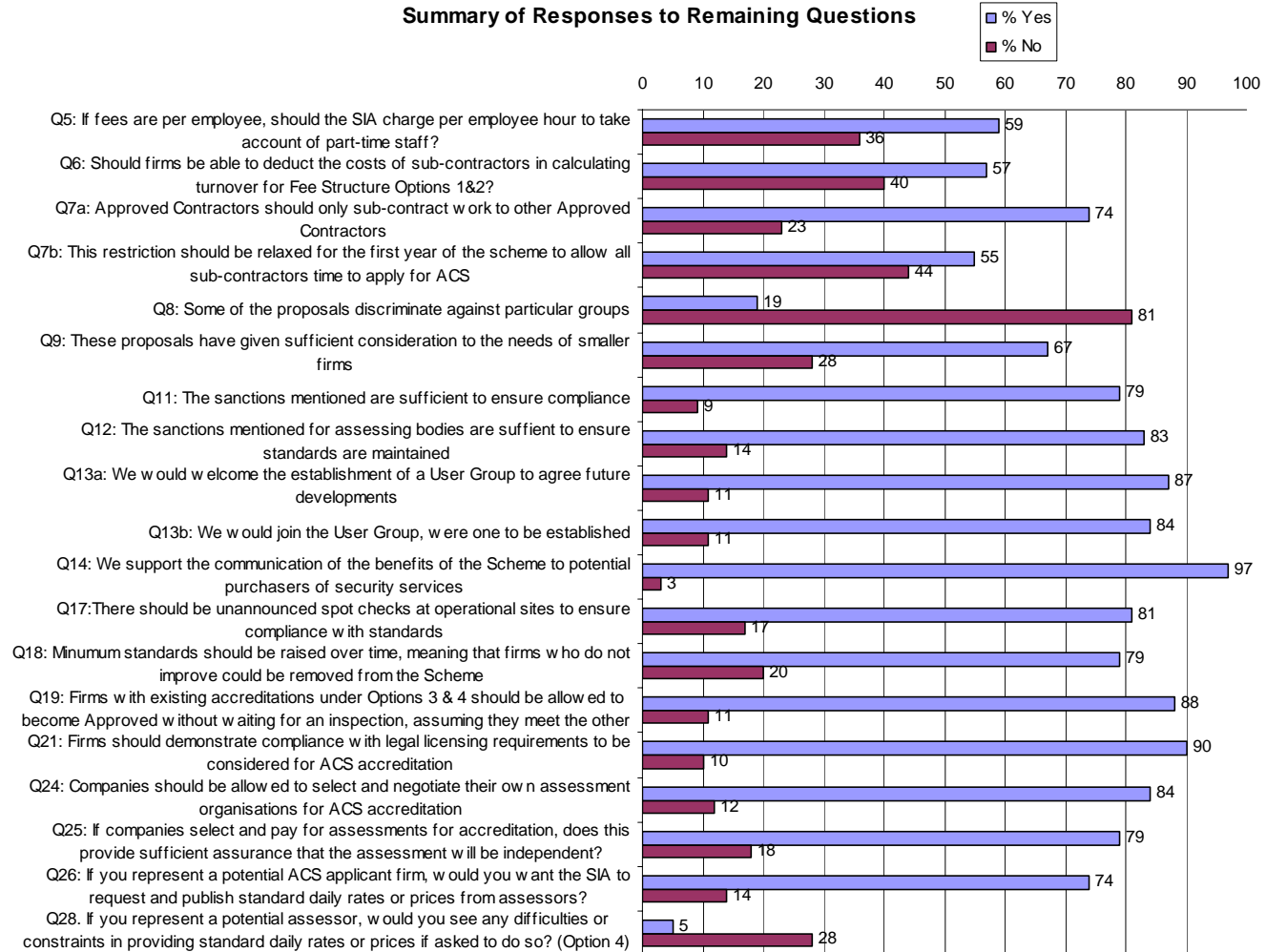
26) Question 21: Do you agree with the proposal that firms should demonstrate compliance with legal licensing requirements to be considered for ACS accreditation? Do you have any comments on the proposed percentages by month (85% from April 2006) and by sector (too high/too low)?

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.

Summary of Responses to Remaining Questions



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.

Paragraph reference(s)	Description of change	Impact/effect
37 and following; 53	<p>Choice Recommendation of combination of options 3 and 4 gives firms a choice of route to Approval</p>	Firms can choose route that minimises the regulatory burden for their situation.
55 - 59	<p>Reduced inspections Guidance has been updated on the required level of inspections to confirm an applicant's self assessment</p>	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.
48 - 50	<p>Greater recognition of existing accreditations Where firms hold an existing accreditation that covers similar scope, they can effectively "passport" through the equivalent ACS requirements with minimal checks.</p>	Most firms should see no increase in the total quantity of inspections required where existing accreditations are held – unless the risk assessment dictates otherwise.
46 - 47	<p>Partial Passporting Newly added proposal to allow firms to gain "credits" against the relevant parts of the requirements if their existing accreditations are limited in scope. Assistance will be given to firms identifying more easily which sections they can passport through.</p>	Reduced burden of inspections. Simplified application process.
46 - 47	<p>Fast Tracking Firms with existing accreditations (ISO9000 and British Standards) are considered sufficiently trustworthy to be approved before being inspected. (Proposal extended since Partial RIA.)</p>	300 or more firms could be approved without inspections (70% of the industry by turnover and 15% by number of firms.)
11	<p>Link to other schemes Scheme constructed to maximise the linkage with ACPO police force accreditation schemes, through the Crime Reduction agenda.</p>	Greater likelihood that companies will achieve accreditation through ACPO automatically or with minimal additional effort through addressing ACPO requirements within ACS Standard

Paragraph reference(s)	Description of change	Impact/effect
35, 53	<p>Reduced burden of voluntary regulation 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.)</p>	Reduced burden of voluntary regulation; Lower entry level price to voluntary regulation for smaller and start-up companies
39, 59	<p>Risk-based approach to verification Information gathered at the time of application is used to focus attention on the areas of greatest risk.</p>	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.)
86 - 96	<p>Monitoring, Enforcement and Sanctions 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.</p>	Balance achieved between consistency and minimising costs and impact of monitoring.