



The Government's Proposals for Regulation of the Private Security Industry in England and Wales

Presented to Parliament by
the Secretary of State For The Home Department
By Command of Her Majesty.

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THE GOVERNMENT'S PROPOSALS FOR REGULATION OF THE PRIVATE SECURITY INDUSTRY IN ENGLAND AND WALES

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Foreword by The Home Secretary

The private security industry is a thriving, diverse industry covering a range of services from manned guarding to alarm systems and from cash-in-transit to wheelclamping. The industry has grown rapidly over recent years as people have taken greater steps to protect themselves and their property. The work which the private security industry does has also changed from a largely passive role into one where the industry has far greater and more active contact with the public. While continuing to develop into areas of physical security and electronic systems - from solar heated window shutters to intruder alarms and systems to protect staff - the industry has expanded rapidly into people-related work including surveillance of retail premises, manned guarding and protection for the elderly.

We are all used to seeing private security personnel in our everyday lives in shopping centres, parks, leisure facilities and housing estates. Increasingly they complement the work of the police in many situations. Some of these activities are strictly commercial, private sector activities, but some are based in the public sector as local authorities have developed an overarching 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 as set out in the Crime and Disorder Act means that there will be the opportunity for the private security industry to play a wider role in securing community safety. It has also been suggested recently that the private security industry might be able to assist the police by performing a form of complementary patrol service. The Government is considering the issue and welcomes constructive debate in this area.

Despite the importance of the activities which the private security industry carries out there is no regulation to control those who work in the industry and no standards to which companies have to adhere. We have discovered examples of firms owned by and run by people with serious criminal records. Research has shown that, in some areas, door supervisors and criminal gangs which control them are responsible for drug dealing in clubs. Reputable companies enforce effective standards and self-regulation but less scrupulous companies are able to undermine their best efforts. Voluntary regulation cannot touch this situation and it leaves the police powerless to protect the public. If the private security industry is to take a greater role in our society then the public have a right to be protected from the rogues who exploit the current unenforceable system and to expect certain standards from the companies they choose to provide the services with which they come into contact.

The Government therefore proposes the statutory regulation of the private security industry. In Opposition we welcomed the Home Affairs Select Committee's report, which recommended that the contract manned guarding sector should be regulated, but we have always made it clear that we did not consider that it went far enough. Since taking office we have consulted fully with the police, the industry and others to develop practical proposals which will protect the safety and rights of the public without introducing unnecessary bureaucracy. There has been overwhelming support for regulation of the whole private security industry, not just the manned guarding sector.

Across the board, this Government's new approach is to provide better regulation which benefits the citizen and provides simpler regimes for business, particularly small business. Regulation of the private security industry must be comprehensive and effective, but it must also be streamlined.

The proposals in this paper are based on the responses to our consultation exercise and on discussions that have been held with the industry and others. I believe they provide a comprehensive framework for the future regulation of the industry.



JACK STRAW
March 1999

Executive Summary

This White Paper sets out the Government's proposals for a framework for comprehensive regulation of the private security industry in England and Wales. The Secretaries of State for Scotland and Northern Ireland will consider whether these proposals should apply in Scotland and Northern Ireland respectively.

The Private Security Industry Authority

A Private Security Industry Authority will be established to:

- license all those who provide security services in the sectors set out below in due course, including managers and directors of companies;
- maintain and improve standards within the industry.

Licensing

Individuals will have to have a licence before becoming an employee or manager providing security services in the private security industry or setting up a private security firm. Licences will be based on consideration of whether the applicant is a "fit person" to be an employee or employer or manager in the industry. The Authority will issue licences after consideration of an applicant's full criminal record (exempt from the provisions of the Rehabilitation of Offenders Act 1974) obtained from the new Criminal Records Bureau to be set up under Part V of the Police Act 1997. For managers and directors, consideration will also be given to any records on Companies House registers of undischarged bankruptcy and/or disqualified director status. Successful applicants will be issued with a physical licence. A fee will be payable and licences will be valid for three years.

An applicant will be able to appeal against the refusal or revocation of a licence.

Enforcement

Employing someone as a security operative who is unlicensed, offering security services or operating as a security operative without being licensed, providing false information to obtain a licence and breach of terms or conditions of a licence will be an offence.

The Authority will publicise arrangements for licensing individuals in the private security industry and publicise the appearance of the licence issued by it. Businesses and members of the public will be encouraged to ask to see an individual's licence and be encouraged to contact the Authority if they have any suspicions about an individual or a company.

An Inspectorate will be set up to carry out spot checks on businesses to ensure that the new requirements are being complied with.

Maintaining and Improving Standards

It is not the Government's intention to license private security companies. However, the Government proposes the establishment of an 'Inspected Companies' scheme under the Authority by which companies can volunteer to be inspected to the standards which have been set for their particular sector. Clear guidelines and criteria for achievement of Inspected status using British or European Standards, Codes of Practice or whatever other mechanisms are considered appropriate, will be developed by the Authority for particular sectors of the industry. In certain cases the Authority may decide that statutory regulations are required in a particular sector and it may then make recommendations to the Secretary of State to make statutory regulations.

Inspectorates may be established, or existing Inspectorates may be approved by the Authority, to carry out inspections of companies to ensure that the recognised standards are being complied with. Companies which meet the standards will be able to use a recognised mark which the Authority will publicise. Unless there are statutory regulations in place in a particular sector application to be inspected will be voluntary, but the public and businesses will be encouraged to use inspected companies, since the quality and standards of such companies will be guaranteed, and it is hoped that the majority of companies will participate.

The Authority will maintain registers of Inspected Companies, which will be freely available, and where complaints are made against an Inspected Company it will consider them.

Scope

The framework which is proposed is intended to be flexible enough to be able to accommodate any sector of the private security industry and developments in technology or practice in the future. Regulation will initially apply to the whole of the manned guarding sector (including 'in-house' staff, door supervisors, cash-in-transit, wheelclampers, the use of guard dogs, security services in retail, public and semi-public areas and local or neighbourhood guarding or patrol services), and the installation, monitoring and maintenance of alarms and CCTV systems (including central monitoring stations). In due course it is intended to extend the legislation to electronic tagging or monitoring systems, private investigators, security consultants, locksmiths, keyholders, and contracted court enforcement officers. Crown servants including the police and armed forces will be exempt from the legislation.

Regulation will be phased in, probably on a sector-by-sector basis, starting with the manned guarding sector, including door supervisors and those who offer patrol services to local residents.

Next Steps

The Government intends to introduce a Bill to give effect to the proposals as soon as Parliamentary time is available.

Comments

The Government welcomes comments on the proposals contained in this paper. Comments should be sent by 30 July 1999 to:

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The White Paper is available on the Internet at <http://www.official-documents.co.uk/document/cm42/4254/4254.htm> and <http://www.homeoffice.gov.uk>.

The Government may make any comments it receives publicly available, unless respondents expressly request confidentiality.

A regulatory impact appraisal is at Appendix 1.

Chapter 1 - Introduction

1.1 The police service is, and will remain, at the forefront of the fight against crime and the Government will continue to support them. It is acknowledged that there are limits to what they can, or should, achieve on their own and the Government is committed to a partnership approach to tackling crime and disorder, particularly at a local level.

1.2 The Crime and Disorder Act provides a legislative framework which will ensure that crime and disorder reduction activity is focused on local problems, and that everybody has an opportunity to get involved with finding solutions to the problems that may exist in their community. Specifically it requires the police and local authorities together to undertake a crime and disorder audit in the district, borough or unitary authority area, in consultation with other agencies and the wider community. They will then have to develop a local strategy to tackle the identified crime and disorder problems. The Government hopes that local strategies will make use of all available agencies including the private security industry if that is thought appropriate.

1.3 It has also been suggested recently that the private security industry might be able to assist the police by performing a form of complementary patrol service. The Government is considering the issue and welcomes constructive debate in this area.

1.4 If the private security industry is to be given a greater role in our communities then the police and local authorities will want to be sure that the industry is properly regulated and that the individuals who work within the industry are deserving of the trust placed in them.

The Growth of the Private Security Industry

1.5 The private security industry has grown in size and scope, particularly over the last 20 years. Individuals and companies are taking greater steps to protect themselves and their property through the use of security equipment or manned guards. Large organisations, including the Government, are increasingly using outside companies for specialist tasks such as the movement of cash rather than carrying out such functions themselves. There have been major developments in terms of using private companies for prisoner escorts and running prisons. The private security industry has expanded and adapted to fill these demands.

1.6 Accurate statistics on the size of the private security industry have always been difficult to obtain. The 1971 census estimated that there were 80,000 people employed as "security guards, patrolmen, night-watchmen, gate-keepers and other relevant types of guards and related workers". By 1991 the census estimated that this figure had grown to over 100,000 in England alone. These figures exclude large parts of the industry, for example, those employed in the alarms sector. In 1994, research by the Policy Studies Institute suggested that there were more than 162,000 people in Britain employed as security guards or related occupations, other security functions, and/or in the alarms and signalling equipment industry. This research also suggested that there were over 8,000 companies operating in the private security industry based on the British Telecom Business Database. This means that the number employed in the private security industry is probably higher than the number of police officers - currently around 140,000.

1.7 Turnover in the industry was estimated at between £130 million and £140 million in 1979. An estimate of £2.1 billion was made for 1992.

Self-regulation

1.8 As the industry has grown it has made substantial efforts to regulate itself, with the support of the Government of the day. The industry has recognised that there needs to be benchmarks to which the quality of the service which a company provides can be judged and certificated. It has promoted and adopted a wide range of British and European Standards and Codes of Practice specific to particular sectors and a large number of companies are also inspected to the international quality standard BS EN ISO 9000 (formerly BS5750) which clearly defines responsibilities and procedures to be followed by a company in delivering the service they provide. Further details about the standards which currently apply in the industry are given in Chapter 4.

1.9 Through effective co-operation between trade associations and professional bodies, recognised and respected Inspectorates

have been set up to inspect companies to the appropriate standards. On the manned guarding side, the Inspectorate of the Security Industry (ISI) has been accredited by the United Kingdom Accreditation Service (UKAS, formerly the National Approval Council for Certification Bodies (NACCB)) as an independent third party certification body. In the intruder alarm field the National Approval Council for Security Systems (NACOSS) has been similarly accredited. Three other alarm Inspectorates have been approved by the Association of Chief Police Officers (ACPO) in connection with the intruder alarm policy. The ACPO policy states that the police will only allocate a Unique Reference Number (URN) to an alarm system which has been installed and maintained by an inspected company. The police will only provide an immediate response to an alarm with a URN. The revised intruder alarm policy is designed to effect improvements in alarm installations and standards, and to reduce false alarm calls to the police.

1.10 The National Training Organisation for the Secure Environment (SITO) was set up by the industry to formulate and promote training for the security industry including the development of National Vocational Qualifications (NVQs) and their Scottish equivalent for individual employees. In 1997 SITO was awarded National Training Organisation status by the Department for Education and Employment and receives financial support from the Government.

1.11 Local registration schemes for door supervisors have been set up in a number of areas to tackle problems where they exist. These are set up in co-operation between local authorities and the police and applicants for registration usually have to be vetted and successfully complete a relevant training course.

1.12 There are also a number of influential trade associations and other professional bodies representing the interests of the security industry or particular parts of it.

The Case for Regulation

1.13 Over the years there have been increasing calls for proper regulation of the private security industry, not just from the police and the public but also from the industry itself who are tired of less scrupulous companies and criminals tarnishing the image of the respectable companies who strive to offer a quality service. The Home Affairs Select Committee conducted an inquiry into the private security industry in 1994/95 and recommended that the contract manned guarding sector of the industry should be regulated.

1.14 The growth of the industry together with the fact that the nature of the work of the private security industry means that those working within it often have access to property, documents or information of commercial value could be used to justify regulation of the industry. However, the Government considers that it is the industry's increasing contact with the public, their potentially wider role in communities and the threat to public safety, particularly the more vulnerable members of society, posed by unscrupulous employers and employees who are placed in positions of trust that are the overriding factors which means that the industry must be regulated. The following case studies demonstrate this.

Case study 1

The Policy Research Group paper 'Clubs, Drugs and Doormen' found that in Liverpool and Newcastle door staff and criminal groups were controlling drug dealing in clubs. Consideration of the background of door supervisors in Northumbria revealed that 25 individuals had a total of 54 convictions for violence including murder and manslaughter. Other convictions included arson, threats to kill, kidnap, false imprisonment, firearm-related offences and handling stolen property.

Case study 2

The owner of a company in Gwent had in the past operated under three different aliases. Between 1959 and 1976 he had 43 convictions for offences, with 64 other offences taken into consideration. His criminal record includes theft of motor vehicles, forgery and possessing firearms while a prohibited person. In the past, he had been employed as a contract guard on premises, but recently had set up his own company to install intruder alarms.

Case study 3

A security guard engaged in patrolling a distribution centre for the dairy industry had previous convictions including armed robbery. He was subsequently arrested and found to have been systematically stealing wholesale amounts of produce from the premises he was employed to guard.

The Government's Proposals for Regulation

1.15 Unfortunately case studies such as those above are not untypical. It is evident that what is missing from the private security industry is the ability to control those who own companies, are managers or work in the industry. As Chapter 3 explains, although the reputable firms within the industry take the steps they can to ensure that criminals are not employed, this is not foolproof, it is not compulsory and it does not address those who own security companies. The Government believes therefore that it is necessary to license individuals wanting to provide security services to ensure that those whose backgrounds make them unsuitable cannot be employed or set up business in the industry. **It is therefore proposed that all those who provide security services in the sectors set out in Chapter 5, including managers and directors of companies should be licensed. This function will be carried out by a new body called the Private Security Industry Authority.**

1.16 Licensing is not the whole answer. The Government believes that the public and business have a right to expect a high standard of service from the companies that they employ or come into contact with and the proposals in this paper are designed to maintain and improve standards within the industry.

1.17 In considering how to achieve this the Government has taken into account the self-regulating mechanisms that are in place in some sectors of the industry which are described earlier in this chapter. Where these mechanisms are working well the Government wants to underpin them with legislation rather than creating additional layers of bureaucracy. The Government also wants to create a flexible structure which will be able to deal with new sectors of the industry as they arise and which fits with the Government's general approach which is to provide better regulation which benefits the citizen and provides simpler regimes for business, particularly small business.

1.18 The self-regulating mechanisms which have been established have grown up in a disparate way for different sectors of the industry without the oversight of a co-ordinating body to ensure that similar standards are being applied throughout the industry. **The Government therefore proposes that the Private Security Industry Authority will have oversight of the maintenance and improvement of standards within the private security industry.** The following chapters explain the function and role of the Authority.

Chapter 2 - The Private Security Industry Authority

Description

2.1 To oversee regulation of the private security industry the Government proposes the creation of a Private Security Industry Authority. Primary legislation will be necessary to enable the establishment of the Authority.

2.2 The Authority's primary roles will be to protect the rights and safety of the public by ensuring basic standards of probity within the private security industry and to maintain and raise standards within the industry for the public benefit.

Functions

2.3 The Authority will have two main functions:

- to license all the individuals in the industry, including managers and directors of companies; and
- to maintain and improve standards within the industry.

Details of these functions are set out in the following chapters.

Constitution

2.4 The Authority will be answerable to the Home Secretary and will be required to make an Annual Report which will be laid before Parliament. It will be self-financing on the basis of fees received for licences and inspections.

2.5 The Authority will have a part-time Board, of around 8 members appointed by the Home Secretary, which will represent relevant interests such as the police, local authorities, the private security industry, insurers, customers and members of the public. The Board will be headed by an independent Chairman who has no personal interest in the private security industry. The Board will have overall oversight of the functions of the Authority and be responsible for making any key decisions regarding the way the Authority carries out its business. It will also be able to make recommendations to the Secretary of State for making regulations through secondary legislation.

2.6 The Authority will need a number of full time staff to operate and enforce the licensing system and this function will be managed by a chief executive who will be answerable to the Authority Board.

2.7 The Board will be able to appoint Committees or sub-Committees to advise it on standards or other technical matters relating to a particular sector or sectors of the industry and will be able to contract out specialist functions such as inspecting companies to a particular standard (see Chapter 4) if that is thought appropriate.

A diagram showing the proposed structure of the Authority is at Annex A.

Chapter 3 - Protecting the Public

3.1 For a considerable time the police, the public and the industry itself have been concerned about the probity of the individuals working in the industry and running private security companies. At present there is no satisfactory way of checking an individual's credentials before he or she is employed in the private security industry and anyone can set up a security company. Some companies require applicants to provide a print out of their criminal record from the police as can be obtained under the Data Protection Act. This practice, known as "enforced subject access", is not confined to the private security industry. The Government regards it as undesirable that this data protection right should be used in this way. In its July 1997 White Paper setting out proposals for fresh data protection legislation, it announced its intention of putting an end to the practice. The Data Protection Act 1998 includes provisions to achieve this. However, the Government recognises that the security industry and others need to be able to continue to gain information about any criminal convictions of those whom they are considering for employment. The Act makes clear that the provisions may not take effect until the arrangements for extended criminal conviction checks under Part V of the Police Act 1997 are in force.

3.2 Most reputable security companies use the provisions of BS7858 'Security Screening' to vet their staff before employment.

BS7858 requires the following:

- that the company should establish by direct reference to former employers, government departments, educational authorities, etc., with confirmation in writing, a continuous record of employment or history for 10 years or back to school leaving whichever is the shorter, on a month-by-month basis;
- the applicant is required to declare details of all cautions and/or convictions for criminal offences, including motoring offences and pending action not covered by the Rehabilitation of Offenders Act 1974;
- the company must obtain two written character references from two relevant persons with personal knowledge of the person being screened (one should be the most recent employer wherever possible);
- the employer should see original birth certificate and marriage certificate (where relevant), or military service documents or valid full passport; and
- employment should not commence until 5 years screening has been carried out (by telephone if necessary). This provisional employment should last no longer than 16 weeks.

3.3 Whilst this process is useful in obtaining details of an applicant's employment history and some indication of character it does not include consideration of offences outside the provisions of the Rehabilitation of Offenders Act 1974 and its use is not obligatory. Even where it is used it is often difficult to get references from all previous employers and it is open to abuse, for example, any 'gaps' in the employment record which cannot be clarified can be 'signed off' by the company. The Home Affairs Select Committee said in its report in 1995 that "vetting procedures for the industry as they currently stand are, in our opinion, inadequate."

3.4 The Government shares that view and has **therefore decided that it is necessary to license all those who provide security services in the sectors set out in Chapter 5**. This will include not only the operatives/employees but also managers and directors of companies. Individuals will have to apply to the Authority for a licence before being employed in the private security industry or setting up a private security firm. This will apply equally to contracted staff and those who are directly employed to provide security services ('in-house' staff). For 'in-house' staff it is proposed that licences will be required by everyone who is responsible for security provision up to and including the manager or director of security.

3.5 Ensuring that the right people are licensed will be important. It is not intended that a licence will be required if security is only a minor part of an individual's job (for example, a general repair man who would be required to repair locks) but a licence will be required by anyone whose job includes a significant element of security provision. The Government acknowledges that defining those who should be licensed will be difficult and **invites comments on how this might be achieved and examples of potentially problematic areas**.

3.6 Licences are not intended to replace good employment practice such as checking references or employment history and it will still be for companies to determine if someone is suitable for employment in a particular post. Licensing is intended to address the serious concerns about vetting in the security industry and to ensure that all those providing security services have been checked on a consistent basis.

Rehabilitation of Offenders Act 1974

3.7 The Rehabilitation of Offenders Act 1974 (ROA) aims to strike a balance between giving offenders a chance to re-integrate themselves into society and the need to protect society from those who might offend again.

3.8 Occupations which are excepted from the Act's provisions are tightly limited in order to safeguard the effectiveness of the Act. Exceptions to the Act have been made in the interests of :

- national security;
- the protection of particularly vulnerable members of society such as the handicapped, elderly, young or sick;
- maintaining confidence in the administration of the law and in certain licensing systems;
- ensuring probity in the areas of banking and financial services.

The Criminal Records Bureau

3.9 In deciding the level of check considered necessary for those working in the private security industry the Government has taken into consideration the new certificates which will be available from the new Criminal Records Bureau (CRB) to be set up under Part V of the Police Act 1997. There will be three types of certificate available from the CRB

- a Criminal Conviction Certificate (CCC), available only to individuals and which will contain details of convictions which are unspent under the ROA;
- a Criminal Record Certificate (CRC) which will be available jointly to individuals and those, registered under the Act, entitled to ask whether they have convictions which are spent under the ROA;
- Enhanced Criminal Record Certificates (ECRC) which will be available under the same conditions as CRCs for certain posts and occupations and will contain additional information, held locally by the police, including convictions for minor offences and any relevant intelligence information.

3.10 ECRCs will only be available to individuals and organisations in connection with applications for positions where they will be regularly caring for, training, supervising or being in sole charge of children or (potentially) vulnerable adults and for certain gaming and lottery licences. At the other end of the scale CCCs will only be available to individuals and will only contain details of unspent convictions.

3.11 During consultation and in discussion with the police, the industry and others there has been almost unanimous support for the private security industry to be exempt from the provisions of the ROA. Those working in the industry often have regular contact with the public, access to a great deal of sensitive information or are responsible for the protection of valuable goods, property or people. They are often in a unique position to prevent or commit crime. As the case studies in Chapter 1 show, individuals abuse the trust that is placed in them and the Government believes that the Authority should have access to an individual's full criminal record history before deciding whether to issue a licence. **The Government therefore proposes that the private security industry will be made an exception to the provisions of the ROA in respect of licensing only.** This means that the Authority will have access to CRC information. This will be done by making an Exceptions Order under the ROA, giving the Authority access to the full criminal record of an applicant.

3.12 Making the private security industry an exception to the ROA in respect of licensing only means that individuals will have to apply for a CRC from the CRB. A copy of the CRC will be sent to the Authority who will consider it before deciding whether to issue a licence. The CRC will not be available to potential employers. An exception which would allow employers access to unspent convictions could jeopardise the employment prospects of a substantial number of people. Latest available figures on the proportion of the population with criminal records, based on a "cohort" of people born in 1953, show that by the age of forty, 34% of men and 8% of women have a conviction for a standard list (broadly imprisonable) offence. Of these only 6% would have convictions which would remain unspent. Despite the fact that more recent convictions may not yet have become spent, of men born in 1973 only some 12% would have unspent convictions. The Government is aware that some companies do not employ individuals with even minor convictions which would appear to have no bearing on employment in

the security industry. Allowing the Authority access to full criminal record information will ensure that the relevance of convictions and other considerations will be taken into account. Employers will still be able to require production of a CCC if they considered that necessary.

3.13 The Government did consider whether only certain sectors of the private security industry should be exempt from the provisions of the ROA. It concluded that this would be impractical. It would require the creation of a two-tier licensing system with different levels of checks and it may be difficult to decide if an individual required a full check or not as security personnel become more multi-functional.

Criteria for Granting of a Licence

3.14 Before proceeding with a licence application the Authority will make every effort to establish that an applicant has declared his or her true identity by for example, requiring sight of an original document giving proof of identity such as a passport, driving licence or original birth certificate.

3.15 The precise details of the criteria for grant of a licence will be for the Authority to determine in consultation with interested parties but are likely to include:

- consideration of the details of the CRC. The Authority will be required to produce and publish clear guidelines on the criteria for granting or refusing a licence. Guidelines will be developed by the Authority in conjunction with the police and the industry. It is likely that certain serious offences will automatically debar an individual from obtaining a licence but generally the Authority will take into account whether any conviction was relevant, the length of time since the offence occurred, whether there was a pattern of offending and whether the applicant's circumstances had changed since the offence was committed.
- in addition, for those proposing to set up or manage a private security company checks will also be made against Companies House registers for undischarged bankruptcy and/or disqualified director status to ensure that they do not appear on those registers. Managers and directors will be required to include the name of the company they are employed by or the name of the company they are proposing to run and will be required to keep this information up to date with the Authority.

The Licence Itself

3.16 Licences will be subject to a fee payable by the individual and renewable every three years. While the individual will have to apply for the licence there will be no bar on the cost of the licence being refunded to the individual by an employer. Licences will be subject to relevant conditions such as an obligation to notify the Authority if the holder changes address or is convicted of any offence during the currency of a licence.

3.17 The Authority will have the power to revoke a licence if the holder is convicted of a relevant offence during its currency or if the original application contained false information. The Authority will be obliged to give reasons, in writing, for the refusal or revocation of a licence. The Authority will also have the power to amend the conditions under which a licence is held.

3.18 The Authority will issue successful applicants with a physical licence. This is likely to be in the form of a plastic card which incorporates measures to prevent fraud such as a photograph of the applicant and a hologram. The details will be dependent on the best technology available when the Authority is established. The licence will include its expiry date.

3.19 The Authority will be expected to publicise the appearance of the card. Businesses and members of the public will be encouraged to ask for sight of the licence before allowing them onto their premises.

Appeals

3.20 Refusal of a licence, or revocation of an existing one would prevent someone from being employed in the private security industry or from running a private security company. The Authority will have clear guidelines on the criteria for refusal or revocation and in most cases it is unlikely that there will be any dispute on a decision. Nevertheless, the Government considers that an individual should have a right of appeal against the decision of the Authority to refuse or revoke a licence. As the decision will affect an individual's earning potential the Government considers that the method of appeal should be relatively quick.

3.21 The Government has therefore decided to adopt the model appeal provisions under section 6 of the Deregulation and Contracting Out Act 1994 (The Deregulation (Model Appeal Provisions) Order 1996 SI 1996 No 1678). The model appeal

mechanism was introduced because of complaints that traditional appeal processes were inconsistent, often cumbersome and confusing. The model appeal mechanism has been designed to expedite, simplify and reduce the costs to the parties of appeals against enforcement action.

3.22 The model appeal mechanism makes provision for:

- time limits for various stages of the appeal;
- the appointment of a tribunal with an independent Chairman;
- appeals to be considered in writing;
- hearings to be held in private if appropriate;
- the tribunal's decision to be made in writing; and
- costs to be awarded.

3.23 If an individual is still dissatisfied with the decision of the tribunal he/she can appeal to the High Court on a point of law.

New Offences

3.24 In order to ensure compliance with the new licensing structure the Government proposes the creation of the following new offences:

- a. employing someone who is unlicensed (likely to be a strict liability offence with a limited defence of reasonable belief that the individual was licensed);
- b. offering security services or operating as a security operative without being licensed (likely to be a strict liability offence with a defence of having a reasonable excuse for offering services or working without a licence);
- c. being involved in the ownership or management of a private security firm without a licence (likely to be a strict liability offence with a defence of having a reasonable excuse);
- d. knowingly providing false information to obtain a licence;
- e. breach of terms or conditions of a licence.

3.25 It is proposed that all these offences (except offering security services without being licensed) will be summary only with a maximum penalty of 6 months' imprisonment or a fine of the statutory maximum (£5,000) or both. It is proposed that offering security services without being licensed will be triable either way with a maximum penalty of five years' imprisonment on indictment or a fine or both.

Enforcement

3.26 As noted above the Authority will publicise the arrangements for licensing individuals in the private security industry and make known the appearance of the licence issued by it. Businesses and members of the public will be encouraged to ask to see an individual's licence and be encouraged to contact the Authority if they have any suspicion about an individual or a company.

3.27 These measures in themselves should encourage widespread compliance with the new requirements and identification of non-compliance. However, to ensure compliance the Government proposes that the Authority will have the power to carry out spot checks on companies to ensure that all their employees are properly licensed. Managers and directors of companies will be required to include the name of their company as part of the licence application process. From this a database of companies employing security personnel will be generated by the Authority.

3.28 Spot checks could be intelligence-driven as a result of information received from the public, police, businesses or employers or on a random basis. Under the 'Inspected Companies' scheme (see Chapter 4) checking that employees are licensed is likely to form part of the inspection. Checks could be carried out by an Inspectorate created within the Authority or contracted out to a suitable existing Inspectorate if the Authority is satisfied that the work will be properly carried out. In most cases the inspectorate will prosecute offences if discovered through the course of their inspections. It is likely that the police will discover offences through the normal course of their work and these can be prosecuted by the Crown Prosecution Service.

3.29 Detailed enforcement procedures will be drawn up by the Authority to reflect the principles of the *Enforcement Concordat* published by Cabinet Office.

Chapter 4 - Maintaining and Improving Standards

4.1 The private security industry is diverse and the Government wants to create a structure which is equally applicable to different sectors of the industry. It accepts that there will be different technical and practical considerations to the standards that are applied in different sectors.

4.2 In the absence of statutory regulation the private security industry has, over a number of years, established self-regulatory mechanisms for various sectors of the industry. In conjunction with the British Standards Institute, a number of British Standards have been established which are relevant to the private security. Examples of some of the requirements of some British Standards is given in the boxes below.

BS7499: Manned Security Services

- **Lays down requirements for security company**
e.g. proper management structure, adequate insurance, proper procedures for employees (written contracts with terms and conditions, shift patterns, etc.)
- **Lays down expected standards of conduct for employees.**
- **Requires employees to carry photographic identity cards.**
- **Says that employees should have a minimum of two days induction training plus other training (job/site specific, specialist, refresher) as required.**
- **Lays down detailed procedures for control rooms and the checking, issuing and receipt of keys.**

BS 7872: Operation of cash-in-transit services

Gives general requirements for companies and employees as for BS7499.

Plus additional requirements for

- **training specific to cash-in-transit**
- **vehicles to be used for cash-in-transit**
- **control rooms**

BS4737 Intruder Alarm Systems in Buildings

Lays down general requirements for the construction, installation and operation of intruder alarm systems installed in buildings including:

- **requirements for tamper detection;**
- **cable security;**
- **operating requirements;**
- **power supply and back-up requirements;**
- **performance standards for alarms**

BS 5974: Remote centres for alarm systems

Gives specifications for the planning, construction and facilities of manned and unmanned remote centres.

Lays down detailed procedures for operation of centres including:

- **access**
- **time limits for contacting emergency services**
- **handling of alarms**
- **equipment checks**
- **records to be kept**

4.3 Adhering to British Standards is not mandatory except for those companies who are voluntarily inspected. There are also sector specific voluntary Codes of Practice. Through effective co-operation between trade associations and professional bodies, recognised and respected Inspectorates have been set up to inspect companies to the appropriate standards. On the manned guarding side, the Inspectorate of the Security Industry (ISI) has been accredited by the United Kingdom Accreditation Service (UKAS, formerly the National Approval Council for Certification Bodies (NACCB)) as an independent third party certification body. In the intruder alarm field the National Approval Council for Security Systems (NACOSS) has been similarly accredited. Three other alarm Inspectorates have been approved by the Association of Chief Police Officers (ACPO) in connection with the intruder alarm policy. The ACPO policy states that the police will only allocate a Unique Reference Number (URN) to an alarm system which has been installed and maintained by an inspected company. The police will only provide an immediate response to an alarm with a URN. The revised intruder alarm policy is designed to effect improvements in alarm installations and standards, and to reduce false alarm calls to the police. Inspected or recognised status is time limited and companies undergo regular reinspections.

4.4 Training is also voluntary, except for companies who are inspected, and is entirely a matter for employers. The National Training Organisation for the Secure Environment (SITO) was set up by the industry itself to formulate and promote training for the security industry including the development of National Vocational Qualifications (NVQs) and their Scottish equivalent for individual employees. In 1997 SITO was awarded National Training Organisation status by the Department for Education and Employment and receives financial support from the Government. SITO offers a range of courses for the security industry, including those designed to meet the requirements of BS7499. Other companies also offer training packages for various sectors of the industry.

4.5 The Government recognises the amount of time and hard work which has been devoted to development of these standards and training and applauds the strides which have been made to improve the standards and image of the industry.

4.6 The Government believes it can build on this structure. The Private Security Industry Authority will have as one of its statutory functions the maintenance and improvement of standards within the private security industry for the public benefit. The way in which it discharges this function may be different for different sectors of the industry and it will be for the Authority to decide how it should do this in conjunction with relevant interested parties.

4.7 For example, the Authority could endorse existing British or European Standards or develop new ones or issue Codes of Practice. The Authority will also be able to recommend to the Secretary of State that statutory regulations should be made for a particular sector to which companies will be required to adhere.

4.8 British or European Standards, Codes of Practice and/or statutory regulations could offer standards for, for example, training, levels of supervision, behaviour or good practice generally. As already noted above these could be different for different sectors of the industry.

Inspected Companies Scheme

4.9 The Government does not intend to license companies. However, the Government proposes the establishment of a formal 'Inspected Companies' scheme under the Authority by which companies can volunteer to be inspected to the standards which have been set for their particular sector. Clear guidelines and criteria for achievement of Inspected status using British or European Standards, Codes of Practice or whatever other mechanisms are considered appropriate, will be developed by the Authority in consultation with interested parties for particular sectors of the industry. This will include periods of validity for

inspected status and any reinspection requirements. In certain cases the Authority may decide that statutory regulations are required in a particular sector and it may then make recommendations to the Secretary of State to make statutory regulations. The Government proposes that licensing of individuals will be phased in (see Chapter 5). However, the Authority will be able to endorse or set voluntary standards for any sector of the private security industry regardless of whether the individuals within that sector require to be licensed. Statutory regulations could only be set in sectors where individuals were licensed.

4.10 The Authority will make arrangements to inspect companies if they wish to join voluntarily the inspected companies scheme or to ensure that they are adhering to the standards which are set for their particular sector if there are statutory regulations. This could be by using existing Inspectorates if these are of a sufficiently high standard and of suitable independence from the industry, or by creating a new Inspectorate function within the Authority. Whatever arrangement is decided upon the Inspectorate(s) will need to be independently monitored. It will be for the Authority to decide how best to do this but one way may be through the use of UKAS (the United Kingdom Accreditation Service) which already provides this service for inspectorates and certification bodies.

4.11 Consideration will be given by the Authority on a sector by sector basis as to the standing of existing inspection regimes and some companies may be able to convert to Inspected status without further inspection or cost.

4.12 Inspected companies will be able to use a particular mark on their stationery and advertising, which will be protected by Trade Description legislation. The Authority will publicise these arrangements so that the public and businesses will be aware that a company using a recognised mark had been inspected to a certain standard.

4.13 There will be a fee for Inspected status which will be intended to cover the full costs of the scheme including publicity of it. It is difficult to speculate at this stage what the level of fee might be since there are likely to be different criteria for inspected status in different sectors of the industry which will, in turn, require different amounts of inspection time. Fees under current self-regulatory inspection schemes start in the region of £1,000 - £2,000 per annum and increase depending on the size of the company, the number of branches or employees and the exact scheme under which the company wishes to be inspected.

4.14 The Authority will maintain registers of Inspected companies in different sectors which will be freely available. It will also investigate complaints against Inspected companies and have the power to impose sanctions on Inspected companies, including withdrawal of Inspected status.

4.15 Companies will be able to appeal against decisions not to award Inspected status or against sanctions or withdrawal of Inspected status. It is proposed that they will be able to do this through a speedy and simple process via the tribunal set up as described in paragraph 3.20-3.25 above.

Chapter 5 - Scope

5.1 The Government considers that the recommendations of the Home Affairs Select Committee and the previous Government's proposals to regulate only the contract manned guarding sector did not go far enough. The private security industry encompasses a wide range of activities and occupations which bring individuals into contact with the public and places them in positions of trust and the Government believes that the individuals who carry out these roles should be licensed and regulated so that the public can have confidence in them.

5.2 In the sections below further detail is given about the particular areas it is intended to cover. However, it is intended that any legislation which is introduced will be flexible enough to allow additional sectors to be added to the regulatory structure at a future date. This is likely to be by the use of Orders made by the Secretary of State.

Manned Guarding

5.3 As the case studies in Chapter 1 show there is criminality within the manned guarding sector of the industry. It is the people within this sector who often have most contact with the public and this is the sector which is likely to take an increasing role in communities. Licensing will therefore apply to the whole of the manned guarding sector. Broadly this will include any person employed to guard premises or property on those premises, or to maintain order within those premises, or a self-employed person offering themselves as a guard for such duties or anyone employed to protect property or property and/or valuables in transit.

5.4 This will include contract and 'in-house' (directly employed) security personnel. The Government believes that to exclude in-house security personnel from the scope of licensing would create an unacceptable loophole and reduce confidence in the system.

5.5 It will also include door supervisors, cash-in-transit, wheelclampers, the use of guard dogs, security services in retail, public and semi-public areas and local or neighbourhood guarding or patrolling services.

5.6 As noted in paragraph 3.4 licensing will cover both the operatives/employees and managers and directors of companies.

5.7 Under the structure which the Government proposes the Authority will be able to recommend different British or European Standards, Codes of Practice or Regulations covering for example, training and standards, for different sub-sectors of the manned guarding sector. In this way each sub-sector, for example, the use of guard dogs or cash-in-transit can be provided for.

Door Supervisors

5.8 There are widespread concerns about criminality amongst door staff. Assaults are common and as the Police Research Group Paper 86 'Clubs, Drugs and Doormen' showed, door staff can be involved either directly or indirectly in drug dealing in clubs. At present door supervisors are dealt with at a local level through registration schemes. In January 1996, a Home Office Circular (HO 60/95) was issued to all local authorities and police forces offering best practice guidance on setting up such schemes for door staff working at night-clubs and other establishments with a licence for public music and dancing. Applicants for registration usually have to be vetted and successfully complete a training course, which is likely to include core elements of legal issues relevant to licensing and powers, social skills, first aid, drugs recognition and fire safety. The Circular was drawn up in consultation with representatives of the Association of Chief Police Officers, the local authority associations and the entertainment industry. There are over 100 schemes in operation around the country covering approximately 20,000 door supervisors.

5.9 Registration schemes are not mandatory and not all local authorities operate them. The Government considers that all door supervisors should be licensed to prevent infiltration or intimidation by criminal gangs and to weed out those whose criminal background suggests that they are not suitable for this work. There is likely to be a continuing role for local authority registration schemes to ensure that door supervisors are properly trained and have good links with the local police but the details of this will be for the Authority to decide following the introduction of licensing.

Wheelclamping

5.10 The Government has been concerned about the activities of wheelclampers for some time. Unscrupulous operators prey on unwary motorists and often use threatening tactics to obtain payment for release of a vehicle. Under regulation all wheelclampers will be required to be licensed. This will ensure that those with serious offences will not be able to operate as a wheelclamber or set up a wheelclamping company.

5.11 The operation of wheelclamping firms could be dealt with by the use of statutory regulations/codes of practice recommended by the Authority.

Alarms and CCTV

5.12 There is a growing market in the installation and maintenance of alarm and CCTV systems. Self-regulation has generally worked well in the commercial and upper end of the domestic market area due to the pressure to comply arising from the influence of the insurance industry and the police. The police will not guarantee an immediate response to an alarm unless it has been fitted by a company approved by an ACPO recognised inspectorate. The lower end of the domestic market does not tend to be covered by these arrangements and although reputable companies do exist it is likely to be those that are most vulnerable who will be most at risk from unscrupulous operators. Concerns also exist about the probity of those running companies, as one of the case studies in Chapter 1 illustrates, and those who install alarms in people's homes. It is particularly important in terms of public safety that those who install alarms in private homes, where there may often be only a sole occupant, should be of good character. Those who install or maintain alarms and CCTV systems have a unique opportunity to gain inside knowledge of the systems which could be used to facilitate or commit crimes. Security firms are also tending to offer a whole 'package' of security including alarms, CCTV and security guards and it would be wrong if one part of the business had to be licensed but the other did not.

5.13 The Government therefore proposes that all those who install, monitor and maintain alarm systems should be licensed. This includes central monitoring stations where large numbers of alarm systems are monitored.

5.14 There are large numbers of British and European Standards and Codes of Practice which apply to the alarms sector of the industry. The Authority will need to consider carefully which of these are relevant for any Inspected Companies scheme. The Government is also aware that there are a number of existing Inspectorates operating in the alarms sector. It will be for the Authority to determine the criteria for the Inspectorates which will be approved for inspecting companies to any agreed standard (see paragraph 4.10 above).

5.15 The use of CCTV surveillance of public places and in private premises is now widespread. The Government supports the use of this technology to help tackle crime and disorder but CCTV schemes must be deployed and operated with integrity and with respect for personal privacy and civil liberties. Many CCTV systems are monitored by privately employed security personnel who are in a position to subvert the course of justice and it is proposed that the individuals who monitor them should be licensed. The use of CCTV images will be regulated under the provisions of the Data Protection Act 1998 which is expected to come into force in the second quarter of this year. The Act provides a regulatory framework for the processing of information relating to identifiable individuals, including the obtaining, holding, use or disclosure of such information.

Other Groups

5.16 The Government proposes that in due course private investigators, security consultants, locksmiths, keyholders, and contracted court enforcement officers will also require to be licensed. As noted at the beginning of this Chapter the legislation is intended to be flexible enough to be able to be applied to additional sectors of the industry as required.

Phased Introduction of Regulation

5.17 In order that the Authority can be properly established and so that the workload of licensing can be properly spread over the three year validity of a licence the Government proposes that there will be phased introduction of the licensing system. This is likely to be on a sector by sector basis, starting with the manned guarding sector including door supervisors and those offering patrols to local residents since this is the area of greatest concern amongst the police, the public and the industry itself.

Numbers Affected

5.18 There have always been problems in determining reliable figures for the number of firms or the number of people employed in the private security industry. In evidence to the Home Affairs Select Committee in 1995, the Policy Studies Institute put the total size of the industry (alarms and guarding) at about 162,000 employees and over 8,000 firms in 1992. The 1992 Labour Force Survey for Great Britain showed some 129,000 employed in security guarding or related occupations.

5.19 Taking into account the fact that the Government is now considering regulating a much wider range of occupations within the private security industry and that there is a traditionally high turnover of staff in certain sectors of the private security industry, the costings in the next chapter are based on working figures of a total of 240,000 individuals employed in 8,000 companies.

Individuals from Other Countries

5.20 Any new requirements will apply equally to nationals from other countries wanting to work in the private security industry in this country, but there may be difficulties in conducting criminal record checks on them. Many countries including most EU member states, have arrangements which permit their nationals to obtain official confirmation of their criminal record or lack of one. The Authority will develop criteria for dealing with applications from non-UK nationals.

Exceptions

5.21 Since the legislation is intended to cover the 'private' security industry, Crown servants such as police and prison officers and members of Her Majesty's armed forces will be exempt from the legislation, as will the Ministry of Defence Guard Service. The reason for this is that those in the employ of the Crown are already checked to a similar or higher level than that proposed. Contracted-out operations such as prisoner escorts or running prisons which are already regulated under existing legislation will also be excluded. Posts for which Counter Terrorist Checks (CTCs) are required by the Department of the Environment, Transport and the Regions for transport security purposes will be exempt.

Chapter 6 - Costs and Benefits

6.1 Cost elements can be divided into recurring and non-recurring costs. Examples of **recurring costs** are staff time, inspection and licence fees. Examples of **non-recurring costs** are additional, largely one-off, costs caused by the proposed legislation such as recruitment and training.

6.2 Costs to business can be divided into direct and indirect costs. The direct costs to business are those for example, of checking an applicant's licence. Although the Government's proposals are that the individual should apply to the Authority for a licence and pay the fee direct, it will be open to employers to reimburse the cost of the licence and many may opt to do so. Therefore, in these calculations it has been assumed that the cost will fall ultimately on business and these are therefore indirect costs. Confidence and certainty that the industry is well regulated will have commercial benefits as the industry has long recognised.

6.3 The calculations in this section are intended to provide an estimate only of the likely costs of a new Private Security Industry Authority. Estimates are based on a total of 240,000 individuals requiring licensing over three years (80,000 per year) and 8,000 companies. It has been assumed that enforcement inspections will be carried out by Inspectors directly employed by the Authority. The Inspected Companies scheme is expected to be self-financing using existing Inspectorates and because schemes are likely to be different for different sectors of the industry individual schemes will be costed by the Authority before they are introduced.

Direct Costs

6.4 The **recurring** costs to businesses will be those of checking the licence of the job applicant (assumed to be obtained at the applicant's expense and therefore not a direct cost to business) and recording that this has been done e.g. by placing a photocopy of the licence in the successful candidate's personnel record. It should take no more than five minutes to check and copy the licence, and allow for time taken to make and collect files, etc. Labour costs have been based on an average of £8.10 per hour (wage rate per hour for filing and record clerks from the New Earnings Survey 1995 multiplied by a factor of 1.3 to account for certain non-labour costs). An average figure for photocopying a single sheet of paper (including all related costs) is three pence. The total cost of checking will be on average 70.5 pence. For a notional company employing 100 individuals a year this implies a recurring cost of £70.50 per year. Assuming a total of 80,000 licences to be checked each year this gives a total cost of £56,400 per year. We believe that non-recurring costs to business will be minimal.

Indirect Costs

6.5 As noted above it is assumed that the cost of the Authority should ultimately fall to businesses. The cost of the Authority is estimated below.

6.6 The start-up costs of the Authority are estimated at £355,750 (derivation of this figure is given in Annex B). In calculating the estimated costs of licences it has been assumed that this cost will be recouped over three years.

6.7 Recurring annual costs for the Authority are listed below (they are explained fully in Annex B):

	£
Salaries	808,500
Accommodation	225,000
Criminal Record Certificates (80,000 certificates @ £5)	400,000
Other Running Costs	256,293
Total recurring costs	£1,689,793

6.8 If it is assumed that the start-up costs are to be recouped over three years this gives a licence fee of **£22.61** (£1,690k + £119k divided by 80,000). There will also be recurring court costs and Legal Aid for prosecuting offences. These are estimated at £684k per year. This has not been included in the calculations for the licence fee.

6.9 The private security industry has expressed a willingness to consider helping with start-up funding for the Authority. The Government would like to explore this further. If money can be found from the industry this will reduce the overall costs, reduce the licence fee payable by individuals and speed up the introduction of the full scheme.

Benefits

6.10 Benefits are difficult to quantify but nonetheless real. The proposals are intended to reduce offending in the private security industry and to give the public greater confidence in the industry. Quite often it is those that are most vulnerable (the elderly, disabled and those on low incomes) that are most likely to be at risk from unscrupulous operators. By regulating all door staff the proposals should reduce the incidence of drug dealing and use in clubs and reduce deaths from drug abuse. Licensing will ensure that known criminals cannot be involved in the private security industry. The private security industry is more likely to be involved in communities if the police, local authorities and the public themselves can have confidence in the people that are employed.

6.11 The Inspected Companies scheme, although voluntary, is expected to raise standards of technical competence and the standard of personnel employed. It should also raise standards for the employees themselves who should receive better training and conditions of service. This in turn should enhance the image of private security firms both in this country and abroad.

Chapter 7 - The Way Forward

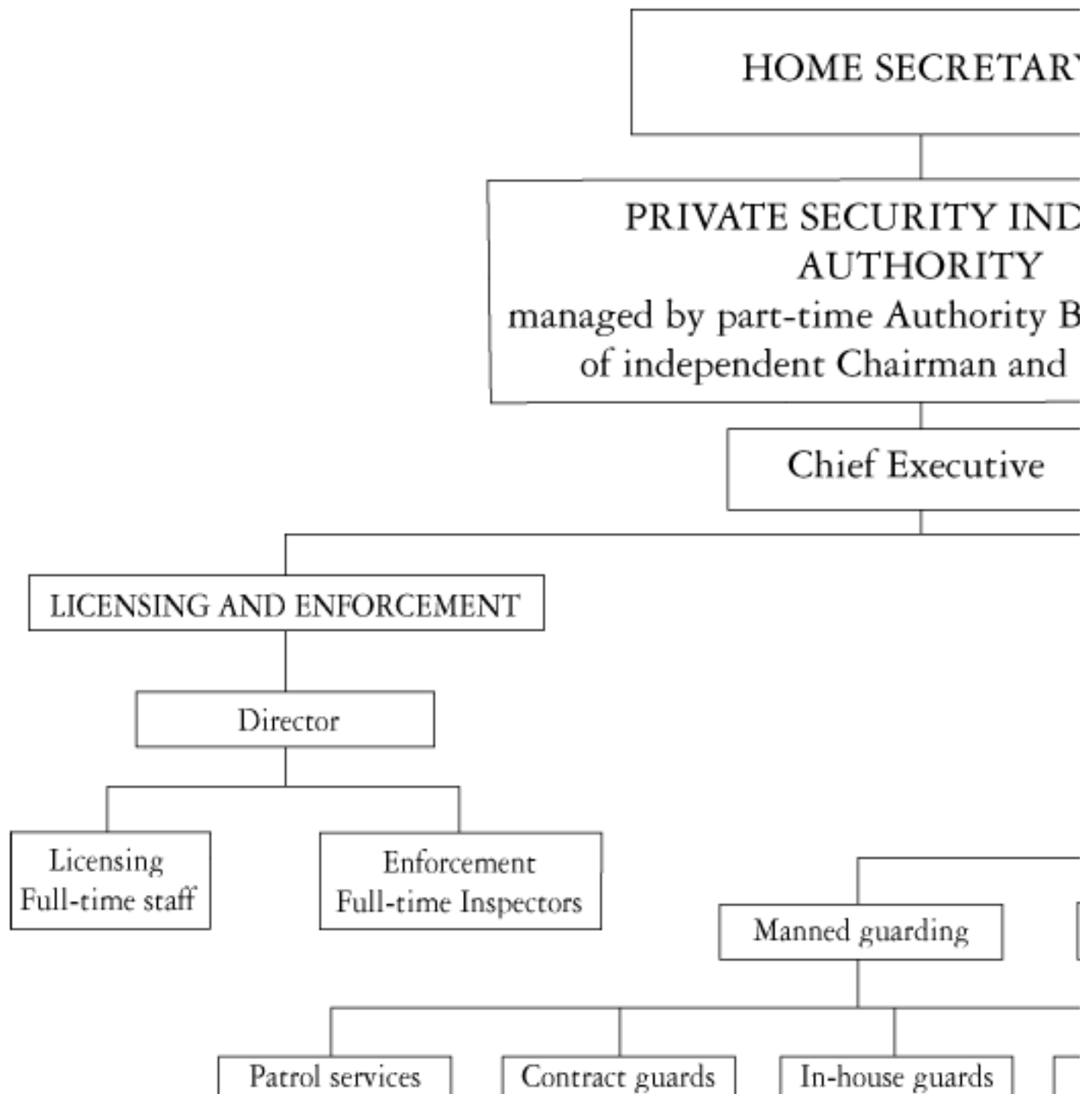
7.1 The Government is committed to regulation of the private security industry. Parliamentary time is limited and it has not been possible to bring forward early legislation on this subject. The Government is using this inevitable delay to work constructively with the police, industry and others to develop a comprehensive, effective and streamlined system for the whole of the private security industry. This White Paper is the next step in that process.

7.2 The Government will continue to develop these proposals with further discussions with interested parties and will consider very carefully responses to the proposals in this White Paper.

7.3 The Government intends to introduce a Bill to give effect to these proposals as soon as Parliamentary time is available.

Annex A

PROPOSED STRUCTURE OF THE PRIVATE SECURITY



Annex B

Estimated Costs of the Authority

Start-up costs

The start-up costs of the Authority are assumed to be:

i) recruitment of Chairman and administrative staff estimated at £30,000 (advertising costs for the post of Chairman £10,000, administrative staff and inspectors £14,000 and the cost of an external recruitment firm £6,000; other Board members likely to be appointed by bodies involved in the security industry and customers);

ii) training estimated at £25,750 (21 administrative staff receiving three days training at a cost of £250 per person per day (£15,750) and 10 Inspectors receiving five days training at a cost of £250 per person per day);

iii) advertising/publicity for the new arrangements estimated at £50,000;

iv) fixtures and fitting out of new accommodation estimated at £250,000.

Total start up costs are therefore estimated at £355,750.

Recurring annual cost (explanatory notes are given below the table):

	£
Salaries	725,500
(Chairman £30,000, Chief Executive £65,000, administrative staff £351,000 ¹ , Inspectors £362,500 ²)	
Accommodation ³	225,000
Criminal Record Certificates (80,000 certificates @ £5)	400,000
Other Running Costs ⁴	256,293
Total recurring costs	£1,689,793

All figures are estimates based on best available information.

Note 1

In estimating the number of staff required it has been assumed that there will be 240,000 individuals requiring licences, each valid for three years annual licences issued 80,000. The latest available figures on the proportion of the population with criminal records, based on a 'cohort' of people born in 1953 show that by the age of 40, 34% of men and 8% of women have a conviction for a standard list (broadly imprisonable) offence. It has been assumed therefore that 50% of applicants (40,000 per year) will have some sort of record on their CRC. Of these it is assumed that 40% (16,000) will have minor convictions which are irrelevant to their application and therefore licences could be issued. This leaves 24,000 cases per year to be more carefully considered. It is assumed that it will take an average of 30 minutes to consider a case against the guidelines and therefore 14 cases could be considered per person per day. Assuming 224 working days a year (taking account of leave) it has been assumed that 8 AO's (£16,000 each) will be needed to consider cases. An equal number of AA's (£11,500 each) will be needed to input data, issue licences and deal with straightforward cases. An additional AA will be required to support the Inspectorate. 2 EO's (£22,000 each) will be needed to consider cases outside the criteria and manage the licensing section. 1 SEO (£34,000) will be needed to oversee the operation. 1 PS (£25,000) will be needed for the Chief Executive. Costs are based on Home Office salaries and related costs. Total salary costs £351,000.

Note 2

For the Inspectorate it has been assumed that there will be 8,000 businesses. The Inspectors will spot check 25% of these annually. The costs are assumed to be lower than those of an inspectorate's work in examining companies for compliance with British Standards since they will be checking for compliance with the requirement to employ licensed individuals only.

It has been assumed that each inspection will require half a day plus reporting and travelling time. Assuming one inspection a day and 224 working days this will require 9 Inspectors plus a Chief Inspector. Salary costs for the Inspectors is assumed at £314,500 (9 Inspectors at a cost of £31,000 per year salary £20,000 multiplied by a factor of 1.3 to take account of non-labour costs, plus £5,000 travelling expenses; Chief Inspector at a cost of £35,500 salary £25,000 x 1.3, plus £3,000 travelling expenses).

Note 3

Accommodation for 25 staff (assumed 7 Inspectors regionally based working from home) has been assumed at 1,500 sq.m (offices, conference rooms and common areas) at a cost of £130 per sq.m per year (based on outer London/provincial rates) - £195,000 per year plus £5,000 maintenance costs, plus £25,000 for heating, lighting and cleaning. Total accommodation costs £225,000

Note 4

Other running costs include

- initial computer equipment (software and hardware) at £100,000 depreciated over 3 years;
- maintenance of 32 PCs at £30 per month and 9 printers at £30 per month £14,760;
- licence producing equipment at £50,000 depreciated over 10 years (includes machine, card stock, computer terminal, video image film: based on cost of Home Office passes without additional electronic information storage facility;
- continuing publicity/marketing £50,000 per year (public information leaflets, increase awareness of the requirements)
- travel and subsistence for Board members £20,000 per year
- legal costs for appeals/prosecutions £50,000 per year
- telephones 22 telephones @ £250 per year for administrative staff £5,500 and 10 mobile phones for inspectors @ £270 per year £2,700;
- stationery £50,000 per year;
- postage £20,000 per year;
- photocopiers £5,000 per year (2 photocopiers, £500 per quarter per machine plus usage).

Appendix 1 - Regulatory Impact Appraisal

REGULATION OF THE PRIVATE SECURITY INDUSTRY

2(i) The Issue and Objective

Issue: The public, the police and the industry itself have long been concerned about criminals working in the private security industry. The Home Affairs Select Committee in 1995 concluded that a substantial reduction in the incidence of unsuitable persons operating in the industry could only be achieved by a licensing system. It recommended that the licensing system should apply only to the manned guarding sector of the industry at that time. The Government have consistently argued for wider application and that view has the support of the industry itself as well as the police and local authorities.

Objective: The regulation is intended to protect the rights and safety of the public by reducing criminality in the industry and to enable the public to have confidence in the quality of service and reliability of the private security industry.

2(ii) Risk Assessment

The employment of criminals in the private security industry (the hazard) can lead to a risk to the public of offences being committed (the harm) either directly or by improper use of inside knowledge gained through employment in positions of trust. There are many examples of how this has had an effect when it is often tragic or damaging to those concerned. Data on offending is not collected by occupation but ACPO evidence to the HASC extrapolated from figures collected in Lancashire in 1993/4 gave an estimate of 2,600 offences a year by private security employees (not just manned guards). A recent Home Office study of door supervisors showed direct or indirect involvement in drug offences and individuals working in the industry with a background of serious criminal offences.

3(i) Options

Three options have been identified

Option do nothing

1 -

Option regulate only the manned guarding sector

2 -

Option establish a framework which is capable of being applied to any sector of the private security industry to be introduced initially into the manned guarding sector and the alarms/CCTV sector.

3 -

3(ii) Issues of equity or fairness

It is not considered fair to continue to expose the public to the risk of unlicensed security personnel when they are performing an ever increasing role in our society. It would be regarded as unfair to regulate only the manned guarding sector of the private security industry when problems have been identified in other sectors too. Given the necessary complexity of many companies operating in the industry it is no longer feasible to consider regulating only one part of the industry in this way as this may lead to some employees in a firm being licensed whilst others are not.

4(i) Identify the benefits

The benefits are a reduction in offences by private security owners, managers and operatives and an overall increase in the quality of service provided. This will promote confidence in the industry as a whole as well as protecting the public. The whole community will benefit including members of the public and businesses.

4(ii) Quantifying and valuing the benefits

Option 1 would have no benefit and is estimated to have no effect on offending rates by the private security industry. In fact a lack of regulation could allow offending to increase as the private security industry takes a greater role in communities. Valuing the benefits in terms of an increase in public and commercial confidence is difficult to quantify in purely financial terms. Option 2 is estimated to reduce offending by manned guards. Given that current rates of offending are not recorded by

employment type it is impossible to estimate statistics on the possible reduction. There is a danger however that by licensing just one sector of the industry criminals could be displaced to other unlicensed sectors. Option 3 is estimated to reduce offending generally within the private security industry including the incidence of drug offences and drug use in nightclubs. It is also likely to enable the public to have confidence in the quality of service and reliability of the private security industry. Confidence and certainty that the industry is well regulated is likely to have commercial benefits for security service providers.

5(i) Business Sectors affected

Option 1 would have an effect on those companies who were operating to voluntary high standards. Those companies not endeavouring to check personnel and maintain high standards will be able to undercut those that are. Option 2 would affect only the manned guarding sector of the private security industry and those purchasing manned security services. Option 3 would potentially affect all sectors of the private security industry and those purchasing from them starting with manned guards, alarms and CCTV and extending to private investigators, security consultants, locksmiths and any other sectors to which it was decided to apply the legislation.

There are no reliable figures for turnover but an estimated overall turnover of £2.1 billion for 1992 is generally accepted for the industry. The British Security Industry Association (BSIA) put turnover in the private security industry at £3.3 billion in 1996.

5(ii) Compliance costs for a "typical" business

Option 1 would have no cost for business. Under Option 2 the recurring costs to businesses would be those of checking the licence of the job applicant (assumed to be obtained at the applicant's expense and therefore not a direct cost to business) and recording that this has been done e.g. by placing a photocopy of the licence in the successful candidate's personnel record. It should take no more than five minutes to check and copy the licence, and allow for time taken to make and collect files, etc. Labour costs have been based on an average of £8.10 per hour (wage rate per hour for filing and record clerks from the New Earnings Survey 1995 multiplied by a factor of 1.3 to account for certain non-labour costs). An average figure for photocopying a single sheet of paper (including all related costs) is three pence. The total cost of checking would be on average 70.5 pence. For a notional company employing 100 guards a year this implies a recurring cost of £70.50 per year. It is proposed to introduce a voluntary 'Inspected Companies' scheme. For those companies who already submit themselves to a self-regulatory regime there should be no additional costs. For those companies who are not currently inspected annual costs would be in the region of £1,000 - £2,000 per year and increase depending on the size of the company and the exact scheme under which the company wishes to be inspected. The recurring costs are likely to be passed on to companies or individuals purchasing security services. For companies or individuals purchasing from self-regulated companies there should be little increase in cost. We believe that non-recurring costs will be minimal.

The costs to a typical private security firm would be similar under Option 3.

5(iii) Total Compliance Costs

Under Option 2, assuming 80,000 guards need to be checked over three years total recurring costs are estimated to be £56,400pa. Additional costs assuming 2,000 companies choose voluntary inspection under an Inspected Companies scheme £2 million - £4 million pa.

Under Option 3, assuming 250,000 - 350,000 private security personnel need to be checked over three years, total recurring costs are estimated at £176k - £250k. Additional costs assuming 5,000 companies choose voluntary inspection under an Inspected Companies scheme £5 million - £10 million pa.

6 Consultation with Small Business: 'The Litmus Test'

The proposals have been discussed with typical small to medium security firms including a manned security firm with 50 employees and two small alarm installation firms employing 20 and 40 employees. They welcomed the proposals as regulation will promote confidence in the industry as well as protecting the public. Regulation will also ensure that all companies are competing for business on an equal footing. They were willing to be regulated even if it came with a cost.

7 Other costs

Under Option 2 or 3 individuals would be required to obtain a licence before entering the security industry. It is estimated that a licence will cost around £23. Employers would be able to reimburse individuals for the cost of their licences. Assuming that individuals pay for their own licences under option 2 costs to individuals would be £560k pa (80,000 individuals over a three

year period). Under option 3 costs to individuals would be £1.68m pa (240,000 individuals over a three year period).

Under Option 2 or 3 a licensing executive would need to be set up. Once running the agency would be self-financing from fees but new funding would be required to set up the agency. We estimate the start-up costs would be in the region of £250k - £350k depending on which option is preferred. The industry has expressed some willingness to help fund start up costs and this will need to be explored further. Recurring court costs and legal aid would be incurred under either option for prosecution of offences. These are estimated at £227k per year for option 2 and £684k per year for option 3.

8 Results of consultation

Over 130 copies of a consultation letter were sent out in August 1997 to other Government Departments, the police, relevant associations and businesses in the industry itself, customers of the industry and to other organisations and individuals with an interest in the private security industry. Over 70 replies were received which were overwhelmingly in favour of regulation. Other key points from the consultation were:

- any regulatory system should be independent of the industry;
- regulation should be phased in, starting with the manned guarding sector;
- directors and managers, as well as operatives, should be licensed;
- any regulator should set high standards and be capable of enforcing them;
- there should be an appeals system against decisions taken by a regulator; and
- the private security industry should be exempt from the Rehabilitation of Offenders Act.

9 Summary and Recommendations

	Option 2 Expected Costs	Option 3 Expected Costs	Option 2 Expected Benefits	Option 3 Expected Benefits
Business	i) recurring costs of £56k pa plus £2 million-£4 million for voluntary Inspected Companies scheme. ii) minimal non-recurring costs.	i) recurring costs of £176k-£250k pa plus £5 million-£10 million for voluntary Inspected Companies scheme. ii) minimal non-recurring costs.	Some improvement in standards in the manned guarding sector.	General reduction in offending in private security industry.
Charities	None.	None.	None.	None.
Citizens	For those applying for licences to work in the industry £23 per licence up to £613k pa.	For those applying to work in the industry £23 per licence - up to £1.84m pa.	Some reduced offending in manned guarding sector and some increased confidence. Possibility that criminality will be displaced to other unlicensed sectors.	Reduced offending in private security industry as a whole, reduced incidences of drug offences and use in clubs possibly leading to reduced number of deaths through drug abuse. Increased confidence in the industry as a whole.
Government	Approx. £447k (£250k non-recurring and recovered through licences, £227k recurring court costs and legal aid).	Approx. £1,034k (£350k non-recurring and recovered through licences, £684k recurring court costs and legal aid).		

It is recommended that a framework for regulation of the private security industry is put in place which is capable of being applied to any sector of the industry. Individuals will require to be licensed and there will be a voluntary inspected companies scheme. The substantial benefits of this option in terms of reduced offending and increased confidence in the security industry are judged to outweigh the costs to business. It is intended that licensing should initially apply to the manned guarding and the alarms/CCTV sectors.

10 Enforcement, sanctions, monitoring and review

It is intended that the proposed legislation will provide for new offences of employing someone as a security operative who is unlicensed, offering security services or operating as a security operative without being licensed, providing false information to obtain a licence, breach of terms or conditions of a licence and, if applicable, breach of regulations made under the primary legislation for individual sectors of the industry. It is proposed that all these offences (except offering security services without being licensed) should be summary only with a maximum penalty of 6 months' imprisonment or a fine of the statutory maximum or both. Offering security services without being licensed would be triable either way with a maximum penalty of five years' imprisonment on indictment or a fine or both. Enforcement would be either by the police or by inspectors appointed by the new licensing Authority. It is intended to monitor the impact of the licensing system on the industry, offending rates and public confidence in conjunction with the police and the industry. The Authority will be required to publish an Annual Report including statistics on the number of licences issued, refused and revoked. The need for licensing in particular sectors of the private security industry will be kept under review.

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