



Home Office

Security Industry Authority Review 2016/17

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1: Introduction

1 This Review has been conducted on behalf of the Home Secretary by Tony Regan, a senior official in the Crime, Policing and Fire Group in the Home Office. The Security Industry Authority (SIA) was established in 2003 by the Private Security Industry Act 2001 (PSIA 2001). The Review received evidence as to the background to, and purpose of the Act, and in line with Cabinet Office guidance on tailored reviews for Arm's Length Bodies it has considered the relevance of both the regulatory regime and the regulator. The Review has evaluated SIA performance against the purpose of the Act, which sought to offer protection to the public, and professionalise the private security industry.

2 The Review has been mindful that it must assess the need for ongoing public protection as set out in the Act and in parallel the commitment by the Government to achieving better regulation. In the years since the Act was passed, the SIA has developed an approach to public protection and regulation that this Review has tested, opening up the fundamental question as to whether regulation of the private security industry is still required.

3 Engagement in the Review has been strong and we thank those who contributed through the survey, interviews and by taking the time to make submissions. The Review would also like to thank Sue Langley (Home Office Non Executive Director) for chairing the Challenge Group as well as those who contributed to the meetings. We would particularly like to thank Dr. Alan Clamp (Chief Executive of the SIA) for his support with the evidence gathering process. The Review's conclusions and recommendations are set out below. The Review trusts that they will be given full consideration by all stakeholders as a means to ensure ongoing improvements to public protection and improved regulation. The Terms of Reference for the Review are included at Annex A.

Background to the SIA

4 The SIA is a self-funding non-departmental public body (NDPB) established under the PSIA 2001 as the regulator of the private security industry. The SIA regulates activities within the private security industry across the United Kingdom, although as policy for regulation is devolved in Scotland and Northern Ireland and there is scope for different regulatory regimes in each area, as is the case with wheel clamping which is licensable in Northern Ireland, but not a requirement elsewhere. The SIA is led by a senior management team comprising the Chief Executive, the Director of Partnerships and Interventions, the Director of Operations and the Director of Corporate Services. A Board oversees SIA strategy and holds the senior management team to account. The Board consists of a Chairperson and five Non-Executive Directors (NEDs) appointed by the Secretary of State. Two of the NEDs are appointed to ensure the Board has expertise and insight from Scotland and Northern Ireland and their distinct private security industry contexts, whilst one NED is appointed to bring expertise in the private security industry as a whole.

5 The SIA's purpose is to regulate the private security industry, to reduce criminality, to raise standards, and to recognise quality service. It currently has three main functions: the compulsory licensing of individuals undertaking designated activities; compliance checks; and managing the voluntary Approved Contractor

Scheme (ACS), which measures private security suppliers against independently assessed criteria. These functions taken together are intended to fulfil an important role in reducing risk of harm to the public, and damage to, or loss of, property and possessions.

6 The SIA regulates over 300,000 individuals in the private security industry and issues over 100,000 licences per annum. This is administered by an organisation of around 200 staff at an annual cost of approximately £26m. Any resource surplus from fee income passes to the Home Office, and is surrendered to Her Majesty's Treasury (HMT), except where there is agreement that it be retained by the Home Office. The SIA receives capital grants from the Home Office for investment, for example in I.T. infrastructure and office space.

7 The SIA regulates a number of distinct sectors or sub-sectors of the private security industry, including close protection, public space surveillance (CCTV) and cash and valuables in transit. The largest regulated workforce is nightclub door supervisors. The SIA also works alongside police forces to tackle organised crime in the industry.

2: Executive Summary and Recommendations

8 The private security industry (PSI) is complex and operates in a context of risk management. The PSI is an important part of the economy, protecting people, places and property. It can also make a significant contribution to the broader landscape of public safety (night time economy), protection of the vulnerable (safeguarding) and national security (e.g. infrastructure, crowded places and public transport). Evidence was taken from a wide range of respondents with a consistent message that the risk profile across the public safety, safeguarding and national security spaces regulated by the SIA have all increased, and that effective regulation of the PSI will help mitigate risk.

9 The Review makes evidence based recommendations (see Literature Review Annex E and Survey Annex F) on how the delivery of PSI services can be improved in a way that brings benefits to the communities in which PSI services are delivered and to those who purchase PSI services. The Review's recommendations address the question of regulatory activity within the PSI, where it can add most value and what effective regulation should look like over the next 5 to 10 years. Taken in isolation any one of the recommendations will have some positive impact, but the conclusion of this Review is that these recommendations need to be taken forward as a comprehensive programme that will create a step change in both how the SIA operates and deliver significant improvements to the private security industry as a whole. The recommended approach should be driven by risk, apply to the whole private security "system" and maintain proportionality through progressive de-regulation as the industry matures.

Recommendations

- R1. **Regulation of the Private Security Industry** – In general the PSI operates effectively and regulation plays a large part in this. Regulation is still required; it should be retained and improved.
- R2. **Performance of the Regulator** – The SIA has performed to a satisfactory standard as a regulator and should be retained, but now is the time to focus on how it can make changes to achieve regulatory best practice to take the industry forward.
- R3. **Improving Standards** – A systemic and systematic approach to securing and improving standards should be the focus of the future regulatory system. The SIA should be given the necessary additional tools, including sanctions, to lead the industry in its improvement.
- R4. **Risk Based Approach** – The SIA should improve its risk based approach to PSI regulation, focusing its efforts on those sectors, operators or purchasers where the greatest risk exists. In turn the SIA should reduce burdens within the regulatory framework.
- R5. **Public Protection** – The PSI is a significant asset to UK safety and security. There is a real opportunity to enhance the PSI contribution to public protection,

safeguarding and national security. The SIA should focus on ensuring the PSI performs to high standards and facilitate integration between the PSI and local, regional and national agencies, to the benefit of the industry, agencies and wider public. This approach needs to be underpinned and publicly endorsed by Home Office. A gateway of information sharing between the SIA and Her Majesty's Revenue and Customs (HMRC) will significantly enhance the capabilities of both organisations, supporting public protection. These arrangements should be put in place at the earliest opportunity.

- R6. **Business Licensing** – All businesses offering security services, whether operating under contract or operating in-house, where there is a risk to public protection, safeguarding and national security, should be subject to a business licensing scheme linked to a system of PSI standards on a mandatory basis. Business licences should only be issued to companies who meet the voluntary revised Approved Contractor Scheme (ACS) standards (see recommendation 7.)
- R7. **Approved Contractor Scheme (ACS)** – The current ACS operated by the SIA needs to be refreshed and strengthened. It should be streamlined with existing industry schemes (British Standard (BS) and International Organisation for Standardisation (ISO)) and enhanced to provide a single set of PSI graduated (bronze/silver/gold/platinum, or similar) standards offering purchasers clear differentiation within the market. The scheme should be industry owned and administered with the SIA setting standards and overseeing compliance.
- R8. **De-regulation** – While remaining focused on risk, the SIA should develop a strategy to enable individual licensing to be progressively replaced with business licensing where it is safe and appropriate to do so. In doing so the SIA will need to determine the criteria to enable this, including prerequisites such as appropriate vetting and qualifications. The SIA should agree deregulatory targets and timetables with the PSI and Home Office
- R9. **Purchasers of Private Security** – Purchasers of PSI services play a large part in determining PSI service quality, but there are concerns about the extent of the formal accountability they have for their purchasing decisions, including impact on standards and public protection. The SIA should conduct further research to consider the legislative options and the Home Office should consider the proposal and, if necessary and appropriate, identify a suitable legislative vehicle to mandate purchasers to use PSI services from businesses that meet the revised voluntary ACS standards.
- R10. **Private investigators** – Private Investigators should be treated as businesses and subject to the revised voluntary ACS system of standards. The SIA will need to work with the PI industry on a suitable set of standards and implementation timetable.
- R11. **Efficiency** – There is scope for greater efficiencies within the SIA which will in turn reduce burdens on the industry. The SIA should focus on reducing accommodation and staff costs and consider the merger of both back office functions and development of major projects with other similar ALBs. In doing so

they should engage with wider Government centres of excellence for instance Government Procurement Unit, Government Digital Services and specialists in Shared Services and Commercial Models.

R12. **Implementation and Forward Plan** – This Review puts forward a number of recommendations that will require a forward looking plan to consider implementation. The SIA should work with the Policy unit within the Home Office to create this implementation plan within 6 months of publication, with oversight from the Sponsorship team where necessary and taking into account the most recent Cabinet Office guidance on *Partnerships between Departments and Arm's Length Bodies: Code of Good Practice*¹. The SIA should provide an update on progress against the recommendations after 12 months, with the Chair of the Challenge Group to consider whether it is necessary to reconvene the Challenge Group at this point.

10 The Review recommends a systematic transformational approach to regulation with the following features:

- Increased focus on risk
- Closer partnership with industry, reflecting regulatory best practice
- Introduction of shared standards with incentives and sanctions that reward achievement with less regulatory burden and incentivise aspiration
- Mutually reinforcing measures with increased purchaser focus on standards, but also being rewarded with potentially lower insurance premiums for doing so
- Clearer market signalling through the above measures, bringing transparency and confidence to PSI activities

Over time the Review believes that the steps recommended here will lead to both better and less regulation. In the view of the Review, the closer companies come to securing higher standards the less SIA regulation will be necessary; indeed, this vision is reflected in the SIA corporate plan. If purchasers, the PSI and SIA can identify further incentives, such as reduced fee burden for those delivering to a higher standard there should be less intrusion and commensurate reductions in regulatory costs and burdens.

¹ www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice

3: Should the Private Security Industry be subject to regulation?

11 The Review was asked to pose the question as to whether there is an ongoing need for regulation of the private security industry, and, if so, what the scope and approach of any future regulatory activity might be. Stemming from these questions there is also a requirement to test whether the SIA fulfils its role as an effective and efficient regulator, and whether there is an ongoing requirement for the SIA in its current, or amended form.

12 The Home Affairs Select Committee report recommended, as far back as 1995, that a licensing system be adopted, in the first instance for the manned guarding sector. On 26 March 1999, the Home Office published *The Government's Proposals for Regulation of the Private Security Industry in England and Wales* (Cm 4254). These included the establishment of a licensing system covering a wide range of security operatives.² The Review received a number of explanations as to why regulation of the private security industry was considered necessary by Parliament and indeed supported by many stakeholders including the police, HMRC and local authorities. The industry itself welcomed regulation, as it continues to do to this day.

13 A picture was painted of an unregulated sector that was both attractive to organised criminal groups, employed a significant number of individuals with criminal records, and was conducting criminal activities on a significant scale. The most frequently cited examples related to what is now referred to as the “night time economy”. Criminal groups established private security firms that would provide security operatives to pubs and clubs, often on the basis of extortion. Venues were used variously as a channel for money laundering, supply of illegal drugs, exploitation of vulnerable young people, often with the use or threat of violence. The harm caused by this mix was detrimental to public safety in general and led the police, national and local governments to run a range of community safety programmes where the levels of community harm were greatest.

14 It is clear from the evidence received from surveys, interviews and the literature review that the private security sector poses a significant risk to public protection when delivered to a low standard. The PSI operates across a broad landscape protecting the night time economy; ensuring orderly, safe and secure large scale public events; providing security in locations where vulnerable people gather such as shopping centres, food outlets, etc; and, providing security around valuable assets, both goods and people. Ensuring the right mix of security personnel (numbers, skills, training and supervision) as well as integrity (i.e. primarily background checks) is critical to securing public safety.

² House of Commons RESEARCH PAPER 01/34 26 MARCH 2001

15 A significant number of interview respondents and comments within the survey highlighted shifts in the market. There is evidence of significant downward pressure on cost, with a direct negative impact on service quality. If this trend continues there will come a point where deteriorating standards become an unacceptable risk to public safety. This is a long standing problem that the Review has taken full account of in conducting its work.

As far back as 2003, the Review found the following:

“US companies are identified as pursuing more value adding sourcing strategies while European companies are more focused on gaining economies of scale through outsourcing.”

Trends in Outsourcing Contrasting USA and Europe 2002 by Professor Andrew Kakabadse, of Cranfield University

“There’s a fair amount of evidence that UK companies are relying too much on cost, and not enough on quality”

Professor Michael Porter, Harvard University

16 The Review does not conclude that PSI standards have fallen to a critically low level across the industry. However, interview evidence highlights there is a risk that some parts of the industry will fall below acceptable minimum standards unless action is taken to provide a regulatory framework that establishes, maintains and improves standards. The PSI itself acknowledges its relative lack of maturity and has asked for continued, but better, regulation.

17 Evidence taken from the survey and interviews was clearly in favour of ongoing regulation of the sector. Over 80 per cent of those who responded to the call for evidence agreed or strongly agreed that all elements of guard work force (the guarding of property against theft or damage, or of individuals against harm) required regulation. The Review tested the reasoning for this position and it was clear that stakeholders not directly employed or engaged in the sector cited the high risk of losing ground gained in reducing criminal influence and activity in the sector and the risk of re-encroachment of organised crime as a primary driver for ongoing regulation.

18 A number of respondents gave evidence of an organised crime threat being already evident in the form of shadow company directors, extortion and infiltration of legitimate operations. Concerns were raised with us regarding the importance of maintaining control of operatives in close contact with children in general, but in particular vulnerable young people. The Review gives particular weight on this issue to non-industry respondents, particularly those representing law enforcement, safeguarding and devolved administrations. Evidence and submissions from these sectors was consistent in making the case for ongoing regulation of the private security industry.

19 In the time since regulation of the security industry was established one of the main regulated sectors, the night time economy, has grown in scale and

importance bringing £66bn into the UK economy and representing 27% of city/town centre turnover.³ The UK's creative industries, including music, dance and theatre are estimated in gross added value terms to be worth £84.1bn (2014)⁴. The cost of crime to the UK retail industry was £613m in 2014-15⁵. Creating the conditions for sustainable economic growth is at the centre of the government's ambition⁶ and is an asset to the UK that should be properly managed and protected.

20 As well as facing the specific threats from organised criminal groups, the Review also recognises the challenge faced by many European countries, including the UK, from international terrorist movements. This very real danger poses particular risks for public spaces, including transportation, recreation, retail and office spaces. Here the private security industry can play an important security and protection role, providing the opportunity to mobilise and integrate active private security operatives, who make up a significant proportion of the well over 300,000 SIA licence holders, into the UK's overall policing, safeguarding and security network. Securing, maintaining and increasing the integrity of the private security sector will play an important role in maintaining the security of public spaces.

21 The Review concludes that regulation of the PSI is needed. Regulation must however focus on raising standards and establish measures that will balance cost and quality, ensuring that effective training, management and quality controls are in place across the industry. The SIA should establish clear standards, offering a reduced regulatory burden on those PSI businesses that meet those higher standards.

22 Future regulation should be based on the principles of risk management. Where there is a known risk to members of the public, such as the risk of harm to vulnerable young people in the night time economy from sexual exploitation, specific awareness-raising should be incorporated into core training to ensure that regulated operatives are able to play their part in addressing the issue. Conversely, if there are sectors currently subject to regulation that are operating effectively without significant risk to people or assets, the SIA should consider deregulation.

Case study

Last year, SIA supported Department for Education funded work in 14 areas – 'Nightwatch', which aimed to safeguard children and young people from child sexual exploitation (CSE) by increasing awareness of CSE among businesses and services working in the night time economy, and by developing strategies, in co-production with these businesses and others, to identify and protect children at risk at night, and intervene early by providing advice, support, training and guidance.

There were some good examples of the impact of this work. For example, SIA licensed CCTV operatives were able to identify behaviours that indicated potential CSE, report their concerns to the relevant authorities and, in one incident, it led to two missing females under the age of 18 being found and the perpetrator being arrested for grooming, child abduction and theft.

³ Briefing: the Evening and Night time Economy, Visit England, September 2012

⁴ <https://www.gov.uk/government/news/creative-industries-worth-almost-10-million-an-hour-to-economy>

⁵ The BRC Retail Crime Survey 2015

⁶ DCMS - Creative Industries Economic Estimates - January 2014

Recommendation 1

Regulation of the Private Security Industry – In general the PSI operates effectively and regulation plays a large part in this. Regulation is still required; it should be retained and improved.

4: Regulatory Function and Form

23 The Review has considered the institutional format of the SIA against the checklist of delivery options provided by the Cabinet office:

- Abolish
- Move out of central Government⁷
- Commercial model⁸
- Bring in-house
- Merge with another body
- Less formal structure
- Delivery by a new executive agency
- Continued delivery by an NDPB

24 In principle the Review takes the view that the PSI self-regulation should remain an aim. However, the Review finds that the PSI is not yet sufficiently mature to take that step, and is unlikely to be so in the near future. Given the significant public safety, safeguarding and national security interests that the SIA is responsible for it is concluded that the SIA should work closely with government to deliver the above cross sector agenda, and indeed government should also work more closely with the SIA as a significant UK asset. The SIA should remain as a Home Office NDPB.

Recommendation 2

Performance of the Regulator – The SIA has performed to a satisfactory standard as a regulator and should be retained

⁷ In the case of Advisory NDPBs, this option should include assessing whether the functions of the body can be provided by an expert committee engaging directly with users, stakeholders, sectors and communities.

⁸ See also Annex B on commercial models.

5: How should the functions of the Security Industry Authority be delivered?

25 The evidence received during the Review from interviews makes an overwhelmingly strong case for ongoing regulation as the means to secure public safety, child protection, and economic growth as well as protection from both organised criminality and the broader security threat emanating from international terrorism. The Review will turn to the question of what should be regulated and how regulatory activity can deliver better outcomes in the future, and at the same time minimise or reduce the overall regulatory burden. First the Review must address the question of who regulates.

26 The Review found evidence that the SIA, since its creation in 2003, has brought coherence and control into a relatively high risk operating environment. The SIA has had an impact; over 55k people have had applications refused or revoked since 2003. In 2014/15, 1504 licences were refused and 4552 licences were revoked; while in 2015/16 there were 11 prosecutions, which included 29 defendants (7 businesses, 22 individuals) suggesting the regime is delivering real regulatory impact. The Review looked to see if other bodies, in particular security industry trade associations, may be suitably placed to deliver some or all of the SIAs functions. It is reported in Chapter 9 the need to re-focus or alter the delivery arrangements of some SIA functions in order to enable it to discharge more effectively the regulation of the private security industry which the SIA may be best placed to deliver. Evidence gathered during the Review clearly pointed to the credibility and value of the SIA function as a single government appointed body with clear responsibility for the PSI.

27 Having concluded that the SIA regulatory function should continue, the Review considered whether the SIA itself is the right vehicle for delivering regulation in the sector. Its conclusions offer an opportunity to deliver the regulatory function in a way that will reduce cost, improve public safety and raise standards further in the sector. The Review believes that the SIA is the right body to take this work forward, but also recognise that this Review represents a challenging reform and modernisation programme for the SIA as it takes on a better regulation agenda. (See Annex C for alternative model analysis.)

28 With regards to improving public safety, the Review highlights areas where the activities of the PSI can add real value: public protection, safeguarding and national security. Some explanation may help the reader understand thinking, which is based on the evidence the Review received. There are benefits to those who purchase or deploy PSI operatives through greater integration with existing public security assets, creating opportunities for better intelligence sharing, more integrated response mechanisms and overall improved security. But there are also some specific areas where effective regulation and focus on standards suggest that the PSI can add value too. The Review discussed this new approach with BIS during the course of the Review, who understood and accepted the way in which the PSI could improve its contribution to the following through better regulation.

Public Protection: PSI operatives protect a wide range of assets and people. The better trained and managed operatives are the better they can spot problems ranging from minor crime in public spaces to identifying and responding to an individual in need. At a higher level there's the opportunity to integrate PSI into local crime and disorder or local alcohol partnerships aimed at improving the way in which the night time economy is managed.

Safeguarding: Recent and well publicised crimes against vulnerable young girls in some larger cities have demonstrated the way in which local public services failed to protect and intervene against the actions of predatory males operating in public places such as food outlets and shopping centres. Some of these cases may have been prevented by PSI operatives alert to and trained in dealing with risks around vulnerable young people.

National Security: Given that the current threat level for international terrorism in the UK is SEVERE and the current threat level for Northern Ireland-related terrorism in Northern Ireland is SEVERE and in Britain is SUBSTANTIAL, we must recognise the role that the PSI currently plays in national security and what role we want it to play in the future. They are deployed at locations where there are objective risks to national security and properly integrated into local, regional and national services the PSI can be an enormous national security asset.

29 As a means to improve service delivery the Review proposes some significant changes in the way in which regulation is operated by the SIA as follows:

- a. Increased focus on raising standards with the immediate responsibility to reverse trends of decreasing service quality;
- b. Joint PSI/regulator forum to drive forward a joint strategy. Establishing, with the industry, clear service level standards with robust controls and sanctions;
- c. The Approved Contractor Scheme (ACS) handed over to industry to run with SIA solely focusing on setting the specification for the levels of award
OR
- d. ACS outsourced by SIA. A private company could bid to run it on a commercial basis, if they can demonstrate they would do it cheaper and better (this would help with reducing fees) [see paragraph 37-39 for further information];
- e. Playing a proactive role in integrating PSI activities into local, regional and national strategies e.g. Local Alcohol Partnerships; Modern Crime Prevention Strategy; Safeguarding and the Prevent counter terrorism programme. This will also serve to improve the status of the PSI;
- f. Be risk led in its work, focusing on those sectors, businesses or systemic problems such as training and accreditation, that have a detrimental impact on standards within the PSI;
- g. Develop a programme of work to introduce tiered business licensing, including in-house, providing reasonable transition time for the sector;

- h. Develop a deregulation strategy and metrics that offer less regulation in exchange for increasing standards;
- i. Establish a robust and demanding efficiencies programme that will in turn reduce burdens on the PSI.

Governance

30 The governance of the SIA is consistent with the expectations of non-departmental public bodies. A Chair and non-executive members of the Authority are appointed on merit by the Home Secretary following fair and open competition. Three non-executive members are appointed, respectively, to bring insight into the private security industry, the context for the regulator's role in Scotland and similarly the context in Northern Ireland. The Chair is subject to performance management by a Senior Sponsor from within the Home Office. The Chair in turn performance manages the non-executive directors and the Chief Executive of the SIA.

31 The Review received few comments about, and no criticisms of, the governance arrangements of the SIA. Interviewees were asked for their views on governance, but most felt they did not have sufficient insight to offer an opinion. An SIA internal audit of governance will provide SIA and HO with further insight⁹. This identified that there has been effective action to address all recommendations raised in the previous audit of May 2016. A revised HO-SIA Framework Document had been put in place, supporting regular HO-SIA senior sponsorship meetings, and the SIA Board has adequate controls in place around risk. The Review is satisfied that appropriate governance arrangements are in place and working well, and that the SIA is identifying areas for improvement through its internal audit, and notes that the Chair and the Home Office should look for further opportunities to ensure the Board reflects the diversity of the sector it regulates.

Recommendation 5

Public Protection – The PSI is a significant asset to the UK. There is a real opportunity to enhance the PSI contribution to public protection, safeguarding and national security. The SIA should focus on ensuring the PSI performs to high standards and facilitate integration between the PSI and local, regional and national agencies, to the benefit of the industry, agencies and wider public. This approach needs to be underpinned and publicly endorsed by Home Office. A gateway of information sharing between the SIA and Her Majesty's Revenue and Customs (HMRC) will significantly enhance the capabilities of both organisations, supporting public protection.

⁹ This should be conducted in line with Recommendation 12

6: Raising Standards

32 There is a relationship across the PSI between quality, standards and risk. Getting each of these elements to the right level is very much at the heart of what the Review sees as the next generation of PSI regulation. Looking ahead there is evidence within the Review that points to the SIA leading a programme of progressive improvements within the PSI “system” that will deliver greater value for purchasers, and contribute to the broader goal of public protection, safeguarding and national security. The establishment of industry wide standards, followed by a progressive programme of assessing and raising standards will provide the SIA, and stakeholders, with a much better understanding of both the quality of PSI activities undertaken, and the level of risk within the system. Critically the PSI endorses this approach and does not see itself as being sufficiently mature at this time to undertake self-regulation.

33 The Review engaged with Home Office economists to try to capture a cost-benefit analysis for the regulatory regime. This proved difficult for two reasons. Firstly a lack of good quality data, this is also reflected in the literature review; and secondly, limited time. That said, the PSI protects a significant part of the UK economy and way of life [see paragraph 19], and any consideration of cost-benefit analysis needs to take account of this. In the short-term the Review suggests that the SIA develops metrics that would enable a cost-benefit analysis to be conducted.

34 The Review sets a framework for a programme of continual improvement and raising standards and has taken this approach based on responses received on the current state of the private security industry across the UK. The picture painted suggests a private security industry that is generally operating effectively, but having to survive on low or shrinking margins, and sometimes against unfair competition from operators ranging from those willing to deploy unlicensed and untrained staff to those whose activities are simply criminal. This view was expressed by industry representatives, firms and the law enforcement community. The SIA’s compliance activities highlight this in very clear terms.

Case Study

In May 2016 Capital UK Services Ltd and its directors were found guilty and sentenced for supplying unlicensed security guards. The offences relate to eleven security operatives who were unlicensed, had no right to work in the UK, or were working with expired licences. The offences covered two lucrative contracts for the company.

Both directors pleaded guilty to section 5 offences of the Private Security Industry Act 2001 of supplying unlicensed guards, and section 23 offences of consent or neglect for employing unlicensed guards. One director was also charged with section 19 offences of failing to supply information relating to an investigation, and section 22 offences of providing false information.

The SIA prosecution team sought consideration under PoCA for a confiscation order. Over £200,000 was successfully confiscated.

35 Review submissions and European comparators indicate that the UK price point for the PSI is falling, or held to a minimum level. The consequences are both operational and structural, delivering a workforce of variable quality, and one that shows very high levels of turnover, with an average of only 47% of licences being renewed upon expiry. Student participation in the workforce on a part-time or temporary basis, as well as fluctuating demand for private security, such as major events, are factors in this high level of churn. Whilst understandable, high turnover driven by low pay will limit professionalisation of the workforce.

36 This Review cannot and should not attempt to define detailed service standards for the PSI. It can however recommend that the SIA and PSI develop a suitably progressive standards framework. In doing so they should consult service purchasers, law enforcement bodies and the insurance industry, which may be able to offer reduced premiums for increased service standards. A useful model for this approach can be found in the work of Hodges who published a paper on behalf of the then Department for Business, Innovation and Skills (BIS) on Ethical Business Regulation¹⁰.

37 A good starting point is the current voluntary Approved Contractor Scheme (ACS). Currently a company may achieve ACS status by meeting the minimum standard whilst a company operating to a much higher standard is given the same ACS status. In addition, the current system allows for a high scoring ACS company to subcontract to a lower scoring, or non-accredited, company. The Review is in favour of seeing a restructuring of the ACS into a single graduated scheme, introducing a clearly defined tiered grading system (platinum, gold, silver and bronze) of standards which would define the quality and competency of security delivered by the PSI at each level. A minimum level would be set, for example the bronze standard, which would be a mandatory business licensing requirement. Subcontracting to lower standard companies could be barred to maintain the integrity of the standard, or alternatively the standards achieved by any subcontractor companies could be a transparency requirement in any contract negotiations. The tiering of the ACS scheme should be cognisant of the resource imbalance between large corporations and small businesses, so as to not stifle smaller companies. The SIA and industry should consider the benefits of rationalising existing British Standard (BS and International Organisation for Standardisation (ISO)) quality benchmarks as part of a single scheme.

38 A combination of a graduated scheme and provider and purchaser obligations with enforceable sanctions at SIA level will strengthen the PSI quality and integrity. The resulting increase in standards across the industry opens the door to progressive deregulation. Companies performing to a higher ACS standard will require less regulation and oversight from the SIA. This can only be achieved by improving standards, while encouraging the industry to mature and achieve its full potential. Here better metrics will enable both the SIA and the Home Office to assess progress towards higher standards and reduction in regulation.

39 This new scheme does not necessarily have to be administered by the SIA. The transactional elements It could be delegated, contracted out or delivered

¹⁰ Ethical Business Regulation: Understanding the Evidence, February 2016, BIS

through a not for profit body to achieve best value for money. This would leave the SIA to focus on improving standards, ensuring compliance and regulating the PSI system as a whole in a manner that protects and promotes the private security industry i.e. keeping criminality out and delivering public protection. Such an arrangement would leave the SIA with more space to focus on those who do not comply with the standards, allowing those who do comply to operate with more autonomy. The SIA should ensure SMEs are not disadvantaged due to limited back office capabilities.

40 There is significant scope for the SIA to secure better integration with local law enforcement and public protection agencies. Examples would include the following:

- *The Department for Business, Energy and Industrial Strategy (BEIS) have introduced a Primary Authority model for public-private sector engagement. The National Police Chiefs' Council (NPCC) hope to introduce a similar model for PSI engagement with law enforcement, leading to improved collaborative enforcement, prevention and standardised exchange of intelligence with law enforcement. Where this is working already, it has enabled offences to be linked and suspects to be actively targeted, in addition to allowing members to take targeted preventative measures through their security operatives.*
- *A Police and Security (PaS) initiative launched in London as a result of the Mayor's Office for Policing and Crime's Business Crime Strategy looks to build upon this. The SIA already engages with the NPCC and PaS on these initiatives. The Review believes the positive advertisement of these partnerships will help to raise standards across the industry and promote greater working practices.*

41 Training is central to raising standards, though the landscape is complex with OFQUAL, Awarding Organisations and individual training providers playing important roles. Greater collaboration and partnerships with active involvement between the key parties and delegates within the training landscape is vital, similar to local alcohol partnerships. The Review recommends the SIA takes a proactive lead in ensuring the right level of training is in place across the industry, by working with the institutions providing the training, to deliver the new system of standards. This is strongly supported by PSI.

42 In Scotland it is a mandatory requirement that any contractor or sub-contractor providing security services under a Scottish Government contract must be an SIA approved contractor for the category of security service they are providing. This requirement has now been extended so that it is a grant condition for receiving Scottish Government grants for the construction of housing. The Scottish Government also encourages other public bodies to adopt equivalent provisions in their contracts. The organisations who stipulate ACS accreditation in their contracts

for the provision of security services include Network Rail, Edinburgh City Council, East Ayrshire District Council, Scotland Excel and the NHS in Scotland.¹¹

Diversity within the Sector

43 Although this Review has not focused on the diversity within the sector, results from surveys and a report produced by the SIA¹² highlight a lack of diversity within the PSI, with evidence pointing to it remaining as a largely white male industry, and particularly so at managerial levels. Given the range and complexity of work undertaken by the PSI a more diverse workforce would better reflect the communities that the SIA protects and supports. A more diverse PSI would enrich the sector and offer a richer talent pool, particularly in the largest section of those working in the night time economy. This would also mirror attempts by police forces to increase diversity across their workforces to reflect local communities.

44 The SIA could incorporate within the new standards a number of measures to improve diversity: advertising and offering professional qualifications; recognising good practice (for instance through awards); improving terms and conditions, with less dependency on zero hour contracts; and identifying career paths that will be attractive to all sections of the community.

Recommendation 3

Improving Standards – A systemic and systematic approach to securing and improving standards should be the focus of the future regulatory system. The SIA should be given the necessary additional tools, including sanctions, to lead the industry in its improvement.

Recommendation 7

Approved Contractor Scheme (ACS) – The current voluntary ACS operated by the SIA needs to be refreshed and strengthened. It should be streamlined with existing industry schemes (British Standard (BS) and International Organisation for Standardisation (ISO)) and enhanced to provide a single set of PSI graduated (bronze/silver/gold/platinum, or similar) standards to allow purchasers to differentiate. The scheme should be industry owned and administered with the SIA setting standards and overseeing compliance.

¹¹



https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/436073-cscf_fulla4po

¹² Equality and Diversity in the Private Security Industry, April 2015, Security Industry Authority

7: Principles of a security licensing regulatory regime and system

45 Research commissioned by the Government cited earlier¹³ establishes a model for delivering better regulation. In short, when the regulated and the regulator share common aims, value and purpose, better outcomes are delivered. During the course of the Review, significant scope and appetite for a more joined up approach and partnership working was expressed. For the private security sector the Review recommends that the SIA adopts an approach to improving regulation based on the following:

- The regulatory mission is to deliver progressive benefits to people and assets protected, but also facilitate partnership working with relevant agencies enhancing broader public protection, child safeguarding and national security
- The regulator holds responsibility for the overall system, but works in partnership with key stakeholders to ensure its effective delivery, including the delegation of functions
- Regulation is risk driven, and all actors throughout the system are clear about their responsibilities
- Regulation remains proportionate to the risk and avoids unnecessary burden, and the regulator takes proactive steps to reduce burdens
- Clear and transparent standards are established enabling all purchasers, deliverers and training bodies to be certain about what is expected of them
- Develop strategic partnerships and incentivise industry participation in the interests of the regulatory mission
- The regulator has an appropriate range and level of sanctions available to allow them to enforce system improvements
- Effective levels of governance are in place and maintained

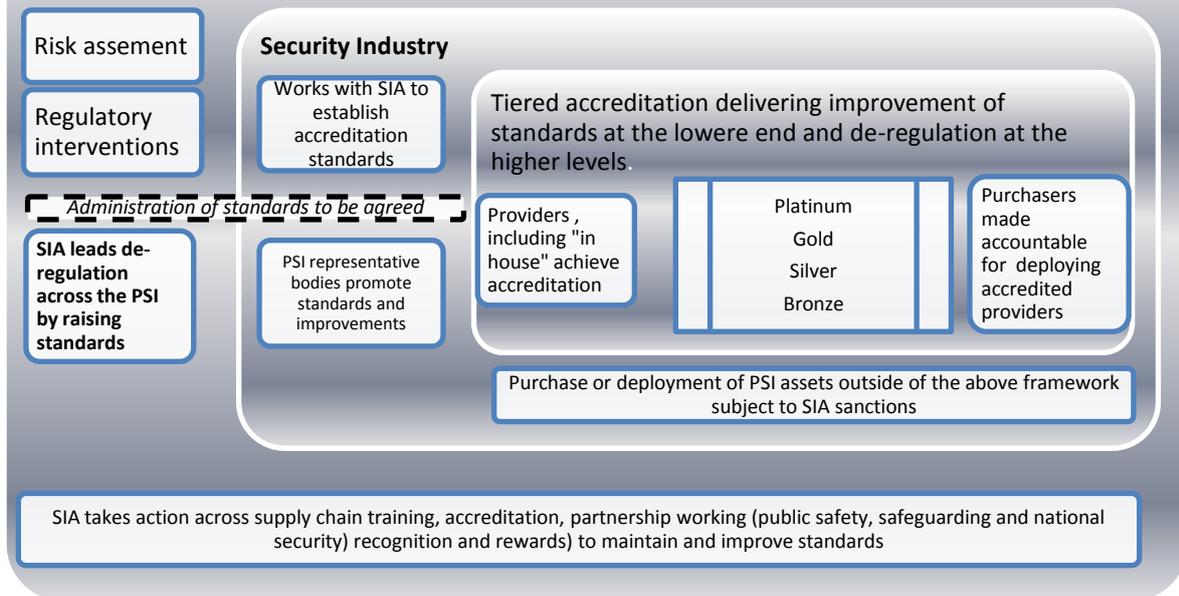
46 The Review has mentioned a systemic approach and has described a model set of arrangements below that can be further tested by the SIA and PSI. As a starting point it sets out a high level picture of the arrangements that need to be put in place as a result of this Review.

Recommendation 4

Risk Based Approach – The SIA should improve its risk based approach to PSI regulation, focusing its efforts on those sectors, operators or purchasers where the greatest risk exists. In turn the SIA should reduce burdens within the regulatory framework.

¹³ Ethical Business Regulation: Understanding the Evidence, February 2016, BIS

SIA accountable for regulating the whole private security system



47 The SIA will need to regularly test system integrity and report to government and stakeholders on both the health of the system and actions required to improve standards. There will be a complex network of training, accreditation, partnerships and operational activities within which SIA is responsible for, being clear about roles, responsibilities and good governance across the system.

8. Measures to reduce risk and improve the private security system

48 At the outset of this review (see para 9) it is explained how the impact of the Review will be improved if its recommendations are taken forward as a package and across the PSI system. This section of the Review highlights some additional measures to be taken to achieve further improvements.

Licensing private investigators

49 This Review was asked to consider the question of whether there should be regulation of private investigators (PIs). The Review has drawn together work done to date and comments on the potential merits and demerits of regulation.

50 There has been interest in regulation of private investigators for some time. The 2001 Private Security Industry Act included provision to licence PI activity, however this has not been brought into force. The legislation does not define a particular person as a PI, for example by their professional qualification or job. Instead it defines private investigation activity and anyone carrying out that activity under certain circumstances would be required to be licensed by the SIA. In short, it would capture those working under a contract to obtain information about a person or about lost or damaged property where the information was obtained from private sources and where the subject of the investigation, or those people with an interest in any property being investigated, did not give their consent.

51 The legislation sets out a number of exemptions from regulation, which broadly cover the following sectors (though would apply only in certain circumstances in those sectors): market research; credit-worthiness checks; legal professionals; accountancy professionals; those working within journalism; anyone who is not a private security operative and carries out private investigation only incidentally.

52 In 2008, the Government published an impact assessment following public consultation. This described the problem at hand in the following way:

“Currently, anyone can undertake investigative activity regardless of skills, experience or criminality and there is evidence of harm to buyers of services and to the subjects of investigations and precognitions from rogue activity and lack of competence. There is no direct regulation of PIs or PaS (Police and Security) and there is strong support for competency based licensing among practitioners.”

53 During 2011 and 2012, the Leveson Inquiry held hearings and evidence was given to the Inquiry of poor or illegal practice by those carrying out private investigation for media organisations. This included the conviction in 2007 of Glenn Mulcaire, a private investigator who had carried out illegal interception of phone messages. When Lord Leveson reported in November 2012, he made no recommendations on regulation of PIs.

54 In July 2012, the Home Affairs Select Committee had published the report of its Inquiry into Private Investigators, recommending regulation. This report identified a lack of understanding of the size and nature of the PI sector, though noted that around 65% of PIs are former police officers. It highlighted concerns that unscrupulous PIs were involved in an illegal market of personal information, such as phone records and bank account details. Complaints to the Information Commissioner were one source of evidence for this, and were also reflected in the ‘What Price Privacy?’ and ‘What Price Privacy Now?’ reports in 2006.

55 There were some calls for regulation of the sector in response to a Government consultation on reforms to private security industry regulation in 2012/13. In July 2013, the Home Secretary announced her intention to regulate private investigators and to make it a criminal offence to work without a licence. The announcement referred to the high risk under the existing system of unregulated rogue investigators unlawfully infringing on the privacy of individuals.

56 A central question in considering regulation must be what degree of risk there is to those working in the sector, to clients of PIs and to those about whom private investigation is carried out. This may be risk of poor service, of inappropriate or illegal practice, or of risk of harm through intimidation for example. The 2008 impact assessment described a number of potential harms as:

- Accessing data through unlawful means, e.g. by “blagging” - claiming to be someone else in order to gain information;
- Unlawful surveillance;
- Use of intimidating, threatening or unlawful behaviour as part of investigation/ surveillance/precognition;
- Lack of sensitivity towards vulnerable witnesses or victims by precognition agents;
- Private investigator/precognition agent not competent to conduct investigation/surveillance/precognition (no knowledge of law or core skills required);
- Clients instruct private investigators for unlawful or immoral reasons. Subjects, or their personal information/data which are under investigation/ surveillance are then, potentially, put at risk;
- Cash is paid up front, no service is then delivered and the supplier is untraceable.

57 This Review found that there is an absence of well researched information on the extent of risks, however it can say that:

- The professional associations in the sector feel that there is sufficient risk to their members to justify regulation. This includes the Association of British Investigators (ABI), and the World Association of Professional Investigators (WAPI), in addition to media bodies and associations within the financial industry.¹⁴ These organisations may also see other benefits to regulation, such as the assistance it could give to professionalising the

¹⁴ What Price Privacy Now, December 2006, Information Commissioner’s Office

sector, enhancing their role in providing advice and guidance to the profession, etc.

- When given the opportunity to select one additional sector for regulation, almost 17% of the Review call for evidence chose the PI sector. This was second only to the support for regulating ‘in-house’ operatives. Given the PI sector is one which the large majority of respondents to the Review have no direct involvement in, regulation received strong support from a small number of active PIs and PI associations as well as broad support from the rest of the industry. A number of the comments indicated others also supported PI regulation but had not put it as their first choice. Comments included:

“PIs have been waiting for, preparing for and encouraging the licensing of private investigation for 15 years (this year). HMG enacted for it, Lord Leveson and the HASC support it, the Home Secretary even announced it. The sector is ready, qualifications exist, the licensing template can easily be applied, and the defences to unlicensed regulatory activity are clear.”

“...it is necessary to regulate them in order to ensure that people purporting to be private investigators are properly trained and accountable.”

“...private investigators... ...have access to sensitive data and as such should have a certain amount of regulation...”

“Whilst the PI sector has matured there remains large elements of rogue opportunists masquerading as investigators but are either solely interested in ripping off the consumer or stealing data.”

- There have been some high profile cases involving PIs, for example a number of individuals were identified as carrying out illegal phone hacking, and numerous allegations rose in connection with the Leveson Inquiry. Furthermore, there have been several high profile cases of illegal blagging by PIs, involving celebrities and housing associations, in addition to the still unsolved murder of Daniel Morgan, a PI, in 1987.
- Private investigators are licensed in the USA, Canada, Australia and New Zealand though in most of these countries the regulatory regime varies by state. In Europe, there are a range of approaches to regulation, with at least some countries such as the Netherlands regulating private investigator companies. The Republic of Ireland has recently introduced regulation and it will be useful to learn from their experience both in preparing for regulation and the effect of the introduction of regulation.

58 There is therefore a case for introducing regulation, supporting the Home Secretary’s earlier commitment during the previous coalition Government. The SIA should keep under review the need for regulation of certain sectors. Coupled with potential deregulation elsewhere within PSI, the potential exists to allow regulation of the private investigation sector. Departments such as DCMS would need to be consulted to identify the best approach to defining PIs and distinguishing them from

those the Government would not wish to regulate. Current provisions in the 2001 Act may need to be reviewed, and the Home Office may wish to introduce legislation to proceed with regulation.

Recommendation 10

Private investigators – Private Investigators should be treated as businesses and subject to the revised ACS system of standards. The SIA will need to work with the PI industry on a suitable set of standards and implementation timetable.

Business Licensing

59 Much of the PSI adopts high professional standards. However, when the proposed new standards are not met the SIA needs to deploy its compliance function as part of its regulatory role. The range of sanctions available to the SIA is limited, and the Review recommends they need to be strengthened, whilst remaining proportionate. This may include the ability to impose fines, withdraw a licence from a business or lower its status within the new system with recommendations for improvement. The SIA will need to work closely with the Home Office policy teams to understand the possibilities available to them and what legislation would need to be introduced to achieve this. Where imposed, the SIA should seek to ensure maximum publicity for sanctions taken against companies operating below agreed standards. A perception of minimal enforcement activity has generated a lack of confidence in the SIA across some sectors of the PSI, according to survey results.

60 Even with sanctions in place the Review evidence highlighted the serious anomaly that exists between contracted services, currently subject to SIA licensing and “in-house” services, which are not, even though the types of venues and levels of responsibility can be very similar. This creates an unacceptable risk profile that we will recommend be addressed through comprehensive business licensing of the PSI.

61 Transitional arrangements during the regulatory improvement period will need to be considered and the impact on the industry and public safety managed appropriately, with oversight from the Home Office.

Recommendation 6

Business Licensing – All businesses offering security services, whether operating under contract or operating in-house where there is a risk to public protection, safeguarding and national security, should be subject to a business licensing scheme linked to a system of PSI standards on a mandatory basis. Business licences should only be issued to companies who meet the revised Approved Contractor Scheme (ACS) standards (see recommendation 7.)

The role of purchasers of private security services

62 The Review has noted how quality is in no small way determined by the price paid for PSI services. The Review recommends that purchasing behaviours should be influenced as an additional means in support of raising standards. This would place an onus on purchasers, or providers where security is provided in house, to purchase or deploy only PSI operatives or companies that operate within the new

SIA standards. The Review recommends that the Home Office identify existing or new legislation as the means to ensure that only companies operating to agreed standards are able to operate as part of the PSI. Given the concerns expressed about falling standards and the consequential risks to public protection, safeguarding and national security, the Review has no hesitation in recommending this new measure.

Recommendation 9

Purchasers of Private Security – Purchasers of PSI services play a large part in determining PSI service quality, but there are concerns about the extent of the formal accountability they have for their purchasing decisions, including impact on standards and public protection. The SIA should conduct further research to consider the legislative options and the Home Office should consider the proposal and, if necessary and appropriate, identify a suitable legislative vehicle to mandate purchasers to use PSI services from businesses that meet the revised ACS standards.

De-regulation

63 As the SIA moves towards a risk based approach, with clear and transparent standards supported by a more systemic approach, there will be opportunities to reduce the regulatory burden in line with government commitments. Higher performing PSI businesses will be subject to less regulation; sectors performing well could be de-regulated allowing more space for activities in higher risk areas.

Recommendation 8

De-regulation – While remaining focused on risk, the SIA should develop a strategy to enable individual licences to be progressively replaced with business licensing where it is safe and appropriate to do so. In doing so, the SIA will need to determine the criteria to enable this, including such prerequisites such as appropriate vetting and qualifications. The SIA should agree deregulatory targets and timetables with the PSI and Home Office

9. SIA operational and financial performance

64 The Review has focused on ascertaining whether there are areas where the SIA can be more efficient in terms of Estates, People, IT and Commercial Services.

Estates

65 The SIA is currently based in Central London and had total accommodation costs of £1,148,000 in 2014-15, an increase from £1,107,000 in 2013-14.

66 A review of the SIA property costs against Cabinet Office benchmark data indicates that SIA property costs per square metre are very high (£1007 against the upper quartile for Government Estates which is £603). This is borne out by comparisons with other Home Office arm's length bodies based outside of London, the Gangmasters and Labour Abuse Authority £481 (Nottingham) and the Disclosure and Barring Service £174 (Darlington) and £445 (Liverpool). SIA costs per FTE are above average (£6521 per FTE against the upper quartile for Government estates which is £7574). This is likely to be as a result of being based in central London.

67 Although the costs per Square metre and, to a lesser extent, per FTE are high, the occupied space per FTE is low. The SIA only occupy 6.5 square meters per FTE which is very low for Government Estates (lower quartile being 10.3 square metres).

68 The SIA lease is due to end in 2017/18. The SIA is taking the opportunity to move to a government hub as part of a larger government strategy to move away from private leases. This may present opportunities to identify efficiencies through sharing back office functions and knowledge.

People

69 The SIA spent £13,004,000 on staff costs in 2015-16 up from £11,080,000 in 2014-15 and £10,432,000 in 2013-14. The average number of staff employed in 2015-16 was 214 with 186 permanent staff and 28 other staff¹⁵.

70 The average staff cost per FTE at the SIA is high. Latest figures indicate that in 2016 the SIA had an average of 200 staff. At present SIA staff cost £51,994 on average (median salary £32,371) which is just below the upper quartile for Government Benchmark data (£52,400).

¹⁵ SIA Annual Report and Accounts 2015-16

71 The SIA also has a high level of staff turnover; it is above average for both new entrants and leavers. SIA turnover is currently 18% in comparison to 7% for the wider Civil Service. The percentage is high when considered against comparable Home Office ALBs (GLA 3% and DBS 7%). The central London location, where greater job opportunity and mobility exists, may be a driver in higher staff turnover, which brings about its own attendant costs in terms of repeated training and induction as well as loss of expertise.

72 For core staff the SIA should develop a strategy to address issues in relation to retention of staff. One area which may benefit SIA is the recent attainment of Civil Service Accreditation which enables them to recruit via the Civil Service Jobs website thus potentially reducing reliance on external contractors and reducing recruitment costs (£280,000). Accreditation can also benefit current SIA staff by opening up opportunities for them in the civil service jobs market.

Information Technology

73 The SIA costs for ICT per FTE are above average. SIA costs are £4,604 per FTE whereas the median for Government is £2,791 (with the upper quartile being £7,391).

74 The SIA is undertaking a significant IT change programme which aims to deliver greater efficiency within the SIA and reduce operating costs. The intention is to digitise a number of disparate functions into one coherent system. It will ultimately allow applicants and businesses to take on some of the administration currently provided by SIA staff thus releasing staff resources. The new system, once fully established and operating effectively, should speed up the process for issuing licences by allowing customers to apply for licences online, removing manual checks and removing business process outsourcing. The anticipated net benefit of the change programme has been estimated at £16.4 million.

75 Although the change programme intends to deliver significant benefits around efficiency, the contracted supplier encountered significant delivery problems primarily in relation to delivering the programme on time. The delivery issues have been scrutinised in more detail as part of a Government Gateway Review which took place in November 2015. No major issues were identified during that review, other than the delays to implementation, and the new IT system launched in July 2016, following which there have been a number of operational difficulties which are at the time of writing being resolved.

76 The programme brings with it a significant reliance on contractor and contingent labour, with staff being brought in for specific IT or project management skills. The SIA believe they have spent in the region of £4.2m on consultancy and contingent labour over the course of the change programme. The approach to delivery of technology change in SIA has focused on their partnership with a major supplier and developing solutions within that partnership.

77 In future there may be benefit from drawing on wider support and expertise, for example from the Home Office, in order to learn lessons from elsewhere for more effective delivery. The SIA has indicated that it will seek support from Home Office

Commercial, Technology and Project Delivery colleagues before developing any proposals for further phases of IT reform. This is commendable. It may also be advisable for the SIA to seek assistance from the Home Office 'Test, Design and Consultancy Services' within the IT function, who provide managed shared testing services across government.

78 Over the course of the change programme the SIA must work with the Home Office to ensure that the number and cost of consultants working on the programme are kept to a minimum and that they are reduced at the earliest opportunity.

Commercial Services

79 The Review team did not find significant evidence of collaboration or close working of the SIA with other ALBs on sharing of services during the course of the Review. Collaboration across back office functions such as HR, finance and payroll are prime areas for further efficiency savings.

80 The issue of working more closely with other ALBs to share or outsource some central services has been highlighted during interview. Discussions with the Gangmasters and Labour Abuse Authority and the Independent Police Complaints Commission have already started in this regard.

Recommendation 11

Efficiency – There is scope for greater efficiencies within the SIA which will in turn reduce burdens on the industry. The SIA should focus on reducing accommodation and staff costs and consider the merger of both back office functions and development of major projects with other similar ALBs. In doing so they should engage with wider Government centres of excellence for instance Government Procurement Unit, Government Digital Services and specialists in Shared Services and Commercial Models.

Annex A. Review of the Security Industry Authority - Terms of Reference

Objective

1. To carry out a review of the Security Industry Authority (SIA) on behalf of the Home Secretary.

Background

2. The review of the SIA will be conducted in accordance with the published Cabinet Office guidance which can be found on the GOV.UK website at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/332147/Triennial_Reviews_Guidance.pdf
3. The review will have regard to the Cabinet Office checklist and 2010 recommendations on delivery options.

The Security Industry Authority

4. Prior to the Private Security Act 2001 some specific sectors, such as private prisoner custody officers were subject to regulation. However, the private security industry sector was largely subject to no or little specific regulation. The perceived powers of security operatives, the opportunities for abuse, and evidence of criminality among a minority had led to calls for statutory regulation¹⁶.
5. The [Private Security Industry Act 2001](#) introduced regulations to improve public safety. By ensuring that individuals placed in certain positions of trust had been checked and vetted, and were properly qualified and trained to do their job.
6. The Security Industry Authority was also established as part of the Private Security Act 2001 to regulate the private security industry effectively; to reduce criminality, raise standards and recognise quality service. Ministerial responsibility for SIA rests with the Home Office. The Home Office responsibilities in Scotland and Northern Ireland are allocated to the devolved administration. The SIA is an *independent* body reporting to the Home Secretary. Its remit covers the United Kingdom.
7. The SIA has two main duties. One is the compulsory licensing of individuals undertaking designated activities within the private security industry; the other is to manage the voluntary Approved Contractor Scheme, which measures private security suppliers against independently assessed criteria.
8. [SIA licensing](#) covers manned guarding (including security guarding, door supervision, close protection, cash and valuables in transit, and (public space surveillance using CCTV), key holding and vehicle immobilising (the last in

¹⁶ As set out within research paper RESEARCH PAPER 01/34, 26 MARCH 2001 available at <http://researchbriefings.files.parliament.uk/documents/RP01-34/RP01-34.pdf>

Northern Ireland only). Licensing ensures that private security operatives are 'fit and proper' persons who are properly trained and qualified to do their job. For close protection, cash and valuables in transit, public space surveillance using CCTV and security guarding licensing applies only where services are supplied for the purposes of, or in connection with, any contract to a consumer (so not in-house).

9. The SIA [Approved Contractor Scheme](#) introduced a set of operational and performance standards for suppliers of private security services. Those organisations that meet these standards are awarded Approved Contractor status. This accreditation provides purchasers of private security services with independent proof of a contractor's commitment to quality.
10. The SIA has a compliance role to take action against those who no longer meet the criteria or who break the law. The SIA revokes licences where the licensing criteria are no longer met and suspends licences if there is a threat to public safety. The SIA can also withdraw Approved Contractor Scheme approval from an organisation.
11. The SIA is self-funding via licence fees of £220 for three years. It generated income of £30.4m in 2014/15. The SIA has approximately 200 FTE staff most of whom are based in central London. There are approximately 340,000 licence holders, holding over 371,100 licences. Currently around 810 private security businesses are accredited under the Approved Contractor Scheme.

Review and Methodology

12. The review will be conducted on behalf of the Secretary of State for the Home Department by Tony Regan, a senior Home Office official with NDPB experience, who is independent of the body and the sponsorship function. The review will be supported by a secretariat provided by the Home Office.
13. Oversight and challenge will be provided by a Challenge Group Chaired by Sue Langley, a Home Office Non-Executive Director. A challenge function is part of the assurance process to ensure informed decisions by the Secretary of State, who has commissioned the review.
14. The role of the challenge function is to rigorously and robustly challenge the scope, assumptions, methodology and conclusions of the review and to ensure that the six principles for the appropriate conduct of reviews are followed. The review should be proportionate, timely, challenging, inclusive, and transparent and offer value for money.
15. Members of the Challenge Group are appointed in their personal capacity and not to represent any interest group. Members of the group are independent of the SIA and the Review Secretariat. The Chair of the Challenge Group may agree to the SIA or others attending as observers at meetings.

16. The Challenge Group is expected to meet at least three times (at the beginning, mid-point and end of the review). The proposed membership is set out at Annex B.

Evidence gathering

17. The review will be undertaken in two stages. Stage one will identify and examine the key SIA functions and whether those functions are still required. Stage one will also consider the types of delivery models that could most effectively deliver the functions that fall within the responsibilities of the SIA.

18. If the outcome of stage one is that the functions should still be performed by the SIA stage two of the review will consider the potential for efficiency savings and improvements to operational and governance arrangements.

19. The Review will involve:

- a review of documents including, but not restricted to, annual reports;
- published reports, relevant statute and the SIA Board governance documents;
- a written request for comments from the Home Affairs Select Committee;
- a call for evidence from stakeholders and the general public via gov.uk;
- meetings/teleconferencing with a number of external partners and interested parties; and
- evidence gathering through interviews with the SIA Chair and Chief Executive, those affected by the work of the SIA and relevant others.

20. The review will examine:

- how the SIA contributes to the core business of the Home Office and to the delivery of wider cross-government priorities;
- SIA's capacity and capability to deliver more effectively and efficiently, including identifying the potential for efficiency savings;
- incentives for controlling costs and driving efficiencies – are they sufficient? Is there further scope to achieve these?;
- the SIA's performance in ensuring any burdens on the regulated sector are demonstrably proportionate and necessary;
- how customers' priorities for the SIA services are built into SIA strategic planning processes; and
- the scope and appropriateness of the SIA taking on additional functions including those that may already be provided by other organisations or functions that could further enhance the SIA's role.

21. Additional Areas in Scope:

- to review the implementation of changes to SIA regulation; including Business Approvals and Licensing of Private Investigators;
- Business Approvals: This will include reviewing the possible impact on public protection of switching on business approvals and switching off individual licensing (either at the same time or phased); assessing the continued use of the voluntary Approved Contractor Scheme alongside

mandatory business approvals; assessing the impact of business approvals on smaller/micro businesses and self employed individuals and the possible need for individual licensing in these cases;

- Private Investigators: This will include assessing the strength of the measures to ensure freedom of the press is not impaired; and
- to consider the scope for reform of SIA operations to remove unnecessary burdens (if found) on business, particularly small and micro businesses, and the ability of the SIA to respond to and adapt to innovations in the regulated sector.

22. The Chair and the Chief Executive of the SIA, and the Home Office sponsorship team will have the opportunity to check the factual accuracy of the review report at draft stage. Cabinet Office will also be invited to provide comments at that stage.

23. The review should have regard to the Cabinet Office checklist on delivery options (Annex A) and as part of this apply the government's "three tests".¹⁷

Major Deliverables

- Call for evidence questionnaire
- Evidence gathering, including interviews with key stakeholders
- Stage One Outcome Paper
- Stage Two Outcome Paper (subject to outcomes of stage one)

¹⁷ The three tests are: is this a technical function (which needs external expertise to deliver); is this a function which needs to be, and be seen to be, delivered with absolute political impartiality; or is this a function that needs to be delivered independently of Ministers to establish facts and/or figures with integrity.

Annex B. Challenge Group Members

Sue Langley NED	Home Office
Chris Batchelor	Home Office Better Regulation / Public Bodies
Paula MacDonald	Cabinet Office
Paul Steeples	BIS
Doreen McClintock	Devolved Administration Northern Ireland
Anne Kerr	Devolved Administration Scotland
Mark Harding	Showsec and UK Crowd Management Assoc
James Kelly	BSIA
Richard Stones	The National Police Chiefs' Council (NPCC)
Professor Martin Gill	Perpetuity Research and Consultancy
Dr Alan Clamp	SIA CEO - Observer

15 people were invited to attend the Challenge Groups. Of those who did not attend, a number fed into the Review through completing surveys or taking part in interviews.

Annex C. Alternative Delivery Models

This Review has looked at alternative delivery models, including abolishing, bringing into central government and delivery via private sector, local government or the police. Having considered these alternative models, the Review concludes that the SIA, as an Arm's Length public body, is currently the best way to regulate the industry. The need to prosecute people who offend against the Private Security Act and the high levels of inter-agency work for instance with the police, immigration enforcement and others make it appropriate that the regulator is a public organisation. The core to an effective regulatory regime must be access to and engagement with the police and others working in public protection, safeguarding and national security. Whilst it may be possible to raise the standards within the industry through an external body (private or charitable) the industry has not demonstrated a desire to do so and, generally, the work and reputation of the SIA is highly valued and industry welcomes its regulation.

Consideration

Abolish. This option was not supported by the majority of those contributing to the Review.

Bring into central government. Although there was some support for this option, it was not apparent what would be gained by this approach other than a few, possibly minor, cost savings offset by costs associated with closing down the SIA and legislation to terminate its role. The current approach provides suitable independence from ministers but sufficient flexibility for the function to be delivered effectively.

Regulation by the Police or Local Authorities. Both of these options were highlighted to the Review as alternative operating models which could be delivered at the local level. Although there are some benefits in relation to this approach, particularly in relation to building stronger relationships between the Private Security industry and local agencies and forces, the risk of inconsistencies across the systems along with no clear central direction pose a risk. The view of this Review is that oversight is required at the national level to ensure consistent delivery of the regulatory function.

Voluntary Sector. No evidence was presented to the Review which suggested that there is a body within this sector that could undertake this work, particularly in relation to the compliance functions. In addition, it is unlikely that a charitable organisation could have access to the levels of confidential personal details that can be shared within the public sector.

Merge with another ALB. This option was highlighted during the Review; the rationale put forward highlighted the potential for removing duplication, improving efficiency and reducing costs. The interviews undertaken highlighted some ALBs which carry out some similar functions to the SIA. It was not however apparent whether these organisations would have the capacity to take on this sector in its entirety or have sufficient read across of functions. An alternative model suggested would be, rather than merging with another ALB, that some services should be

shared. Sharing some services in order to drive through efficiencies particularly in back office functions, or potentially elements of the IT systems, could drive operational efficiencies. The potential to share overheads with larger organisations or outsource some of their services to smaller ALBs seems sensible. It is therefore a recommendation from this Review, both from an efficiency standpoint and to establish closer working that sharing some back office functions is taken forward. The Review does not suggest that this should preclude separation of identity or management of specific functions.

Self regulation by the industry. The overwhelming feedback during the interviews was that the Security Industry is not mature enough yet for self regulation. There also appeared little appetite from those leading within the industry to take on SIA functions.

In addition, it is unlikely that a private sector could have access to the levels of confidential personal details that can be shared within the public sector to take on all SIA functions. This Review does however envisage a role for the industry in setting and ideally delivering elements of the tiered ACS scheme in order for the SIA to focus their efforts on regulatory activity.

Private sector delivery. The Review found that the SIA's reputation is valued within the industry. The SIA recover 90% of their costs so there is potential for the services to be delivered by the private sector but there was push back from the industry in relation to the private sector taking on all SIA functions. The issues highlighted focussed on quality of service and the ability to engage with industry, the police and central government. It is also unlikely that the private sector could have access to the levels of confidential personal details that can be shared within the public sector or undertake the SIA compliance functions. That said, the Review does recommend that delivery of the revised ACS scheme by the private sector should be seriously considered by the SIA in consultation with industry. Private sector delivery of the scheme would allow the SIA to focus its attention on compliance and enforcement activity. We would however want the SIA to establish that private sector delivery would not have an impact on the quality of service and to ensure that the sector does not pay more for services they currently receive.

Annex D. Methodology

The approach has been to draw on as much evidence as possible whilst keeping to the principle that NDPB reviews remain proportionate and deliver something which is going to be of value to the Home Secretary, public and stakeholders.

The main pillars of the Review were: a survey to elicit responses to a range of questions on security industry regulation and performance of the SIA; in-depth interviews with main stakeholders aimed at obtaining insights into how the regulatory framework is performing, and whether changes have occurred since the SIA Act which would suggest the need for amendments or change; a literature review to help understand 1) how the UK security industry regulatory regime compares to other EU and industrialised non-EU countries and 2) evidence around the extent to which the SIA met its aims; and finally, we received submissions from interested parties.

Whilst the Review had a deep quarry of evidence available to it through the methodology described above, a review of this nature ultimately requires some judgements to be taken on matters where different or indeed conflicting evidence exists. The Review was carried out by Tony Regan, with support from a secretariat team including Larissa César, Jagdeep Sidhu, and Darren Kristiansen. Oversight was provided by a Challenge Group [a list of members is provided at **Annex B**]. As the Reviewer, I have taken an independent view of the matters put before me, made judgements that I believe are in the public interest and, in doing so, take full responsibility for the conclusions and recommendations contained in the Review.

The full Terms of Reference for the Review are available from <https://www.gov.uk/government/consultations/review-of-the-security-industry-authority-sia>

Annex E. Security Industry Authority Literature Review

Summary

The Security Industry Authority (SIA) was set up in 2001 and is responsible for regulating the private security industry in the UK. This literature review is part of the evidence gathering for the Home Office review of the SIA and focuses on the areas relevant to the reviews terms of reference. These include: whether the SIA is still required and, if so, in what form; alternative delivery models for regulation; the use of business licensing; and, licensing of private investigators.

Internationally, government intervention in the private security industry has been driven by three main factors:

- the growth of the sector
- recognition of the powers that private security industry operatives have
- examples of poor standards and misconduct within the industry

Most regulation used by industrialised countries for the private security industry involves varying degrees of government intervention. It includes the basic strands of suitability checks and minimum training requirements, although enhancements may include the introduction of codes of conduct and more proactive monitoring and investigations.

The research evidence shows that regulation of private security industry businesses and individuals working in the private security industry are the norm across Europe. Within the EU, studies which have sought to compare national responses rank the UK on the lower end of how rigorously countries regulate the private security industry. However, studies that have compared regulation of the private security industry don't assess whether the nature and extent of regulation is appropriate to the particular circumstances of those countries. National contextual factors - such as the size of the private security industry relative to the police, the role of the private security industry in the public sector, and the perceived level of criminality - have been identified as being important influences on the regulatory response to the private security industry.

The UK approach to regulation of the security industry shares some similarities with the US, Australia and New Zealand. These countries all have lower levels of minimum training requirements than most of the EU, and generally a lighter touch approach for regulation. Enquiries into the security industry in Australia have found serious deficiencies in the system of regulation and the current trend is towards more regulation. In New Zealand the trend is also towards greater regulation with a number of previously unregulated 'sectors' being brought under the control of the Licensing Authority (e.g. door supervisors and personal guards).

Little evidence exists on the impact the SIA and other regulatory regimes have had on criminality within the sector or standards. Where there is research, it is generally of limited quality. Most evidence is based on surveys and interviews and captures the perceptions of stakeholders. Responses are mixed on how effective the SIA has been. Only a minority feel licensing has reduced criminality, mainly due to the perception there is little enforcement action by the SIA. The security industry and its

buyers are more positive about improvements in professionalism, such as trust in staff and skills. The evidence also suggests there is more to be done around training requirements. However, there is a general consensus that some sort of government regulation of the industry is required.

There are mixed views on the success of the SIA's Approved Contractor Scheme (ACS). This is a voluntary scheme for businesses which measures private security suppliers against independently assessed criteria. It is designed to raise performance standards. An NAO report found take up of the scheme was higher than projected. However, those who buy security often don't use ACS suppliers - their decisions are more based on reputation, skills, honesty, track record and price. Several studies have recommended the introduction of a graded 'hallmark' of quality to help provide better information to buyers and greater incentive for businesses to score higher.

The general trend internationally is towards more government regulation of the private security industry. This is both in terms of "width" - the extent to which all relevant sectors of the industry are covered, and "depth" - the extent of licensing requirements within sectors (more even coverage across different sectors, higher training requirements and more enforcement and investigative activity).

In the UK, key debates focus on extending regulatory arrangements to businesses (rather than just licensing individuals as at present), and broadening coverage to in-house security personnel, private investigators and managers of security. The case for extending regulation of the industry has been most strongly made by some academics, but surveys suggest that some parts of the industry are also in favour. Few articles identified in this review have explored the burden on businesses that are likely to come with extended regulation.

Introduction

This literature review forms part of the evidence for the Security Industry Authority (SIA) Review 2016 conducted by the Home Office on behalf of the Minister of State for Policing, Fire and Criminal Justice and Victims. The literature review therefore focuses on areas relevant to the wider Review's terms of reference. These include:

- whether the SIA is still required and if so in which form,
- alternative delivery models for regulation,
- business licensing and licensing of private investigators.

The SIA review is being undertaken as part of the Government's commitment to the regular and rigorous review of the function and form of public bodies to improve transparency, accountability and to maximise value for money for the taxpayer.

The literature review collates evidence on the need for regulation of the private security industry, the effectiveness and efficiency of the SIA, best practice for regulation of the private security industry, and the future of security industry regulation in the UK and internationally.

This report is split into the following sections:

- Background to regulation of the private security industry

- Regulatory models
- Evidence on the effectiveness of the SIA
- Efficient regulation
- International comparisons
- Future of regulation of the private security industry (including regulation of private investigators and business regulation)

Background to Regulation of the Private Security Industry

The private security industry has undergone a huge shift over the past 50 years. From an international perspective, it has moved from the periphery of most domestic security sectors to outnumbering police officers in most industrial countries and carrying out essential functions such as protecting critical infrastructure, policing large-scale events and involvement in anti-terrorism activities (White, 2010). Given the reach of the private security industry, it also offers a range of opportunities for misconduct including fraud (e.g. not providing an agreed level of service), exploitation of staff, violence (suggested to be most widespread), false arrest and detention and insider crime and discrimination (Prenzler and Sarre, 2008). Criminals are particularly keen to become involved in the industry as it provides the potential to control illicit markets e.g. door supervisors can control the flow of drugs in premises, secure inside information to perpetuate crimes and involvement in protection rackets. This presents a need for the sector to be regulated to reduce criminality and protect the public.

It has been argued that regulation of the industry can take four main forms. These are the use of civil law, criminal law, market forces and self-regulation (Prenzler and Sarre, 2008). Most industrialised countries regulate the private security industry through the use of varying degrees of government intervention, that is a mixture of civil and criminal law. Academic literature suggests that government intervention in the private security industry has been driven by three main factors (Prenzler and Sarre, 2008):

- The growth of the industry - a survey across 70 countries estimated there were approximately 19.5 million people working in the private security industry (Small Arms Survey, 2011). In the countries surveyed, private security personnel outnumbered the police by 1.8:1.
- The recognition of the powers that private security industry operatives have (Jason-Lloyd, 2003; Button, 2007).
- Examples of poor standards and misconduct within the industry (White, 2015; Button, 2008).

The UK adopted the use of government regulation (in the form of criminal law) of the security industry much later than most industrialised countries. Most European countries introduced regulation in the 1970s and 1980s. The SIA was set up following the Private Security Industry Act 2001 and is responsible for regulating the private security industry in the UK.¹⁸ Government responsibility for the SIA rests with the Home Office.

¹⁸ The remit of the SIA was extended to Scotland via provisions in the Serious Organised Crime and Police Act 2005. In 2009 the remit of the SIA was extended to Northern Ireland.

The SIA has two main duties:

1. Compulsory licensing of individuals undertaking designated activities within the private security industry (involves criminal and training checks to establish individuals can legally work in the industry). Licensing covers manned guarding (security guarding, door supervision, close protection, cash and valuables in transit, and public space surveillance using CCTV), key holding and vehicle immobilising (the last in Northern Ireland only).¹⁹
2. Managing the voluntary Approved Contractor Scheme (ACS). The ACS measures private security suppliers against independently assessed criteria. The ACS sets out operational and performance standards for suppliers of private security services. Those organisations that meet these standards are awarded 'Approved Contractor' status.

The 2001 Act introduced regulations to improve public safety by ensuring that individuals placed in certain positions of trust had been checked and vetted, and were properly qualified and trained to do their job. The SIA's goals are: to regulate the private security industry effectively; to reduce criminality; raise standards; and recognise quality service. The SIA also has a compliance role to take action against those who no longer meet the criteria or who break the law. It revokes licences where the licensing criteria are no longer met and suspends licences if there is a threat to public safety. The SIA can also withdraw Approved Contractor Scheme approval from an organisation.

The SIA is a Non-Departmental Public Body sponsored by the Home Office. It is operationally self-funding through licence application fees and ACS fees & subscriptions. These fees and subscriptions are set to ensure full cost recovery over a three year business cycle (a cycle driven by the pattern of licensing renewal). There are currently²⁰ approximately 322,806 licence holders and around 815 private security businesses accredited under the Approved Contractor Scheme in the UK.

Methodology

This report is based mainly on a review of international research evidence from government reports and academics, and administrative data from the SIA. It has been supplemented with information collated for a literature review by the SIA comparing security regulation across EU countries.

The focus of the bespoke literature review was to gather evidence on the effectiveness of the SIA, compare international evidence on the effectiveness of private security regulation and to consider different regulatory models.

Home Office literature review methodology:

A variety of search terms were used to reflect the specific areas of interest, including variations of 'evaluation of the Security Industry Authority' and 'regulation of the

¹⁹ Under the Governments Protection of Freedom Act (2012), clamping on private land in England and Wales was banned. Northern Ireland still allows this practice, therefore licensing of these individuals is still in place.

²⁰ As of February 2016

private security industry'. A range of on-line databases of published research literature in the social sciences field were used for the searches. The search was limited to English language literature and the main sources used were Google Scholar, Web of Science, JSTOR, Oxford Journals, Wiley Online library, SpringerLink and the British Library databases and catalogue. A snowballing approach was also used, following up references to relevant literature in initial reports found in the search. More details on the search methodology can be found in *Annex A*. Searches for international regulation of the private security industry were limited to industrialised non-EU countries.

SIA literature review methodology:

The Home Office literature review was supplemented with information from the SIA literature review which focused on European information on regulation and the security industry. That work drew heavily on *Private Security Services in Europe - CoESS Facts and Figures 2013* published by the Confederation of European Security Services (CoESS). CoESS is the European umbrella organisation for 26 national private security industry employers' associations (including the British Security Industry Association). The 2013 publication provides an overview of the private security industry in EU member states, plus Bosnia & Herzegovina, Macedonian, Norway, Serbia, Switzerland and Turkey, and how the industry is regulated in these countries. It is largely based on information supplied by CoESS's members and other national private security industry organisations. Additional information came from desk research, international organisations, diplomats, academics and national regulators.

Some caution needs to be exercised when using this CoESS comparative data. This is because regulatory regimes have changed in some countries since the period covered by this publication and some of the information used came from the third edition (from 2011) because a few countries did not provide updates. The SIA conducted literature review also took some information from research into regulation in the EU conducted by the SIA in early 2008. Desk research was used to verify, update and expand the information provided in the CoESS publication and the earlier SIA report.

Few studies were identified which robustly quantify the effect of regulation on criminality and standards in the private security industry. Where regulations have been implemented at a national level it is not possible to effectively evaluate the impact in the absence of a control or comparison group. In addition, the impact on criminality within the sector is difficult to measure in the industry, as much of it is hidden and goes unreported. As a result, most of the evidence on the impact of regulation comes from surveys and interviews with industry stakeholders, which capture the perceptions of stakeholders, and analysis of regulatory requirements within industrialised countries.

Regulatory models

Academics and others have conceptualised regulatory models for the private security industry in different ways.

Two Australian academics, Prenzler and Sarre (2008), have argued that there are four main types of regulation. The first two types of regulation are used by interventionist models and the latter two in non-interventionist models. Each form of regulation has pros and cons and a combination approach is often used:

- **Civil law** – this can act as a powerful deterrent because of the cost associated with fines and loss of reputation. However processes can be lengthy, expensive and it is not a proactive regulatory tool.
- **Criminal law** – again this can act as a deterrent, particularly where longer sentences are handed out. However satisfactory outcomes such as convictions are often not achieved.
- **Market forces** – this assumes the free market regulates standards, i.e. those businesses that are not providing a good service will eventually drop out from the market as firms with better standards are used. However this assumes clients are fully informed of the standards across the board. It could also have negative effects, e.g. competition can drive prices and thus standards down.
- **Self-regulation** – this works through pressure to join professional associations to improve standards. It can save taxpayer resources. However membership varies and associations do not have the power to stop non members operating.

The SIA currently uses criminal law (e.g. prosecutions for supplying unlicensed security operatives or engaging in licensable conduct without an SIA licence) and a form of self-regulation for businesses via the voluntary ACS and encouragement of good practice. This encouragement of good practice is also supported by criminal law, i.e. it is a criminal offence for a business to state it has ACS status when it does not.

Most countries use some form of government regulation of the security industry but to varying degrees. The United Nations Office on Drugs and Crime (UNODC) published a report in 2014 on state regulation concerning civilian private security services and their contribution to crime prevention and community safety. There are currently no specific United Nations instruments, standards or norms addressing civilian private security services but the report sets out UN standards relevant to the sector. UNODC suggest state regulation of the private security industry is required for a number of reasons, such as the state's responsibility to prevent crime, protect human rights and govern the use of force, detention and arrest, as well as those relating to the relationship between the private sector and human rights and the protection of the rights of workers (UN report, 2014). The UN states a licensing system for operatives (i.e. individuals in the security industry) and providers (i.e. security firms) is the cornerstone of an effective regulatory system, and accepted best practice is for licensing to apply to both, so that standards can be raised both in companies *and* among individual licence holders.

According to Prenzler and Sarre, the fundamentals for a minimal licensing system are seen to be suitability checks (criminal history checks) and minimum training requirements (Prenzler and Sarre, 2008). These are both a core part of the regulatory regime implemented by the SIA. More advanced criteria however would

include psychological tests, longer training, and auditing of teaching and assessment process. There are challenges for implementing a more advanced level of government regulation or operating standards and for licensing of companies. These include a higher cost of security provision, as well as it being perceived to give legal authority to private security officers. Despite this, the trend internationally is towards more advanced regulation, albeit slowly. Prenzler and Sarre, 2008 set out the following key principles of good security industry regulation:

Figure 1: Prenzler and Sarre (2008) principles of security industry regulation

Depth
<ul style="list-style-type: none"> • Use national system of criminal history checks • All applicants fingerprinted (in case involved in crime) • Mandatory training standards (covering broad knowledge and skills) • Pre-entry qualifications to include first-aid certificate • Regulators to make available opportunities for in service training • Enforceable code of conduct • Systematic drug and alcohol testing in high risk areas of security (e.g. crowd control) • Consideration of granting certain licence holders special powers • Proactive regulatory agency, e.g. monitoring and investigations
Breadth
<ul style="list-style-type: none"> • Licensing comprehensive (i.e. covers business and individuals, and doesn't exclude groups e.g. in house security) • Development and administration of legislation consultative (with wider stakeholders)
Delivery
<ul style="list-style-type: none"> • Administered by one government unit – for consistency • Nationally consistent • Appropriate licence fees (reflecting cost, not as a way of generating revenue) • Regulatory agency focus on continuous improvement – e.g. research, annual reports on performance measures

The SIA currently meets several of these principles. It is administered by one unit and is nationally consistent. Other academics and organisations have also identified single unit administration as a preferred system for regulation. Button (2012) offered up a typology of different governance systems: so-called 'monopoly' systems, where all parts of the private security industry are regulated by one body, as is the case with the UK SIA and Private Security Authority of Ireland, and divided systems, where regulation is split between different bodies. For example, in Florida in the United States, the Department of State Division of Licensing regulates the manned guarding and private investigator sectors whereas the Department of Business and Professional Regulation is responsible for alarm installers. In France and Italy, there are divisions between the central government departments, local government and the police. According to the UNODC's report on state regulation concerning civilian private security services, the most efficient regulatory model is a monopoly, as this minimizes organizational disputes over responsibilities and different interpretations of rules and processes (UN report, 2014).

The SIA also carry out criminal history checks on staff that work in a list of designated areas, and specify mandatory training standards (although these relate to minimum requirements). The SIA is also concerned with 'continuous improvement' of standards in the industry. It can be argued that the SIA are following several of the principles set out by Prenzler and Sarre listed above in figure 1 (2008). However it is less clear whether the SIA can be objectively assessed as meeting some of their other principles (being fully compliant with the principles around consultation, licence fees levels and proactive monitoring and investigations).

The Organisation for Economic Co-operation and Development (OECD) focus on proactive regulatory agency in particular in their best practice principles for regulation paper, which considers regulation in general (OECD, 2014). They state that ensuring effective compliance is important for ensuring trust in government and achieving intended goals, and inspections are the most visible and important among regulatory enforcement activities. The OECD paper sets out eleven principles for effective compliance and inspection services. These include:

- evidence-based enforcement
- selectivity (only enforce where market forces cannot govern)
- risk focus and proportionality
- responsive regulation
- a long-term vision
- co-ordination and consolidation
- transparent governance
- information integration
- a clear and fair process
- compliance promotion
- professionalism

There is little research however on the appropriateness of the level of enforcement activity carried out by the SIA and other private security regulatory bodies in western countries.

According to UK academics Loader and White (2015), most approaches to regulation currently fall into two types of model: "cleansing", which focuses on ridding the market of criminality and support the need for strong government intervention; and "communalising", which focuses on providing equal access and information to buyers. Loader and White (2015) suggest a new model of regulation. A "civilizing" approach, which better aligns private security with public interest. Moving to a "civilizing" approach could align with the UK's current stance of finding a middle ground between greater government intervention through increased enforcement and joint working approaches. The latter rely on encouragement and partnership working to educate and nudge companies and on markets to regulate the sector. These proposals for inclusive deliberation could however place more burdens on the sector due to requirements for new structures.

This approach would require wider consultation and collaboration with stakeholders in the sector, and a joint effort with the industry and enforcement partners towards regulation. The SIA currently engages in consultations with industry but has not formally incorporated industry into the regulatory structure. It is claimed that this

approach could help create better informed regulation. In Finland the regulator is a government department, but a key part of the regulatory structure is an advisory board of security industry representatives, businesses and consumers of security. The groups have a formally defined role in advising the regulator (Button, 2012). Regulatory boards could also include further involvement from an even wider forum of stakeholders e.g. trade unions and client associations to form a regulatory tripartism. Expanding the advisory base helps prevent government and industry becoming too close. The aim should be to have ‘responsive regulation’ and avoid ‘regulatory capture,’ where the regulator starts to work more in the interests of the regulated bodies than in the public interest (UN report, 2014).

Evidence on the effectiveness of the SIA

The main objective of the SIA is to ensure public safety by reducing criminality and raising standards within the industry. This section will summarise the evidence on the SIA’s meeting of its aims. It draws on previous research carried out by the SIA, NAO and academics. It does not refer to findings from the 2016 Home Office consultation exercise.

The majority of the evidence is drawn from surveys and interviews with stakeholders within the industry, and so is based on perceptions of effectiveness rather than more objective measures. None of the studies reviewed have control or comparison groups and this inevitably limits any assessment of causation.

Button and George (2006) suggest two criteria for evaluating regulatory regimes. “Width” - the extent to which all relevant sectors of the industry are covered. And “depth” – the extent of licensing requirements within a sector. Arguably an additional criterion also needs to be addressed: whether the regulation actually meets the objectives set, which may only require a certain level of width and depth to achieve. The SIA’s objectives are to reduce criminality and raise standards. Survey evidence covering these criteria is discussed below.

Tackling criminality within the industry

Measuring how well the SIA has met its objective of reducing criminality is widely acknowledged as difficult given the hidden nature of criminality in this sector (White and Smith, 2009). One possible proxy measure of criminality levels are data on revoked licences, whereby a previously issued license is taken away from an individual.²¹ In total in 2014/15 4,553 licences were revoked, and in 2015/16 this figure was 2,272 giving some indication of the enforcement activity by the SIA. The majority of revoked licences related to door supervision. The number of licences refused or revoked however does not reflect the extent of criminality within the industry, as the revoking of licences is not limited to involvement in crimes and could

²¹ Amongst other reasons, a licence may be revoked because the licence holder: does not have the training qualifications that were claimed on application; receives a conviction, caution, warning, absolute/conditional discharge or admonishment for a relevant offence; has been working with an SIA licence without the right to work or are in the United Kingdom illegally; breaks any of the conditions upon which their licence was issued.

be associated with individuals not meeting training or other administrative requirements (White, 2015). In addition, as at 29 February 2016, the SIA were conducting 27 criminal investigations, involving 25 businesses and 65 individuals. Finally, the SIA has limited enforcement powers which it will only implement when issues come to its attention.

An initial baseline review of the SIA was carried out in 2009 by White and Smith. This consisted of an online survey of private security providers and purchasers and interviews with private security providers, SIA members and the police.²² They found mixed views on the SIA's perceived effectiveness in reducing criminality. Only 34 per cent of security providers who completed the online survey felt the SIA had been successful in reducing criminality, while a third felt there hadn't been any success and a third were undecided. Respondents also believed a problem existed with unlicensed individuals undertaking licensed activities and engaging in more serious criminal activities traditionally associated with the industry. A common theme underlying these responses was a perceived lack of effective enforcement action by the SIA. However, the authors of the baseline review related this to a misperception about the enforcement ability of the SIA and a lack of awareness amongst respondents of its legal and political constraints (White and Smith, 2009).

Similarly mixed views were found on this issue in a survey of private security clients and managers undertaken in 2012 (Gill et al., 2012).²³ Clients, most of whom were security specialists within companies, were ambivalent about the impact of the SIA on reducing criminality. Only 35 per cent agreed with the positive statements on reducing criminality, while 30 per cent agreed with positive statements on increasing public security. Most of their criticism focused on a perceived lack of enforcement action by the SIA, but they did recognise the need for regulation.

Managers also had mixed views about the benefits of the SIA. Four in ten managers who responded to the online survey stated the SIA had been successful in reducing criminal elements.

Improving standards

Assessing benefits solely in terms of reduced criminality may be too narrow (Gill, Howell and Randall; 2015). It can be argued that regulating security has benefits additional to reducing criminality within the sector as security also contributes to:

- Preventing loss – not just of assets but also reputation

²² Research funded by the Economic and Social Research Council and the SIA. Two on-line surveys sent out to 7,000 private security officers listed on the SIA's marketing database and 1,559 private security purchasers on the SIA's marketing database. Questionnaire was also accessible to private security officers through a web-link on the SIA website. Responses from private security providers (685 responses) and purchasers (100 responses). Interviews with private security providers, SIA members and the police (82 interviews in total).

²³ The research was funded by the Security Research Initiative (supported by industry sponsors) and carried out by Perpetuity Research. The methodology used was an online survey. As no nationally representative sample was available respondents were made aware of the survey via main security media, representative and membership associations were asked to notify members and the SIA advertised the study and invited participation via its website. Survey responses from 209 clients, 509 directors/managers of suppliers, 504 operatives.

- Enhancing success – provides competitive advantage to businesses, e.g. secure shopping
- Enabling operations – prevents barriers/disruptions that affect staff doing their job. As private security is a form of situational crime prevention by improving it, there is also a benefit on prevention

A second key objective of the SIA is to improve standards in the security industry, particularly the knowledge and skills of staff. In addition, academics have also considered that pay and work conditions of security staff may be considered as areas of ‘improvement’ which can be measured.

Individuals

The SIA has undertaken several sector based surveys of staff perceptions of changes under the SIA. Perceptions of the impact of regulation on standards are not consistent. A 2010 survey of those working in the security guard sector found that 82 per cent of suppliers felt there was trust in staff as a result of licensing. However they were less positive about any effects on skills with 81 per cent of suppliers stating they required further training for staff beyond SIA training standards (SIA 2010a).²⁴ Of security guard operatives, over half (57 per cent) believed licensing had improved their skills and ability and 55 per cent felt licensing has improved career opportunities.

By comparison the door supervision sector showed a different pattern. The majority of operatives believed that licensing had improved career opportunities (66 per cent), job skills (65 per cent) and treatment by the police (65 per cent). Suppliers of door supervision services were more mixed in their views, with over half (56 per cent) stating licensing had not affected the skill levels of staff and 36 per cent disagreeing with this statement (SIA 2010b)²⁵.

Another, albeit more geographically focused study on the door supervision sector, paints a less positive picture of a changed profession. A small-scale study consisting of interviews with bouncers and five licences who employed door staff in pubs/clubs in one region (Pratten, 2007) found training to be lacking. Minimum requirements did not cover first aid and self defence training, which was felt by bouncers to be critical for their job. Some bouncers did feel however that as a result of training they had improved their communication skills and would be less aggressive at the onset of a problem.

Around 40 percent of suppliers and operatives felt licensing had improved public perceptions of the sector and similar proportions felt licensing had no impact. The majority of suppliers and operatives (around 80 per cent) agreed trust and respect have improved as a result of licensing (SIA 2010b). However as with many of the

²⁴ The research was commissioned by SIA and carried out by the research agency FDS International. It consisted of 601 telephone survey interviews of which 200 were suppliers of security guard services and 401 were front line security guard operatives. Overall, 16% of the sample completed an interview in both the Supplier and Operative surveys.

²⁵ The research was commissioned by SIA and carried out by the research agency FDS International. It consisted of 547 telephone survey interviews of which 95 were suppliers and 452 were operatives. Overall, 16% of the sample of Operatives completed an interview; for Suppliers the figure was 7%.

changes which are believed to be taking place in the industry, the research evidence is not robust enough to explicitly link these to the introduction of regulation.

These reports suggest SIA regulation needs more “depth” when it comes to training standards and provision. This is supported by the baseline review in 2009 which found some evidence that competency requirements were too low in certain areas (White and Smith, 2009). Although the SIA has the power to raise the requirement of training standards, monitoring the provision of this training is difficult as the PSIA 2001 does not directly empower the SIA to regulate training bodies.

Some academics have argued that the pay of security staff might also provide a proxy measure of improvement within the industry. The impact of licensing on earnings amongst those working in the private security industry was tested by Fernie (2011). She examined Labour Force Survey (LFS), Annual Survey of Hours and Earnings (ASHE) data, and data from two surveys carried out by the SIA one year after the PSIA act. Security guards’ pay (SOC code 9241) was compared with the rest of the 924 category (an occupation group requiring roughly the same qualifications, with the same skill levels and a similar demand and focus). Fernie found no evidence to suggest that security guards mean percentage change in gross hourly earnings was any different from the rest of the 924 group for either 2005/6 or 2006/7. Fernie concluded that licensing had made no difference to the pay of security guards during this period. The National Minimum Wage act had a big impact on pay and licensing closely followed it so further significant impact was not likely. In addition to this research, only 32 per cent of security guard sectors surveyed by the SIA (2010) felt licensing had improved pay and conditions for their sector, 16 percent felt it had made it worse and the remaining respondents felt there was no change.

Businesses

According to the National Audit Office (NAO), the Authority’s voluntary Approved Contractor Scheme (ACS) was well taken up and was generally seen to be a sound tool to improve standards in the private security industry (NAO, 2008). Most police forces the NAO spoke to told them that they believed the existence of the Authority, and the compulsory licensing of door staff, had increased professionalism in the industry. Local authorities were more critical and other surveys have generally not found such favourable opinions of the scheme (White and Smith, 2009; SIA, 2008).

In February 2008 the SIA commissioned an online survey on the benefits of the Approved Contractor Scheme. The survey was completed by approved contractors, non-approved contractors and buyers of security (n=301) to try to assess the benefits of the Scheme. A large proportion of approved contractors felt the scheme had not changed the way they operated as they were already delivering a high quality service. Although the study does not indicate how many buyers were approached, only 25 per cent stated that they always used approved contractors, with large businesses more likely to use non-approved contractors. Most believed that reputation, skills, honesty, track record and most importantly price were more important to them than what they saw as “government paperwork”. Fifty-one per cent of approved and fifty-eight per cent of non-approved contractors said that their turnover had increased over the last year. Most of the approved contractors felt that the scheme brought limited or no benefits. Instead they perceived that accreditation

increased costs, was time consuming and brought a higher administrative burden. All suppliers believed that the public had not gained from ACS.

Purchasers of security services appear to favour the introduction of some sort of 'hallmark of quality' in addition to the current minimum standards that make up the ACS in its current form. This would incorporate a scaled award scheme (i.e. those performing above the minimum standards would receive recognition for this). They felt the introduction of a hallmark would increase public regard for licensed security companies (Gill et al., 2012).

Overall, the evidence suggests that the impact of the SIA on standards has not been consistent across the whole of the private security industry. As well as increasing the "depth" of regulation, both academics and stakeholders are interested in extending the "breadth" of regulation. In a 2012 survey, both managers of security suppliers and clients of security services favoured the expansion of regulation to other sectors of the industry including private investigators, security consultants and installers and manufacturers of security equipment (Gill et al., 2012).

Efficiency and costs

Another purpose of the Review is to look at the efficiency and value for money of the SIA. This section looks at the SIA's ability to meet demand to issue licences and fund its activity. Some evidence exists on the efficiency of the implementation of licensing, its effect on the industry, as well as the proportionality of regulatory checks by the SIA.

Issuing licences

An NAO review of the SIA in 2008 found that the cost of running the Authority had been under-estimated. Between 2004-05, the first year that full cost recovery was expected, and 2007-08, the authority required additional funding of £17.4 million. The two computerised systems procured by the Authority to process applications and produce licences were also unable to cope with increases in demand for licences. The NAO felt the ACS was seen as a success, but that licensing of individuals could have been implemented more efficiently.

Over the period 2005 - 2006, when licensing was being rolled out in order to comply with the March 2006 start date, the Annual Survey of Hours and earnings (ASHE) estimated that the number of people employed within the security occupation group increased from 112,000 to 119,000. Fernie (2011) argued that the increase implies that there had been no detrimental effect on employment levels due to the SIA being unable to meet demands for licences, or as a result of the additional requirements deterring individuals to enter or stay in the security industry. However, the absence of a clear counter-factual makes it difficult to whether this is the case or employment numbers might have grown faster within a different regulatory environment.

In a government consultation on a future regulatory regime for the private security industry carried out in 2013,²⁶ 84 per cent of respondents agreed the SIA should

²⁶ Total of 776 responses; 524 security suppliers, 63 security buyers, 35 law enforcement agencies, 81 members of the public, 113 other

continue to issue a licence card, as it is instantly recognisable to the public and law enforcement. However, nearly two thirds of respondents agreed that the licence cost should reflect the size of the business. The current licence fee per person is £220 for a three year licence.²⁷ In a study carried out in 2011 many of the smaller companies felt that the nurses' registration scheme would have been a better model of regulation to use in this sector (Fernie, 2011). The nurses' registration scheme currently has an annual registration fee of £120. This is more expensive over three years than a security licence. However, it does allow members to pay a smaller fee each year. For a sector like the security industry, where there can often be high turnover in staff, a smaller yearly fee may be more affordable. Similar checks are carried out for the nurse's registration scheme, including background criminal and certification checks. However the processing fee of the nurses' registration scheme is lower.

Compliance

According to the UNODC report on state regulation of private security companies, the UK provides a good example of proactive compliance and appropriate resources to enforce the regulatory regime (UNODC, 2014). During 2010, there were 770 random inspections with 2,387 individuals checked, of whom 97 per cent were properly licensed, well above the 90 per cent target (SIA, 2010). The SIA's enforcement activity and monitoring of compliance also needs to be seen in the context of other, sometimes conflicting, regulations. The SIA is also working within the 'Better Regulation' agenda. This stipulates public regulators can only intervene in commercial practices in a proportionate manner and where there is a demonstrable risk to the public (White, 2015).

International comparisons

The international comparisons in this section focus on 1) EU countries and Bosnia & Herzegovina, Macedonian, Norway, Serbia, Switzerland and Turkey with findings summarised from a separate literature review carried out by the SIA (2016)²⁸ as part of this review and 2), industrialised non European countries.

EU

The regulation of private security industry businesses and individuals is the norm across Europe. Only three European countries do not licence individuals (Czech Republic, Slovakia and Bulgaria). All but the Czech Republic do however have specific legislation regulating the private security industry.

Comparative studies assess the countries with the most rigorously regulated private security industries as Belgium, Spain, Sweden and Hungary (Button and Stiernstedt; 2016, CoESS, 2013). They share common features of having both business and individual licensing, multiple requirements and checks, and substantial basic training. These studies also agree that the UK is below average in the rankings of how rigorously countries regulate the private security industry. This is due to three

²⁷ Except for front line vehicle immobiliser licences where the fee is £220 for a one year licence.

²⁸ The SIA carried out a literature review for internal purposes. This review is not intended for publication.

factors: low minimum training requirements, a lack of business regulation and partial coverage of sectors within the industry.

Individual staff licensing requirements relating to the successful completion of training, a minimum age and nationality are common across Europe, although the exact nature of the requirements vary. Medical checks, proficiency in the national language and limitations on previous experience working in law enforcement are also common. Business licensing in many European countries involves a combination of requiring (a) the business itself to be sound and (b) the owners and/or managers of that business to be competent and not to have been involved in criminality.

Studies that have compared international regulation of the private security industry don't assess whether the nature and extent of regulation is appropriate to the particular circumstances of those countries. This makes it difficult to assess the success of regulation and for the purpose of this review, comparability with the UK. Contextual issues influencing the regulatory response to the private security industry include:

- Size of the private security industry - At the time of writing (2007), Button found that 6 countries in the EU had private security personnel outnumber public police - Hungary, Poland, Ireland, Luxembourg, Estonia and the UK. Outside of Europe this was also the case in the US and Canada.
- Role of the private security industry in the public sector – Spain ranks highly in studies that compare regulation of the industry. In Spain the purpose of regulating was to create a private security industry that was an auxiliary to the public police; it has a duty to cooperate with and support the police whenever there is a risk to public order (Button 2007). This 'merging' of the public and private goes some way to explain why Spain needs such stringent and comprehensive regulations. In comparison the UK police does not collaborate with the private security industry to this level and as such it has less stringent regulations.
- Criminality within the private security industry – each country is likely to have a different type and level of criminality in their private security sector, which in turn may have prompted proportional regulation. However, as the true extent of criminality in this sector is almost impossible to quantify, it is not possible to compare across different countries. Several academics have argued that governments tend to bring in regulation as a result of high profile cases of criminality or poor standards in the industry, rather than as a proportional response (Prenzler and Milroy, 2012; Gimenez-Salinas, 2004).
- Use of firearms – it may be expected that those countries that allow individuals in the private security industry to carry firearms have more stringent regulations. However generally this does not hold true, as these countries require additional licences, over and above those required to operate in the industry, for any business and/or individual wanting to provide armed services.
- Fascism (some regulation in Europe dates back to the 1930s) and armed conflict - particularly in Eastern Europe, where regulating private security is as

much about stopping militias as it is regulating what the UK refers to as private security (SEESAC, 2005).

Spain has one of the strictest regulatory regimes for the private security industry. Some studies have tried to assess the impact this has had on the industry in Spain. The introduction of the Law on Private Security in Spain in 1992 has concentrated the sector to six big companies with a 50% share of the market, which may suggest an adverse effect on smaller businesses and competition, although estimated corporation turnover increased 45 per cent in the 5 years to 2004. The law did not completely eliminate the existence of illegal corporations. It was estimated there were still 60 illegal private companies operating at the time of writing, the equivalent of 6 per cent of all private security businesses in Spain (Gimenez-Salinas, 2004). It is not known what this figure currently stands at. Strict regulation has resulted in common standards and police attitude has changed to one of acceptance and integration of private security. The relationship between public and private security has also allowed the creation of a co-ordination room to allow the exchange of operational information between the two sectors (Gimenez-Salinas, 2004).

Non EU

In the US, regulation of the private security industry is at State level and largely consists of 'minimal' requirements e.g. character requirements, with some States also having minimum standards of training. The level of regulations is similar for Canada and Australia (Button, 2007). Although the UK regulates at a national level, its approach to regulation more closely mirrors these Western countries than it does most other EU countries. This is because of its relatively light-touch approach. Hence it's worth looking at evidence on the impact of regulation in these countries.

Similar to much of the EU, regulation of the private security industry in Australia was brought in as a reactive approach in the 1980s and 1990s due to reports on malpractice and poor training. Further checks, training requirements and enforcement activities were added as regulatory requirements in the 2000s, following high profile cases of security failures and concerns over outlawed motorcycle gangs (Prenzler and Milroy, 2012).

Three discrete enquiries were launched into the Private Security Industry in Australia (Penzler and Milroy, 2012):

- In 2007 the Australian Crime Commission (ACC) launched a special intelligence operation into the nature of criminal infiltration and exploitation of the private security industry. The report concluded it was difficult to determine the exact percentage of criminal infiltration of the industry but examples of criminality were uncovered across all states and territories, including organised crime.
- A New South Wales Independent commission against corruption (ICAC) investigation into corruption in security industry training was launched in 2009 and found evidence of misdoings such as creating false documents and bogus testing. The fraudulent firm investigated had cornered a quarter of the market for issuing training certificates and a second firm implicated in the investigation had 10 per cent of the market. It was recommended that the

Security Licensing and Enforcement Directorate were allocated more staff to allow better monitoring of the industry.

- The Fair Work Ombudsman also launched an investigation in 2009, looking at undercutting in tendering, and under award payments to security staff. They found 49 per cent of those they audited were non-compliant with the Fair Work Act.

All three enquiries revealed serious deficiencies in different parts of the Australian regulatory system. The piecemeal nature of the response suggests that the current regulatory regime in Australia still has a way to go to reduce criminality and improve standards in the sector. The future trend may be towards more regulation and compliance checks, not less.

A similar trend towards more regulation is also evident in New Zealand. Regulations introduced in 1975 were expanded in 2010 with the Security Personnel and Private Investigators Act. Several previously unregulated 'sectors' – crowd control/door supervisors, personal guards and document destruction – were brought under the control of the Licensing Authority. However, academics argued the extended regulatory framework was still insufficiently comprehensive in scope (Bradley, 2014). Regulations still exclude most 'in-house' security, there is an absence of mandatory pre-employment training and minimal mandatory training requirements, and it is felt the new framework will struggle to achieve its primary aims of raising standards and reducing risk. However, there is little evidence available on the impact of expanding the regulation. Details for some changes - such as the mandatory training regime - were only released in September 2013; almost two and a half years after the Act came into effect.

Future of regulation of the private security industry

Based on the review of the international literature on regulation of the private security industry, the trend appears to be towards more regulation, both in terms of breadth i.e. countries expanding the sectors that are regulated over time such as private investigators and in house security and depth i.e. making training provision requirements and standards more stringent.

Recommendations for the future of private security industry regulation that have been made following research into the impact of the SIA include:

NAO recommendations:

- The Authority should over time raise the required standards for the training (for voluntary approved contractor scheme) to be provided by scheme members to employees.
- The Authority licenses individuals, but regulation of the industry is enforced through businesses – the SIA should introduce low cost registration of private security businesses.
- More regulatory powers for the SIA.
- The SIA should improve its relations with local authorities and other enforcement partners to enforce the provisions of the Act.

In addition to this, a 2012 survey of private security managers showed a preference for further regulation in key sectors not currently covered by the SIA such as private investigators, consultancy, installing equipment, and manufacturing (Gill et al., 2012). Academics have also highlighted additional gaps in coverage such as the lack of regulation of security managers, who are often responsible for the actions taken by security operatives on the ground and lack of regulation for in-house security officers (Button, 2011). In contrast all managers in NHS trusts must have Accredited Security Management Specialist (ACMS) training.

In a more recent government consultation on the future regulatory regime for the private security industry mainly consisting of responses from security suppliers (2013), 50 per cent of respondents agreed with the Government's proposals for a phased transition to a business regulation regime while 36 per cent disagreed with this approach.²⁹ There was generally high agreement (over 90 per cent for most, over 80 per cent for the rest) with the proposed criteria and conditions for business regulation. It was suggested however that the government proposal was missing certain criteria:

- Many respondents agreed that businesses should be required to pass externally assessed competency requirements but a similar number stated there should be a greater emphasis on demonstrating operational competence e.g. experience or track record of key figures such as directors within a business.
- Several responses commented that the key positions within a business should be subject to criminal record and identity checks.
- Financial probity, e.g. compliance with UK tax laws, transparent pay role details, including disclosure of self employed staff.
- Ensuring proper business practice - i.e. insurance, proper audit and data protection procedures.
- Concerns about so called 'phoenix' companies, but uncertainty on how to combat this.

In addition to this, over 80 per cent of respondents felt that 'in-house' security providers should be included within regulatory requirements for a business regulation regime. However in the 2009 SIA in house licensing review, it was felt there was no clearly defined or substantiated risk to public protection to be addressed and the SIA was unable, at that time, to make a case which would justify extending the SIA's remit to include licensing of in-house guards. The Minister discussed the evidence in detail with the SIA Chair and Chief Executive, and approved the recommendation, requesting that the subject be re-visited in three years time. Consideration was given on whether to hold a further review, but there was no sufficient new evidence of any significant risk from in-house guards to justify opening a review.

Regulation of Private Investigators

This section focuses briefly on the regulation of private investigators (PIs) as they are currently excluded from regulation in the UK, whereas most other countries

²⁹ Government consultation running from 20th Nov 2012 to 15th Jan 2013. Consisted of an online survey with 776 responses (682 security suppliers, 63 security buyers, 35 law enforcement agencies, 81 members of the public, 113 other); and a separate British Security Industry Association (BSIA) survey response of 149 members.

regulate PIs. This is also an area of interest mentioned specifically in the terms of reference of the review. Some police forces procure services previously carried out by police officers from private companies (House of Commons Report, 2012). Given this interaction between the private and public it is important to consider the extent to which current laws regulate PIs.

There is no direct regulation of PIs but legislation such as the data Protection Act 1998 and Regulation and Investigatory Powers Act 2000 govern acquisition, storage and the use of personal information. Penalties for breaking these regulations however are negligible. One of the difficulties with regulating this sector is the issue of defining PIs as other professions take on similar tasks, e.g. accountants investigating fraud (Button, 1998). There is no special statutory requirement to become a PI in the UK, although some associations offer voluntary self-regulatory framework of which the largest are the Association of British investigators (ABI) and Institute of Professional Investigators (IPI). One of the reasons PIs may have escaped regulation is that although other professions in the security industry have expanded and have large associations to lobby for regulation, PIs don't (Button, 1998).

Interviews conducted with 40 private investigators in Australia found respondents felt the Australian government could provide more regulation of PIs through improving pre-service training and strengthening controls on access to confidential information held by governments (Prenzler, 2001). They felt the government could also benefit from PIs by more active consultation with the industry and expanding controlled access by private agents of government information for legitimate purposes.

There appears to be a consensus amongst security industry stakeholders, policy makers and academics that the more restrictive licensing systems introduced in the last fifteen years have improved the competency and conduct of security providers, including private investigators. Nonetheless, there is room for improvement. The example from Australia shows that even where regulation of PIs exists, there is a call for greater regulation not less.

Conclusions

The purpose of the literature review was to look at evidence around the areas relevant to the reviews terms of reference, mainly, whether the SIA is still required and in which form, alternative delivery models for regulation, business licensing and licensing of private investigators. The conclusions of this literature review are therefore presented under these sub headings.

Is the SIA still required?

A review of the literature on regulation of the private security industry found that the trend internationally is towards more regulation of the industry, through expanding the number of sectors that are regulated, increasing minimum requirements or carrying out more compliance checks. Within Europe, the UK ranks on the lower end of providing strict and comprehensive regulation. Its style of regulation is more in line with the minimum requirements approach of the US, Australia and New Zealand;

however the direction of travel for these countries is also towards more regulation of the industry.

Research into the impact of the SIA has focused on surveys and interviews with stakeholders within the industry. Evidence around the effectiveness of the SIA in reducing criminality and improving standards in the industry is mixed, although it is more positive about the latter. The general consensus of academics and other organisations such as the UN and OECD is that there is a need for government regulation of the industry, and this is best done by one organisation in a nationally consistent way. They also emphasise the need for regulation to be comprehensive and for proactive investigations, although they acknowledge this needs to be proportionate to the risk. None of the studies the Review came across in the literature search provided an indication of whether the regulatory response was proportionate to the individual needs of the country. This is mainly likely to be due to the difficult nature of measuring crime in this industry.

Alternative models for regulation:

The literature suggests that regulatory responses in most countries have been reactive, often as a result of high profile cases of misconduct in the media and public interest in more regulation of the private security industry. There is a call for more proactive regulation by governments and longer term planning of the best approach for the industry.

The literature found good regulatory practice should incorporate 'responsive' regulation whereby industry and consumers representatives advise the regulator in an official capacity but are not in a position to solely steer the direction of change. The SIA has undertaken several consultations with industry members but the current model does not provide the security industry with an official and regular way in which it can help inform regulation.

The model of regulation used by each country should be specific to the issues posed by the private security industry and the role the government needs the industry to play in providing security. Spain has one of the most strict and comprehensive regulatory systems for private security which reflects the role that the private sector plays in public law enforcement, with high levels of collaboration and trust between the two. In the UK there is a greater divide between private security and the police, although there are some examples of successful collaboration. This is reflected in the less stringent regulatory requirements. However, if the UK wants to move towards more collaborative working between the police and private security, the regulatory approach may need to more closely reflect that of Spain.

Expanding licensing to businesses and private investigators:

The general consensus from academics and industry stakeholders is that the scope of SIA regulation needs to be expanded in both width and depth. Literature concerning width refers to the need to include all sectors within the industry, in particular: licensing of businesses, possibly through the creation of a tiered award system; licensing of private investigators; and licensing of managerial staff working within the security industry. This support comes from academics and from within the industry itself. Other countries with less stringent regulations such as Australia have

also moved towards wider regulation of sectors in the security industry in recent years.

The issue of more stringent requirements for licensing has also been given much attention by academics and was often highlighted in research with stakeholders in the industry. The main suggestions included increasing the minimum number of training hours required, increasing the level of knowledge required and making it role specific and monitoring the quality of the training provided to ensure standards were met. The SIA does not directly have the power to regulate training providers but this may be an area for consideration for the review.

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Literature Review - Appendix A: Search Strategy

Search terms used included:

- Security Industry Authority
- Evaluation of the Security Industry Authority/SIA
- Effectiveness of the Security Industry Authority/SIA
- UK regulation of the security industry
- Regulation of the private security industry
- Private security regulation
- Private security regulatory models
- International evidence on regulation of private security
- US regulation of private security
- Australia regulation of private security
- New Zealand regulation of private security
- Regulation of private investigators
- Regulation of private security businesses

The Databases searched included:

- Google Scholar
- Web of Science
- JSTOR
- Oxford Journals
- British Library catalogue
- Wiley Online library
- SpringerLink

The gov.uk website and Google were also searched for grey literature including government reports.

A snowballing approach was used, following up references to relevant literature in initial reports found in the search.

The number of abstracts initially identified as relevant was twenty-eight. The criteria for inclusion were English articles, relevant to the literature review aims, and articles assessed to be of a good quality. The number of full articles finally reviewed following selection and snowballing was twenty-two. An additional thirteen reports from government organisations and other large international organisations were also reviewed.

Annex F. Consultation analysis

Summary of findings

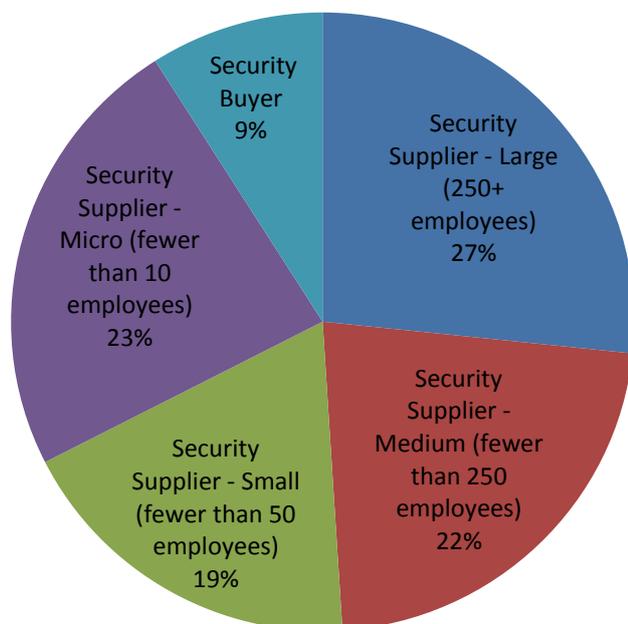
- Respondents were strongly supportive of continued regulation of the private security industry and of the SIA's role as regulator. A majority indicated that regulation was ensuring minimum standards of competence and increased public confidence in the industry.
- There were a number of areas where some respondents felt that regulation could improve. Suggestions included reducing the cost of licences, doing more to tackle criminality, improving training and making changes to the voluntary Approved Contractor Scheme (ACS).
- A significant proportion of respondents were in favour of regulating additional sectors. The most popular among these was in-house security with around a third in favour. Regulation of private investigation and security consultancy also received some support.
- A large majority of those who responded were in favour of both individual and business regulation.

Purpose of consultation

1. As part of the Home Office Review of SIA, on 11 January 2016 the Government launched a five week call for evidence to canvas stakeholders' views. The call for evidence closed on 18 February 2016. The aims were to: examine views on the key SIA functions and whether those functions are still required; seek suggestions on different delivery models for regulation; and consider options for efficiency savings and improvements to governance arrangements.
2. This annex provides a summary of responses received.

Respondents

3. A total of 772 responses were received. 758 of which were to the online questionnaire on the Gov.uk website. Two responses were received via post and 12 by email. Please note, not every respondent responded to every question, so the total number answering each question may differ and has been included for information.
4. 75% of those who completed the questionnaire were responding in a personal capacity, while 25% were responding on behalf of their organisation.
5. We asked 'which of the following best describes the type of organisation you represent.' There were 443 responses to this question. The breakdown of responses to this question is set out in the chart below. This shows a relatively even spread of respondents across different sized security suppliers. Security buyers made up a smaller percentage of the respondents (40 individuals).



6. 550 individuals stated that they held a current SIA licence. It is possible to hold more than one licence in order to operate in different security roles. 561 individuals went on to indicate which licences which they held. The difference between the 550 and 561 figures suggests that at least 11 respondents were inconsistent in their answers to the two questions. 821 licences were held between the 561 individuals – an average of 1½ licences per person. The table below shows which type of licence they held and is broadly in line with the size of the licensed population in each category.

Answer Choice	Response Percent	Response Total
1 Door supervision	63%	356

2	Public space surveillance (CCTV)	27%	151
3	Security guarding	25%	139
4	Close protection	17%	94
5	Non front-line	8%	46
6	Key holding	5%	26
7	Cash and valuables in transit	1%	7
8	Vehicle immobilisation (Northern Ireland only)	0%	2

Response bias

- As each group has different interests in the outcomes of any review of a public body, it is important to bear in mind that response bias could occur in questionnaire results. The views of a service given by those delivering it may differ significantly from the views of service users. Either group may choose to be more or less positive in their responses than they actually feel, depending, for example, on the extent to which they perceive the questionnaire may influence future funding, delivery approach or customer service. The ratio of security suppliers to security buyers, according to the data in paragraph 5 of this analysis is 9:1.

Selection bias

- Selection bias occurs when responses do not reflect a representative sample. In order to reduce selection bias the questionnaire was widely publicised, including with the support of the SIA, to ensure that those with knowledge and interest in the SIA might respond. This approach resulted in a high number of responses which was equivalent to that achieved during the last Government consultation on regulation of the private security industry in 2012-13. Selection bias in this consultation is not considered to pose a significant risk in relation to those within the regulated industry.
- Some of the issues considered in the questionnaire may, however, have a bearing on those groups underrepresented among respondents, for example, in relation to sectors which are currently unregulated but where there is a question as to whether they should in future become regulated. The survey asked respondents about the type of organisation they represented. 23 of the 443 who chose to comment indicated that they were involved in private investigation or related roles, while 14 respondents stated that they were involved in security consultancy, both sectors currently unregulated by the SIA. It is also likely that in contrast to the response rate from those delivering private security, there would be fewer responses from those who are purchasers of private security and indeed from the majority of members of the public who simply experience the service provided by security officers.

Methodology

10. The questionnaire was constructed using the Smart Survey tool, consisting of 19 questions in the following sections:

- Section 1: about you
- Section 2: regulatory regime currently delivered by the SIA
- Section 3: most appropriate body to deliver functions
- Section 4: SIA governance and performance

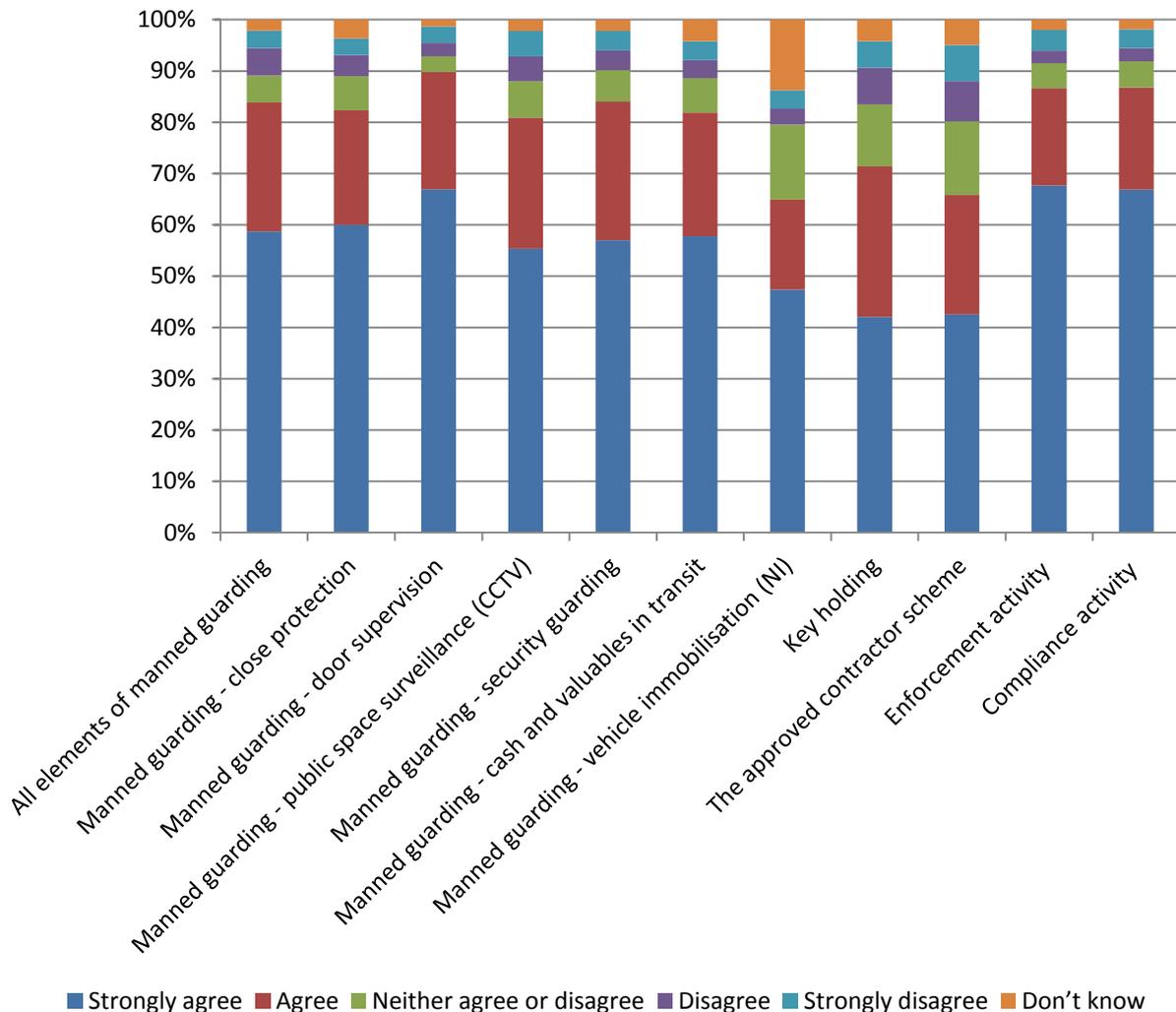
11. The majority of the questions were multiple choice. The advantages of using multiple choice questions included ease of completion for the respondents and simplification of analysis. The questionnaire, however, also provided 'open' questions to allow respondents the opportunity to provide details and express their thoughts. These open comments were reviewed and have been reflected in the summary of findings.

Main findings

Current SIA functions

12. The questionnaire asked to what extent respondents agreed or disagreed that a list of current SIA functions and sectors regulated continue to require regulation.

To what extent do you agree or disagree that the following aspects of security industry activities require regulation?



13. Over 80% of the 706 respondents to this question agreed or strongly agreed that all elements of manned guarding required regulation. There was strong support for continued regulation of individual sectors of manned guarding: door supervisors (90% agreed or strongly agreed), security guarding (84%), close protection (82%), cash and valuables in transit (82%) and public space surveillance (81%). There was similarly strong support for the work the SIA does to enforce compliance with its regime.

14. A smaller proportion, but still a clear majority, agreed or strongly agreed that key holding and vehicle immobilisation should be regulated, with 71% and

65% respectively, and a similar proportion (66%) supported the Approved Contractor Scheme (ACS).

15. Over 130 comments were received on this question. Most highlighted their support for regulation of the industry and valued effective compliance activity. Representative of these are comments from two individuals who stated:

“It is key that the industry has a clear and visible compliance structure to ensure that individuals and companies are protected. As a buyer of these services I would only want to use suppliers that have been rigorously checked and accredited.”

“Regulation carried out correctly is one the best ways to improve the image of our industry.”

16. A small number of those who commented felt that the SIA could provide better regulation with an increased focus on enforcement and investigation of bad practice. A few respondents had concerns about the effectiveness of the ACS, for example some said that the process for becoming approved is too bureaucratic, while others felt that ACS companies did not all operate to a high standard.

SIA powers

17. The questionnaire asked to what extent respondents agreed or disagreed that current arrangements under the Private Security Industry Act 2001 provide appropriate powers to regulate the security industry.

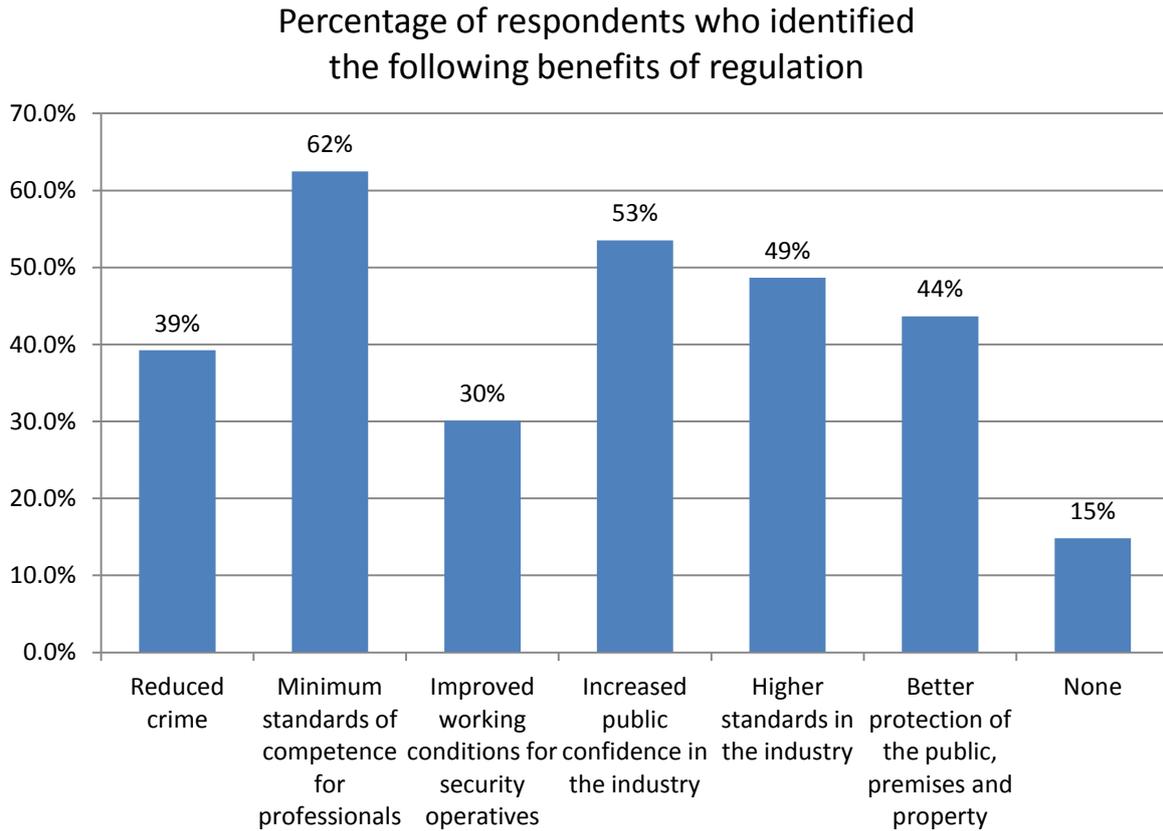
18. 57% of the 701 respondents to this question agreed or strongly agreed that current arrangements provide appropriate powers, with 28% disagreeing or strongly disagreeing. Over 200 respondents provided additional comments on this question, a small majority expressing views that current powers were insufficient. The most common reasons given were that:

- businesses or business owners should be licensed as well as, or instead of, individuals (29 respondents);
- the SIA needs more powers (26 respondents), including power of entry and an ability to impose financial sanctions, to more effectively combat illegal activity; and
- there were too many exemptions from licensing requirements (25 respondents), typically citing in-house security staff, private investigators or stewards at sports stadia.

19. Around a quarter of those who commented felt that the powers were not being used effectively enough, many of them saying that the SIA carries out insufficient compliance activity.

The benefits of regulation

20. Respondents were asked what benefits, if any, they considered regulation of the industry creates. 701 individuals responded to the question. They were given a list of options from which to choose and asked to tick all that applied. The most commonly recognised benefits were: minimum standards of competence for professionals (438 respondents ticked this option); increased public confidence in the industry (375); and higher standards in the industry (341). 104 respondents, 15% of those who answered this question, felt that there had been no benefits of regulation.



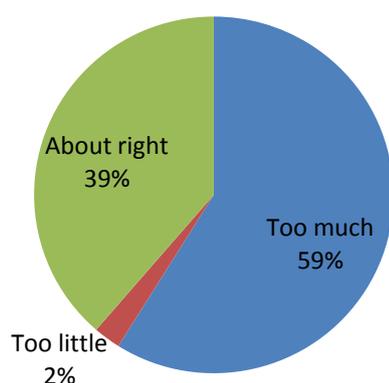
Extending regulation

21. The questionnaire asked whether there were other security sectors which respondents felt should be regulated. 691 responded. The survey only allowed respondents to give one answer. Some people advised that they would have chosen more than one option had this been possible.
22. Over a third (36%) of respondents to this question (249 individuals) felt that in-house private security officers should be regulated. 19% of respondents (128 individuals) supported regulation of private investigators. The next most popular response was security consultants, with 85 respondents (12%) feeling this sector should be regulated.

Answer Choice		Response Percent	Response Total
1	In-house Manned Guarding	36%	249
2	Private Investigators	19%	128
3	Security Consultants	12%	85
4	No other sectors	10%	72
5	Alarm Installers	6%	43
6	Cyber Security	5%	38
7	Locksmiths	3%	24
8	Electronic Security Device Manufacturers	1%	5
9	Safe Makers	0%	1
10	Other	7%	46

Licence fees

23. Respondents were asked whether current SIA fees are appropriate. The question did not ask individuals to specify whether they were answering in relation to the individual licence fee, the fee for becoming part of the Approved Contractor Scheme or both. The views of the 696 respondents to this question are shown in the chart below.



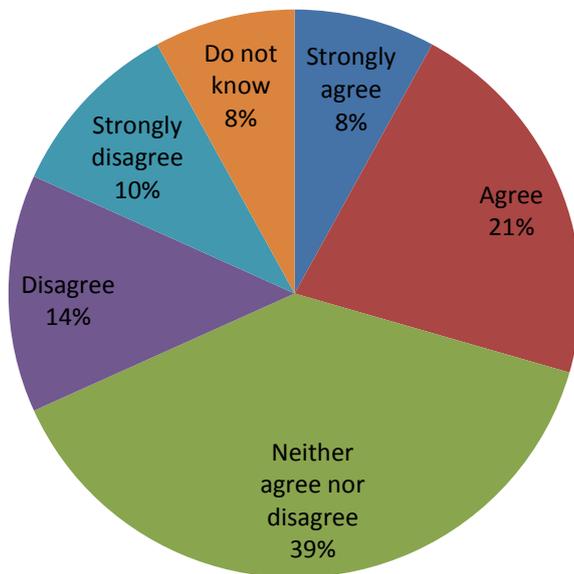
The regulatory burden

24. Respondents indicated whether the requirements placed upon the industry and business by the regulations was too much, too little or about right (699 responded). Half (50%) felt that they were about right, just over one-quarter (29%) would prefer an increase in regulation than a decrease (favoured by just over one-fifth or 21%).

Innovation

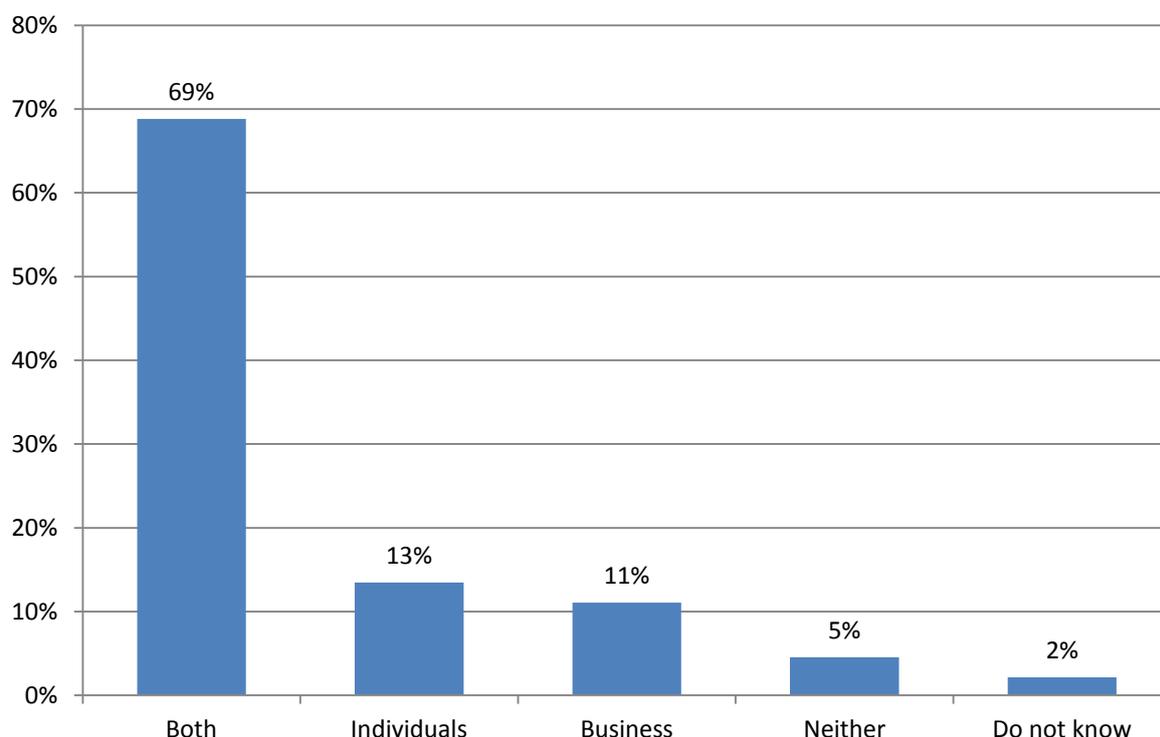
25. The questionnaire asked respondents to what extent they agreed or disagreed that the current regulatory regime allows for innovative business practices in the regulated sectors. 702 people responded. Responses were mixed with the largest proportion of people choosing neither to agree nor disagree (39%). Quite similar proportions agreed and disagreed. Some of those who strongly agreed commented that a strong and clear regulatory regime supported innovative practice. One said of the ACS: *“I believe that many innovative practices have been encouraged by the ACS scheme. This is particularly true around the area of corporate social responsibility.”*

26. Those who disagreed or strongly disagreed tended to perceive either a lack of compliance which allowed companies with poor service to win contracts, or they focused on the financial cost of being regulated and the limits they felt this placed on innovation.



Individual and business regulation

27. Respondents were asked whether they believed individuals and/or businesses should be regulated. 705 responded.



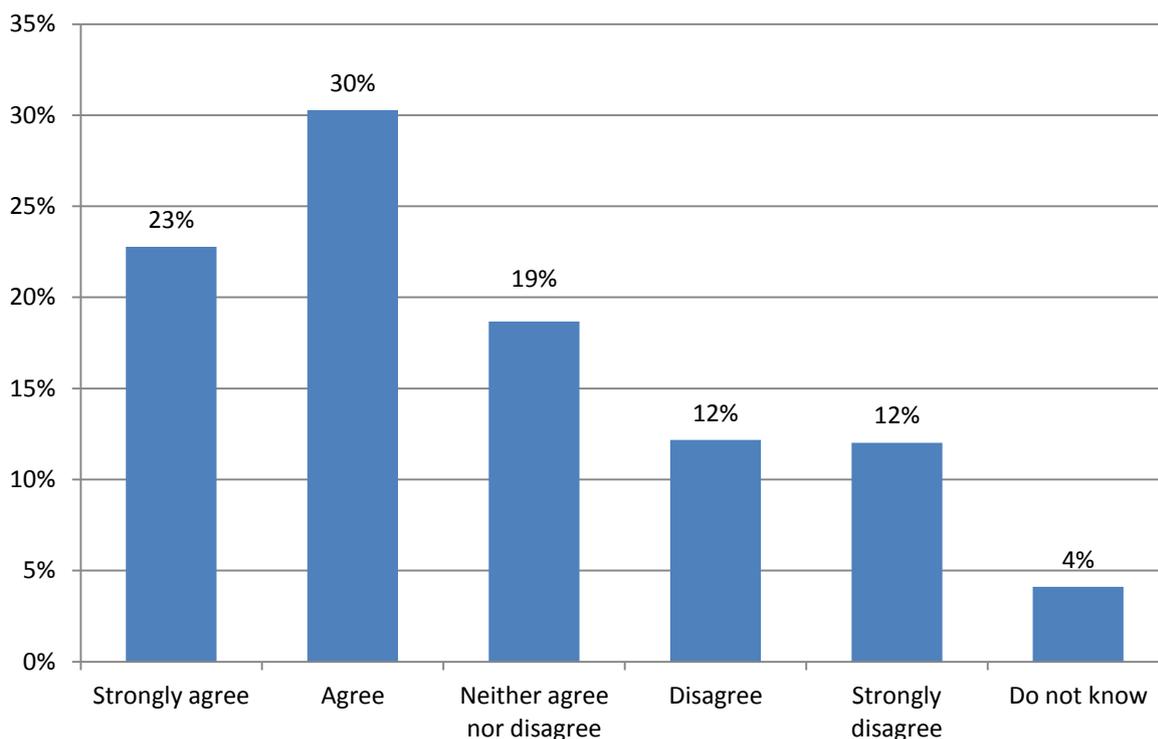
28. There was strong support for regulation, with 93% of respondents in favour of regulation of one or both groups. A clear majority of the 705 respondents felt that both individuals and businesses needed to be regulated. 142 additional comments were received, and among these reasons given for regulation of both groups were that regulating one without the other makes for weak overall regulation, and that poor practice can be dealt with more effectively at both the individual guard level and the level of the business. Some of those who favoured only regulating businesses felt that well regulated businesses could be given responsibility for regulating the staff they deploy.

29. Comments expressed diverse and nuanced views on how regulation should be implemented, with different perspectives held by sole traders and those in small businesses compared to those working for larger firms.

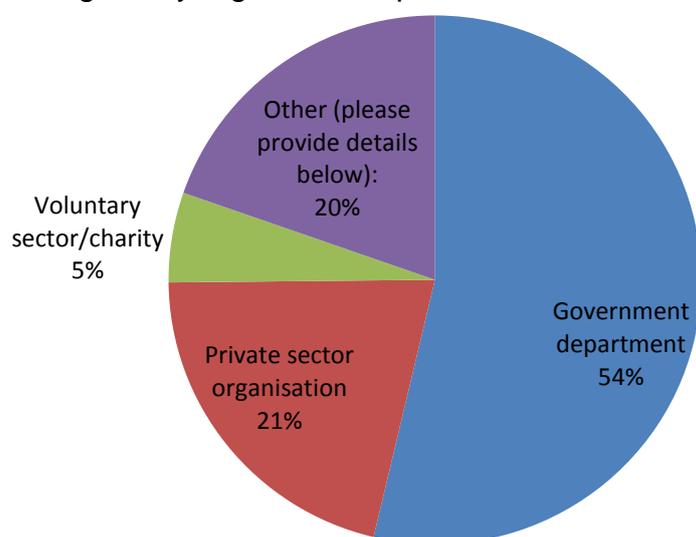
30. The small number of comments in favour of no regulation included a view that illegal activity could already be prosecuted without the need for a regulatory regime, while another commented that the low wages and low calibre of staff in the sector combined with a high cost, low minimum standards regulatory regime meant it had minimal impact.

Alternative delivery models

31. The questionnaire asked to what extent respondents agreed or disagreed that regulation of the security industry could be provided in a different way, for example, from within a government department, by the third/voluntary sector, or private sector. 707 responded.



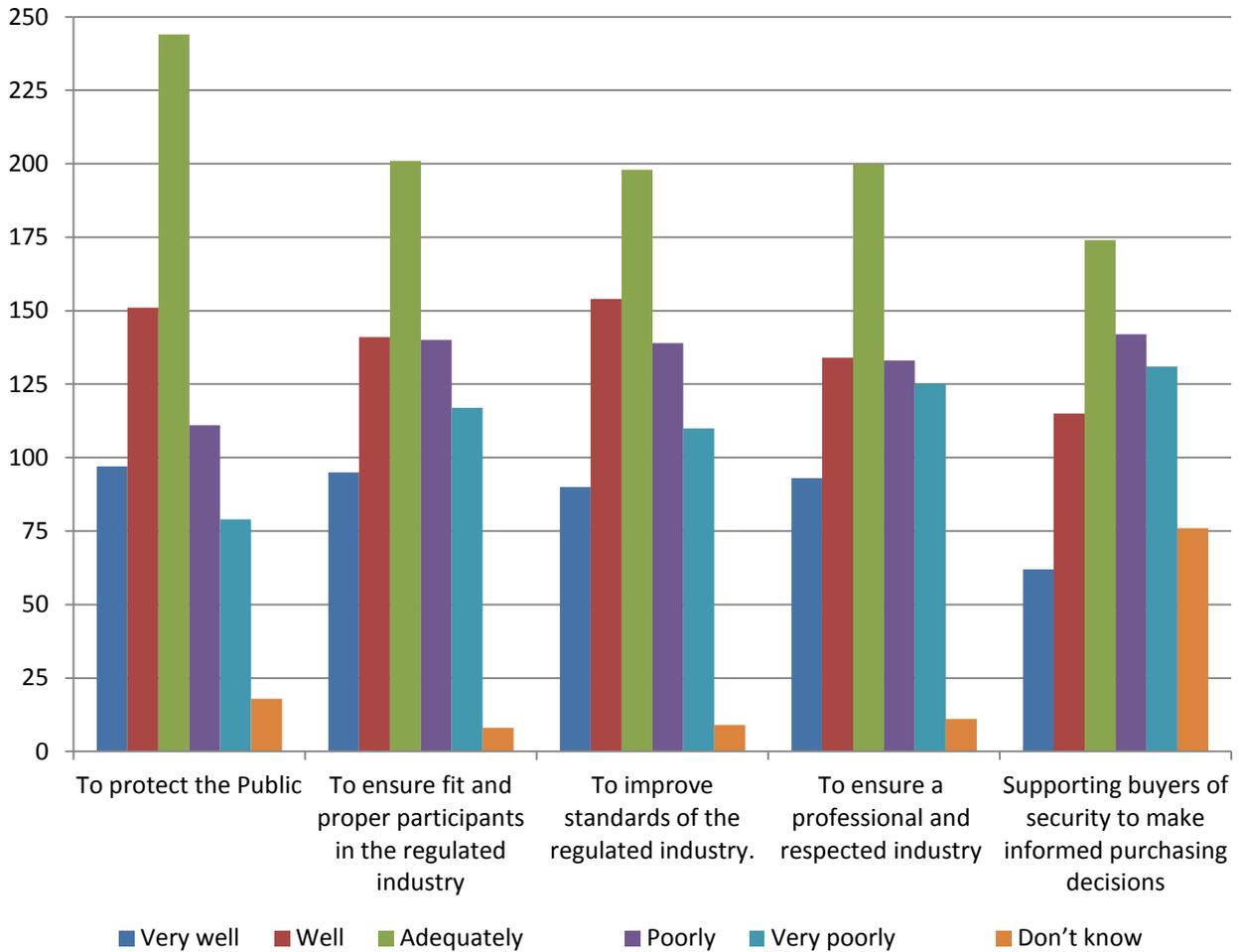
32. Over half of respondents felt that regulation of the security industry could be provided in a different way than currently. Those who agreed or strongly agreed were encouraged to specify which sector they felt could provide the regulatory regime. 473 specified a sector.



33. Over half of the 473 respondents who responded were in favour of the function residing with a Government department, many commenting that this would ensure impartiality and maintain public confidence. A number of respondents felt responsibility for regulation should rest with local councils while several suggested the police could perform this role. There was a strongly held view among some that privatisation should be avoided. Several felt a private or voluntary organisation could regulate the industry if they were required to do so on a not-for-profit basis. Of those proposing alternatives to the options given, a number suggested industry associations could manage the regime under a form of self-regulation.

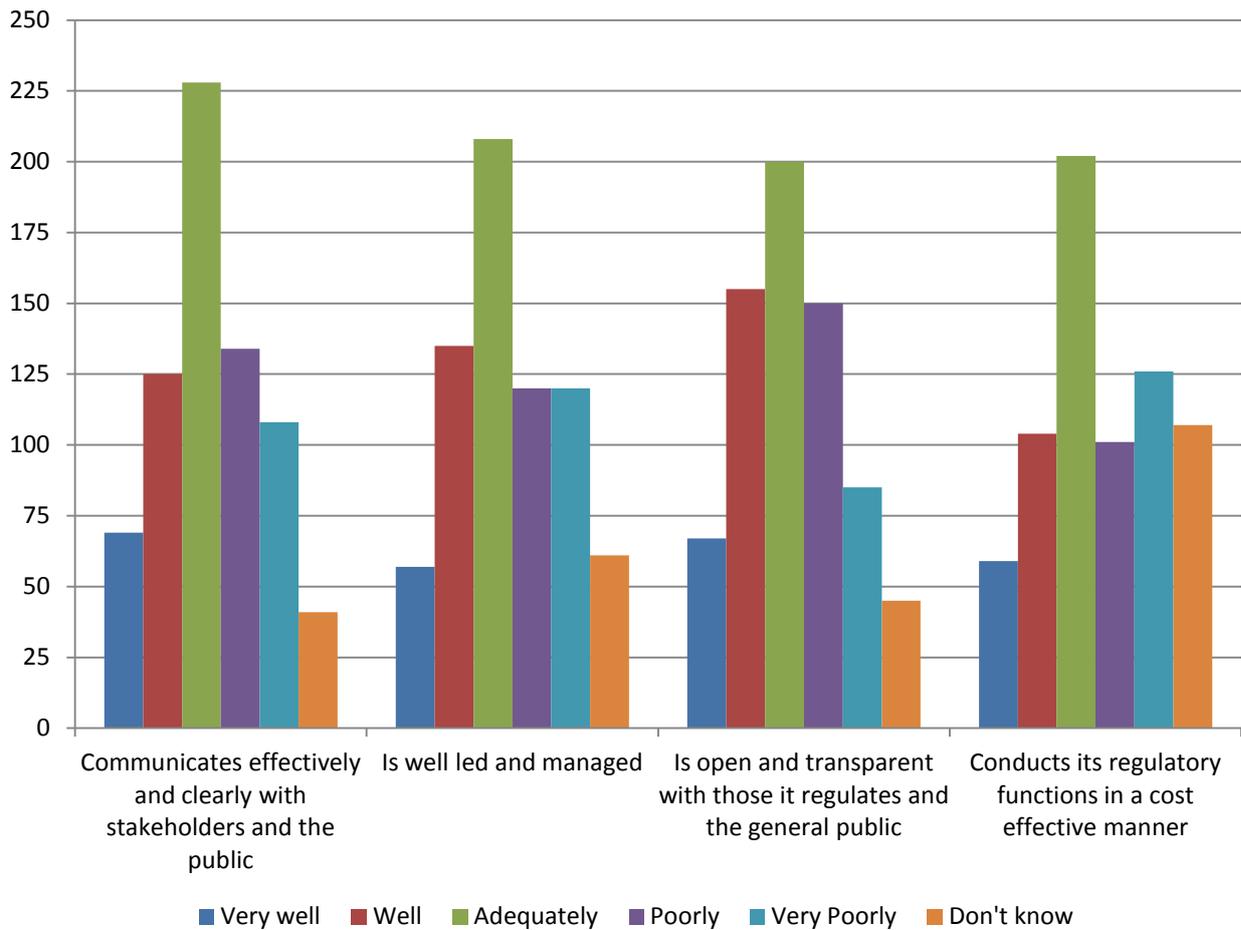
SIA performance

34. Respondents indicated how well they felt the SIA currently fulfils its functions. The number of responses ranged from 696 to 702.



35. Views overall were *fairly* evenly split between those who felt the SIA fulfilled its functions well, those who felt it did so adequately and those who felt it did so poorly. Respondents were most supportive, and least critical, of SIA’s performance in protecting the public. They were most critical and least supportive of SIA’s performance in supporting buyers to make informed private security purchasing decisions – although a larger proportion also said don’t know to this question.

36. The questionnaire then sought views on how well the SIA performs in terms of its communication, leadership and management, transparency and cost effectiveness. The numbers of responses ranged from 699 to 705.



37. Although responses were again fairly evenly spread across all the response categories, a slightly larger proportion felt the SIA performed poorly or very poorly than adequately, or well or very well. Respondents were more positive about the transparency of the SIA than other areas. A significant proportion of respondents didn't know.

How SIA could be more effective

38. Respondents were asked comment on how the SIA could be more effective. 367 responses were received. The most frequently cited themes were:

- more and/or better communication;
- more investigations and tougher action against those breaching the rules;
- increase the requirements which need to be met in order to obtain a licence;
- improve the quality of training;
- increase or reduce regulation; and
- move the responsibility for regulation away from the SIA.

39. On **communication**, which was the most common focus of comments (49 respondents), specific suggestions were: regular industry specific updates on new regulations and best practice; publicity to raise the profile of the SIA to the public, to promote success stories and outline what buyers of security services should look for; greater publicising of surveys and consultations; improvements to the SIA website; and feedback on the performance of the SIA.

40. On **investigations and compliance**, several respondents encouraged greater visibility of SIA investigators in the form of random checks. They felt this would act as a deterrent to those working without licences. Some sought tougher action against those breaching regulations by enforcing harsher fines and longer sentences.

41. Several comments focused on **making it harder to get a licence**, to reverse a perceived trend of falling standards in the industry. Those respondents felt that the SIA needed to raise the bar for entry to the industry by, for example, increasing the training requirements, introducing tougher exams including tests to ensure individuals have a good standard of written and spoken English. One individual suggested that businesses should be allowed to challenge the SIA where a licensed security officer appeared to them to fall below the expected standards. Alongside these comments on raising barriers to entry to the industry, a number of respondents were clear that the process to obtain licences or to renew them should be made easier and quicker.

42. Respondents commented on the need to improve the **quality of training** for those in the security industry to raise industry standards. Suggestions included more regular refresher courses and more job specific training. The number of hours of training required for licensing was also felt to be lower than in comparable countries in the EU. Some suggested that there is a need for trainers and examiners to be regulated, and regularly audited, to ensure they maintain consistent standards.

43. Several respondents offered broader comments on the regulatory regime. Some respondents expressed support for **extending regulation** to new sectors and to security businesses. Some respondents also felt the SIA needed more powers and resources in order to do their job effectively. A

smaller number proposed **reducing regulation**, either by removing regulation entirely or by narrowing the focus of regulation to public protection risk. Some commented in favour of **transferring responsibility for regulation** to another body or bodies, such as local councils.

44. Other suggestions, a handful of which are listed here to give a sense of the diverse views and ideas that respondents had in relation to this question, included: lowering the licence fee; creating a multiple-sector licence; more industry-experienced staff at senior levels in the SIA; greater training for customer-facing SIA staff; collaboration across the public sector between HMRC, local authorities, police and the criminal justice system; collaboration with industry and academic experts; greater engagement between the regulator and smaller businesses in the sector; a role for the SIA in negotiating higher pay and better conditions for security operatives.

Other comments

45. Respondents were invited to offer any further comments at the end of the consultation. 216 individuals chose to do so and there were a number of very detailed comments encompassing a range of views and suggestions. A large number of these reiterated points addressed in earlier questions, whilst many chose to summarise their views in their closing comments. Some noted their support for regulation, and in some cases for the SIA in particular, and the progress that regulation had helped the industry to make. Some wished to comment on the further progress needed, and others still expressed concern about falling standards and flaws that they saw in the regulatory regime or in the SIA's operation of the regime.