

## PROTECT - POLICY

Strategic Consultation Group paper



Security Industry Authority

<b>Title</b>	A New Regulatory Regime
<b>Description</b>	This paper sets out the initial Security Industry Authority (SIA) suggestions for a new regulatory regime in support of the Government's intention for the private security industry.
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<b>Minute Reference</b>	2
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This paper invites the group to:

- note the latest version of the SIA's suggestions for a new regulatory regime.

Group members wishing to request clarification should contact the paper's owner (preferably by email) and should also send a copy of the request to the Group Secretary. Responses to such requests will be circulated to all Group members prior to, or at, the Group meeting.

## Introduction and scope

1. This paper sets out the Security Industry Authority (SIA) suggestions for a new regulatory regime in support of the Government's intention for the private security industry. These suggestions reflect the consultations conducted with industry and other stakeholders, the SIA's own research and experience of regulating the industry. This paper builds on the framework set out in the SIA's Blueprint and is intended to form the basis for formal consultation once agreed by Ministers.
2. The suggestions are confined to the future regulation of the industry as currently provided in the Private Security Industry Act 2001, although it is intended that the suggested arrangements should be flexible enough to accommodate new sectors. This paper does not address the broader rationalisation of regulation in the wider security industry.

## Executive Summary

3. The final form of the new regime will depend on the new legislation and the outcomes of formal consultation. However, this paper sets out an overview of the suggested future regime. It describes the key building blocks for:
  - A new regulatory body outside the NDPB sector (paragraph 26)
  - Business licensing (paragraph 39)
  - Individual registration (paragraph 61)
  - Powers and sanctions (paragraph 77)
  - An effective transition from the current regime (paragraph 85)
  - Financing (paragraph 93)
4. The primary aim of regulation will continue to be the protection of the public by ensuring a fit and proper private security industry. However, in future, relevant parts of the private security industry will be regulated by a new independent body for the industry, termed 'the regulator' in this paper, which will be constituted by statute on the basis of an independent council model, and which may retain the brand name 'SIA'.
5. The aim is to develop a consistent regulatory regime across the UK, but arrangements will recognise and accommodate the particular needs of the devolved governments in Scotland and Northern Ireland.
6. The regulator will achieve regulatory aims and outcomes by licensing businesses and keeping a register of individuals that work in the industry.



7. Direct costs of regulation will be minimised and effectiveness maximised by: Working with others to achieve effective assessment and enforcement; relying on licensed businesses and Mediated Access Partners (MAP) to support the registration of individuals; giving the responsibility for the proper deployment of individuals to licensed businesses, and; transferring responsibility for the quality hallmark to industry ownership.
8. Governance arrangements for the regulator will achieve a balance between drawing on the expertise of the industry and operational independence from the particular interests of the private security industry.
9. The regulator will be self-funded from fees and charges raised from the industry. Direct costs of regulation should be less than current levels and the burden of regulation should be lower under the new regime.
10. The regulator will make business licensing decisions and approve individual registration standards and there will be a system of appeal against its decisions. Competent Authorities will be able to inform the regulator's decision making.
11. A single, generic business licence will be required by any business that employs or deploys individuals under a contract to supply a designated security service. To hold a licence, businesses will have to demonstrate that they are 'fit and proper' to trade in the industry through compliance with licensing criteria, terms and conditions. The suggested criteria, terms and conditions relate to identity and legal status, financial probity, integrity and competence. The competency criteria include conformance with relevant British Standards. Businesses will pay an application fee to be licensed and, thereafter, annual subscription fees. They will be required to supply an annual return to evidence their continuing compliance.
12. The regulator will maintain a register of licensed businesses, which will include details of those in defined 'controlling mind' positions in relation to businesses.
13. The regulator will set the standards for assessing whether individuals are fit and proper; apply the national industry standards for qualifications set by an industry led skills organisation (subject to assurance that proposals sufficiently mitigate risks to public protection), and; maintain a register of individuals eligible to work in defined key management roles or as front-line operatives in the regulated industry. Information about registered employees will be appropriately shared between licensed businesses and the regulator.
14. Licensed businesses will be required to ensure the registration process for their employees is carried by the business, if authorised, or by a mediated access partner. This will include checking identity, qualifications and need for

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an overseas criminality certificate, and processing the application for the individual to become registered. New entrant businesses will need to request and be granted authorised status before being required to process applications for their employees to become registered.

15. Individuals will complete their registration through an organisation accredited by the regulator to process applications, i.e. their employer or a MAP. There will be one fee for registration and thereafter a subscription will be payable. Registration will be for specified sectors, dependent on the qualifications or defined key management roles held.
16. There will be no renewal requirement. Keeping skills up to date will be achieved through industry-led setting of national industry standards for qualifications and the requirement for businesses to deploy appropriately skilled staff. The regulator will keep the criminality of registered individuals under review. Registered individuals will receive a licence card, which will indicate whether they are qualified for a sector or sectors or allowed to work in a defined key management role.
17. The regulator will have appropriate powers to allow the delivery of effective compliance and enforcement activity and access to a range of administrative sanctions and interventions, as well as a role in prosecutions. There will be appropriate appeals arrangements. The regulator will work with enforcement partners and will have access to and be able to provide intelligence through statutory information gateways with them.
18. The transition from the current to the future regime will include the granting of business licences for businesses already in the Approved Contractor Scheme (ACS) and automatic registration for SIA licensed individuals. Non-ACS businesses will need to apply for their business licence within published transition timescales.
19. Quality criteria that are currently part of ACS may become the criteria that could be met voluntarily to gain a recognised industry hallmark managed by an industry body.
20. The preferred option is that all businesses will be required to meet the regulatory requirements of business licensing. However, the regulator will give special consideration to the conditions imposed upon small and start up businesses. The timing of the necessary legislative amendments means that these new regulatory measures will not come into force for businesses with less than ten employees until after 31 March 2014.



## Background

21. The current arrangements for the regulation of the private security industry in the United Kingdom are set out in the Private Security Industry Act 2001 and responsibility for delivering regulation lies with the SIA, a non-departmental public body (NDPB) responsible to the Home Secretary. Following the Arms Length Bodies Review, published in October 2010, the Government announced its intention that regulation of the private security industry would no longer lie with an NDPB and that there would be a “phased transition to a new regulatory regime”.
22. At the request of ministers, the SIA has since led work to develop a framework for the new regime, working closely with the industry through a Strategic Consultation Group, conferences and forums and with other stakeholders and officials in the Home Office and the devolved governments of Scotland and Northern Ireland.
23. The Government accepted the framework for new a regulatory regime proposed by the SIA in early 2011 and announced that new legislation will be introduced in the next parliamentary session to abolish the SIA in its current form and introduce a modernised regulatory regime for the private security industry. The aim is that the new regime should be underway from the end of 2013.
24. The new regime’s primary focus will remain the protection of the public through regulating to support the existence of a fit and proper industry. The intention is that the new regime should recognise developments in the industry since the introduction of the current regime, including the increasing maturity of the industry, and build on the considerable investments already made.
25. The underlying principles for the new regime suggested by the SIA are:
  - Continued robust arrangements to ensure compliance.
  - Governance outside the NDPB sector.
  - A significant transfer of responsibility to the industry.
  - A regime focussed on businesses, with a light touch on individuals.
  - Focus of regulation on the areas of greatest risk.
  - Reduced overall cost of regulation.
  - Continuing to meet the particular needs of the devolved governments in Scotland and Northern Ireland.

The principles proposed by the Security Alliance are also addressed by these suggestions.

## A new regulatory body

26. The new independent regulator for the industry will be constituted outside the NDPB sector. This is expected to be on the basis of an independent statutory council model. It is suggested that the new body should retain ownership of the name 'SIA' to recognise and protect industry investment in the brand.
27. The regulator will be constituted by statute to regulate the private security industry. The aims of the regulatory regime will be the protection of people, property and premises and the safety of those working in the industry.
28. The intended regulatory outcomes will be: increased public confidence in the regulated private security industry as businesses operating legally will meet basic standards of financial probity, integrity and competence; individuals operating legally will meet basic fit and proper and competence requirements, and; increasing support to partners whose focus is on disruption of serious and organised crime.

## Functions

29. The regulatory aims and outcomes will be achieved primarily by licensing businesses operating in designated areas of the private security industry. To be licensed, businesses will need to demonstrate that they meet the licensing criteria and comply with the licensing terms and conditions, including relevant British Standards. It will be a criminal offence for a licensable business to provide a designated security service unless it is licensed by the regulator.
30. To support the delivery of the regulatory aims and outcomes, the regulator will also maintain a register of individuals who are fit and proper to work in the private security industry. The regulator will, however, work to ensure that, wherever possible, the primary responsibility for ensuring that individuals are properly and lawfully deployed will rest with businesses. It will be a criminal offence for a business to deploy individuals to regulated activities if they are not registered with the regulator. It will be a criminal offence for an individual who is not registered to deliver regulated activity whether or not they are employed by a regulated business.
31. The regulator will maintain and publish lists of licensed businesses and registered individuals.
32. The regulator will set the licensing and registration criteria, terms and conditions for businesses and individuals in consultation with industry and other stakeholders and ensure that they remain up to date with industry standards and public safety requirements.
33. The regulator will establish the fit and proper standards required for individuals and apply the minimum national qualification standards for



individuals set by an industry led skills organisation (subject to assurance that proposals sufficiently mitigate risks to public protection).

34. The regulator will be responsible for compliance and enforcement of the regulatory regime. The regulator will be able to use information gateways, investigatory powers, civil sanctions and prosecution, as set out in legislation. Statutory offences will underpin the regulatory regime.
35. In carrying out its functions the regulator will seek to minimise the direct costs of regulation and maximise effectiveness by working with others. This will include:
- Working with partner organisations to ensure effective enforcement
  - Relying upon existing accredited external bodies for the assessment of businesses' conformance with relevant British Standards
  - Accrediting organisations to provide mediated access to support the registration of individuals
  - Empowering licensed businesses to complete applications for their employees to become registered.
  - Utilising opportunities for effective administration of regulation, for example through use of appropriate technologies and shared services.

### Governance

36. Membership of the regulatory body will be such as to allow the particular knowledge and expertise of the industry to be available to the regulator, while ensuring that it is, and is seen to be, independent of the particular interests of the security industry or constituent sectors or businesses. This balance will need to be carefully considered in constructing new governance arrangements, but might include:
- Appointments to the board made initially by ministers and determined by the Chair after establishment.
  - A board small enough to be effective with an independent Chair and 50% of members from industry stakeholders (including those that supply, buy and rely on private security), 25% government nominees from Home Office, Scotland and Northern Ireland and 25% independent.
  - Agreed governance responsibilities for accounting and other standards.
37. The regulator will be funded from fees and charges raised from the industry, and may have powers to sell its regulatory expertise domestically and internationally if it so chooses.
38. Decisions of the regulator will affect the rights of businesses and individuals to trade and work. A robust system of appeal will be required. It is proposed that a tiered appeals process be introduced that allows for minor and

administrative issues to be resolved by the regulator and for more serious issues to be adjudicated by an independent appeals function. The independent appeals function might take the form of an independent tribunal (as with other professional and regulatory bodies), or could mirror the arrangements currently in place for the SIA whereby appeals are to the Magistrate or Sheriff courts.

## Business licensing

39. The main focus of regulation in the new regime will be the licensing of businesses operating in designated sectors and the primary responsibility for the proper deployment of registered individuals will rest with the business. This arrangement is already used in other similar circumstances, for example in gambling and gangmaster sectors, and regulation of private security businesses is already in place in the Republic of Ireland and other parts of Europe.
40. There will be a single, generic business licence without designated sectors. The generic business licensing requirement will be capable of extending to additional parts of the industry that are currently unregulated, on a compulsory or voluntary basis. (Arrangements for individual registration will be capable of accommodating additional sectors).
41. All businesses carrying out designated activities will require a licence, regardless of the principle aims of the business or the relative scale of the designated activity within an overall business (e.g. facilities management companies would require a licence if they provide security services as a part of their overall business offering).
42. Subject to extant moratoria, exclusions and exemptions, any business that employs and/ or deploys individuals, directly or indirectly (including themselves in the case of a self-employed person) under a contract with a buyer to supply a designated security service will require a Business Licence. Such businesses include all types of legal entity, such as, but not limited to, Limited Companies, Partnerships (LLP or otherwise) and Self-employed.
43. The regulator will give special consideration to varying the business licensing criteria, terms and conditions for small and micro businesses in recognition that their resources to meet requirements may be necessarily and understandably limited.
44. Self-employed persons who are only deployed through another licensed business, i.e. where they are self-employed and they do not directly contract with a buyer of designated security services will not require a Business Licence.



45. To be licensed, a business will have to demonstrate that it is “fit and proper” to trade in the industry. To do this it will have to show that it complies with the licensing criteria, terms and conditions. Once a business is licensed, it will remain licensed unless it surrenders the licence, or the licence is revoked for failure to comply with the criteria or conditions, including failure to pay necessary fees.
46. The criteria and conditions for business licensing will generally be the same for all businesses in all licensable sectors, although it will be possible to define criteria, terms and conditions for a specific sector if necessary. There will also be special considerations for small and start up businesses with less than ten employees. Wherever possible, the regulatory regime will be based on extant industry standards. For example, there are separate British Standards relating to each sector that have been developed with the industry, and conformance with the relevant British Standard will form part of the business licensing conditions for most businesses.
47. The final form for the ‘fit and proper’ test for businesses will need to be decided in the light of formal consultation and the framework for the criteria and conditions for licensing will be described in legislation, but our suggested framework for criteria, terms and conditions is set out below:

### Criteria

- *Identity and legal status*
  - Business name and address;
  - The names and addresses of those in defined ‘controlling mind’ positions (these persons must meet the individual registration criminality criteria, but will be listed on the register of licensed businesses rather than the register of individuals)
  - named person (must be a director/ partner/ defined ‘controlling mind’ position holder) accountable for the accuracy of the application and business licence details
  - Companies House search
- *Financial probity*
  - Statutory insurances
  - VAT registration and evidence of returns and payment (to be evidenced within 6 months of initial business licence issue);
  - HMRC registration certificate;
  - PAYE/ NI registration and evidence of returns and payment (to be evidenced within 6 months of initial business licence issue);
  - latest full year accounts, where applicable
  - end of year return to Companies House/ HMRC



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- no unsatisfied CCJ's, Defaults or other adverse financial information registered
  - *Integrity – Consideration will be given to*
    - evidence of intentional obstruction, false information given to, or contravention of the requirements and standards of regulatory and other authorities, including:
      - SIA;
      - Department for Business Innovation and Skills;
      - Department for Work and pensions;
      - HM Revenue and Customs;
      - Health & Safety Executive
      - UK Border Agency
      - Police
      - Local Authorities
      - Other relevant overseas authorities
    - Insolvency, liquidation or administration of a previous business
    - Investigation, discipline, censure or criticism by a regulatory body, court or tribunal
  - *Competence*
    - Conformance with relevant sector specific standard(s)
      - BS 7499 – Security Guarding
      - BS 7872 – Cash and Valuables in Transit
      - BS 7958 – Public Space Surveillance (CCTV)
      - BS 7960 – Door Supervision
      - BS 8507-1 Close Protection
      - BS 7984 – Key Holding

## Terms & Conditions

- Deploy only registered individuals to regulated activity;
- Deploy only those holding the relevant sector qualification to regulated activity;
- Comply with relevant British Standards;
- Ensure the registration process for employees is carried out by the business, if authorised, or through a mediated access partner:
  - Confirm identity and right to work of employees and verify their qualifications before they can be registered
  - Confirm the current address and address history of employees over the previous 5 years and, where an employee has been out of the country for more than 6 months in that period, require an

Overseas Criminality Certificate to be submitted before processing an application for individual registration

- Individuals holding defined 'controlling mind' positions in the business, or in relation to the business, must meet individual registration criminality criteria, but will not be entered on the register of individuals unless they also hold front-line or management registration;
  - Allow and cooperate with regulatory inspections and investigations;
  - Maintain accurate links to employees in the register (employees will also be able to update the link themselves);
  - Keep business details updated;
  - Retain specified documentation, and produce such documentation to the regulator upon request;
48. It will be an offence for a business to provide designated services unless they are licensed to do so. The regulator will issue a licence to businesses that meet the licensing criteria, terms and conditions, subject to consideration of any appeals by competent authorities.
49. Businesses applying for a licence will be required to provide evidence of conformance with the relevant sector specific British Standards. This is expected to be through certification by existing external bodies. Consideration will be given as to the extent to which small and start up businesses with less than ten employees must conform to sector specific British Standards.
50. The regulator will take account of criminality issues and key fit and proper criteria, in particular to address risks arising from organised crime and terrorism, where relevant data may only be available to the regulator. In all cases, the final decision on licensing will rest with the regulator.
51. Some business applicants will be subject to initial inspection as part of the licensing process, for which there may be a charge on a cost recovery basis.
52. Arrangements will be developed to manage the regulatory impact of takeovers involving regulated businesses.

### Operation of the regime

53. Whilst the new regime should not, at least initially, seek to extend to "in-house" providers, arrangements should remain in place to keep this under review and for such businesses to subscribe voluntarily to recommendations and guidelines set out in the licensing criteria, terms and conditions, including relevant British Standards.

54. Exclusions from business registration will be defined in legislation. The regulator will have powers in legislation to grant exemptions from the new regime in defined circumstances.
55. Businesses will be required to supply an annual return to evidence their continuing compliance, which will be assessed primarily through review of documentary evidence. The regulator will review businesses based on intelligence and risk assessment and those inspected may be charged for inspection on a cost recovery basis.
56. There will be a formal process whereby Competent Authorities will be able to register disagreement with a business licensing decision; help develop and maintain the criteria for business licensing, and; provide information that the regulator can use to inform licensing decisions.
57. Businesses will pay an application fee to be licensed and annual subscription fees. The precise fee arrangements and amounts have yet to be developed, but should reflect primarily the scale of operation and risk to the regulatory aims and outcomes. Consideration will be given as to whether some sectors pose a greater risk to the regulatory aims and outcomes than others. Arrangements should be in place to allow the recovery of costs directly from businesses in circumstances where a specific investigation has been required.
58. The business licensing criteria may be tailored for new business entrants to the industry; for example, they will not be expected to evidence relevant records until an appropriate time has elapsed from start up.
59. Businesses that satisfy the criteria will be licensed and, if they choose to seek authorisation by the regulator, able to provide application services for employees seeking to become registered.
60. Some businesses may be authorised to grant Registration Dispensation Notices to employees.

## Individual registration

61. The main focus for regulation will be businesses, but a register of all individuals who are eligible to work in the industry will be maintained by the regulator. This will:
- Protect the position of individuals (including those who have already made a significant investment in their training and development) and allow new people to register without necessarily being in employment.
  - Support the needs of businesses by providing a common standard for those working in the industry.



- Recognise that many individuals in the industry are self employed and that their requirements are different from those who are directly employed.
  - Support public safety by maintaining a national register of individuals that are fit and proper to work in the private security industry.
62. The regulator will maintain the national register and will set the standards for assessing fit and proper individuals and approve the national industry standards for qualifications. It is the Government's intention that competency requirements will be no less stringent than those currently in place and will become the responsibility of an industry led skills organisation and that these requirements will be reflected in the conditions for licensed businesses.
63. Individuals may access the registration system via a web portal to enter/ update their details, but will need to complete their registration through an authorised licensed business (where they are employed by that business), or through a Mediated Access Partner (MAP). The regulator will make registration decisions. As now, individuals will need to meet criminality criteria, prove identity and hold the relevant qualification to obtain registration. Registration will be for specified sectors dependent on the qualifications held by individuals or 'defined management registration' for those that do not undertake front-line licensable activity. 'Controlling mind' position holders registered as part of a Business Licence will not be entered on the register of individuals unless they also hold front-line or management registration.
64. The regulator will consider applicants' criminal histories in making registration decisions and will check criminality on an ongoing basis. Individuals must supply their overseas criminality certificate (where applicable) with their registration application and further overseas criminality declarations will be required periodically.
65. There will be one registration process and one application fee. Subscription fees will be payable thereafter. There will be no renewal requirement and, therefore, a significant reduction in administration burden, although there may be a requirement for update of photographs, at defined timescales, e.g. every 10 years.
66. Registered individuals will receive a licence card and this will indicate the sector registration(s) held by the individuals, such as Management, Close Protection, Door Supervision etc. Individuals who obtain a further qualification that allows them to be deployed in another sector will receive a new licence card to reflect this. There will be no application fee for registration to operate in an additional sector. Those that hold any sector registration will also be allowed to operate in a managerial role.

67. A registered individual can be self employed or deployed to work by one or more licensed business.

### Mediated Access Partners

68. Mediated Access Partners (MAPs) will be authorised licensed businesses and other organisations accredited by the regulator to provide mediated access to support the registration of individuals.
69. Licensed businesses that are authorised to do so will be required to process registration applications from their employees, check identity and qualifications, and check whether an overseas criminality certificate is required.
70. The regulator will set and ensure registration standards and maintain the national registration scheme, but will not manage the application process. Authorised licensed businesses and MAPs will perform this function on behalf of the regulator. There will be no paper based route of application.

### Registration process

71. Registration will be through an authorised licensed business or MAP, and for many individuals this will be directly through their employing business or arranged through their employing business. Registration directly with the regulator will not be possible, except in exceptional circumstances, which will be defined. The regulator will prescribe and monitor the conditions for registration nationally.
72. An application fee and an initial subscription fee will be payable. Thereafter, subscription fees will be payable annually or for some other period.
73. Those who are registered will maintain their registration for as long as they comply with the registration criteria and conditions, including payment of fees, or until they surrender their registration. After a defined break in the registration, a full application and fee will be required.
74. The conditions of the registration will require that the regulator is informed of changes in circumstances and the criminality of individuals will be kept under regular review, either manually or through the new CRB system.
75. The conditions of registration will be such that employers will share information on their registered employees with the regulator and the regulator will have the power to share relevant information on individuals with licensed businesses, subject to compliance with the provisions of the Data Protection Act; licensed businesses will be informed of suspension or where the regulator is minded to revoke registrations of their employees, but not the reasons why. Individuals will be informed of the reasons for suspension or mindedness to revoke.

76. The right of appeal against a registration decision will be the individual's, not that of the employing business. However, an individual might allow their appeal to be directed through a licensed business.

## Powers and sanctions

77. Compliance and enforcement will be robust and effective to protect the public and the investment of legitimate businesses and individuals. Risk to the public will be identified, prioritised and targeted. The regulator will have appropriate powers to allow the delivery of effective compliance and enforcement activity and have a range of administrative sanctions and interventions, as well as access to the right to prosecute as a last resort, enabling a proportionate response to non-compliance.

78. The intention is that the majority of compliance will be ensured through a supportive approach and the imposition of sanctions appropriate to any breach. The regulator will reserve more severe sanctions to the most extreme cases of non-compliance, based on scale, frequency of non-compliance and particularly serious criminal offences. In such cases, the regulator will consider a formal criminal investigation and may seek a criminal prosecution. Offences committed against the regime may be prosecuted. The regulator may have a role in prosecutions.

79. It is expected that, as with the current regime, much operational work including prosecution action will be carried out by partner organisations, rather than directly by the regulator. In particular, action targeting organised crime will be addressed through the relevant national organisation and local matters will be addressed through the relevant local or other licensing authority.

80. The regulator will work wherever possible with enforcement partners to minimise its own costs and ensure the most appropriate and effective regulatory outcomes.

81. Regulatory activity will be conducted independently of any industry involvement through the regulator's governance regime.

82. The regulator will have powers to:

- Conduct formal investigations;
- suspend or revoke licences and registrations;
- gain reasonable access to people, documents and premises;
- publish its enforcement actions in the public interest;
- allow the exchange of intelligence with other enforcement agencies through formal gateways.

83. The range of administrative sanctions and measures will include warnings, improvement notices, and changing or applying additional licence/ registration conditions. The regulator may have powers to impose fixed monetary penalties, compliance notices, asset recovery of criminal proceeds and variable monetary penalties as well as financial recovery fees.
84. Appropriate appeals arrangements will need to be in place. This is likely to include an independent internal review mechanism (as with other professional and regulatory bodies) and appeals to the courts to reflect the potential severity of the sanctions available.

## Transition Arrangements

85. The aim of the transition will be to minimise the inconvenience to businesses and individuals, reflect the significant investments already made in the creation of the current regime and the standards reached by many.
86. For individuals, the intention is that all SIA licensed individuals will automatically be entered on the new register, unless they request otherwise. No fees will be payable to effect this transfer, and subscription fees will be payable from the date at which an existing licence would have expired – no refunds will be payable.
87. For businesses, the suggestion is that the current ACS criteria will be divided into fit and proper criteria and quality criteria. The fit and proper criteria (including basic competence criteria), being those that must be met to gain a compulsory business licence, and the quality criteria being the remainder that could be met voluntarily to gain a recognised industry hallmark. Once business licensing is available, responsibility for the hallmark should transfer to industry ownership, but could continue to be endorsed by the regulator. This would mean that existing ACS members, subject to application, would gain both a business licence and a voluntary hallmark certificate. If beneficial, the regulator could link hallmark approval to concessions for businesses, such as Registration Dispensation for some employees in certain circumstances, much like the operation of the current Licence Dispensation Notice arrangement.
88. For non-ACS businesses, details of licensing requirements will be published together with the application process for the new regime, in sufficient time to allow businesses to assess themselves against the requirements and make any necessary improvements. It will then be for those companies to apply within published transition timescales if they wish to continue to trade after the new regime is introduced.

89. For micro and start-up businesses with fewer than ten employees, the Chancellor announced a moratorium on new domestic regulation in England and Wales for three years (until spring 2014). The moratorium does not apply to new regulation in Scotland and Northern Ireland.
90. The timing of necessary legislation means that the new regulatory measures will not come into force for micro or start-up businesses until after the end of the moratorium on 31 March 2014. This approach is in line with the moratorium guidelines for delaying implementation of regulatory measures that impact on micro and start-up businesses.
91. The aim is to develop a consistent regulatory regime across the UK, but arrangements will need to be developed to accommodate the particular needs of the devolved governments in Scotland and Northern Ireland.
92. It is envisaged that new legislation will include transitional provisions that allow for the current legislation to overlap with the new legislation to facilitate smooth transition.

## Financing

93. The final financial arrangements will depend on the governance arrangements put in place for the regulator and on the final form of the new regulatory regime. For this reason, it is not possible to suggest firm cost arrangements at present. However, the following objectives will be pursued in the creation of the new arrangements:
- The regime will be self funded from fees and charges; there will be no government funding.
  - The direct costs of regulation should be no greater in real terms than the current (2010/11) levels, which represent a significant reduction from historic levels, and the aim is that they will be less.
  - Indirect costs for good, compliant businesses and individuals should be reduced through less burden and intervention.
  - Wherever practical and fair, the costs of ensuring compliance should fall on the non-compliant, for example through direct charges for inspections and investigations and through financial penalties and additional burden for non-compliance.
  - Income will come primarily from application fees and subscriptions from licensed businesses and registered individuals. Other income may come from financial penalties, charges and sale of expertise.