

**Address to the 'Security Talks: Improving Regulation and Raising Standards' Conference, 16 June 2008**

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*Please note that the text below is not a transcript of the speech given but the draft text that Mike Wilson read from. There may therefore be some variation in the final wording and phrasing that Mike used.*

What I would like to do in the next 20 minutes or so is to introduce myself with a few personal observations about the SIA and our stakeholder group, and touch on some of the issues that are of mutual interest to us.

I am a regulator. As Ruth observed the other day, this is a phrase guaranteed to kill any conversation stone-dead. But I've been a regulator for 12 years now, and I suppose somewhat unusually I find myself leading a third regulatory body. I don't know whether this means I'm socially dysfunctional, deaf, or that I like talking to myself. But it does give me a fairly reasonable basis from which to view my new regulatory body – the Security Industry Authority – and my new stakeholder group – of which you are an important part.

I was asked to give a talk by our local round table a couple of months ago, and the chairman asked what the title would be. I suggested something amazingly worthy and serious like "regulation in the 21st century – a personal perspective". He wasn't too enthusiastic and asked me about what I had done firstly in the defence vetting agency, then in the Gangmasters Licensing Authority, and now in the Security Industry Authority. "I know" he said, "regulating the good, the bad and the ugly". I couldn't of course use that title – at least not in that order – but it sort of encapsulates my regulatory background.

I have been interested in the SIA since it was set up 5 years ago, and I was delighted to become chief executive last September. I knew the SIA had achieved a lot in its short history.

It had established a statutory regulatory regime from scratch, first in England and Wales, and then in Scotland. It had issued well over 250,000 licences. It had set up the ACS and recruited (if that's the right term) well over 430 security companies. And it had completed a wide range of compliance and enforcement actions, issuing warnings and improvement notices, revoking licences and where necessary as a last resort prosecuting individuals and companies.

And I was aware of course of some of the difficulties – in particular the roll-out of licensing to security guards in England and Wales which led to backlogs and delays. It's a fact of life that people remember cock-ups rather than triumphs - unless they are their own.

But don't let what happened in 2005 skew your perception – the SIA has achieved a great deal in getting itself in and up and running and establishing itself as the security industry authority in Great Britain. Thanks to the work of my predecessors I feel I have a very firm foundation from which to work forward.

Of course the SIA wasn't set up to achieve outputs – the number of licenses issued, the number of ACS companies, the number of warning notices issued and so on. It was set up to achieve particular outcomes – improving public safety by introducing and improving standards and by reducing criminality in the security industry.

Through the licensing process alone, we have not only reduced criminality at the licence-holder level, we have also ensured at least a minimum competence to operate. But as anyone with much experience of regulation knows, licensing processes themselves have a limited effect in changing attitudes, cultures and working practices. These more fundamental changes are achieved most obviously through effective intelligence-led compliance and enforcement, but equally importantly through improved awareness, education and standards. And inevitably it takes longer for these things to develop and to take hold, and it is still relatively early days. Scotland went 'live' only about 6 months ago.

That said, there are clear and increasing indications that the intended outcomes are being achieved – we have a programme of work this year to come up with some figures on this. I am therefore confident that the SIA is headed in the right direction, and I am very pleased to have been asked – with the expertise and commitment of an excellent team - to progress this.

For a regulator to be successful there must be broad support for its objectives from the regulated sector.

I don't pretend to know all there is to know about the private security industry and how it works. But there are some similarities with the Gangmaster industry – or (as they prefer to be called) the labour provider industry.

Perhaps the most obvious is that both industries operate in highly competitive markets with - for the most part - very tight margins. They also both have - to some extent at least - historical reputations for criminal associations and sharp or illegal practices.

But my impression is that - like the Gangmasters - the overwhelming bulk of the security industry is decent people and good businesses trying to earn an honest bob in a tough market. And many of their difficulties come from the activities - and the perceptions created by those activities – of a criminal minority.

And I include some of what we used to call the grey economy practitioners in this. Businesses – sometimes (but by no means always) operating out of a white van - that tend to pay cash and whose labour practices and record keeping and book keeping are a little below the standards hmrc might expect. I know we have your support in our objective to drive these criminal elements out of the industry.

I know also that we have your support in raising standards in the industry, and an awareness of the value of good security. So that security is seen far less as a minimum wage sector of the economy.

The trick for us of course is to concentrate our limited resources – we are only about 120 strong - on these rogue elements, leaving the lightest possible touch on others. This is far easier said than done, given our statutory responsibilities.

But I think we have a good compliance and enforcement strategy based on an intelligence-led approach, and effective engagement with police and local authority partners. There is a limit to how cuddly a statutory regulator can be, but I invite anyone here to contact me directly if you feel we are imposing ourselves on you unnecessarily or with undue officiousness.

I am sure you would not let me get away without saying something about the SIA's recent performance record.

Pretty well from the outset, it was decided that the SIA would contract-out document handling and contacts as a managed service. That is, contract out:

- The sending out of application packs,
- Receiving and processing applications (with the exception of licence decisions which are retained by the authority),
- And providing a contact centre facility to deal with enquiries and information from members of the public and businesses by telephone, e-mail fax and letter.

Leaving aside the wisdom of this approach, the managed service provider contract (known as MSP) was duly set up in 2004 with contact centre offices in Bournemouth and Newcastle.

MSP itself worked reasonably well. It was however inefficient and not particularly user-friendly, and this led to MSP2.

MSP2 was developed very much in response to, and in collaboration with, the security industry. The governance arrangements included a stakeholder group.

MSP2 is based on a streamlined process, with much more parallel activity. It involved a new application form, new identity requirements, a range of supporting documents, and new user facilities such as on-line application

and the facility for businesses to view and to manage their own licence holders – their flock. All this, together with internal facilities, required a far more sophisticated and complex IT solution than the original MSP.

It was planned to introduce MSP2 in September last year.

For reasons that are not yet altogether clear - but are not relevant to this presentation - we went live with a system that was not really ready. And the rest as they say is history.

Applications could not be scanned onto the new system, or when scanned in were corrupted. Some applications already in the system got 'lost' or 'stuck', and amongst the undelivered or reduced functionality were:

- The application tracker (which allowed applicants to see where their application had got to,
- The on-line application process (which was to eliminate the need for pre-printed stocks of application forms),
- And the management information system – which we needed to see what was going on.

We very quickly found ourselves in a vicious circle in which delays and a shortage of application forms, compounded by the inability to track applications, led to increased volumes of 'phone calls, then e-mails, faxes and letters to the contact centre, which became hopelessly overloaded. This all happened around November and December last year.

Our recovery strategy was very straightforward.

- Fix the problem – i.e. get MSP2 sorted out.
- Tackle the backlogs, stuck applications etc. Using additional staff.
- Increase call centre staff numbers, but accept that call centre performance will not improve hugely until the underlying problem is fixed
- Keep customers informed.

Fixing the problem has been a matter of completing the development and introducing the new functionality as it became available. For some time now we have had a working system, and have been adding functionality to it as it became available. This has taken longer than I had wished. But the only major piece of user functionality missing now is the on-line application facility. Although it is almost complete, we won't introduce it until we are absolutely sure it works and won't bring the rest of the system down.

The present position is that:

- We have roughly 36,000 applications in a system that has a design 'float' of about 20,000. Until recently the number of cases in work has

steadily risen. We are now getting more cases out of the door than are coming in, although it will be some time – certainly a few months – before we are down to something near 20,000.

- Backlogs of e-mails have been cleared, and we are working on backlogged letters.
- Most importantly, we have had additional staff working in Liverpool and in the office in London to get the bulge of delayed cases through the process. Again, this has taken somewhat longer than I had hoped, largely because it has proved so difficult to find and free some of the long-standing applications caught in the system.
- But performance is much improved – there is still a reducing number of long-standing cases in the system, but most new applications are completing within our 6-week target.
- I want to dispel the impression that as a result of processing delays there are huge numbers of people out there who are unlicensed. There is a relatively small number of individuals who have not had their new licence before the old one expired. But compliance levels – as illustrated by recent operations – are high (over 90%) and where individuals are found to be unlicensed, it is usually because they haven't applied.

Call centre performance is still not good, but it is much better than it has been.

- It will probably take two goes to get into a queue, and once in the queue it will take on average about 15 or 20 minutes to get through to an operator.
- We have already increased call centre numbers, but it will take a significant further increase to make even a modest improvement in performance, and as already indicated our strategy is to remove the reasons for the load on the call centre – the number of applications in the system (particularly long-standing applications) – rather than throwing money at the symptoms.

We have tried to keep customers aware of the position through our website, and as I hope you are aware, I wrote to CEOs and MDs in the industry in March and April. I plan to do so again this month, when I am sure we will be able to report a real improvement in performance that will be sustainable into the future – specifically as we get into successive rounds of renewals.

Performance recovery is our top priority, but there is a wide range of other things we plan for the next 3 years.

Looking forward, we have an ambitious programme of work. Ruth has mentioned most of the major components, but I thought I might highlight

three that are of particular interest to me – they are not necessarily the most important or the biggest tasks we face.

### **Licensing of non-front line directors**

I know this is a major irritant – especially to directors (which includes non-executive directors and chairmen) of groups whose core business may not even be security. It would seem obvious that we should draw some common-sense line between the security company itself, and the possibly very remote parent. Again, this is easier said than done, but we are looking at the legislation and the scope for interpretation to try and find a sensible way forward. We should know the possibilities in June.

### **In-house guards**

This is an issue we recognise needs to be bottomed out once and for all. As Ruth has already indicated, we will consult widely during the course of this financial year with a view to putting recommendations to Ministers by the year's end. It is an issue on which (as Blackadder might have said) opinions are divided, and I can see some vigorous debate ahead.

### **Compulsory registration**

Another contentious issue, but in my view one of the most significant: as far as I am aware, the UK is unique in licensing individuals without taking any formal interest in the companies that employ them (and of course dictate the way in which these individuals work). To some this is a fundamental weakness in the regulatory approach. Whatever truth there may be in this, compulsory registration would certainly make it easier for the SIA to communicate with the industry, and would allow more accurate modelling and focussing of licensing and compliance activities.

ACS: very successful, but clear demand for some sort of differentiation – in danger of ACS being nothing more than a tick in the box that any old security company can get. I have a personal interest in making sure that ACS is seen to be good for business. Much more we can do with the security and procurement policy authorities in central and local government, the insurance industry and buyers.

My personal style is open and approachable. I know there are issues out there – you are going to be teasing some of these out later – but I and the rest of the SIA team look forward to working with you on these in the months and years ahead.