



# IPSA

## ESTABLISHING MINIMUM COSTS TO DELIVER LABOUR BASED SECURITY SERVICES

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### [Abstract](#)

A guidance document for buyers of security labour within the UK in compliance with 2025 National Living Wage rates, to establish a minimum sustainable charge rate.

John Lambert

Chair - IPSA  
[John.lambert@ipsa.org.uk](mailto:John.lambert@ipsa.org.uk)

## Introduction

This document has been created to assist buyers and suppliers of security services in identifying the minimum statutory, regulatory and industry costs associated with the provision of security labour. This is the second version of the guidance, having originally been published in 2024 in response to identified widespread malpractice within the industry. Thankfully, the regulator has launched Operation EMPOWER to target this, however there is still a role to play from the industry itself, and the buyers of security services, to educate ourselves on the costs involved in running a legally compliant, ethical security function.

The intention is to educate and guide, accepting that there are multiple factors that impact those costs and create a benchmark which has been established through a consensus of opinion across the industry, where charge rates should not fall below without further scrutiny. This in turn should make it harder for companies who are deliberately avoiding statutory and regulatory compliance and their associated costs to operate in the security industry, and thus damage its quality and reputation.

Whilst the document states *minimum*, the document uses the Real Living Wage set by the Living Wage Foundation as the suggested lowest pay rate. This is not an oversight, as all organisations involved in the consultation recognised that the National Minimum Wage is not viable for a sustainable security business given the pressures on labour availability. This therefore serves as an opportunity for the industry to more widely adopt the Real Living Wage.

There is however a comparison for NMW in recognition that there are providers who are being asked to operate based on that pay rate currently, and typically well below the suggested charge rate shown.

The original 2024 version has received excellent feedback from both the buying and supplier communities, having been used to benchmark, identify abnormally low tenders, and to help negotiate rates within security supply chains to great effect.

We have seen a larger increase in costs this year as a result of the changes to National Insurance contributions implemented by the UK Government, alongside the pay related increases which also impact holiday, sick pay, pension and training costs. The National Insurance Contribution uplift sees a circa 50% increase in that hourly incremental cost alone. We have also seen increases in insurance, premises and equipment costs driven by the wider economy suffering from inflation.

## Scope

Contract provision of security officers – whilst it can be used as a benchmark for other regulated sectors such as Door Supervision and Close Protection, those sectors carry higher costs through training and differing management models.

## Working Group

The success of this guidance document relies heavily on the consensus of opinion gathered through consultation across the industry, with companies of all sizes and geographical operational areas. To capture as many views as possible, a virtual working group was established comprising organisations who all have a commitment to raise the standards in our industry. IPSA gives its thanks to those who have contributed towards the calculations.

This is similar to the approach taken by the GLAA within the agricultural labour provider sector, which has helped to combat malpractice.

## Specification

Clearly, to define a minimum viable cost for the provision of an ACS-compliant security officer service, we must create a baseline specification on which to base the cost. In doing so, we have selected what may be considered to be a 'typical' service without any requirement for additional specialist training or other premium costs such as equipment or enhanced uniform. This is an important element to remember, as clearly there are so many variables to consider when pricing the supply of security personnel, that it is not possible to set a 'one-size-fits-all' price, and this is not the objective of this document.

Instead, the aim is to provide a benchmark based on a defined service. If a supplier needs to charge more than this benchmark, this will easily be justified in their proposals, based on the additional costs involved. As an industry we are used to 'open-book' pricing showing a pence-per hour breakdown already, so this is already happening to an extent.

The specification used is as follows:

- Adherence to BS 7499:2020 - Provision of static guarding security services, code of practice and BS 10800:2020 - Provision of security services, code of practice.
- A single site security officer requirement, with one officer provision 24/7/365(6). This is commonly referred to as a '168' due to the 168 hours of weekly service provision.
- The 168 hours will be resourced by a team of 4 officers, on a 4-on-4-off shift pattern, working 12 hours per shift. This averages a 42-hour working week. Again, this is typical in the industry, but consideration should be given to the variance on employment costs with different shift patterns. For example, a 56-hour working week drives a higher National Insurance contribution, whereas 8 hour shifts with a higher number of employees to fulfil the weekly hours will increase the costs of uniform and training, and likely drive the need for a higher pay rate.
- The minimum pay rate will be based on the National Living Wage. Note this exercise aims to establish a minimum viable cost; the National Living Wage is not deemed sufficient to attract and retain security personnel and employers are encouraged to adopt the Real Living Wage as a real-life minimum. It should be noted that in many instances, even the Real Living Wage is not sufficient to attract and retain talent to the industry.
- As an ACS service, the employee costs must be based on PAYE status, with holiday and statutory sick/maternity/paternity pay costs, and a Workplace Pension Scheme
- The training requirement will be based upon the minimum agreed requirements:
  - SIA License-linked NVQ L2 in Security Guarding
  - First Aid at Work (3-day)
  - Action Counters Terrorism Security specific e-learning courses
  - Apprentice Levy Contribution (accepting that not all companies will meet the threshold, it is considered best practice to accrue this for investment in learning and development)
  - 4 days per annum of additional investment in learning and development
  - The funding of SIA license and 'top-up training' should be included in this cost
- The provision of uniform will be a basic pack that includes:
  - 4 x Shirts/Blouses
  - 2 x Trousers
  - 1 x Jumper/Fleece
  - 1 x Waterproof jacket
  - 1 x High-visibility vest

- 1 x pair of safety boots/shoes
- Vetting/Screening will meet the BS7858:2019 industry standards
- Management will include:
  - 1 x in-person welfare check once every 12 weeks for each officer (recognising that this is the minimum compliant number of in-person visits, and IPSA recommend at least a monthly visit as good practice).
  - 1 x contact telephone call per month for each officer
  - Lone worker check calls once per hour when on duty
  - Provision of a monthly service report to support invoice
  - Creation and review of assignment instructions, risk assessments and method statements, and training needs analysis and associated matrices of completion
  - The assumption is that the site is within 2 hours travel for the manager.
- The rate must account for the provision of a business premises for the administration of its functions, and for the provision of interviews and training.
- Insurance requirements will be:
  - £5M Public and Products Liability
  - £5M Professional Indemnity
  - £5M Employers Liability
- The only equipment to be provided will be:
  - A smartphone device for communication
  - A proof of presence/patrol logging solution

## Calculation of the Rate

The below rate has been calculated using statutory frameworks relating to employment within the UK where it relates to labour costs, and a consensus of opinion from across the industry working group defined within this document for all other non-labour costs.

The rate does not include profit. Clearly it is down to each supplier to justify their levels of profit, as well as any enhanced costs/investments made.

The consensus of opinion is calculated based on a mean average of the data points provided where the costs are not defined by law. For example, the cost of management varied across multiple businesses depending on their business models, and volumes of work managed by their managers. Therefore, the rate is solely a guideline and it will be possible for some businesses to provide the non-labour related costs lower than the guidance rate. Buyers should satisfy themselves however that where this is the case, it can be justified and is sustainable.

It is important to note that these rates are based on work delivered over a 12-month period, with associated costs amortised over this period. Other commercial models exist including the provision of temporary labour, where the recovery of these costs through charge rates is largely based upon the commercial risk appetite of the organisation in the levels of revenue they can achieve from the employees across multiple projects. The calculation of the minimum viable rate is therefore still valid, as it assumes that employees are working on a full-time basis across the year.

## Charge Rate Table

Cost Element	National Minimum Wage Cost	Real Living Wage Cost
Pay Rate	£ 12.21	£ 12.60
Employers National Insurance	£ 1.76	£ 1.83
Holiday Pay	£ 1.47	£ 1.52
Sick Pay	£ 0.12	£ 0.13
Auto Enrolment Pension	£ 0.33	£ 0.35
Training Costs	£ 0.32	£ 0.33
Apprenticeship Levy	£ 0.07	£ 0.07
Uniform	£ 0.10	£ 0.10
SIA Licensing and ACS fees	£ 0.07	£ 0.07
BS7858 Vetting	£ 0.08	£ 0.08
Account Management	£ 0.19	£ 0.19
Equipment	£ 0.17	£ 0.17
Premises Costs	£ 0.26	£ 0.27
Overhead Contribution	£ 0.26	£ 0.27
Insurance	£ 0.12	£ 0.13
<b>TOTAL</b>	<b>£ 17.54</b>	<b>£ 18.09</b>
<i>2024 IPSA Recommended Rates</i>	<i>15.79</i>	<i>16.56</i>
<i>£ Increase</i>	<i>£ 1.75</i>	<i>£ 1.53</i>
<i>% Increase</i>	<i>11%</i>	<i>9%</i>

**\*Note – this is pre-profit.**

For absolute clarity, the rates above are suggested to be the minimum sustainable rate that a security business could deliver the specification outlined. There are a large number of variables that effect the calculations, including but not limited to:

- The size of the business, as larger companies can spread costs such as premises and other overheads across a greater number of service delivery hours per annum
- The management approach, with some businesses favouring higher salaries, and much more time spent on the front line to improve quality, which has a premium cost attached to it.
- Economies of scale on purchasing uniform and equipment, plus the specification of the items procured.
- Training delivery method, for example in-house versus outsourced.

It is expected that for alternative specifications, with additional training, equipment, uniform requirements, geographical spread of sites, and management structures, the cost to deliver the services would exceed the above rates.

There *will* be circumstances where a supplier may wish to drop below these rates. Buyers are advised to explore and challenge quotations that come in below these rates, to ascertain how the business feels it can sustainably deliver for less. The buyer should satisfy themselves with the responses and accept that they may be exposing themselves to risk by accepting a rate below these guidelines.

## Definitions and Explanations

The numbers below refer to the numbered charge elements in the rates tables above:

1. The hourly minimum rate represents the National Living Wage. Employers should also strongly consider the adoption of the Real Living Wage as defined by the Foundation Living Wage.
2. There is a single minimum rate of pay for all hours of work, regardless of day of the week or time of day. The exception would be Public and Bank Holidays, where a double time premium is widely used, however this rate does not include any of these costs.
3. Employer's National Insurance (NI) must be paid at 15% on earnings above the secondary threshold of £96.15 per week for workers aged above The first £96.15 is NI free (NI free up to the Upper Secondary Threshold for workers below 21).
4. Holiday Pay

a. Calculations of holiday pay to be charged are based on the hourly rate plus employers' NI and pension as when holiday pay is paid to the worker, both of these must be paid and therefore need to be accrued from the charge

b. All Workers - are entitled to 5.6 weeks' holiday (calculated at an hourly cost of 12.07% and NI = 5.6 weeks / (52 weeks-5.6 weeks).

c. With regard to accrual of holiday for workers who work irregular hours:

When working on assignment where that worker works a fixed number of hours in a week or other period specified in the Worker Assignment Sheet (which forms part of the contract with that worker), and where for hours worked above these fixed number of hours the worker is entitled to overtime pay, these fixed hours are considered the "normal working hours". "Normal working hours" also include periods of guaranteed and non-guaranteed compulsory overtime and also voluntary overtime which is "sufficiently regular so as to amount to normal remuneration" but will not include infrequent and irregular voluntary overtime.

However, where hours are not specified in the contract or there are no fixed number of hours above which the worker is entitled to overtime pay there are no "normal working hours" and all hours worked will accrue holiday.

Holiday pay is based on the average hourly rate over the previous 52 weeks (replacing weeks in which no pay was received with previous weeks worked) for "normal working hours" or all hours where there are no "normal working hours". Pay used to calculate holiday pay should include any **payments intrinsically linked to the work done** such as shift pay, performance related bonuses etc.

5. The Apprenticeship Levy applies to all employers with a payroll of over £3 million (including agency workers on contracts for services) and is a statutory charge of 0.5% on all pay elements subject to employer's.
6. Pension auto-enrolment is a statutory minimum of 3% of qualifying earnings for eligible workers who have not opted out. The calculation assumes all workers are eligible and enrolled on day one.
7. Provision for statutory sick pay absence, in line with the industry estimate of 2 weeks, at £116.75 per week accrued on normal time only, not on This figure also covers the 8% of statutory maternity, paternity, adoption and statutory shared parental pay payments that must be met by the labour provider.

8. Guideline Minimum Labour Provider Overhead & Service Cost – this area is where the businesses differentiate through commercial competitiveness, and where much of the consultation focused. It is likely that this figure understates the actual costs of most businesses as well as making no allowance for management costs or profit. In reaching this figure, the authors state that the result is not intended to be a realistic description of the costs of any particular business. It also makes no allowance for any management cost or business profit. Rather this is intended to be an illustration of the minimum unavoidable costs that flow from observing the law on basic employment matters such as the minimum wage, national insurance, employers' liability insurance etc..
9. This is the total hourly cost of supply but **does not include any margin to cover service provider profit.**

#### Skills Board Voluntary Additional Contribution

With a recognised shortage of security employees in our industry, with increased demand expected in the future, the industry has identified the need for further investment in learning and development to enhance the skills of those already in the workforce, and to attract new talent to the sector.

The Security Skills Board was founded to achieve these aims, and in 2023 a large number of security employers signed the Skills Pledge, which reads:

*We undertake to deliver the standards set out in the Skills Board Charter through:*

- *Supporting our people in accessing all available learning pathways*
- *Creating clear career pathways within our organisation*
- *Driving the highest possible learning standards*
- *Creating a culture of inclusivity with opportunities for all.*

We encourage security employers to ensure when pricing for their services that they have allowed for a suitable budget to develop their employees, and help the Security Skills Board in achieving the collective aims.