

# GLA34/8.3 Red Tape Challenge Application Inspection Approach

11 July 2012

**BOARD PAPER REFERENCE – GLA34/8.3 – Red Tape Challenge Application Inspection Approach**

Issue

1. Introduction of revised processes on licence application
2. The Ministerial statement on the post – Red Tape Challenge (RTC) approach stated the GLA approach would include changes to:  
  
“Streamline the licence application process, including no longer automatically making compulsory inspections of businesses when they first apply”;
3. The Government’s Red Tape Challenge review effectively requires that the issue of automatic application inspections, and risk profiling, is revisited.
4. This approach is in keeping with the Hampton principles, the statutory compliance code, and the recommendations of the farming task force, to implement a risk focused strategy towards the need for inspections on application for a licence.
5. The Hampton Review of the GLA reported:

**The need for automatic inspections to accompany licence applications should be reviewed**

The Review Team found that the GLA conducts few routine inspections, except where new applications have been received for licences to operate as a labour provider in one of the regulated sectors. The requirement to inspect businesses in all such cases can be costly in resource terms, and yield less meaningful information than other inspections (for instance, if they are targeted at businesses without an established compliance record from operating in similar, but unregulated sectors).

The GLA has kept this issue under review for some time, but the Review Team believes that a more differentiated approach should be introduced to allow for a clearer focus on the main risks involved. The Review Team were encouraged by the evidence that they saw that the GLA had already started work towards such an approach.

### Recommendations

6. New applicants will complete a self assessment questionnaire to report that they have appropriate systems, processes and policies to run a compliant business. They will be invited to provide evidence that they are a "fit and proper person" to hold a licence, using the principles of earned recognition, and whether there are any matters on public record which they wish to declare that might raise concerns about their status in this regard.
7. New applicants will not routinely require an AI on application. They will be inspected if :
  - OGD checks, and additional intelligence checks, generated adverse reports;
  - The application was selected for random inspection (a 10% sample will be taken).
8. Since the commencement of operations the GLA has collated **24122** intelligence reports. It therefore now considers that it has amassed a significant body of information on the regulated community to assist it in appropriate risk based decisions on whether an AI is required, applying the principles within the National Intelligence Model.

### Proposals

9. The GLA therefore proposes to move away from automatic AI.
10. It will continue to operate the Government Department checks as the continuing cornerstone of its approach.
11. It will do so by closer working with such organisations as the Insolvency Service. This developing area of closer working has already led to the first Company Director's Disqualification in the outcome of a prosecution, as reported at the last GLA Board operations update.
12. Other sources of information, for example, could include regular reviews of Employment Tribunal outcomes to identify any employers who had applied for a GLA licence.
13. Where the Government Department enhanced intelligence checks identify adverse information, indicative of non-compliance with the GLA's licensing standards, the application will be referred for an AI. It is expected that on this basis around 15% of applications will receive an AI
14. Those applications that do not trigger an AI requirement at that stage will then be subject to selection for random inspection. This may be set at 10% of all applications without adverse intelligence responses.

15. The level of correlation between the random sample inspected and their earned recognition licensing decision will be reviewed after a twelve month period and the conclusions reported to the GLA board.
16. Where information, confirmed by inspection or other corroboration, identifies unlicensed trading prior to licence application, any decisions to prosecute will have specific regard to the circumstances leading to the application. They will identify whether the labour provider is otherwise compliant, and whether the application should be treated as a voluntary disclosure and intention to operate fully in the formal economy.
17. The model for this approach is based on procedure adopted in the Forestry Pilot, which the Farming Task Force report recommended should be extended to other areas.

#### Financial and benefits impact analysis

18. The removal of automatic application inspections will remove the requirement for an application inspection fee. For a Band D applicant this equates to a saving of £1850.
19. It is provisionally assessed that the work done in processing an application based on earned recognition will be of the order of £400. This figure also covers the costs of the 10% random inspections and those application inspections estimated to be needed because of adverse intelligence, etc. Further work will be carried on this issue and discussions will be required with HMT.
20. This change will have an impact on the GLA funding stream but will also reduce financial burdens on labour providers to comply with the licensing requirement.
21. AIs represent a small part (less than two inspections per month on average) of an enforcement officer's workload. But this reduction together with the impact of the other changes proposed would release capacity for enforcement officers to focus greater GLA effort on identifying and eliminating criminality in those sectors and activities covered by the GLA, such as meat-processing where abuse and exploitation of the most vulnerable workers is reported to exist, and in other areas for examination such as bakeries and fish processing. There will be more scope for GLA enforcement officers to deliver GLA responsibilities in accordance with the national referral mechanism, acting as "first responders" as a core element of their tasks.
22. Taken as a whole, the overall approach proposed will deliver significant improvements, including:
  - removing barriers to entry;
  - reducing the regulatory burden, costs and delays;
  - making it faster and much less burdensome for new entrant low risk labour providers.

### Consultation

23. The GLA intends to seek views as to how to implement the changes set out in the statement. Following the board meeting it is proposed that there is a 6 week consultation period to allow stakeholders to express their views. Final proposals will then be made to the Board in October. The consultation will, in particular, invite views as to what might constitute "earned recognition" for applicants.

### Conclusion

#### **24. The Board is invited to agree to consult on the following amended licensing process:**

- 1) New applicants will complete a self assessment questionnaire to report that they have appropriate systems, processes and policies to run a compliant business. They will be invited to provide evidence that they are a "fit and proper person" to hold a licence using the principles of earned recognition, and whether there are any matters on public record which they wish to declare that might raise concerns about their status in this regard
- 2) New applicants will not routinely require an AI on application. They will be inspected if :
  - OGD checks, and additional intelligence checks, generated adverse reports
  - The application was selected for random inspection
- 3) An application fee only would be charged to cover, in aggregate, the GLA costs of processing licence applications and of making Application Inspections where required.