

GLA 17/6.1

Licence Fee Levels for
2008 – 09

22 January 2008

BOARD PAPER REFERENCE – GLA 17/6.1 – Licence Fee Levels for 2008 – 09

Issue

1. Setting the licence fees for 2008 – 09.

Recommendations

2. Board is invited to:
 - Approve the proposed post consultation licence fee levels for submission to the Secretary of State.
 - Approve further work on how charges for late applicants would operate in practice.

Background

3. The licence fee will change on 6 April 2008 with new applications or renewals on or after that date attracting the new fee. The GLA costs to be recovered for 2008 – 09 are set out in the forecasted GLA budget at Annex A.
4. The GLA consulted on the new licence fee levels from 8 November 2007 to 21 December 2007. The consultation proposed two options:

Option 1 - Do nothing and continue with levels for 2007 – 08

5. This option was rejected in the consultation as the GLA would receive a shortfall of approximately £100,000 in revenue.

Option 2 - Revise the levels to recover the GLA budget for 2008 – 09

6. Revise the fee levels to recover the forecasted GLA budget for 2008-09. The consultation also proposed to introduce a system whereby in the first year of licensing, a labour provider will pay an increased fee and thereafter will pay a significantly reduced renewal fee. This is very similar to current arrangements whereby a new business pays an application inspection fee before it can be licensed. Application inspections will still be carried out for new businesses but will not be charged separately. In effect, this means that no business which is currently licensed will be disadvantaged.
7. If, in the future, the GLA decides that risk profiling will be used to determine whether a business requires an application inspection, such businesses will continue to pay the 'higher' first year fee.

8. The following fee levels for 2008-09 were proposed for option 2:

Annual turnover in licensed sectors	Licence band	Proposed licence fee for new applications	Proposed licence fee for renewals
Over £10m	A	£12,900	£10,000
£5m - £10m	B	£7,400	£5,000
£1m - £5m	C	£4,050	£1,900
Less than £1m	D	£2,250	£400

Consultation Responses

9. The draft summary of consultation responses is at Annex B. 20 responses were received. The key points are:
- Concern was expressed, particularly by ALP and REC, at the increase in fee levels for bands A – C under option 2. Many argued for the GLA to make further cost savings rather than increase fee levels. However, 5 licence holders who responded supported option 2.
 - Concern at the lack of options provided in the consultation document.
 - Strong calls from the forestry sector for reduced rates. There were also wider concerns expressed by the forestry respondents over the impact of licensing on the sector.
 - Calls for a lower fee band for the smallest businesses. There were also requests for staggered increases (or more fee bands) so the increase between band D and C was not so great.
 - There were no responses from the shellfish industry.
 - ALP and REC advocated charges for new applicants which relate to any time spent trading illegally in addition to the normal licence fee. They also urged for checks against those failing to declare correct turnover.

GLA Position Post Consultation

10. Despite concerns expressed in response to the consultation, the GLA maintains the levels under option 2 should be introduced for 2008 – 09.
11. The GLA acknowledges calls to reduce operating costs. However, reducing operating costs at this stage would limit the Authority's compliance and enforcement activities. The Defra Internal Audit Division's value for money study (VFM) from last year concluded the Authority's structure and processes are cost effective and proportionate (the VFM study is at annex B). The GLA budget for 2008 – 09 is in line with previous planning which the VFM study assessed. The proposed fees are therefore set accordingly.

12. Furthermore, target 5.1 in the GLA Monthly Summary Performance Report monitors staffing levels – the GLA firmly believes these are appropriate to meet its business objectives.
13. Reducing the GLA's operating budget and thereby restricting compliance and enforcement activities would damage the Board's aspirations for the GLA to maintain a credible regulatory regime. Therefore, the GLA recommends implementing the budget at annex A. It should be borne in mind that the GLA is still in relatively early stages - it has been operational for less than 2 years (since April 2006). The GLA anticipates reaching "steady-state" in terms of staffing, budget and fee levels from 2009 – 10 onwards. At this point efficiencies and economies of scale may allow for reductions in operating costs.
14. In terms of the structure of the fee regime, the GLA favours continuing with four fee bands, determined by the current turnover levels.
15. The GLA understands the concern over the increases for bands A – C. However, the GLA considers the businesses in these fee bands will have the ability to pay the increase. In order to minimise the burden on the smallest operators, the fee for band D is unchanged. In real terms, this actually represents a saving for those licence holders. As over 72 per cent of licences are in band D, the GLA recommends introducing option 2 as it benefits the majority of licence holders.
16. The GLA appreciates calls for further fee bands for smaller sized businesses. However, 371 businesses who have applied and been licensed have declared a turnover of £100,000 or under. This indicates application cost is affordable. It should be borne in mind that the annual licence fee then drops to £400.
17. In terms of the difference between fee bands, the GLA considers the graduated increases between fee bands are proportionate. For renewals from band D to C the difference is £1,500; from band C to B it is £3,100; and band B to A it is £5,000. For new applications, the difference between fee bands are £1,800, £3,350 and £5,500 respectively.
18. In principle, the GLA considers it worth investigating charges for new applicants which relate to any time spent trading illegally in addition to the normal licence fee. However, there are a number of issues with introducing such a charge. For example, the payment process and related IT changes as well as considering whether the applicant should have a right of appeal (which may require changes to the Appeals Regulations). Given these issues need further consideration, it is unlikely such changes could be introduced by April. The GLA recommends further work on how this type of charging could work in practice – an update paper will be presented at the June Board meeting (including a timetable for possible implementation).
19. GLA Inspectors routinely check turnover during compliance – this should detect those who have falsely declared their turnover.

Annex A – GLA Forecast Budget 2008 – 09**GLA Budget 08 / 09– Pay Costs**

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Chairman	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	20,400
Chief Executives Office	12,277	12,277	12,277	12,277	12,277	12,277	12,656	12,656	12,656	12,656	12,656	12,656	149,598
Policy & Secretariat	13,724	13,724	13,724	13,724	13,724	13,724	14,147	14,147	14,147	14,147	14,147	14,147	167,226
Licensing & Compliance	54,980	54,980	54,980	54,980	54,980	54,980	56,670	56,670	56,670	56,670	56,670	56,670	669,900
Finance & Corporate Services	25,261	25,261	25,261	25,261	25,261	25,261	26,043	26,043	26,043	26,043	26,043	26,043	307,824
Helpdesk	1,751	1,751	1,751	1,751	1,751	1,751	1,806	1,806	1,806	1,806	1,806	1,806	21,342
Business Review Consultancy													0
HR Consultancy	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000
Performance related pay		1,500			1,500			1,500				35,000	39,500
Temporary Labour	1,600	1,600	1,600	1,600	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	20,000
Total	112,960	114,460	112,960	112,960	114,560	113,060	116,389	117,889	116,389	116,389	116,389	151,389	1,415,790

GLA Budget 08 / 09 – Non - Pay Costs

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Travel & subsistence	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
Accommodation	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Office machinery	250		100	250		100	250		100	250		100	1,400
Telephone	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	25,200
Stationery/postage	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Board expenses	1,000	1,000		1,000	1,000		1,000	1,000		1,000	1,000		8,000
Internal audit												12,000	12,000
External audit												29,600	29,600
Annual Report												2,000	2,000
Recruitment costs	3,500			3,500			3,500			3,500			14,000
Vehicle hire													0
Training	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000
App Opps for LAWS	4,773	4,773	4,773	4,773	4,773	4,773	4,773	4,773	4,773	4,773	4,773	4,773	57,276
Software licenses & Support	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Marketing	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,663	80,000
Miscellaneous	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	27,600
External Inspections	4,000	4,000	4,000	4,000	4,000	4,000	4,000	5,000	5,000	4,000	4,000	4,000	50,000
Interpreters	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,004
Legal Costs (Appeals)	8,334	8,334	8,334	8,334	8,334	8,334	8,334	8,333	8,333	8,333	8,330	8,333	100,000
Measuring Outcomes						17,625						17,625	35,250
Depreciation	14,625	14,625	14,625	14,625	14,625	14,625	15,250	15,250	15,250	15,250	15,250	15,250	179,250
Total	76,883	73,133	72,233	76,883	73,133	89,858	77,508	74,757	73,857	77,507	73,754	134,078	973,580

GLA Budget 08 / 09 – Total Pay and Non- Pay Costs

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Total Pay Costs	112,960	114,460	112,960	112,960	114,560	113,060	116,389	117,889	116,389	116,389	116,389	151,389	1,415,790
Total Non Pay Costs	76,883	73,133	72,233	76,883	73,133	89,858	77,508	74,757	73,857	77,507	73,754	134,078	973,580
Less Overhead Transfer From Enforcement Budget (funded by Defra)	82,004	81,079	80,529	82,004	81,079	80,529	83,849	82,924	82,374	83,849	82,324	110,051	1,012,595
Total Expenditure	107,839	106,514	104,664	107,839	106,614	122,389	110,047	109,721	107,871	110,046	107,818	175,415	1,376,775

Enforcement Revenue Budget (funded by Defra)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Pay Costs													
Pay Costs	59,865	59,865	59,865	59,865	59,865	59,865	61,713	61,713	61,713	61,713	61,713	61,713	729,468
Performance Related Pay		1,000			1,000			1,000				18,885	21,885
Allowances Contingency													0
Total Pay Costs	59,865	60,865	59,865	59,865	60,865	59,865	61,713	62,713	61,713	61,713	61,713	80,598	751,353
Non Pay Costs													
T&S	11,333	11,333	11,333	11,333	11,333	11,333	11,333	11,333	11,333	11,333	11,335	11,335	136,000
Vehicle Hire													0
Training	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,122	13,552
Interpretors (Witness Statements etc)	833	833	833	833	833	833	833	833	833	833	835	835	10,000
Home working equipment						250						250	500
Telephones/Radio	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	27,600
IT Support	500	500	500	500	500	500	500	500	500	500	500	500	6,000
IT Enhancements	75	75	75	75	75	75	75	75	75	75	75	75	900
IT Forensics						2,500						2,500	5,000
Recruitment						3,500				3,500			7,000
Miscellaneous	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Clothing			250			250			250			250	1,000
Pool Equipment Costs	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total Non Pay Costs	16,671	16,671	16,921	16,671	16,671	23,171	16,671	16,671	16,921	20,171	16,675	19,667	213,552
Plus Overhead Transfer From Enforcement	82,004	81,079	80,529	82,004	81,079	80,529	83,849	82,924	82,374	83,849	82,324	110,051	1,012,595
Plus NI Surplus/Deficit	(16,933)	8,067	8,067	(16,933)	8,067	8,072	(16,747)	8,253	8,253	(16,747)	8,253	10,328	0
TOTAL EXPENDITURE	141,607	166,682	165,382	141,607	166,682	171,637	145,486	170,561	169,261	148,986	168,965	220,644	1,977,500

Enforcement Northern Ireland	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Income	25,000			25,000			25,000			25,000			100,000
Expenditure													
Pay Costs	5,675	5,675	5,675	5,675	5,675	5,675	5,851	5,851	5,851	5,851	5,851	5,851	69,156
Performance Related Pay												2,075	2,075
T&S	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	22,500
Training													
Interpreters (Witness Statements etc)	417	417	417	417	417	417	417	417	417	417	417	417	5,004
Equipment													
Miscellaneous	100	100	100	100	100	105	110	110	110	110	110	110	1,265
TOTAL EXPENDITURE	8,067	8,067	8,067	8,067	8,067	8,072	8,253	8,253	8,253	8,253	8,253	10,328	100,000
Surplus/Deficit	16,933	(8,067)	(8,067)	16,933	(8,067)	(8,072)	16,747	(8,253)	(8,253)	16,747	(8,253)	(10,328)	