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25 January 2008

Dear Secretary of State

Gangmasters Licensing Authority – Approval For Fee Levels

This letter seeks approval for GLA licence fee levels for the financial year 2008 – 09. A response is requested by **8 February 2008** in order to have the new fees in place by 6 April 2008. The letter also seeks agreement to a new position for dealing with applicants who have previously traded illegally.

These proposals were discussed and approved by the GLA Board on 22 January.

Consultation Results

A consultation on the GLA licence fee levels closed on 21 December 2007.

Two options were discussed in the consultation document. Option 1 considered the impact with continuing with the current fee levels; this was rejected as it would not fully recover the GLA forecast budget for 2008-09. Option 2 proposed fee levels for achieving full cost recovery. This option 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.

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. As you mention in your letter, dated 7 November 2007, this could generate revenue which may have to go to the Consolidated Fund. As was discussed and agreed by the GLA Board on 18 October 2007, we will continue to monitor the feasibility of introducing a risk profile.

The fee levels for option 2 are:

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

A summary of consultation responses is at annex A. The key points include:

- The Association of Labour Providers (ALP) and the Recruitment and Employment Confederation (REC) advocated introducing a mechanism for charging new applicants which relate to any time spent trading illegally in addition to the normal licence fee.
- Some concern was expressed, particularly by ALP and REC, at the proposed increase in fee levels for those in fee bands A – C and called for the GLA to make further cost savings.
- There were calls from the forestry sector for reduced rates. There were also wider concerns from the forestry respondents over the impact of licensing on the sector.

GLA Position Post Consultation

While I understand the concerns for the increase in fees for bands A – C, I firmly believe this option is best for the majority of small business sized licence holders (over 70 per cent). Keeping band D unchanged, in real terms, represents a saving for those licence holders. Therefore, this was the option recommended to the GLA Board on 22 January.

Following the consultation exercise, the GLA had very helpful and productive discussions with the ALP on proportionate action against new applicants who have previously traded illegally. The discussions with the ALP produced an option which was recommended to the Board: if the GLA identifies a new applicant as trading illegally in the previous 12 months, the start date of the licence could be back dated to the point in time the illegal trading commenced. The applicant would be given a choice: accept the retrospective start date or face prosecution. Regardless of whether the applicant accepts a backdated licence start date, prosecution will still be considered appropriate if significant exploitation of workers is identified.

This is in line with the GLA's proportionate approach to enforcement and would address any advantage the business may have gained through illegal trading. Although this approach is likely to have a minimal impact on fee income, but it would send a strong message about the GLA's desire to tackle non-compliant activities. For ease of implementation, we will limit this

retrospective licensing to the previous 12 months. Given the concerns expressed by the forestry industry, we would not impose this requirement on the sector at this time, but we intend to do so in the future.

The GLA Board, which includes the ALP and REC, approved both recommendations. I am conscious of the calls for the GLA to reduce operating costs at this stage. 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. It should be borne in mind that the GLA is still in its 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.

Recommendation

I recommend that you approve the above post consultation position. An Impact Assessment is at annex B. This includes the GLA forecast budget for 2008-09. I am copying this letter to Jonathan Shaw, Alistair Darling, John Hutton, James Purnell, Jacqui Smith, Michelle Gildernew, Carwyn Jones and Richard Lochhead.

Yours sincerely



Paul Whitehouse
Chairman