

GLA 13/7.3.1 Annex B Summary of Responses

18 January 2007

Introduction

The Gangmasters Licensing Authority (GLA) published a consultation document on 27 November 2006 seeking views on the gangmasters licence fee level that will take effect from 6 April 2007. The consultation closed on 8 January 2007. This is a summary of the responses received.

A list of the respondees is at annex A.

Consultation question 1

Do you agree with continuing to use size of turnover for determining the band categories?

The **Recruitment and Employment Confederation (REC)** comments that the vast majority of its members consider turnover to be the simplest and fairest way to determine fee bands. However, some of its larger members consider that they are being penalised because their turnover is higher.

HOPS Labour Solutions, HR Services, Jark Recruitment Ltd, Roberto Mac Ltd, Javelin Recruitment Ltd, the Barmine Group, Meridian Business Support Ltd, NFU Scotland and 7Y Services Ltd agree with continuing to use size of turnover for determining the band categories.

The **Forestry Commission** considers the application inspection charge should reflect the level of inspection carried out by the GLA. It questions whether turnover represents need to inspect and the level of inspection involved, especially for those businesses that are already audited and inspected for other purposes. The **Forestry Commission** supports using a risk-based approach to decide whether an applicant should have an inspection when they apply for a license.

Northern Employment Services Limited, Randstad Inhouse Services and Massie and Son disagrees with continuing to use size of turnover for determining the band categories. **Massie and Son** comments that the proposed licence fee of £600 is burdensome for small businesses with less than £1 million turnover and it considers it would be fairer to use system based on the number of workers.

The **Farmers Union of Wales (FUW)** supports the retention of the banded structure as the fairest approach to determining fee levels. It comments that gang size numbers should be reviewed to confirm the relationship between labour involvement and size of turnover.

Consultation question 2

Do you agree with continuing to use four fee bands?

REC comments that its members recognised that banding systems by their nature produce anomalies but that broadly they reflected profitability and an ability to pay which made the fee payments easier to collect, administer and pay. However, a minority of its members felt that four bands acted unfairly on the larger members.

HOPS Labour Solutions propose that bands B and C should be divided into two further bands to make a total of six bands. It considers this would make a more equitable

relationship between turnover and licence fees across all labour providers without an undue increase in the complication of the fee structure. It believes the jumps between licence fee bands for the proposed new levels have become too large.

HR Services, Roberto Mac Ltd, the Barmine Group, NFU Scotland and 7Y Services Ltd agree with continuing to use four fee bands.

Jark Recruitment Ltd disagrees and suggests fee levels should be based on a percentage of turnover in the relevant sector as this would guarantee equality across all members and help factor costs into pricing.

The **Forestry Commission** comments that the licensing arrangements will mainly apply to small businesses with turnover well below £1m, with many forestry businesses operating below the threshold to register for VAT.

The **Forestry Commission** states that it is not aware of evidence for exploitation of workers in the forestry sector. It considers that it does not seem appropriate to target inspection at businesses with turnover below the threshold to register for VAT. The **Forestry Commission** argues that small forestry businesses should be exempt from all licensing and inspection fees.

Northern Employment Services Limited and Randstad Inhouse Services disagrees with continuing to use four fee bands.

Massie and Son considers the fee band for £1 million turnover or less is not realistic for very small businesses.

Javelin Recruitment Ltd considers that there should be more bands as the ranges are too wide and expensive.

The **FUW** considers a fifth band should be considered for businesses with an annual turnover less than £0.5 million. It comments that in addition to assisting smaller businesses, this approach may also persuade current illegal gangmasters to become licensed.

Meridian Business Support Ltd considers banding is the best option but expresses concern at the level of increases. It argues for more and narrower bands. **Meridian Business Support Ltd** considers the fee levels may encourage illegal activity.

Consultation question 3

Which option do you prefer?

REC expresses concern at the increase in the licence fee level. Its members request lower cost options. One larger member considers fee should be similar to the 2006 – 07 level with higher inspection fees.

HOPS Labour Solutions, Jark Recruitment Ltd, the Barmine Group, the FUW, Meridian Business Support Ltd and 7Y Services Ltd prefer option 3. **HOPS Labour Solutions** considers it is wrong for businesses who have paid for a GLA application inspection or Temporary Labour Working Group Code of Practice audit to have financial responsibility for

covering new application inspection fees, particularly for new applicants who should already be licensed.

The **Forestry Commission** prefers the license fee level from 2006-07 and no annual inspection charge as this represents the least cost option.

Marton Recruitment Ltd considers an increase in the licence fee would adverse effect small businesses. It supports the continuing the current licence fee levels if not reducing them for 2007-08.

Northern Employment Services Limited prefers option 1. **NFU Scotland** also supports option 1.

Roberto Mac Ltd supports option 2.

Randstad Inhouse Services considers the increase for band A (£4,000 to £9,000) is too great.

The **International Agricultural Exchange Association** considers the fee levels do not reflect the true size of the businesses that use casual labour as many have a turnover much less than £1 million turnover.

Consultation question 4

Do you agree with continuing to charge for application inspections for new applications under option 3?

The **Association of Labour Providers (ALP)** considers there is no reason why existing licence holders should bear any of the costs associated with processing new applications. It comments these costs should be divided between the number of expected applicants with a standard application fee charged. The **ALP** proposes an application fee of £1,300, based on an assumption that the costs for 100 applicants is £130,000.

REC, HOPS Labour Solutions, HR Services, Northern Employment Services Limited, Roberto Mac Ltd, Javelin Recruitment Ltd, the Barmine Group, NFU Scotland and 7Y Services Ltd agree with continuing to charge for application inspections for new applications.

HOPS Labour Solutions supports a risk based approach for compliance but strongly assert that all new applications should have an application inspection that can then be used when considering the future risk of non-compliance. **HOPS Labour Solutions** considers this should ensure a higher standard of decision is taken on the basis of more complete evidence.

Ranstad Inhouse Services agrees with continuing to charge for application inspections. It also proposes the licence fee should be similar to the 2006 – 07 level for all companies and inspections should be charged with higher charges for non-conformities and re-inspections. **Ranstad Inhouse Services** comments there should be rewards for quality within companies.

The **Forestry Commission** does not support continuing to charge for application inspections for new applications.

Massie and Son considers it is unfair on licence holders who have incurred the cost of an application inspection for new applicants not to be charged for an application inspection.

The **FUW** opposes unnecessary and bureaucratic inspections and supports a risk based approach

Meridian Business Support Ltd agrees and considers it is unacceptable for existing licence holders to contribute towards new application costs. It comments that any revenue generated by new applications should be offset against all bands.

Additional comments

REC considers the consultation document does not address any internal steps that the GLA is taking to make its cost base more efficient and thereby reducing the burden on licence fees, whether such steps are feasible and if not, why not.

The **ALP** considers that the GLA has an excessive cost base for the its functions and it should be able to operate effectively with a budget at least 30 per cent less.

The **ALP** comments the costs that fees are expected to meet has more than doubled with no reasonable explanation. It considers the income budgeted for 2006-07 from the charges for applications inspections (£850,000) presumably has met the cost of conducting these inspections. It comments that given the number of applications in 2007/08 is forecast to be 10 per cent of that in 2006/07, even if every applicant was inspected, the costs would be £160,000. The **ALP** considers this should reduce GLA costs by £590,000 instead of £170,000.

The **ALP** considers that the GLA has failed to explain its finances or to justify expenditure. It asserts that it is unacceptable for licence fees to be doubled. The **ALP** propose that GLA costs to be met by the annual licence fee for 2007/08 be capped at 15 per cent above the 2006/07 level (£550,000).

While the **ALP** is content with the structure and the fee banding, it expresses concern for an increase in fees of between 125 per cent and 140 per cent. It proposes the following fee levels:

Turnover	ALP Proposed Fee 2007/08
Under £1m	£290
£1 - 5m	£850
£5 – 10m	£2,300
Over £10m	£4,600

The **ALP** contests the assumption of 100 new applicants in 2007/08, split between fee bands C and D. It considers that all applicants should be in band D as their turnover should be zero otherwise they would be guilty of trading without a licence. The **ALP** also considers the figure of 100 is too low as many labour providers based outside the UK have yet to apply.

The **ALP** considers a number of labour providers that should have applied for licences initially failed to do so and have been trading illegally. It proposes that such businesses should be permitted to apply for a licence and, unless there is any reason to believe that they are guilty of critical non-compliances, to give them an immediate licence subject to the business passing an inspection within 30 days, confirmation by the business that it complies with the licence

conditions and the business stops trading if it does not pass the application inspection. The **ALP** also considers late applicants should be charged a substantial fee, say £5,000, in order to benefit from such an arrangement.

Top UK Ltd comments that the entry level to join the market is too low. They consider new businesses to sector should pay an entrance fee and a yearly fee for someone to audit the company after one year and then after three years another audit.

First Contact (SW) Ltd expresses concern about the burden for small businesses, especially in the south west of England. They consider the licence should be free of charge with financial penalties for those trading illegally.

Some respondents did not express a view on the proposed changes.

Annex A: List of Respondees

1. 7Y Services Ltd
2. Association of Labour Providers
3. Barmine Group
4. Farmers Union of Wales
5. First Contact (SW) Ltd
6. Forestry Commission
7. HOPS Labour Solutions
8. HR Services
9. International Agricultural Exchange Association
10. Jark Recruitment Ltd
11. Javelin Recruitment Ltd
12. Marton Recruitment Ltd
13. Massie and Son
14. Meridian Business Support Ltd
15. NFU Scotland
16. North Western and North Wales Sea Fisheries Committee
17. Northern Employment Services Limited
18. Ranstad Inhouse Services
19. Recruitment and Employment Confederation
20. Roberto Mac Ltd
21. Top UK Ltd