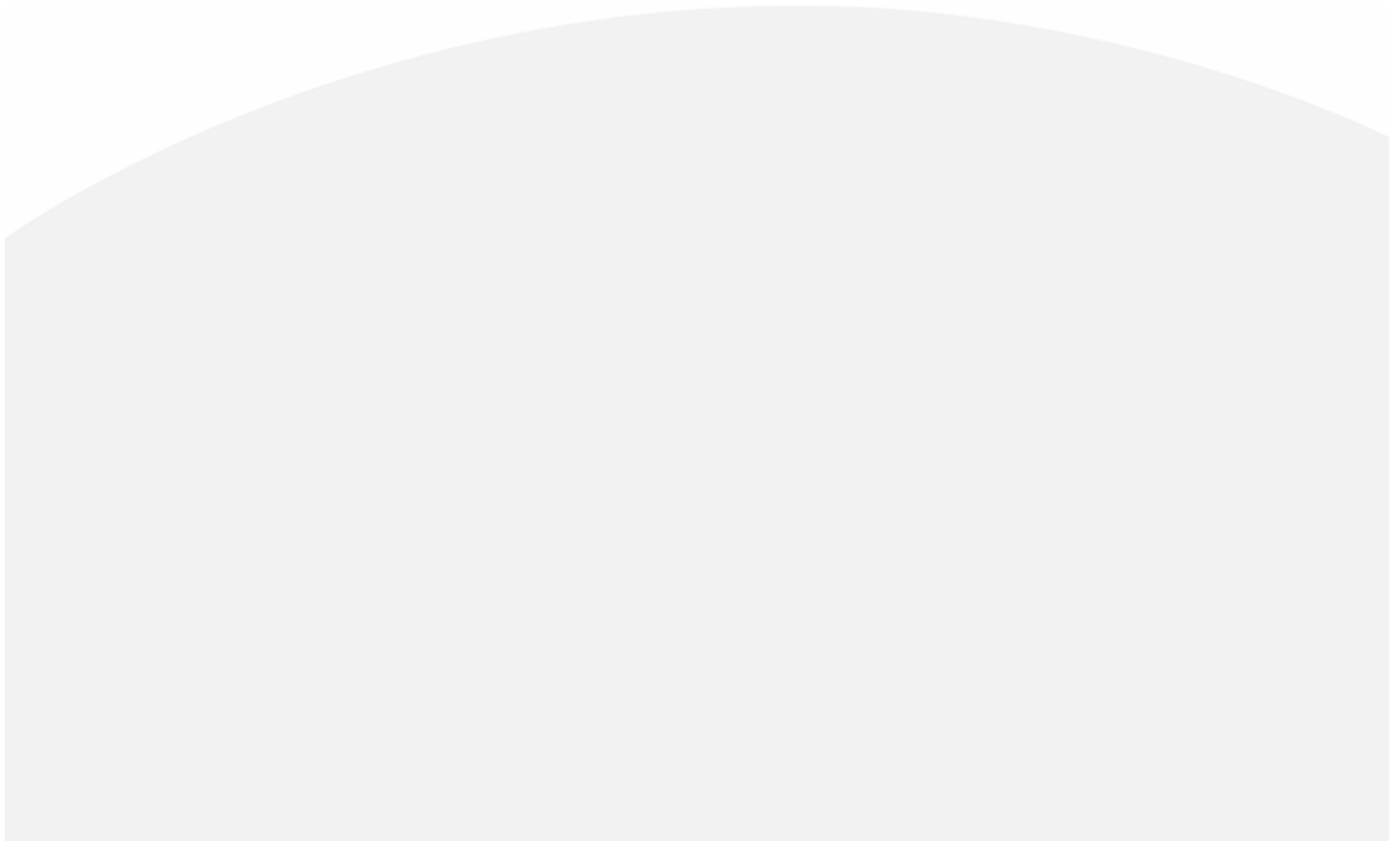




# GLA13/7.1 Risk Profile

18 January 2007



**BOARD PAPER REFERENCE – GLA13/7.1 – Risk Profile**Issue

1. Whether the Authority should move from the present position of inspecting all businesses that apply for a GLA licence, to a risk-based approach.

Recommendations

2. That the Authority continues to inspect all businesses that apply for a GLA licence.
3. That the Authority continues to test and evaluate different criteria with a view to developing a sufficiently reliable Risk Profile.
4. That the Authority reports to the GLA Board on 21<sup>st</sup> June 2007, with a firm recommendation - supported by statistical data - as to whether:
  - A sufficiently reliable Risk Profile exists, having been developed by the GLA, that should be switched on,
  - There is a reasonable prospect of the GLA developing a reliable Risk Profile with a specified period of additional work.
  - It looks unlikely that a sufficiently reliable Risk Profile can ever be developed. That the idea should be abandoned.

Discussion

5. The GLA is committed to becoming 'a model of Hampton thinking' i.e. where possible and appropriate it will take a risk-based approach in the design and implementation of its regulatory processes. The GLA processes have been developed with this in mind, and there are many areas in which a risk-based approach already exists.
6. When the GLA's processes were being developed, the question of a risk-based approach to application inspections arose. The GLA executive proposed an approach in which information provided by the business on the application form, could be used to differentiate businesses more likely to be compliant, from those less likely to be compliant. This would be used to decide which business should be inspected as part of the licensing process, and which businesses could be licensed (assuming other checks were not adverse) without an inspection.
7. The Board accepted the approach in principle. However, they felt that there was insufficient knowledge about the industry to put together a reliable Risk Profile that was sufficiently likely to prevent rogue gangmasters obtaining a license by escaping inspection. The Board directed further development of the GLA's customer base to enhance the data quality of the risk profile used, and directed that "the Authority should not move to a risk-based approach to

inspections until agreed by the Board". The Board accepted this was unlikely to happen before 1 Oct 06. They also agreed that the same approach should be extended into the shellfish sector, noting this was unlikely to happen before 1 Oct 07.

8. The GLA has carried out tests on the Risk Profile as developed by IBM (Martin Upcraft) using actual inspection data. These tests show that:
  - 31% of cases that resulted in a licence with ALCs or Refusal would have been selected for inspection. i.e. 69% of cases that warranted an inspection would not have been picked up using the Upcraft risk profile.
  - 30% of cases that ended up being licensed in full (i.e. no ALCs), would have been selected by the Upcraft risk profile inspection. i.e. 70% of cases that were inspected, would not have been if the risk profile was in use)
9. The unequivocal view of the GLA is that the Upcraft risk profile is not sufficiently reliable to use in deciding which businesses applying for a GLA licence should not be required to undergo an Application Inspection.
10. The GLA has not been able to carry out tests using other risk profiles using different characteristics of the applying businesses, due to higher priority operational requirements. This work will be carried out between now and the Board Meeting on 21<sup>st</sup> June 2007. At that meeting the GLA will provide a clear recommendation that:
  - A sufficiently reliable Risk Profile exists, having been developed by the GLA, that should be switched on, or,
  - That although a sufficiently reliable Risk Profile has not yet been developed, there is a reasonable prospect of the GLA developing one with a specified period of additional work, or,
  - It looks unlikely that a sufficiently reliable Risk Profile can ever be developed. That the idea should be abandoned.
11. It is worth noting, firstly that the volume of applications for licences has passed its peak, and that the only applications being received now are (or should be) for new businesses. These are likely to continue at less than 2 per day. Using the Risk Profile might mean that only one of these was inspected i.e. the overall resource implications one way or the other are not great. Secondly, that licence applications are only a small part of the GLA's processes. Not adopting the Risk Profile in this one area does not mean the GLA is not taking a risk-based approach in overall terms.