



GLA16/7.2 Licence Fee Levels 2008 - 09

5 October 2007

BOARD PAPER REFERENCE – GLA16/7.2 – LICENCE FEE LEVELS - 2008-09

Issue

1. Setting of licence fees for 2008-09.

Recommendations

2. To approve the proposed licence fee levels.

Background

3. As in previous years the Board is asked to consider the proposed fees in advance of the GLA seeking Secretary of State approval.
4. The GLA budgeted costs to be recovered for the financial year 2008-09 are £1,376,775. These costs are set out in Annexes A and B.
5. It is proposed that for 2008-09 the GLA introduces 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 the current arrangements whereby a new business pays an application inspection fee before it can be licensed. Note 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 holding a GLA licence will be disadvantaged.
6. 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 still pay the 'higher' first year fee.
7. It is further proposed that the banding system for fees, which categories labour providers in either bands A, B, C or D, depending on turnover in the regulated sector, should be continued.
8. The following assumptions have been made in calculating the proposed fee levels.

Number of Licences

9. The total number of licences issued for 2008-09 will be 1,375.
10. This is based on the forecast figure for 2007-08 of 1,304. It further assumes 6% of licence holders do not renew (either through amalgamation, moving out of the sector, ceasing to trade, etc) and that an additional 148 come forward to be licensed.

11. These assumptions are expressed in tabular form below, by band:

Band	Forecast 2007/08			Forecast 2008/09		
	New	Renewals	Total	Renewals (less 6%)	New	Total
A	0	12	12	11	0	11
B	1	17	18	17	0	17
C	43	171	214	202	37	239
D	431	629	1,060	997	111	1,108
Total	475	829	1,304	1,227	148	1,375

12. The above further assumes that of the 148 new businesses that will apply during 2008/09, 37 will be band C and the remainder will be in band D. This reflects the current distribution of businesses currently holding a GLA licence.

Fee Level

13. The proposals that will satisfy the Treasury requirement of full cost recovery are detailed below (2007-08 figures in brackets):

Band	New Business	Renewal	
A	£12,900 (£9,000 + £2,500)	£10,000	(£9,000)
B	£7,400 (£4,500 + £2,100)	£5,000	(£4,500)
C	£4,050 (£1,750 + £1,850)	£1,900	(£1,750)
D	£2,250 (£400 + £1,600)	£400	(£400)

14. On the assumption that all new businesses licensed in 2007/08 paid an application inspection fee the relevant increases for 2008/09 are as follows:

Band	New Business	Renewal
A	12.1%	11.1%
B	12.1%	11.1%
C	12.5%	8.6%
D	12.5%	Nil

15. Based on the above it is evident that a category D business, licensed in 2007/08 will pay the same in 2008/09 for their licence.
16. This means that over 72% of licence holders (997 out of 1,375) will see no increase in licence fee.

Recovery of Costs

17. Annex C details the full cost recovery information.

Gangmasters Licensing Authority GLA One Year Plan 2008/09													Annex A	
GLA Revenue and Capital Budget														
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget	
Income														
Licence Fees														0
Application Fees														0
Total Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenditure														
Pay Costs														
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	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	12,656	149,598
Policy & Secretariat	13,724	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	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	26,043	307,824
Helpdesk	1,751	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	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	1,700	20,000
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	151,389	1,415,790
Non Pay Costs														
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	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	5,000	60,000
Office machinery	250		100	250		100	250		100	250		100	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	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	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	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	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	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	6,667	6,667	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	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	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	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	8,333	8,333	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	14,625	15,250	15,250	15,250	15,250	15,250	15,250	179,250
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	134,078	973,580
Less Overhead Transfer From	82,004	81,079	80,529	82,004	81,079	80,529	83,849	82,924	82,374	83,849	82,324	110,051	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	175,415	1,376,775
Surplus/Deficit	(107,839)	(106,514)	(104,664)	(107,839)	(106,614)	(122,389)	(110,047)	(109,721)	(107,871)	(110,046)	(107,818)	(175,415)	(175,415)	(1,376,775)

Gangmasters Licensing Authority Enforcement One Year Plan 2008/09													Annex B
Enforcement Revenue Budget													
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Budget
Expenditure													
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
Temporary Labour													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			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

Annex C**Details of Full Cost Recovery**

	£	£
Total costs to be recovered - Annex A		1,376,775
Recovered from New Licences		
A x 0		
B x 0		
C x 37 @ £4,050	149,850	
D x 111 @ £2,250	<u>249,750</u>	
		<u>399,600</u>
		977,175
Recovered from Renewals		
A x 11 @ £10,000	110,000	
B x 17 @ £5,000	85,000	
C x 202 @ £1,900	383,800	
D x 997 @ £400	<u>398,800</u>	
		<u>977,600</u>
Over Recovery		<u>425</u>