

10<sup>th</sup> January 2017

Agenda Item: 8

## **REPORT OF THE SERVICE DIRECTOR FOR ACCESS AND PUBLIC PROTECTION**

### **REVIEW OF FEES AND CHARGES MADE TO BUSINESSES AND OTHER AUTHORITIES BY THE TRADING STANDARDS AND COMMUNITY SAFETY SERVICE**

#### **Purpose of the Report**

1. To obtain approval to amend the charges made to businesses and other authorities by the Trading Standards and Community Safety Service from January 2017 until March 2018.

#### **Information and Advice**

**Some information relating to this report is not for publication by virtue of Schedule 12A of the Local Government Act 1972 [Information relating to the financial or business affairs of any particular person (including the Council)].**

**Having regard to all of the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because the information would add a limited amount to the public understanding of issues but would significantly damage the Council's commercial position.**

#### **The exempt information is set out in the Exempt Appendix 1**

2. Trading Standards provides a range of paid for services to businesses, other local authorities' and government agencies, and the Authority has the discretion, within limits, to set charges for these services.
3. These services include the verification and stamping of weighing and measuring equipment, specialist services to external enforcement bodies (including inspection programmes), support services to businesses under Primary Authority Partnerships, and ad-hoc business advice.
4. Each year, an annual review of the fees and charges has historically been made to coincide with the new financial year. In recent years, the National Trading Standards Board (NTSB) and the Association of Chief Trading Standards Officers have issued guidelines to Authorities with a model on how to determine the full cost recovery charges for such services, and this guidance has been used as the basis for setting charges for such services.

5. In 2016, the Service took part in the pilot process of the Authority's Commercial Development Unit (CDU), and developed a commercial proposal and a plan based on an analysis of the market. The plan involved increasing the level of work the service undertakes for businesses and other local authorities. This plan was approved in November 2016 at Policy Committee.
6. Part of the work in the CDU process included a detailed examination of all the relevant costs of the proposal in order to understand what the full cost recovery charge for Trading Standards professional services could be.

## **Commercial Development**

7. Commercial Development Unit experts were keen to ensure that as part of its commercial plan, the Service addressed any conflict of interest issues, whether real or perceived, that might arise where officers operated as a business advisor and as a regulator. To address any potential conflict, a separate team was created to provide paid for discretionary business support by dedicated officers. The team began operations in December 2016.
8. The new structure also meets the needs of our business customers for high quality, tailored advice, providing for higher levels of technical training and expertise of the staff in the team, and also an improved client management approach. The amended full cost recovery calculations have been based on this new team.
9. The work undertaken to develop the commercial proposal identified differences in both the way that commercial providers charge for their services, and the level of their charges. The current hourly fixed charging method used by Trading Standards historically was identified as being too rigid and not offering the flexibility to offer pricing in line with commercial providers.
10. To achieve the increases in income as soon as possible, and maintain the progress made so far, the review of fees and charges has been brought forward to January. This will allow new business to be undertaken at the new rates and using more commercially attractive pricing strategies earlier.

## **Current Pricing**

11. The Community Safety Committee approved the current fees and charges in March 2016, all on an hourly charge basis, as set out in the table below.

Weights and Measures (Metrology)	Verification and stamping of weighing and measuring equipment	£71 per hour (Weights and Measures Inspector), £39 per hour (Assistant)
Primary Authority	Support under an approved partnership	£64 per hour
Ad-hoc business advice and support	No partnership or existing relationship required	£77 per hour

Professional Services to External Enforcement Authorities	<p>Proceeds of Crime work</p> <p>Other projects and services bringing tangible benefits to the Authority (e.g. one-off programme of inspection)</p>	<p>£64 per hour (no incentivisation) or £44 per hour (plus negotiated share of incentivisation)</p> <p>Fee agreed by Group Manager on a case by case basis, but always in excess of full cost recovery of direct time of staff.</p>
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## Market for Services

12. Trading Standards can provide advice on compliance, audit and training. These markets are served by three types of commercial supplier:

- Small independent businesses;
- Medium sized/regional compliance specialists; and
- National and International companies, offering a full range of services.

13. The work undertaken by the service is unlikely to impact on the small independent businesses, but will be most similar to those offered by medium sized and regional operators.

14. Market research has shown that commercial pricing is not solely based upon an hourly charges, but includes a range of options including day rates, project costs, charges related to the value of the work, size of the company, industry accreditations schemes, and the qualifications of the staff delivering a service.

15. The most common charging mechanism for suppliers is based on a 'Day Rate'. The current industry average day rate for medium and larger businesses are;

- Medium £750 - £850
- National/International £1122 + £193 travel/subsistence

16. The current day rate equivalent charged by the service would be £512 for an 8 hour day, below the market rate.

## Recommended Pricing

17. The full cost recovery rate of the new commercial approach was calculated during the CDU process using a model provided by Corporate Finance colleagues. The full cost recovery rate for year one of operations gave an equivalent maximum hourly rate of £95.75 per hour. The calculation can be found in **Exempt Appendix One**.

18. This rate sets the maximum rate that can be charged. Financial systems to record and ensure the accuracy of this rate will be used.

19. In order to act in a more commercial and flexible manner, this report seeks approval to move away from the hourly charge for business support activities, to a more customer focused pricing structure. It is proposed that alternative pricing structures are used, allowing product specific, flexible pricing, and the scope to offer attractive price offers to businesses based on an assessment of relevant market conditions.
20. It is proposed that charges would be authorised by the Group Manager, Trading Standards and Community Safety, using the full cost recovery rate as the foundation for building them. The rates would be decided using a pricing model suitable for the market in which the service is operating and may vary prices in accordance with market conditions. The rate achieved for all new work reported back to the Committee for scrutiny purposes on a quarterly basis.
21. To choose appropriate models and charges, it is proposed that the following principles are applied:
- a. The maximum average hourly charge should never exceed the Full Cost Recovery rate.
  - b. Pricing models that can be utilised include:
    - Hourly rate;
    - Day Rate;
    - Project Cost; or
    - Specified Activity Cost.
  - c. The maximum day rate would be £766 for an eight hour day
22. In respect of charges made to other External Enforcement Bodies, the Service also receives requests to deliver one-off projects, for example a programme of inspections for another Local Authority. Because of the one-off/specialist nature of these approaches, and that they often bring other tangible benefits to the authority, it is proposed that in line with existing arrangements, the fee to be charged should be agreed by the Group Manager, Trading Standards and Community Safety on a case-by-case basis.
23. It is further proposed that that any fee agreed in such a way should not be below a rate equivalent to full cost recovery of the direct staff time spent delivering the activity.
24. Previous arrangements for weights and measures fees included a rate for technical assistants that may be required to accompany inspectors on site visits. The rate for an inspector is now reflected by the Full Cost Recovery Rate and with limited requirements for technical assistants it is proposed that the current rate of £39 per hour remains and is re-assessed in the 2018/19 charging review.

## **Other Options Considered**

25. All costing options and models were appraised as part of developing the commercial plan for the service as part of the Commercial Development Unit process. The proposal passed the scrutiny test of the Chief Executive panel, and was subsequently approved by Policy Committee on 16<sup>th</sup> November.

## **Reason/s for Recommendation/s**

26. The proposal allows a more market focussed pricing strategy which will enable the Authority to attract a higher level of income into the Authority, lowering the net cost of the service.

## **Statutory and Policy Implications**

27. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

28. Set out in the paragraph 11 to 24 above.

## **RECOMMENDATION/S**

1) That the Committee approves the proposals to use the revised Full Cost Recovery detailed in Paragraph 17 and adopt the charging approach and principles contained in the report.

**Paul McKay**

**Service Director South Nottinghamshire and Public Protection**

**For any enquiries about this report please contact:**

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## **Constitutional Comments (SLB 21/12/2016)**

Community Safety Committee is the appropriate body to consider the content of this report.

## **Financial Comments (CT 22.12.16)**

The financial implications are referenced in paragraph 28 of this report.

## **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None'

## **Electoral Division(s) and Member(s) Affected**

- 'All'