EXPLANATORY MEMORANDUM TO

THE GANGMASTERS (LICENSING CONDITIONS) (AMENDMENT) (FEES) RULES 2025

2025 No. 405

1. Introduction

1.1 This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Jess Phillips MP, Minister of State for Safeguarding and Violence Against Women and Girls at the Home Office confirms that this Explanatory Memorandum meets the required standard.

2.2 Jodie Gibson, Senior Civil Servant for the Home Office Sponsorship Unit at the Home Office, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Niall Donnelly at the Home Office Sponsorship Unit (telephone: 0300 072 7269 or email: ho.sponsorship.unit@homeoffice.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This statutory instrument amends the Gangmasters (Licensing Conditions) Rules 2009 (S.I. 2009/307) ("the 2009 Rules") to increase the fee amounts payable to the Gangmasters and Labour Abuse Authority (GLAA) relating to applications for (and renewals of) licences to act as gangmasters. Gangmasters is the name given to a business that provides workers to the fresh produce supply chain and horticulture industries. This change is being made to enable the GLAA to increase the actual amounts of fees charged for the exercise of its licensing regime.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instruments form part of the law of) is respectively England and Wales, Scotland and Northern Ireland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The GLAA is a non-departmental public body established by the Gangmasters (Licensing) Act 2004 to protect vulnerable and exploited workers across the UK. A principal responsibility of the GLAA is to regulate labour providers operating in the agriculture, horticulture, shellfish gathering and associated processing and packaging

industries (commonly known as 'gangmasters') to ensure they meet employment standards required by law, as well as taking enforcement action against those engaging in unlicensed or criminal activity. Section 11[1] and Schedule 2[2] of the Immigration Act 2016 extended GLAA's remit to investigate modern slavery across the wider labour market in England and Wales (i.e. not just covering the industries they regulate but the whole labour market).

5.2 The GLAA is funded by a combination of Grant in Aid (GIA) from the Home Office (£6.3m for 2024/25, split into resource costs of £6m and capital costs of £0.35m), and the income GLAA generates from fees charged to the labour providers it regulates (£1.2m for 2024/25) and a contribution from the department of Agriculture and Rural Development in Northern Ireland (£0.1m for 2024/25). The fees are charged to recover the cost of its licensing scheme whereby applicants pay a licence application and inspection fee, and once granted, an annual renewal fee to continue operating in the regulated sector. The fee model and amounts charged are prescribed under Rule 6 of the Gangmasters (Licensing Conditions) Rules 2009[3]. Fees are fixed in bands based on the turnover of the labour providers in the regulated sector.

5.3 A GLAA licence allows a labour provider to act as gangmaster if they meet the GLAA licensing standards. A labour provider must have a licence to work in the regulated sectors; it is a criminal offence to operate without one.

5.4 The GLAA fees have remained static since 2009. Whilst HM Treasury's (HMT) Managing Public Money (MPM)[4] requires GLAA to conduct an internal fee review annually, one was not undertaken until 2023/24. Sponsorship of the GLAA was transferred to the Home Office from the Department of Environment, Food and Rural Affairs in 2014. A fee review has not been undertaken since then, due to the GLAA focusing its resources and attention on handling significant changes such as the expansion of its investigative functions and undergoing a major organisational transformation to become more efficient and effective. GLAA has agreed with the Home Office that it will conduct annual fee reviews in the future.

5.5 MPM sets out that, as a matter or principle, the GLAA should meet the full costs of the service it provides while neither producing a loss or a surplus. When HMT last reviewed the GLAA' fee model in 2009 (prior to publication of MPM), they determined that GLAA should only charge for the costs of issuing and maintaining licences, and not for their activity related to non-operational costs, enforcement costs or costs associated with activity outside of the regulated sector. In practice, this on average equates to £4.4m of their total annual operating costs of £7.6m. Since this decision, the GLAA has not been able to recover the full cost of its operations through fees, despite costs increasing year-on-year due to increased running costs, increased inflation and because of the widening of its remit. The organisation has relied on GIA from the Home Office (as opposed to the product fee) to fund most of its annual expenditure. For example, in 2024/25, GLAA's total gross expenditure is forecasted at £7.6m, of which £6.3m is funded by GIA and £1.3m is generated from income revenue.

[1] Section 11 of the Immigration Act 2016: https://www.legislation.gov.uk/ukpga/2016/19/section/11/enacted
[2] Schedule 2 of the Immigration Act 2016: https://www.legislation.gov.uk/ukpga/2016/19/schedule/2/enacted
[3] Rule 6 of the 2009 Rules: https://www.legislation.gov.uk/uksi/2009/307/article/6/made
[4] HMT's guidance on the appropriate use of public funds. Managing Public Money (2012; last updated 2023): https://assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing_Public_Money_-_May_2023_2.pdf

5.6 The 2023/24 fee review established that raising the licence fees was needed for the following reasons:

a) to accurately recuperate licensing costs under the existing fee structure;

b) to allow the GLAA to deliver its licensing regime with less Government funding;

c) to reduce the burden on public finances funding GLAA expenditure;

d) to ensure GLAA takes a positive step towards achieving the Government's objective of becoming fully fee funded in compliance with MPM; and

e) to safeguard the GLAA to ensure it can continue to uphold labour standards and enhance public safety.

5.7 This instrument will amend the existing fee structure to enable the GLAA to increase their application, inspection, and renewal fees equally by around 55%, in line with cumulative inflation since 2009 (when fees were last changed).

5.8 The fees will therefore be increased as follows:

- Band A (for business with an annual turnover of £10m or more): Application and renewal fee increase from £2,600 to £4,000. Inspection fee increase from £2,900 to £4,500.
- Band B (for businesses with an annual turnover from £5m to less than £10m): Application and renewal fee increase from £2,000 to £3,100. Inspection fee increase from £2,400 to £3,720.
- Band C (for businesses with an annual turnover from £1m to less than £5m): Application and renewal fee increase from £1,200 to £1,860. Inspection fee increase from £2,150 to £3,330.
- Band D (for business with an annual turnover less than £1m): Application and renewal fee increase from £400 to £620. Inspection fee increase from £1,850 to £2,870.

5.9 This amendment will enable the GLAA to generate a total additional income in the region of £0.6m annually for its licensing service.

5.10 Whilst the uplift is expected to reduce the fee deficit, it will not result in the GLAA achieving full-cost recovery. The reason is twofold; firstly, the current fee model only allows charging for costs associated with the licensing regime and secondly not all licensing regime costs, namely associated corporate overheads, were included in the existing fee model. The total cost for GLAA to deliver the licensing regime is around £4.4m. The additional income of £0.6m is expected to increase the annual fee income to £1.8m. This leaves a revenue gap of approximately £2.6m for licensing costs. All other costs outside of the licensing regime totals £3.2m. This will result in a forecasted end-of-year fee deficit of £5.5m (excludes capital costs). Failure to implement any fee change would result in an even greater forecasted end-of-year fee deficit of £6m.

5.11 This increase does not aim to achieve full cost-recovery at this time. The purpose of raising the fees in line with cumulative inflation is to set a reasonable and proportionate amount that balances the need for increased fee income vs. the impact a larger fee rise may have on licence holders. Under the Employments rights Bill, introduced in Parliament on 10 October 2024[5], the Government outlined its plans to

[5] Employment Rights Bill: https://bills.parliament.uk/bills/3737

create the Fair Work Agency (FWA) which will see the primary functions and powers of the GLAA, along with two other labour market enforcement bodies[6], transferred into one agency (to be sponsored by the Department for Business and Trade)[7]. The FWA is expected to develop its own fee model which will overhaul GLAA's existing one. In this context, no long-term wholesale changes to the existing charging structure are intended at this stage. Nonetheless, the new level of increase will move towards compliance with MPM and put the organisation on a strong footing, ahead of the move to the FWA.

What was the previous policy, how is this different?

5.12 The last fee change in 2009 was made following the outcome of a review by HMT of the GLAA's fee structure in 2008. Prior to 2009, GLAA fees were set based on recovering total GLAA operating costs (excluding enforcement which was to remain Government funded). In 2009, HMT determined that fees should be based on the costs directly associated with issuing and maintaining licences rather than full cost recovery. The fee structure was altered to reflect this change, albeit the corporate overhead costs apportioned to the licensing scheme were not included. GLAA were no longer able to charge fees related to non-operational and enforcement costs or costs associated with activity outside of the regulated sector[8].

5.13 The policy intention is not to disrupt the current fee model but rather increase the amount of fees payable within the existing model and parameters of GLAA delivering its licensing scheme. The most recent fee review determined a fee increase was essential.

6. Legislative and Legal Context

How has the law changed?

6.1 The gangmasters licensing regime for the United Kingdom was established under section 8 of the Gangmasters (Licensing) Act 2004. The 2004 Act makes provisions for the GLAA to make rules to establish the necessary arrangements for operating the licensing scheme, the conditions that will apply, the licence application process and the licence fees payable.

6.2 The current fee requirements and fee structure, including charging amounts, are prescribed in secondary legislation under Rule 6 of the Gangmasters (Licensing Conditions) Rules 2009. There are three categories of fees for which applicants need to pay for a gangmasters licence under existing legislation: (i) an application fee; (ii) an inspection fee; and (iii) a renewal fee (annually). The applicant must pay the fee specified in the fee table at Rule 6(5) of the 2009 Rules according to the band appropriate to its annual turnover in the regulated sector.

6.3 The Gangmasters and (Licensing Conditions) (Fees) (Amendment) Rules 2025 will amend Rule 6(5) of the 2009 Rules to increase the application, inspection, and renewal fees payable respectively across all existing bands by around 55% where they are currently set out in the fee table (the new amounts are detailed in paragraph 5.8 above).

[6] The two other bodies being HMRC's National Minimum Wage Team and the Employment Agency Inspectorate.
[7] Further information can be found in the Government factsheet: https://assets.publishing.service.gov.uk/media/67125ae0e94bb9726918ee38/fair-work-agency.pdf
[8] Refer to paragraphs 7.5 & 7.6 of S.I. 2009/307: https://www.legislation.gov.uk/uksi/2009/307/pdfs/uksiem_20090307_en.pdf

6.4 The legal effect of the legislation is to implement a fee increase that prospective and existing licence holders will be required to pay to the GLAA, according to the relevant band.

Why was this approach taken to change the law?

6.5 A statutory instrument is the only possible approach to make the necessary changes as the fees are set out in secondary legislation.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Home Office has worked closely with the GLAA on this statutory instrument. Statutory consultation has been conducted with the Department of Agriculture, Environment and Rural Affairs of Northern Ireland, as reflected in section 10(3) under Schedule 2 of the Gangmasters (Licensing) Act 2004, and consent has been granted.

7.2 There is no statutory duty to formally consult publicly on the fee change and accordingly none was carried out. However, the GLAA did conduct a four-week engagement exercise with stakeholders, in line with the requirement under paragraph 2.1 of the Regulators Code[9]. During this period, all of the existing licence holders and trade associations were advised of the proposed change to the licence fees by email and a dedicated webinar. A small number of labour providers responded and were mainly not in favour of increasing fees due to concern around the affordability of the cost of the increase.

7.3 The GLAA collated queries from labour providers during the engagement period and published answers on their website[10], for transparency purposes, and to mitigate stakeholder concerns and inform the public about the proposals prior to the fee increase coming into force. The requirements of MPM inform the approach to fees in this instrument, with the change intended to increase the proportion of the GLAA licencing costs met through fees payable by licence holders, rather than through general taxpayer funding and put the GLAA on a stronger footing prior to transition into the FWA. The GLAA will continue to engage with labour providers and stakeholders following implementation of the fee change.

8. Applicable Guidance

8.1 This instrument does not implement or require formal guidance. The GLAA will inform its existing licence holders and sector stakeholders of the fee increase prior to and following the instrument coming into force via its website, social media, virtual events, and other channels of communication open to them.

8.2 Existing licence holders will further be notified of the new licence fees in advance of the date to renew their licence.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument, as it relates to a fee change outside the scope of the Better Regulation Framework. However,

[9] The Regulator's Code: https://www.gov.uk/government/publications/regulators-code
[10] https://www.gla.gov.uk/i-am-a/i-supply-workers/do-i-need-a-glaa-licence/how-much-does-it-cost/licence-fee-review-2025

proportionate economic analysis has been undertaken to accompany the instrument and presented in an Economic Note to be published alongside the Explanatory Memorandum.

9.2 The legislation increases the fees payable by labour providers equally across all fee bands. Based on figures from GLAA[11], there are on average 1,100 licence holders registered with the organisation at any one time, of which 57 fall under Band A, 63 under Band B, 235 under Band C and 745 under Band D. Taking account of the new fee rates per Band, the total annual estimated cost to the regulated sector of the fee increase is in the region of £0.6m. The associated benefits of the increase are detailed in paragraph 5.6 above.

9.3 The impact of the fees increase on economic growth has also been assessed with the help of Home Office economic analysts. On balance, because the additional income generated from the increase is minimal when compared to the size of the UK economy (£0.6m per year; because the fee increase is proportionate (only increasing by inflation); and because the proposal is deliberately constrained (only partially moving the GLAA towards full cost recovery), the fee rise is deemed to not have any material impact on economic growth.

Impact on businesses, charities and voluntary bodies

9.4 There is no impact on charities or voluntary bodies from the fee uplift as all current licence holders are businesses. The impact on business is likely to be minimal as the increase amounts to a low level of financial impact per business and the instrument maintains existing standards, as laid out in the Economic Note.

9.5 The legislation is more likely to impact on smaller businesses by taking up a greater share of their expenditure. These businesses may end up spending an extra 1.5% point of revenue on covering the uplift. This is based on the revenue of the lowest earning quartile of band D businesses. However, as the fee increase is marginal relative to small businesses' revenue, it is not expected to place a large burden on licence holders.

9.6 Furthermore, all labour providers in the regulated sector are subject to the fee increase. Given 89%[12] of licence holders are Small and Micro Businesses (SMBs)s, exempting them from paying for the licence fee would place a significant added financial pressure on the GLAA, which in turn would create a greater dependence on the public purse to fund the loss in fee income, in contradiction to the principles of MPM.

9.7 There is no, or no significant, impact on the public sector because licence holders affected by the fee increase operate within the private sector. There is expected to be a moderate saving to the public finances of £0.6m as GIA should be reduced commensurate to the additional income generated from the fee increase.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The additional income generated by this proportionate rise in cost recovery, will be subject to internal review by GLAA on a monthly basis, who will inform the Home Office of its effectiveness and the impact on demand levels.

[11] As of August 2024.

[12] Source: GLAA, based on a total of 980 businesses in Band C & D out of 1,100 licence holders.

10.2 The instrument does not include a statutory review clause. It is not appropriate in the circumstances to make provision for a review given the minimal likely impact on business and short-term nature of the measure. The GLAA will undertake an annual fee review as required by MPM. The Department of Business and Trade will also undertake a wider review of the GLAA fees structure as part of the transition into the FWA, which is expected to be implemented within the next 18-24 months.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As this instrument is subject to the negative resolution procedure and do not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").