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| Agenda Item | <b>11</b>        |
| Report No   | <b>RES/42/19</b> |

## HIGHLAND COUNCIL

**Committee:** Corporate Resources Committee

**Date:** 20 November 2019

**Report Title:** Change Fund Bid: Approved Trader Scheme

**Report By:** Executive Chief Officer Performance and Governance

### 1. Purpose/Executive Summary

- 1.1 A bid to the Change Fund for an 'Approved Trader Scheme' was agreed at Council on 31 October, subject to a business case being submitted to Corporate Resources committee for more detailed consideration. This is attached at Appendix 1.

### 2. Recommendations

- 2.1 Members are asked to:
- Note the attached Business Case; and
  - Approve the development of an Approved Trader Scheme for the Highland area.

### 3. Implications

- 3.1 Resources – the Scheme has received approval for funding from the Change Fund of £0.067M. This will pay for the appointment of 2 new staff members on a 1 year fixed contract plus the costs of setting up the Scheme.
- 3.2 Legal – issues relating to procurement and contract regulations will be fully assessed and accommodated as part of the project.
- 3.3 There are no equality, climate change/Carbon Clever, rural or Gaelic implications arising as a direct result of this report.

#### **4. Summary**

- 4.1 The Change Strategy report to Council in October set out a proposal for the establishment of an Approved Trader Scheme. Such schemes enable consumers to choose businesses that have been vetted by Trading Standards and have shown a high level of reliability. Further, if problems arise between a member company and a consumer, Trading Standards can mediate and broker a solution. Income is achieved through businesses paying an annual fee to be included in the Trusted Trader scheme.
- 4.2 Whilst approval was given in principle to the launch of the Scheme for both the financial and non-financial benefits that such a scheme would deliver, it was agreed that it would have been helpful to have included a business case as an appendix to the main report to enable Members to more closely analyse the proposal.

#### **5. Outline Business Case**

The Outline Business Case for the Scheme is attached at Appendix 1. This uses the standard Council template and covers a wide range of factors including a breakdown of the detail of the scheme, which includes 4 categories: Approved Trader Scheme and Building Trades Monitoring; Product Safety and Certification; Protecting the Intellectual Property of the Council; Taxis and Transportation. The OBC also details the resourcing of the project; Benefits Realisation; Case Studies; SWOT; financial projections and fee modelling.

#### **6. Timescales**

As much pre-work will be done as existing resources allow, but this will be limited and so the Scheme can only start to be developed in earnest once the two new posts have been filled. The team are aware of the need for pace and so the intention is to have the new scheme ready to market at the latest by the autumn of 2020, but sooner if possible in order to maximise the income generating opportunities. The income/savings projections are modest to allow for the scheme coming into operation part way through the year.

**Designation:** Executive Chief Officer, Performance and Governance  
**Report** Kate Lackie, Business Manager  
**Author:**  
**Date:** 12 November 2019



## Appendix 1

## ***Outline Business Case***

Trading Standards: Approved Trader Scheme and specialist reviews of some aspects of Council purchases

*Author(s): David MacKenzie and Mark McGinty (Trading Standards Team)*

| <b><i>Original</i></b>  |  |                            |                    |
|-------------------------|--|----------------------------|--------------------|
| <b><i>Version</i></b>   | <b><i>Author</i></b>                     | <b><i>Note</i></b>         | <b><i>Date</i></b> |
| <i>0.1</i>              | <i>David MacKenzie/<br/>Mark McGinty</i> | <i>First draft of OBC</i>  | <i>15/04/2019</i>  |
| <b><i>Revisions</i></b> |  |                            |                    |
| <b><i>Version</i></b>   | <b><i>Author</i></b>                     | <b><i>Note</i></b>         | <b><i>Date</i></b> |
| <i>2.0</i>              | <i>David MacKenzie/<br/>Mark McGinty</i> | <i>Second draft of OBC</i> | <i>18/09/2019</i>  |
| <i>3.0</i>              | <i>David MacKenzie</i>                   | <i>Third draft of OBC</i>  | <i>08/11/2019</i>  |

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## **1. Brief summary of the vision**

The Highland Council's Trading Standards team has a strong track record of protecting Highland consumers and reputable businesses: from tackling internet delivery surcharges to combatting doorstep crime and other scams; from ensuring dangerous goods are not available in Highland to guaranteeing correct quantity and measure. The team has extensive experience of a wide range of industries and trades and generally ensuring that people receive what they have paid for. Trading Standards needs to continually evolve its activities to meet the needs of consumers and reputable businesses. Further, it is time that the team's diverse skills were used to good effect in protecting the Council against poor service and a lack of value for money in its purchasing.

With tightening budgets and ever-increasing need to improve efficiency, much of Trading Standards work is focused on measures that prevent problems arising in the first place. This is done through extensive engagement with businesses and publicity campaigns. One mechanism that has not yet been used in the Highlands is an approved trader scheme.

The Council's Current Contracts Register lists contracts with a total value of well over half a billion pounds. At a time when the Council faces serious ongoing budget challenges, it is more important than ever that it utilises all relevant skills within the organisation to ensure value-for-money and make savings.

One method that has been effective in various parts of the country in driving up standards is the operation of approved trader schemes to promote best practice. While these are usually aimed at consumer contracts, many businesses that supply to Highland consumers also supply the Council. An approved trader scheme should improve value-for-money for all buyers, including the Council.

While the proposed trader scheme would be the centrepiece of this initiative, it would be supplemented by a range of activities where Trading Standards carry out internal reviews in a number of topic areas where their experience is particularly strong. These include:

1. Exploring options for contract monitoring in the building trades
2. Product safety and certification, e.g. construction products in building trades and PPE across various services
3. Protecting "Intellectual property" of the Council through the likes of Trade Marks and Copyright in a variety of areas, e.g. school uniforms
4. Use of Taxis and other transportation.

It is proposed that the team is tasked with auditing and making appropriate recommendations in these four topic areas, across the activities of the Council. The benefits will include:

- Increased income from fees from a new approved trader scheme which businesses will be encouraged to join if they are to continue to provide goods and services to the Council.
- A variety of efficiencies in the areas and services audited
- Better working practices across the Council in relation to the four topics

While it is expected that efficiency savings will be identified during the one-year duration of the project, it is likely that more significant opportunities for further savings will be identified, leading to further proposals for possible implementation in later phases of the Change programme.

## **2. Who needs to be involved?**

Although there would require to be widespread consultation with individuals in all of the Council's Services, the actual work of this project would be carried out exclusively by officers working in Trading Standards and under the supervision of the Trading Standards Manager. In addition to extensive experience in Trading Standards enforcement activities, several officers are IRCA-qualified<sup>1</sup> Lead Auditors.

The project will be led by the Trading Standards Manager and the Team Leader, both of whom have extensive experience of working on internal Highland Council change activities. The Team Leader is one of the Council's trained Lean Six Sigma auditors and has been involved in a number of Council Redesign projects. The Manager led on a recently-completed Redesign Peer Review on Agency and Casual staff. Both are well-versed in the rationale behind the Council's approach to Change.

## **3. The Proposal**

The proposal includes has one central workstream: approved trader scheme and monitoring of the building trades. It also has five secondary workstreams related to internal reviews related to Council purchases: product safety and certification; protecting "intellectual property" of the Council; weights and measures; taxis and transportation. These are explained below.

### **Approved Trader Scheme and building trades monitoring**

Building services is a sector that generates a high number of consumer complaints to Trading Standards. This includes the full range of trades: builders, joiners, electricians, plumbers, painters, etc. In some cases rogue traders are "scamming" consumers, but in many others the failings are not deliberate: instead it may be a lack of care, a lack of the necessary skills, over-reach on work acceptance, and so on. Whatever the motive of the trader, or the details of a situation, if the buyer is not receiving what they have paid for, there is a problem. Trading Standards officers

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<sup>1</sup> IRCA is the International Register of Certificated Auditors

have regular contact with traders in this sector and wide experience of tackling both fraudulent behaviour and contract failures.

A number of local authorities<sup>2</sup> across Scotland and the UK operate approved trader schemes. These contribute significantly to consumer protection in those areas by improving standards. They also provide an opportunity for good local businesses to promote their goods and services through a trusted local “badge” of quality.<sup>3</sup>

This Change proposal is to introduce a scheme in Highland that brings those benefits to both consumers and businesses. But it also looks to take this approach a stage further by applying this expertise on protecting consumers to protecting the Council.

Such a scheme would involve vetting and monitoring of the traders’ activities by Trading Standards. It would be available for all businesses but – as with such schemes elsewhere – there would be a focus on building trades. Participation in the scheme would give the Council assurance that a business was reliable and likely to perform well. This could in turn be monitored by Trading Standards officers who would have considerable leverage over the business due to the requirements of the scheme.

Much can be learned from the experiences of other authorities that have run schemes, making the setting up of a scheme more straightforward now than a few years ago. Several models exist and the intention is to select a rigorous approach that has worked well in practice elsewhere, and tailor it to Highland needs. What has not been done before is the aligning of the operation of a approved trader scheme with protection of the Council’s spending. However, there is an obvious fit here and Highland’s Trading Standards team are ready to pursue this pioneering element of the proposals.

Some discussions with stakeholders, including business groups, have been initiated and detailed consultation will follow, particularly with the business community in the Highlands. The form and operation of a scheme must fit Highland needs.

So, the benefits of an approved trader scheme would be threefold:

- For consumers: improved protection through increased standards
- For business: marketing opportunities through mark of quality and potential of more trade resulting from improved consumer confidence
- For the Council: better performance by suppliers to the Council who are scheme-members

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<sup>2</sup> Dundee, Edinburgh, Dumfries and Galloway, Angus, see: <https://www.trustedtrader.scot/list-of-trusted-trader-schemes.php> and <https://approvedtrader.scot/>

<sup>3</sup> See: <https://www.trustedtrader.scot/TrustedTrader-Case-Studies.php>

Following discussion with the Council's Repairs Management Team, it is evident that the Council experiences the same difficulties as consumers when tackling problems in this area. To this extent Trading Standards could be afforded the same level of investigatory power provided for consumers, to deal with contract compliance issues experienced by the Council. This would be a potential additional benefit but any such activities must comply fully with Procurement rules. The proposed initiative would explore these opportunities, working closely with Procurement. Representatives of Repairs Management were also very supportive of an approved trader Scheme having benefit for the Council.

### **Product safety and certification**

A key responsibility of Trading Standards is ensuring the safety of products and expertise in this area could have several important applications within the Council. The two that would be focussed on during this project would be:

- Construction products in the building trades
- Personal Protective Equipment (PPE) across a range of services

All products used in construction should be made to approved standards and be "CE-marked" to demonstrate this. It is unclear at the moment precisely how Brexit will affect this, but in any event the quality and safety of products used in construction will continue to be a key issue for both the Council as a purchaser and for the public. The proposal is to audit how the Council tackles this issue as a buyer with a view to highlighting and resolving any problems identified and generally improving practice.

PPE is used by a wide variety of Council workers: from Roadworkers to Environmental Health Officers, from Cleansing Operatives to Planners. Stringent legal provisions apply to the manufacture, importation and supply of PPE, with Trading Standards the enforcement agency responsible in the retail environment. The proposal is to apply this expertise to ensuring the Council is being supplied appropriately and with value-for-money.

### **Protecting "Intellectual property" of the Council**

Trading Standards has extensive experience dealing with "intellectual property" (IP), i.e. the protection of intangible things that only the owner or creator should have the right to use, through mechanisms like registered trade marks, copyright, designs and patents. This work includes investigation of crime such the production and sale of fake goods. But it also includes "constructive" approaches such as assisting local businesses in the protection of their own IP.

The proposal is to carry out an analysis of the Council's IP and consider how the management of this can be improved, with a view to delivering savings and generating income. One area that will be explored closely is school IP and in

particular uniforms. Trading Standards has received a number of complaints about businesses allegedly unfairly profiting from selling school uniforms without the school or the Council’s permission. On some occasions this has been found to be lawful because steps had not been taken to protect the IP (e.g. names, badge-designs). A new approach to this could generate extra income for the Council.

**Taxis and Transportation**

The regulation of taxis in Highland is carried out by Trading Standards. This involves regular contact with the trade through meter tests, rank inspections, vehicle safety assessments and investigating consumer complaints. There are approximately 700 licensed vehicles in Highland.

The Council’s Contracts Register lists over £100 million worth of contracts for the provision of personal transportation. It is a significant spend and this part of the project will use the experience of Trading Standards in the taxi sector to conduct an analysis of this spend with a view to assessing performance and identifying improvements.

**4. Connection to Change Priorities**

**How does it link to the Council’s Change Strategy “[A Sustainable Highland](#)”?**

|   |   |
|---|---|
| <p>Theme 2:<br/>Commercialisation<br/>and Income<br/>Generation</p> | <p>The project will foster a more commercial approach to spending public money in the identified areas. Contract monitoring and auditing of goods and services provided will improve value-for-money. The project will also strengthen the Council’s capabilities to ensure ongoing value-for-money across a range of service provision. Income will increase from the introduction of an “approved trader” Scheme.</p> |
| <p>Theme 3:<br/>Redesign and<br/>Improvement</p>                    | <p>Utilising relevant skills from Trading Standards will bring about improvements in the way a variety of activities are conducted. The main focus will be steps taken to ensure that suppliers of goods and services to the Council are reliable and are providing value-for-money.</p>  |

**5. Funding**

The bulk of the project work will be carried out by existing experienced Trading Standards officers supplemented by temporary staff. During a restructure in 2016, the Trading Standards team was reduced in size and limited to essential statutory duties only. There is no capacity in the team to carry out extra functions.



It is proposed that two temporary positions are approved: one Enforcement Officer and one Assistant Trading Standards Officer (“ATSO”). Experienced and specialist officers are required for some of this project’s work and so the holders of the temporary posts would combine working on the project activities with covering some of the simpler day-to-day work of the specialist officers. The “backfill” arrangements can enable the Council’s statutory Trading Standards functions to be fully delivered at the same time as these change proposals.

The Enforcement Officer post carries a salary of HC07 and an ATSO HC06. So, for two 1-year posts, the cost to the Council would be £62,000. A further £5000 is required to set up the approved trader Scheme. The total cost would be **£67,000**.

Any other staff resources, equipment or transport costs would be met from the existing Trading Standards budget.

**6. Benefits realisation: Financial, Social & Environmental**

| <b>Benefit type</b>  | <b>Benefit</b>   | <b>Measure</b>  |
|----------------------|--|---|
| <b>Financial</b>     | <ul style="list-style-type: none"> <li>• Increased income from approved trader scheme and development of Intellectual Property</li> <li>• Reduced spend on contractors through better performance</li> </ul>   | <ul style="list-style-type: none"> <li>• Fees</li> <li>• Spend on contractors</li> </ul>  |
| <b>Social</b>        | <ul style="list-style-type: none"> <li>• Approved trader scheme will benefit Highland consumers as it will apply to retail goods and services.</li> <li>• Assurance of quality from approved trader scheme should improve consumer confidence and therefore profitability of local businesses</li> </ul> | <ul style="list-style-type: none"> <li>• Consumer Complaint statistics</li> <li>• Consumer surveys</li> <li>• Business Surveys</li> </ul> |
| <b>Environmental</b> | <ul style="list-style-type: none"> <li>• Less product waste</li> <li>• Less goods in circulation</li> </ul>  | <ul style="list-style-type: none"> <li>• Only goods required will be used</li> </ul>  |

**7. Precedent / Case Studies**

Several local authority Trading Standards teams have implemented successful approved trader schemes. These enable consumers to choose businesses that have been vetted by Trading Standards and have shown a high level of reliability. Further, if problems do arise between a member company and a consumer, Trading Standards can mediate and broker a solution.

However, it is understood that this approach has not been further used as a focus for protecting the spending of local authorities. In that sense, this proposal is groundbreaking. Highland Council’s Trading Standards team have successfully pioneered a number of innovative new approaches to consumer protection work. These include: a unique partnership with local CABs; innovative methods to tackle doorstep crime; a unique penalty points system for regulating taxis; leading Scotland in the use of civil law procedures to tackle unfair trading. The operating culture within the team is to relish and rise to new challenges of this kind.

**8. SWOT analysis of the opportunity**

| <b>Strengths</b>  | <b>Weaknesses</b>   |
|---|---|
| <ul style="list-style-type: none"> <li>• Guaranteed income from approved trader scheme</li> <li>• Utilising valuable skills to benefit the Council financially and professionally</li> <li>• Improving practice in a variety of Council areas</li> <li>• Better consumer protection service for the Highlands through approved trader scheme</li> </ul> | <ul style="list-style-type: none"> <li>• Some of the areas identified for audit and improvement are not well-known to the officers</li> <li>• May not deliver full income in first year</li> <li>• Savings unpredictable</li> </ul> |
| <b>Opportunities</b>  | <b>Threats</b>  |
| <ul style="list-style-type: none"> <li>• Potential for further income generation</li> <li>• Chance to challenge outmoded approaches</li> <li>• Change attitudes to protecting the Council’s money through checking purchases</li> </ul>   | <ul style="list-style-type: none"> <li>• Poor uptake of approved trader scheme</li> <li>•</li> </ul>  |

**9. What level of control do we have?**

The project will be delivered almost entirely in-house and without the need for significant partnerships with external organisations or reliance on third parties. However, it will require co-operation from a range of individuals within the Council who work in the affected areas.

The approved trader scheme may involve commissioning some work from a database provider but this is seen as low-risk as there is successful precedent for these services being provided in other parts of the country.

**10. Financial projections**

There will be direct extra income from approved trader fees. Three models will be considered:

Option 1. Flat rate fee of £250 p.a.

Option 2. Flat rate fee of £250 p.a. plus initial joining fee of £100

Option 3. Graduated fees, based on size of business

The table below gives projected income figures for the first year, based on Options 1 to 3 and on differing numbers of businesses joining. The Council Contracts Register lists just under 1000 businesses, the building trades framework has 500. If even a quarter of these joined the scheme, the costs of this project would be covered. Scheme numbers and income would also be boosted by members joining from the retail businesses in Highland that do not trade directly with the Council.

In Year 1, companies on the Contracts register and building trades framework would be targeted for membership and be the central focus of the recruitment campaign. At the same time, however, the scheme would be open to any business operating in the Highlands and it is anticipated that there would also be uptake from businesses that have no interest in selling to the Council. In these circumstances, significant Year 1 income is expected, with around 200 to 300 members enough to cover Year 1 costs (depending on the model adopted).

### Fees Options

|                   |     | Fees Charged |          |                       |
|-------------------|-----|--------------|----------|-----------------------|
|                   |     | Option 1     | Option 2 | Option 3 <sup>4</sup> |
| Number of Members | 100 | £25,000      | £35,000  | £23,500               |
|                   | 200 | £50,000      | £70,000  | £47,000               |
|                   | 350 | £87,500      | £122,500 | £82,250               |
|                   | 500 | £125,000     | £175,000 | £117,500              |

### Financial Benefits

| Topic                            | Nature of Saving/Income   | Financial benefit target <sup>5</sup> (Year 1) |
|----------------------------------|---|--|
| Monitoring of Trades             | Reduction in tender pricing; Breach of contract reparation; approved trader income                        | <b>£70,000</b>                                 |
| Product safety and certification | Breach of contract reparation; assured safety – lesser insurance/risk of incident; approved trader income | <b>£10,000</b>                                 |
| Intellectual Property            | Income through authorisation rights; increased sales.   | <b>£5000</b>                                   |
| Taxis and transportation         | No non-value added expenditure; assessed route expenditure; approved trader income                        | <b>£10,000</b>                                 |
| <b>TOTAL</b>                     |   | <b>£95,000</b>                                 |

Future financial benefits are very difficult to quantify accurately and will depend on two main variables:

<sup>4</sup> Based on three bandings: Microbusiness £100; Smaller SME £250; Larger SME/company £400 (on a 40%/30%/30% ratio).

<sup>5</sup> Based on low to mid combination of fees plus members recruited.

- The findings of the internal enquiries and extent of financial opportunities
- The continued investment or otherwise in the initiatives (i.e. temporary staffing).

These are best estimates currently available for possible Year 2 and Year 3 financial targets

|  | <b>Approved trader<br/>“profits”</b> | <b>Efficiency savings<br/>across the Council</b> | <b>TOTAL</b> |
|--|--------------------------------------|--|--------------|
| Year 2<br><i>without</i><br>temp staff | 0 - £5000                            | 0  | 0-£5000      |
| Year 2 with<br>temp staff <sup>6</sup> | £25,000                              | £40,000  | £60,000      |
| Year 3<br><i>without</i><br>temp staff | 0 - £5000                            | 0  | 0-£5000      |
| Year 3 with<br>temp staff              | £20,000                              | £30,000  | £50,000      |

### **11. Enabling actions required**

- Funding for temporary posts.
- Authority to advertise and recruit temporary staff
- Obtain assurances of reasonable co-operation with Trading Standards from affected staff and Managers across the Council Services

### **12. Timescales and a summary of the key work tasks**

If this proposal is approved, work will begin immediately on producing detailed plans for its implementation and on recruiting the temporary staff. Target for completion of these activities is 1 April 2020. It is not possible to commence the actual activities until the recruitment is complete. The project itself will then commence on 1 April 2020 and it will run for 12 months until 31 March 2021. See the table below for indicative timescales (note that more detailed planning with milestones will be produced for each workstream during the detailed planning phase up to 1 April 2020).

| <b>Task</b>  | <b>Led by</b>             | <b>Staff</b> | <b>Completion</b> |
|--|---------------------------|--------------|-------------------|
| Detailed planning of activities, including identification of existing staff for particular roles in the project. Integration of Change project plans into Operational Plan and general work of Trading Standards team. | Trading Standards Manager | Team Leader  | 1 April 2020      |
| Recruitment to temporary posts   | Trading                   | Team         | 1 April 2020      |

<sup>6</sup> i.e. temporary Enforcement Officer and ATSO as in Year 1.

|  |                   |  |                            |
|--|-------------------|--|----------------------------|
|  | Standards Manager | Leader                                 |                            |
| Options appraisal of models for approved trader scheme               | Team Leader       | TS Manager, 1 x TSO*                   | 1 June 2010                |
| Design and implementation of approved trader scheme                  | Team Leader       | TS Manager, TSO, 2 x EOs** ATSO***     | 1 September 2020           |
| Initial marketing campaign to recruit businesses to scheme.          | TSO               | TS Manager, Team Leader, 2 x EOs, ATSO | 1 September -November 2020 |
| Continued recruitment of members                                     | TSO               | All staff                              | ongoing                    |
| Initiate Workstream 1: Trades  | Team Leader       | TSO, EO, ATSO                          | 1 May 2020                 |
| Initiate Workstream 2: Product Safety and Certification              | Team Leader       | TSO, EO, ATSO                          | 1 May 2020                 |
| Initiate Workstream 3: Intellectual Property                         | TS Manager        | EO                                     | 1 May 2020                 |
| Initiate Workstream 4: Taxis and Transportation                      | Team Leader       | 2 x EO, ATSO                           | 1 May 2020                 |
| Update reports to Change Board                                       | TS Manager        |  | As and when required       |
| Completion of all workstreams  | TS Manager        | All                                    | 31 March 2021              |
| Full project report, including recommendations for future activities | TS Manager        | Team Leader                            | 1 July 2021                |

\*Trading Standards Officer

\*\* Enforcement Officers

\*\*\*Assistant Trading Standards Officer

### **13. Conclusions**

This project will strengthen the consumer protection system in the Highlands through the establishment of an effective approved trader scheme. This will create significant benefits for both consumers and reputable traders in Highland.

Further, this proposal seeks to utilise existing skills within one team in the Council to improve practice, make savings and increase income generation within the Council. Direct revenue will be raised through approved trader membership fees.

The projected income/savings for Year 1 are modest, to reflect a degree of uncertainty about the level of take up for the new approved trader scheme and also because a full year's income will not have been achieved. Once the scheme is up and running, a revised income target will be set for year 2.

Although hard to quantify at this stage, it is thought likely that further savings or income will be identified from the four subsidiary workstreams. Furthermore, better, more effective practices will result, potentially making significant efficiency savings;

better use of Council spending; and more obtained in return for the Council's spending.

Further, it is anticipated that the project will produce further proposals for action in potential Years 2 and 3 which could achieve further savings and income. Examples may be increased contract monitoring of building trades and a more commercial, IP-based approach to school uniforms sales.

#### **14. Decisions sought**

**Approval is sought for:**

- 1. The recruitment of two temporary posts: one Enforcement Officer and one Assistant Trading Standards Officer**
- 2. The setting up of an approved trader scheme by Trading Standards**
- 3. The commencement of work on the six workstreams outlined in this paper.**