

DERBYSHIRE COUNTY COUNCIL

MEETING OF CABINET MEMBER – HEALTH AND COMMUNITIES

07 June 2018

Report of the Strategic Director – Commissioning, Communities and Policy

DERBYSHIRE TRUSTED TRADER MEMBERSHIP FEES

1 Purpose of the report:

To seek Cabinet Member approval for an increase in membership fees for the Derbyshire Trusted Trader Scheme.

2 Information and analysis:

The Derbyshire Trusted Trader Scheme was set up in November 2008 to give local people access to local, reliable traders that are committed to providing a good service for a fair price.

The success of the scheme over the past 10 years can be attributed to the fact that it helps both consumers and local businesses. Consumers have a significant pool of reliable traders to pick from and local businesses get a reputational benefit from their association with the County Council and the fact that they're vetted by trading standards staff.

The intention of the Scheme was always to protect local consumers and support businesses and when it was established in 2008, charging for council services was not widespread. Consequently, the fee structure was not set at a level which would fully recover the cost of running the scheme.

Due to the ongoing reductions in funding for local authorities, it is appropriate to review the fee structure and seek to close the gap between the cost of running the scheme and the income received from members. In May 2014, the Cabinet Member agreed to increase the membership fee in two stages; in September 2014 an increase from £38 to £50 for sole proprietors / social enterprises and from £54 to £75 for limited companies. The second stage, implemented in September 2015, raised the annual membership fees again to £70 and £100 respectively.

Not surprisingly, this increase has had an impact on membership numbers, they have fallen from a high of 1,340 at 31 March 2013 to 1,132 at 31 March 2018 - a 16% reduction.

The total income from membership fees, however, has increased by over 50% over the same period as shown in Table 1 below.

Table 1 – Membership Levels, Income per year and Fee Structure

Year end	2013-14	2014-15	2015-16	2016-17	2017-18
Fees	£38/£54	£50/£75	£70/£100	£70/£100	£70/£100
Income	£44,100	£52,160	£72,955	£82,986	£79,005
Annual change in Income (%)	12.6%	18.3%	39.9%	13.7%	-4.8%
Number of Trusted Trader Members	1,296	1,290	1,250	1,192	1,132
Annual change in Membership (%)	-3.3%	-0.5%	-3.1%	-4.6%	-5.0%

Given the financial challenges faced by the Authority, it is important to seek to maximise income from discretionary services such as the Derbyshire Trusted Trader Scheme. This was reinforced with the following recommendation in a recent Internal Audit report:

Consideration is given to conducting a cost-benefit analysis for the Trusted Trader Scheme to ensure that it is providing benefits to the community which were initially envisaged. The analysis should include an assessment of the complaints made against Trusted Traders in the past year to ensure that costs associated with investigations are considered. If the Scheme is to continue a study should be carried out to ascertain if an increase in fees would have an adverse impact on income received due to the number of Traders who may drop out.

It is likely that an increase in fees will result in a further reduction in the number of members of the scheme, however, providing the drop-out rate is less than 10% there should be an increase in income. The greater the increase in fee, the higher the potential drop-out is likely to be, and there is a risk that the benefits to the community – or social value – will fall if the public have fewer Trusted Traders to choose from. Therefore, it is suggested that a relatively moderate but progressive increase in membership fees is desirable to reduce the gap between income and the cost of operating the Trusted Trader Scheme.

Table 2 below proposes an increase in Membership fees of £5 per year over the next four years for sole traders / social enterprises and £10 per year for larger businesses. This would equate to a percentage increase of between 6% and 7% for smaller businesses and between 8% and 10% for the larger businesses.

Table 2 Proposed Increase in Fees 2018/19

Business type	Current	2018/19	2019/20	2020/21	2021/22
Sole traders (and social enterprises)	£70	£75	£80	£85	£90
Other businesses (partnerships and limited companies)	£100	£110	£120	£130	£140

Although the proposed increase is higher than the current rate of inflation, it should be noted that there has been no increase in fees since September 2015.

Under the terms of the current Trusted Trader Code, the Authority is obliged to give three months' notice to Trusted Trader Members of any proposed increase in Membership Fees. This would mean that any proposed increase in membership fee would not be applicable until after 7th September 2018. It would also only take effect when members seek to renew their annual subscription. A slightly higher increase for larger business is proposed as the benefits are seen to be greater the larger the business.

It is also proposed that there should be a minor change to the current code. Whilst this report recommends an annual increase over the next four years, it is also proposed that the notice period for introducing a fee increase is reduced from three to one month.

To put the proposed fee increase into context, comparisons have been made with two similar schemes that are supported by other authorities in the East Midlands – albeit these schemes have a national rather than local reach.

Buy With Confidence was the first nationally available local authority scheme. Would be members have to pay an initial application fee of between £125 and £208 depending on the size of the business (up to 50 employees); and then an annual fee of between £250 and £500. The fees for businesses with more than 50 staff are determined on a case by case basis.

Checktrade is supported by Nottinghamshire County Council and Nottingham City Trading Standards Services who between them have some 320 businesses registered. The membership fee for Checktrade is currently £800 (plus VAT) for a web-based membership and £1,040 (plus VAT) for full membership; which adds inclusion in a printed directory.

Whilst Derbyshire could increase membership fees to join the Trusted Trader Scheme further, it is anticipated that smaller business will decide not to renew rather than pay a higher charge on the basis that:

- Many smaller businesses rely, to some degree, on repeat business.
- A proportion of businesses are content with their current order book and do not want to 'grow' their business any further.
- Some businesses do not necessarily generate sufficient business through the Scheme to warrant the additional cost of membership.

It is also anticipated that larger business that do value the scheme will pass on any increase in membership fees to their customers. As previously intimated, the original objective of the Scheme was to provide the public with access to local, reputable businesses prepared to do a decent job for a fair price and to dissuade local consumers from dealing with itinerant trades people who arrive unsolicited offering to provide goods and services 'on the doorstep'.

The Trusted Trader Scheme will never eliminate all complaints about traders; indeed, the recent Internal Audit report suggests that there have been 278 complaints from December 2016 to the end of November 2017. However, in the context of the many hundreds of thousands of transactions completed each year and the estimated 12,000 complaints lodged by Derbyshire consumers each year, a figure of less than 300 is not considered to be significant – equating to one complaint about a member business every 4 years. It should be noted that as of March 2015 when the total membership of the Scheme was 1,290, according to responses made to annual membership survey, the average turnover of these businesses was £283,000 which means that £365 million worth of business was generated by members of the Derbyshire Trusted Trader Scheme.

In addition, Derbyshire residents who make a complaint about a Trusted Trader Member can do so in the knowledge that trading standards staff will look into the complaint, and if justified, seek to encourage both parties to resolve the issues raised.

The Derbyshire Trusted Trader Scheme remains popular with both local residents and businesses that have joined the scheme. A summary of the results of the annual survey of scheme members is provided in the appendix to this report.

It should also be noted that in November 2018, Derbyshire County Council has the opportunity to celebrate 10 years since the launch of the Derbyshire Trusted Trader Scheme. It is suggested that local traders should be reminded of the benefits of joining the scheme which are also provided in the appendix to this report.

4 Financial considerations:

As outlined in the body of the report

5 Other considerations:

In preparing this report the relevance of the following factors has been considered; financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

6 Background Papers:

Held on file within the Commissioning, Communities and Policy Department.
Officer contact details – Robert Taylour, extension 39830.

7 Key Decision:

No

8 Call-in:

Is it required that call-in be waived for any decision on this report?

No

9 Strategic Director Recommendation:

That the Cabinet Member approves increases in the Annual Membership Fees for the Derbyshire Trusted Trader Scheme from 7th September 2018 as outlined in the body of the report.

Emma Alexander
Strategic Director – Commissioning, Communities and Policy

Appendix 1 Feedback from a survey of Derbyshire Trusted Trader members

Surveys of Trusted Trader members are conducted on an annual basis and trading standards staff respond to any suggestions made and try to address any problems raised. In 2018, 262 of the businesses gave their views, which is fewer than in previous years. Some of the key points from the most recent survey were:

- 87% of respondents believe that membership of the Scheme has had a beneficial effect on their business. This is slightly below the last two years, but consistent with the average for the previous five years.
- They report that Trusted Trader has increased their customer numbers by an average of between 13% and 27%; with eight business indicating an increase in customers of over 75%.
- More than three quarters of members said that they had received more business as a result of the scheme
- Approximately 60% of Trusted Traders stated that they do not advertise or have not saved on advertising costs as a result of being a member of the Trusted Trader Scheme. The remainder of those that responded estimated that they saved an average of between £70 and £140 on advertising because of the boost that the Derbyshire Trusted Trader Scheme gives them.
- 94% of Members felt that membership gave their customers more confidence about using them which is consistent with previous surveys. 2% said no and 4% said that they weren't sure which may reflect that they were new to the scheme.
- 88% of respondents felt that Membership of the Scheme represented good value for money, which is consistent with previous surveys.
- 92% believed that it was important to publish feedback from customers on the Trusted Trader website

Previous survey results are available on the Derbyshire County Council website via the following link:

http://www.derbyshire.gov.uk/community/trusted_trader/trusted_trader_members/default.asp

Appendix 2 – Benefits from Membership of the Derbyshire Trusted Trader Scheme

- More work
- Value for money compared with similar schemes
- Trusted reputation – makes customers more confident
- Use of the Derbyshire Trusted Trader branding – which is instantly recognisable within the county and includes window and van stickers
- A dedicated Trusted Trader page on the Derbyshire County Council website to promote their business and showcase customer feedback
- Promotion via DCC publications and PR team
- Advice on consumer protection law – two hours free per year.
- A Members' newsletter issued electronically two or three times a year
- Support in any customer disputes – trading standards staff will get involved and try to find a mutually acceptable solution.