

**Item 4**

## **Proportionate Regulation**

### **Purpose of paper**

To seek the input of the LGA Executive on the opportunities to reposition the role that councils have in regulation of local businesses and the contribution this work can make to the priorities of the LGA for 2013/14 under a proposal for 'A New Model for Local Government'.

### **Summary**

Against a backdrop of financial strain on businesses, consumers and the public sector, the Stronger and Safer Communities Board is leading work to consider what local regulation of businesses should look like in the future. Our work with authorities on economic growth has shown a strong desire for the LGA to consider what options there are to reduce the red tape associated with local regulation, whilst still protecting communities.

However, recent revelations about fraud and deception within the food industry have since raised questions about whether businesses are really ready to play their role in a different regulatory landscape. It is therefore timely for the LGA to lead an open and frank debate with Members that can ensure our regulatory services are able to face the scrutiny of both consumers and businesses into the future.

### **Recommendation**

LGA Executive to comment on the planned approach and identify other areas for examination.

### **Action**

Officers to progress as appropriate.

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## **Proportionate Regulation**

### **The role of growth in a 'New Model for Local Government'**

1. Councils can make a valuable contribution to the recovery of the UK economy through their leadership and understanding of local businesses. Their role continues to be highlighted under new initiatives focused on the needs of businesses and promoting economic growth, such as Local Enterprise Partnerships (LEPs), City Deals and local business rates retention.
2. Economic growth and job creation continues to have strategic importance for councils and not only remains a priority in the LGA business plan, but will be a core strand within our 'New Model for Local Government'. This work aims to clearly articulate the council role in growth, considering both the action required from Government and leadership needed by councils to deliver these ambitions.
3. The debate about what the future of local regulation should look like is included in our work on growth and there are therefore opportunities to engage further with the sector during the deep dive sessions and regional road shows over the next six weeks.

### **The future of local regulation – 'Open for business'**

4. Local regulatory services work on a daily basis with businesses across the country, whether this is through trading standards, environmental health or licensing. In many cases it is through these services that businesses have their primary interface with their council and if local government is to effectively play its part in the growth agenda then it is vital that we get these services right.
5. Regulatory services are already working hard to cut through red tape for local businesses and help them to comply with the law. The work they carry out to tackle those that persistently break the law promotes a level playing field, which means responsible businesses have the confidence to invest, grow and create new jobs. However, the reality is that businesses still continue to express anxiety about the negative impact of regulation and regulators. In the Federation of Small Businesses 2012 annual survey, 31 per cent of their members cited regulation and enforcement as a barrier to success.
6. Against a backdrop of economic uncertainty and a continuing concern about the negative impact of regulation, it is absolutely right for councils to consider their role in regulation. We want to be sure that all our services are reducing red tape for responsible businesses and encouraging economic growth wherever possible. Recent revelations about fraud and deception within the food industry now mean there is a heightened interest in the role of regulation and the LGA is well placed to put forward some new ideas.

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**Protecting our residents and local businesses**

7. In the past few weeks, it has been confirmed that a small number of beef products sold by some of the most recognised and reputable companies in the UK contain varying amounts of horsemeat. This incident is a reminder of the important role that regulation has in protecting consumers from deception and defending the most vulnerable in our communities from harm.
8. Local trading standards and environmental health services have a central role supporting food businesses to comply with the law and taking action against those that deliberately flout regulations. As a result of the horsemeat scandal, local services are facing increasing scrutiny about whether falling resource levels and a significant drop in the number of food samples taken could leave consumers vulnerable to fraud or even health risks. In September 2011 the then Local Better Regulation Delivery Office (LBRO) published a paper on local regulatory services budgets for 2011/12. The paper showed an 8.8 per cent decrease in expenditure on regulatory services in England, with trading standards budgets being hit harder than Environmental Health (including licensing), with a decrease of 11.4 per cent compared to 8 per cent in England. Food Standards Agency (FSA) figures show a fall of 46 per cent in food standards sampling across the UK between 2009/10 and 2011/12.

**Balancing the debate**

9. It is therefore increasingly important that the LGA leads an open and frank debate on the future of local regulation. Our aim would be to develop an approach to regulation that not only reassures our communities, but also ensures that the many responsible businesses have the freedom to flourish.
10. Members have agreed that we must seek out every opportunity to address any areas that may be hindering economic growth and creating a barrier for businesses to succeed. We therefore need to reposition local regulation so that it is at heart of growth, a flexible system, built on a solid understanding of what businesses need, rather than a framework of central control and restriction.
11. However, it is not only our residents that are clear they want protecting from unfair and dangerous business practices. Industry representatives are clear that we must still tackle the businesses that create a bad name for British industry. We must therefore ensure that our local regulatory services have the right tools to focus on the high risk areas where regulation is needed whether this is on new and emerging threats such as metal theft, or specific issues threatening individual communities or businesses.

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**What do councils want from Government to deliver this?**

12. Councils want to be free from national targets about working with businesses, which are undermining their ability to cut through red tape and support local businesses. Regulatory services want the flexibility to move away from scheduled inspections for low and medium risk businesses to use emerging opportunities such as Local Enterprise Partnerships (LEPs), City Deals and existing links with local businesses representatives to engage, provide advice and offer support on regulatory matters. Reducing inspections will slim down regulation for responsible businesses and allow councils to focus limited resources on high risk activities and those businesses that persistently break the law.
13. Looking across the regulatory landscape it becomes clear that the principle of licensing has become an anomaly, one which does not consider risk and has simply become an annual paperwork exercise for responsible businesses. We would like to open a debate about how licensing can become more flexible to focus regulation where it is actually needed. For example, if councils were given the freedom to extend the renewal period for an alcohol licence for responsible businesses then it has the potential to save around £25 million in fees each year. We also recommend that there is a cross Whitehall review of all licence regimes to really examine where licensing is still relevant and effective.
14. It has also been suggested that gambling licensing needs a fundamental overhaul to reduce unnecessary red tape and remove confusion for businesses. For example, some gambling premises require three individual licences to operate and rules are so restrictive that businesses at the heart of many seaside towns are finding it hard to change and grow.
15. We also want to step up our work with Government in order to dispel unsubstantiated anecdotes, put a stop to reactive policy making and champion the vital support we can offer businesses. Our door is open – local and nationally – to work together to resolve issues and secure shared outcomes.

**What can councils offer?**

16. In order to secure the freedom from central Government that will mean local regulatory services are truly 'open for business', we need to convince businesses that we are part of the solution rather than a barrier to their success.
17. At our workshops it has become clear that the approach businesses want from council regulators is one that is common across council services. For example businesses want a 'one stop shop' for advice, specific support for start-up businesses, slimmed down processes and online tools.

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18. While our residents may feel comfortable in contacting the council, the 2012 annual FSB survey showed that only 25 per cent of businesses had approached councils for advice. If we are to explore new ways of working with the majority of responsible businesses then we need to ensure our services are more accessible and welcoming to those seeking advice and support. In order to deliver these, regulatory services must become an intrinsic part of the local growth agenda, more closely engaged in business facing parts of local public services. More specifically it would make sense to engage businesses in the design and delivery of regulatory services.
19. Businesses want to feel confident that local regulators are pro-growth, competent and understand business needs. To do this will require new more collaborative partnerships, different ways of working, more mature relationships with business and recognised levels of expertise.

**Next steps**

20. We will continue to take soundings from Members and develop ideas as they are proposed, including taking forward work on flexible licensing, reducing inspections and how to balance the political will for less regulation with the current concerns about food fraud. The debate is timely and we want to ensure that all our members have the opportunity to contribute to a system that promotes the needs of both responsible businesses and our residents as consumers. We plan to launch our proposals as part of the growth strand at LGA's July's Annual Conference.