

Regulation and Growth: can smart regulation support sub national growth?

Some case studies

Graham Russell

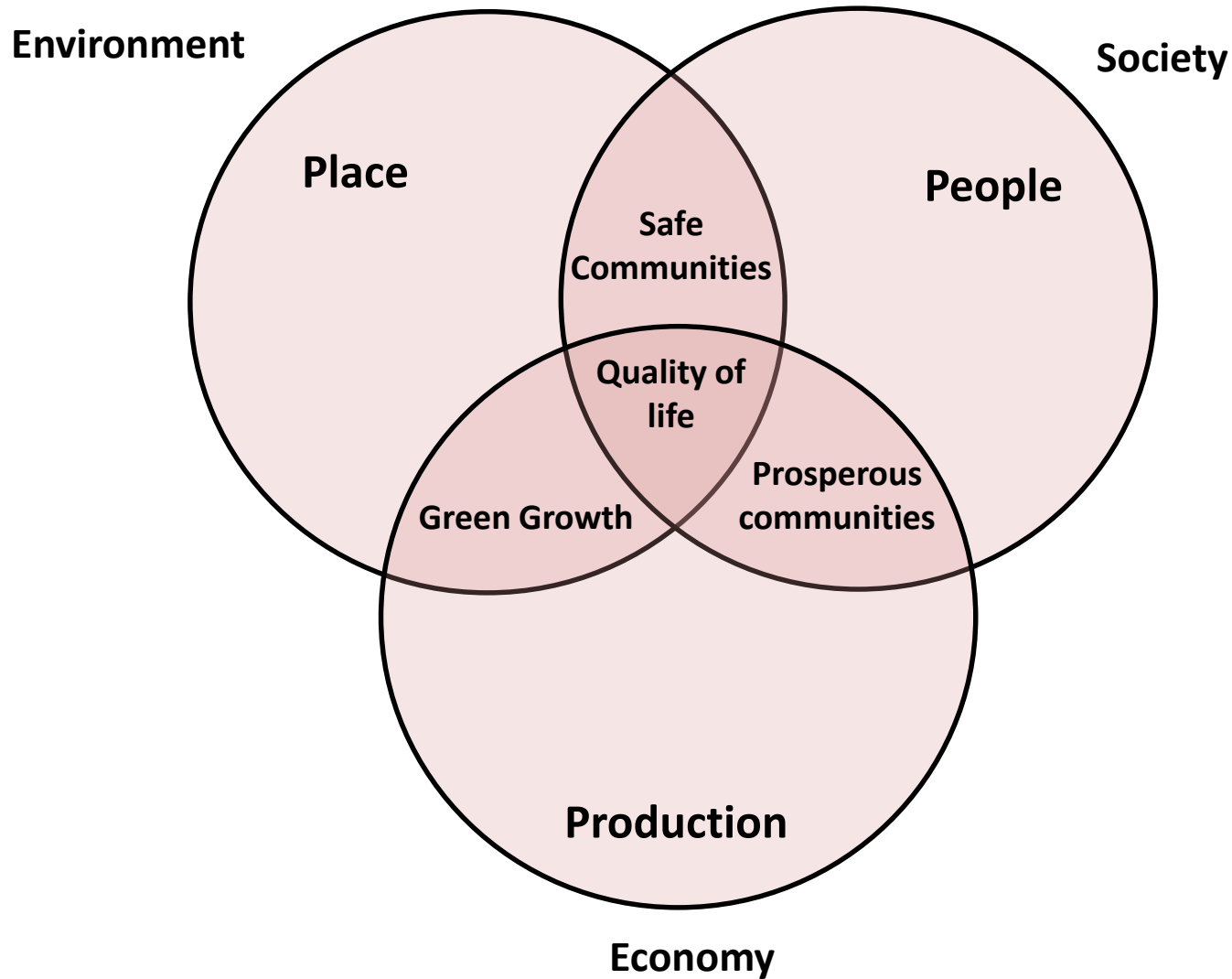
Chief Executive

Local Better Regulation Office

Key messages for prosperity and protection

- ‘Good’ regulation can support growth, as much as ‘poor’ regulation hinders it
- How regulation is delivered (enforcement) matters
- Key aspects of delivery include
 - Right level regulation-local/regional/national
 - Hearing business as the ‘customer’ of regulation

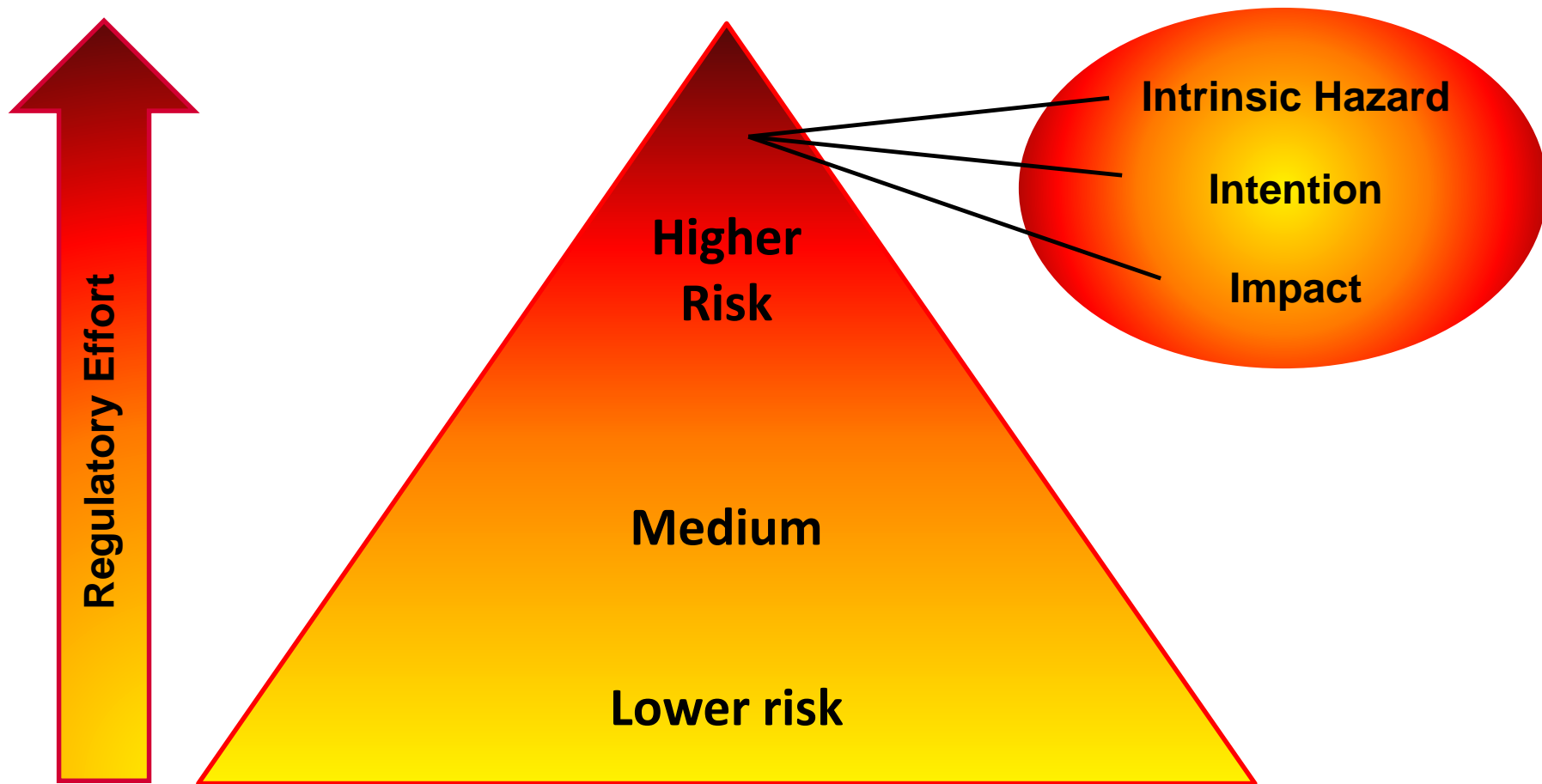
Regulatory outcomes



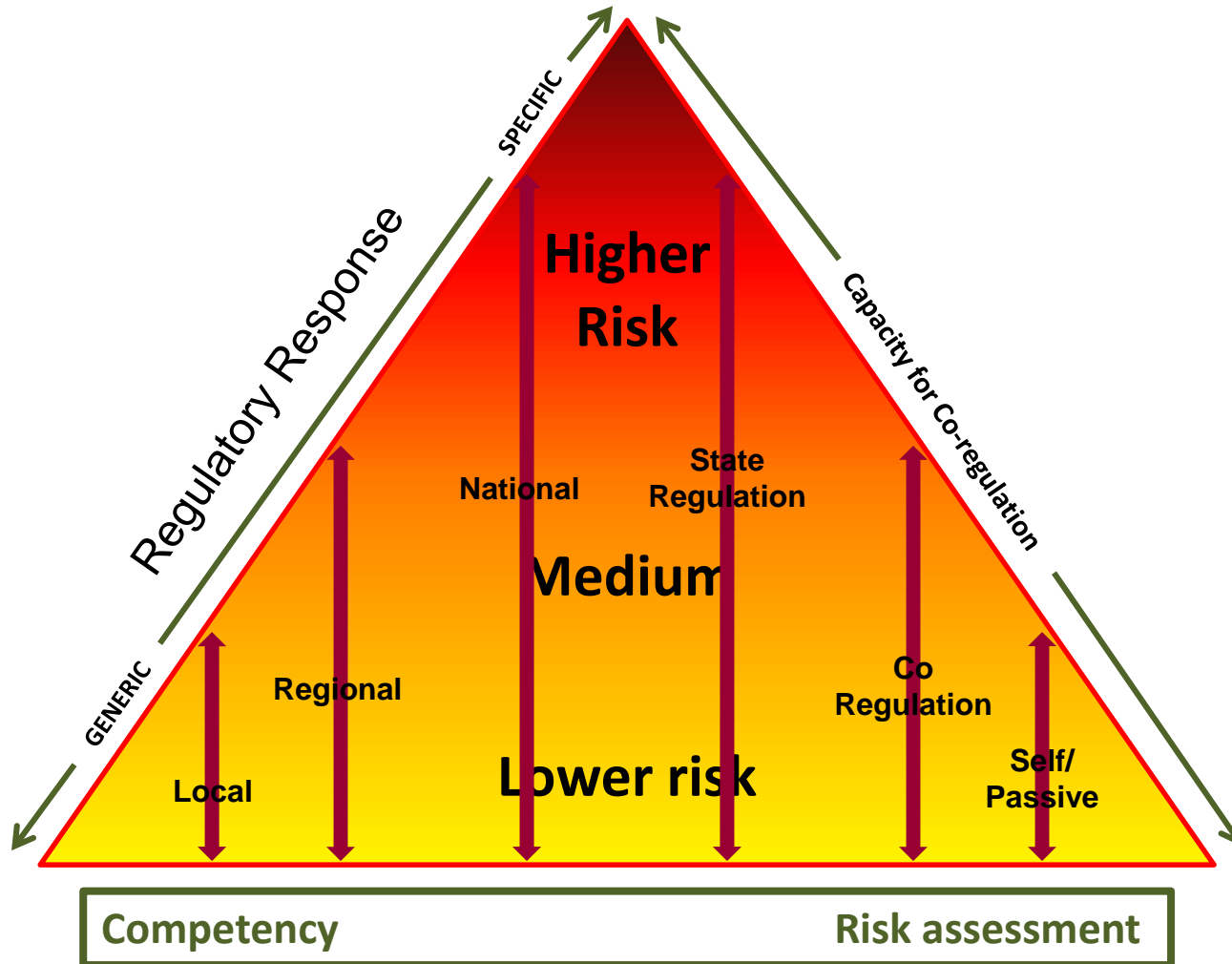
Local Better Regulation Office

- Non Departmental Public Body, due to become an independent unit in the Department for Business Innovation and Skills
- 25 staff, £3 million budget, reduced by 30% over 3 year
- Delivering the Government's commitment to removing regulatory barriers to prosperity and protection
 - Primary Authority
 - Simplifying regulatory delivery

Designing Right Level Regulation



Designing Right Level Regulation



Business Engagement

National: Business Reference Panel

- 750, 000 businesses
- Business End of the Telescope – views of 35 Trade Associations
- Age Restricted Products – Simplification, communication
- Date Coding - £600 million in waste each year

Local: Local Enterprise Partnerships/Enterprise Zones

- Working with pathfinders in Leicester & Leicestershire and Greater Birmingham & Solihull
- Access, awareness, lifecycle support
- Sharing of learning

Business Engagement

The challenge

- **Different languages**
 - 'It is a misfortune for Anglo-American friendship that the two countries are supposed to have a common language' Bertrand Russell 1944
- **Different constituencies**
 - 12 government departments, 25 trade associations
 - Businesses in Primary Authority: from 250,000 employees to 9
- **Different timescales**

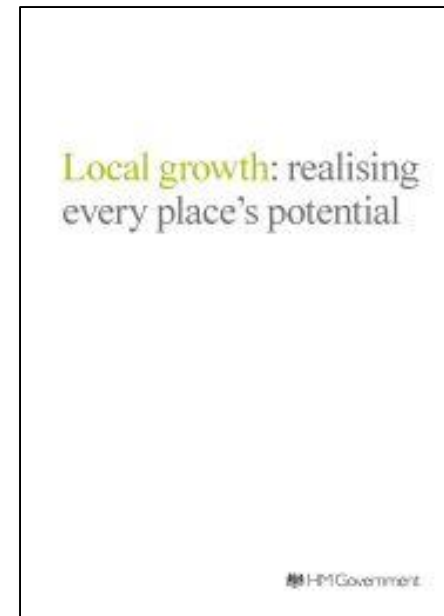
Regulation and Growth

Hampton Review (2005):

“Regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for prosecution”

Regulation and Growth

- Growth is a key priority for UK Government
- Can effective and efficient regulation not only reduce costs but also increase profitability through control over business processes and confidence to invest for the future?



Regulation and Growth

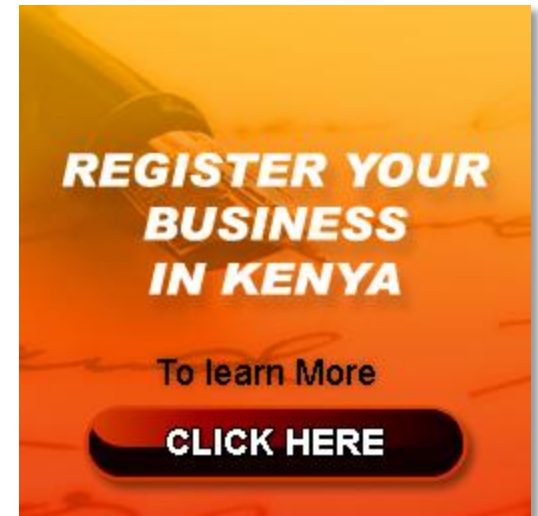
| Impact | Benefits for business |
|---|---|
| 1. Reduce costs | 1.1 Reduced transactional costs |
| | 1.2 Avoid costs from non compliance |
| | 1.3 Avoid reputational damage |
| 2. Improve confidence and control | 2.1 Better management control |
| | 2.2 Consumer recognition for compliance standards |
| | 2.3 Confidence for future planning and investment |
| 3. Realise wider economic benefits | 3.1 Market confidence and prevention of unfair competition |
| | 3.2 Societal outcomes which benefit businesses and citizens |
| | 3.3 National protection |

Reduce Costs

1.1 Reduced transactional costs

Single Business Permit: Government of Kenya

- Multiple trade licensing system was burdensome for Kenyan businesses, particularly SMEs
- Potential annual savings of 1% of GDP were identified
- ✓ A simple SBP system was introduced in January 2000 and was almost fully implemented by August 2001
- ✓ Estimated savings of 0.8% of GDP or c441 million KSh per year (£4 million)



1.2 Avoid costs from non compliance

Primary Authority:

Dr Oetker and North Yorkshire County Council

- Product recalls cost companies thousands of pounds per incident
- A Primary Authority Partnership enables a consistent interpretation of regulatory requirements
- ✓ Dr Oetker can discuss its new range of products with North Yorkshire partners to ensure its compliance before selling it into retailers.
- ✓ This enables them to invest, confident in the knowledge that products are safe and will not need to be recalled



1.3 Avoid reputational damage

Chinatown Initiative: Westminster City Council

- A significant number of persistent high risk food premises were identified
- Its attractiveness as a tourist destination was linked to its culinary reputation
- Chinese Masterchef was developed
- Worked with 33 high risk premises to identify barriers to compliance and provide support to address them
- ✓ 57% reduction in the number of high risk premises
- ✓ Complaints reduced by 45%



Improve Confidence and Control

2.1 Better management control

Safer Food, Better Business: Food Standards Agency

- New EU requirements might increase compliance costs for 400,000 SMEs
- An optional, business friendly management system
- Contains a pull out step-by-step checklist and diary pages to record checks and was tailored to different business sectors
- ✓ 87% of SMEs reported that it helped them manage their businesses
- ✓ 45% felt that it made their businesses more profitable



2.2 Ensures recognition for investment in compliance

Trader Register:

Staffordshire & Stoke Councils

- Home improvement businesses were the highest cause of complaints
- Trader Register developed to connect consumers with local businesses
- Members benefit from publicity, support and advice
- ✓ 951 traders on the register
- ✓ 5,500 consumers, many older people, find traders through the scheme each year



2.3 Confidence for future planning and investment

Primary Authority:

Leeds City Council & BSS Group plc

- Assured advice from the Primary Authority
- Provided lower cost solution to H&S risk
- ✓ Cost £5k pa: saved £1m compared to private sector solution
- ✓ New system used nationwide
- ✓ Respected by 433 local authorities



Realise Wider Economic Benefits

3.1 Market confidence and prevention of unfair competition

Confidence in quantity: National Measurement Office

- Ensures the UK's system of weights and measures is fair, accurate and legal
- Consumers and businesses have confidence whenever they buy and sell by quantity
- ✓ Each year in the UK, £622 billion worth of goods and utilities are sold by measurement of their quantity



3.2 Societal outcomes which benefit businesses and citizens

Sea water quality and the local economy: Flintshire County Council

- The UK Seaside tourist industry supports 210, 000 jobs
- The quality of bathing water has an impact on local tourism and commercial activities, such as the shellfish industry.
- ✓ Local and national regulators conduct sampling to monitor the number of bacteria present in sea water to ensure its safety
- ✓ Voluntary schemes, such as Blue Flag, enable a connection between water quality and the suitability of the location as a tourist destination.



3.3 National protection

‘Give disease the boot!’: Animal Health

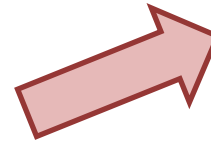
- The UK livestock industry underpins the £70 billion UK food and drink sector, with an annual retail value of c£24 billion.
- The FMD crisis of 2001 resulted in total losses of £9 billion
- This includes impacts on tourism, with estimated losses of £3bn from overseas visitors and £2bn from domestic visitors
- ✓ Good regulation is preventative, working to minimise the risk of disease occurring or spreading and protecting the viability of businesses



In conclusion...

can regulation really drive economic growth?

- Good regulation supports growth by
 - cutting costs,
 - building confidence and
 - delivering outcomes
- But!
 - Delivery matters
 - Regulating at the right level matters
 - We need to get better at listening to business



Contact

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Link to LBRO National Threats report

<http://www.lbro.org.uk/docs/national-threats-lbro-summary-report.pdf>