



Department
for Business
Innovation & Skills

Better
Regulation
Delivery Office

Economic Development and Regulation
Executive Summary

Executive summary

Introduction and approach

In May 2013, the Better Regulation Delivery Office (BRDO) commissioned HOST Policy Research (HOST) to explore the links between economic development and regulatory activity, with the intention of determining the scale of joint working, examples of good practice and therefore informing the development of a toolkit. The project is important because economic growth is a critical issue for local authorities and Local Enterprise Partnerships (LEPs), and will require close working at the local level, making best use of the available resources.

This report follows an intensive period of evidence gathering. The main report is not an exhaustive audit of all activity that is taking place to link regulatory services and economic development, but rather it gives a flavour of the range of work that is going on. The research has focused on how collaboration has emerged and has been supported or constrained, rather than gathering evidence on what has been achieved in concrete terms by closer working relationships.

Across England and Wales, HOST found a very mixed picture of the extent to which regulation and economic growth agendas are deliberately considered together. This research explores what links have been made between local authority regulators and Economic Development teams, whose aim is to progress the prosperity of the area through business growth.

The purpose of this project, therefore, is to identify a baseline of evidence which looks at whether, and how, business-focused regulatory delivery works in tandem with economic development to support local regeneration and growth. The results of this research will be used to inform and drive better delivery of regulation by demonstrating where opportunities for closer working with other local partners exist and can be exploited, potentially through the development and deployment of a toolkit.

The research project involved a very intense phase of consultation activity in the summer of 2013, as well as an ongoing literature review and monitoring alerts on the latest news on regulatory activity. Overall, 66 national, regional and local stakeholders were interviewed, including Chambers of Commerce, employer groups, planners, economic development staff and regulators in local authorities, regional co-ordinators and national partners.

Those interviewed for the research were not selected to create a statistically significant sample, although HOST aimed for coverage of all major work areas of interest. HOST spoke to stakeholders in every English region as well as some in Wales, to ensure wide coverage and in case any regional anomalies became apparent. Initial interviews were agreed with national and regional representatives, and leads were sought from them to interesting or engaged local authority staff. This cascade approach enabled wide coverage, and regular reviews of achieved interviews enabled any work area or geographic gaps to be filled.

Literature review

Overall there is a paucity of academic literature on local authority regulation per se, and therefore equally on the linkages between local authority regulation and economic development. Regulation is covered more extensively in Government and business group literature, particularly policy development and review. The literature review therefore looked more closely at policy documentation and lobbying materials, the key relevant points of which are summarised below:

- The Heseltine Review and the Government's response to it will ensure that a large tranche of Government funding will be allocated to LEPs for distribution according to local priorities.
- Regulators have a role in and responsibility for supporting business growth.
- Failures in regulation can have a major impact on the economy, for example the foot and mouth outbreak 2001 and the more recent horse meat scandal.
- Business organisations tend to see regulation as a brake on businesses' ability to prosper and grow, but they take a very broad view of regulation, combining tax and employment law with local authority regulatory services (LARS).
- There is little evidence collected on the positive impact of LARS on businesses.
- LEPs are encouraged to take an interest in and promote supportive regulation, but it is not yet a priority in all areas.

Rationale for supportive regulation and for collaborating to achieve this

Within the interviews undertaken for this project, the rationale was explored for supportive regulation and the level of joint working that existed between economic development (ED) and LARS. Some interviewees were very clear on the benefits of supportive regulation and collaboration with other teams. In other areas, there was a less strong view on the value of collaboration combined with less formal or extensive joint working. The HOST project team tried to group factors together but found that apart from a number of clear cut cases, the reasons for joint working were as diverse as the nature of local authority areas. Supportive regulation and joined up working within local authorities can be driven by strategic priorities from the authority's leadership or the Government, setting priorities for economic growth and for better regulation. The key themes arising from the interviews are set out below.

- Supportive regulation and joined up working within local authorities can be driven by strategic priorities from council leadership or the Government, setting priorities for economic growth and for better regulation. In other instances this is driven from an operational standpoint.
- Local authorities recognise the importance of working with businesses and taking opportunities to interact with them but at the same time, they do not consistently demonstrate a co-ordinated approach.
- Better use of resources, both within local authorities and by businesses, is a key driver.
- Local authorities recognise the importance of the introduction of LEPs and their role in encouraging supportive regulation, as well as being a potential source of funding.
- Physical proximity can encourage better working between teams within local authorities.

Types / styles of collaborative working

Following on from the rationale for how LARS and ED teams do or do not work together, HOST drew out the different ways that local authority staff said they worked with their counterparts in different teams, and reflected on the different styles of collaborative working.

LARS staff were very clear that they worked in the interest of supporting honest businesses in their local area. Many referred to risk rating businesses and working with those where complying with regulations was more challenging. Teams in most areas aimed to avoid prosecutions unless businesses were clearly and deliberately flouting the law, in which case they were pursued as far as necessary. Equally, ED staff were clear they worked to develop the local economy. In some areas however, this supportive work is carried on in parallel, rather than in a joined up manner. The key points are summarised below along with details of the case studies that illustrate the range of working styles.

- All LARS and economic development staff interviewed were clear that they worked to support businesses in their area.
- Local authority staff interviewed described a full spectrum of working, from no or limited contact through to close working and joint projects.
- External impressions of joint working within local authorities are that it is limited or not particularly visible.
- In areas with little joint working, LARS staff are nevertheless committed to supporting businesses.
- Case studies of collaborative working have been developed to illustrate how this occurs in Gateshead, the City of London, Derbyshire, and Warwickshire.

Range of projects and activities

As part of the interviews with local authority staff, HOST sought to draw out the types of projects and activities that teams were more likely to work on together, as well as identifying key business support programmes that seemed to have little cross over between departments. This latter was more important where there seemed to be little linkage between teams, but where business support activity was actively taking place independently. The key points are summarised below, along with details of the case studies that illustrate some of the examples.

- There were a limited number of projects identified linking the work of LARS and ED teams.
- In a number of cases, LARS activity was identified that involved working closely with a major development from as close to inception as possible – while not mentioning ED specifically. Case studies have been developed for two of these, the City of London Corporation, and JLARS and the 2012 Olympics.
- In a number of instances, LARS projects have been facilitated or enhanced through access to ED resources including marketing. Case studies have been developed on Purple Flag and the night time economy, Silverstone campsites and Truckers' Tucker.
- LARS teams identified a number of projects that have an impact on business and economic growth, but which had limited or no linkages to economic development and their activities. Case studies have been developed on approved trader programmes and the Better Business for All approach.
- In addition, vignettes are available on work in Cornwall, Enfield, Harrogate, Kent, and the Best Bar None initiative.

Barriers to and enablers for supportive regulation

Interviewees were asked what barriers and obstacles stopped them, or might stop them, from delivering supportive regulation and from collaborating effectively with colleagues to deliver supportive regulation, and what enablers or opportunities might facilitate the delivery of supportive regulation.

There were consistent messages from LARS, ED staff and business organisations alike that the regulatory agencies that businesses complain about the most tend to be national, rather than local ones. HM Revenue and Customs (HMRC) and Health and Safety Executive (HSE) were commonly cited in this regard, as was the overall burden of employment law. In HOST's research, there was some feedback that the Department for Environment, Food and Rural Affairs (DEFRA) and the Environment Agency take a more supportive approach with rural businesses. Reportedly, DEFRA have undertaken some research into the cost of regulation on farms.

Several business organisations continue to express concern at the overall regulatory burden place on businesses. Whilst Central Government's measures to cut red tape are welcomed, at least one national organisation told us that their members report little evidence of the positive impact of this on the ground and felt the regulatory burden was still increasing. In this context, a supportive approach to business at the local level, that helps to mitigate the overall impact of regulation, becomes even more important. The key findings are summarised below.

- Interviewees from all sectors thought that businesses perceive national regulators as more burdensome to business than local ones.
- Business representative organisations continue to advise that the overall regulatory burden on businesses is a challenge to business growth.
- There are a number of difficulties facing LARS and ED in terms of improving the local offer to businesses which require involvement from a wider group than these two services.
- Encouraging LEPs and business representative organisations to work with LARS can be hard as the link to economic growth is not always obvious.
- There are a number of opportunities that LARS and ED could work with that should make their task easier and be of benefit to businesses, many of which require changes in how information and advice is disseminated.

Conclusions

With the move to supportive regulation practice, and in light of the current economic climate, business growth is an increasingly important aspect of LARS delivery; however this is not always recognised by local authority colleagues in ED teams. There is limited perception of joined up thinking and action, both within local authorities (with some honourable exceptions) and within business membership organisations. In addition for businesses, the differentiation between local regulators and the national ones (HSE, HMRC and associated employment law) is either not apparent or important, when they are faced with a combined regulatory burden that changes regularly.

Supportive methods of ensuring regulation can open the doors to a dialogue with businesses, so LARS are increasingly encouraged to develop positive relationships within the business community, but councils do need to demonstrate a co-ordinated approach. Shared intelligence across an authority, even going as far as a combined Client Relationship Management (CRM) system, would present a more joined-up approach and facilitate referrals across services. However the cost of sourcing, implementing and maintaining a CRM system, combined with perceived constraints of data protection and data confidentiality mean this type of development is a long way from realisation, despite some more forward local authorities considering it.

Collaboration with ED colleagues helps to improve the service to business and can facilitate activity when resources are scarce. As LARS and ED teams are faced with reducing budgets, they have to find ways to continue to provide statutory services plus any other valued services that meet local priorities at the same time as losing staff. For LARS in many areas, the solution is to introduce charging for services (at cost) and promote Primary Authority. ED teams need to find other ways to show the value of their work and maintain funding.

The introduction of LEPs and their role in encouraging supportive regulation, as well as being a source of funding, is seen as important by local authorities. LEPs do not always see regulation, supportive or not, as a priority in their plans for their area, however the links to ED teams are generally much more obvious and constructive.

This project aimed to explore the links between LARS and ED teams, including how they might be improved. It also looked at whether a toolkit to support closer working would be of value, what it should contain and how it should be presented. Interviewees were relatively enthusiastic about the potential for a toolkit provided it was pitched and presented in the right way, allowed for different situations, offered practical and small step options for action, and provided real examples to show what could be achieved. The case studies associated with this report and vignettes supplied to BRDO by HOST give a solid starting point for demonstrating quick wins and major benefits from collaborative working.

© Crown copyright 2014

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit www.nationalarchives.gov.uk/doc/open-government-licence, write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email psi@nationalarchives.gsi.gov.uk.

This publication is also available on our website at: <https://www.gov.uk/government/publications/economic-development-and-regulation-executive-summary>

Any enquiries regarding this publication should be sent to:

Better Regulation Delivery Office
Department for Business, Innovation and Skills
Lower Ground Floor
Victoria Square House
Victoria Square
Birmingham B2 4AJ

Tel: 0121 345 1200

If you require this publication in an alternative format, email brdo.enquiries@bis.gsi.gov.uk or call 0121 345 1200.

URN: BRDO/14/1115