Evaluating the Primary Authority Scheme

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Preface

The Local Better Regulation Office (LBRO) commissioned RAND Europe in 2009 to undertake an evaluation of the Primary Authority scheme (Primary Authority). Primary Authority enables businesses that operate across local authority boundaries to form a statutory partnership with a single local authority for certain areas of regulation. The evaluation involved undertaking research with stakeholders, local authorities (including those acting as primary authorities) and businesses. The evaluation examined the perceptions of participants and non-participants in Primary Authority and the experiences of those involved including the benefits of the scheme. The study highlighted the ways in which Primary Authority has created some challenges to previously established behaviours and work processes in a local authority regulatory environment. This report presents the findings of the evaluation.

The report is likely to be of particular policy interest to those officials involved in the currently changing landscape of local government. The timing of the research also enables the findings to contribute to the ongoing policy discussions regarding a movement towards 'risk-based' regulation.

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List of acronyms

BIS	Department for Business, Innovation and Skills
BRC	British Retail Consortium
BRE	Better Regulation Executive
DTI	Department of Trade and Industry
FARMA	National Farmers' Retail and Markets Association
HSE	Health and Safety Executive
LACORS	Local Authority Coordinators of Regulatory Services
LBRO	Local Better Regulation Office
LGR	Local Government Regulation (previously LACORS)

Executive summary

Introduction and context

RAND Europe was commissioned in November 2009 by the Local Better Regulation Office (LBRO) to undertake a comprehensive evaluation of Primary Authority. This document is the final report relating to the evaluation of Primary Authority from the period of April 2009 to November 2010.

In recent years, local authorities have become increasingly important players in the delivery of better regulation. Primary Authority was introduced in April 2009 and was set up under the Regulatory Enforcement and Sanctions Act 2008. Primary Authority has been developed and implemented by the Local Better Regulation Office (LBRO). The key driver for developing Primary Authority was a perceived inconsistency in local authorities' application of national standards and variations in activity.

Primary Authority gives businesses that operate across local authority boundaries the opportunity to form a statutory partnership with a single local authority in certain areas of regulation including all areas covered under environmental health and trading standards legislation as well as specific functions such as food safety and petroleum licensing. These partnerships can cover one or more of these areas of regulation and a business can have multiple partnerships with different primary authorities that cover different areas of regulation. As of January 2011, the scheme covered 500 partnerships between 155 businesses and 43 local authorities which represented over 34,000 premises.

The research involved three stages. The first consisted of a scoping stage involving 30 semi-structured interviews with stakeholders. The second involved a survey of local authorities (primary authority and enforcing authority) and businesses which explored the perceptions of the participants of the extent of the problem of inconsistency, their experiences of being in Primary Authority, cultural changes in local authorities and businesses, and the overall effectiveness of the scheme. In addition, case studies were undertaken with six organisations (three businesses and three primary authorities).

The third stage of work involved a preliminary cost-benefit analysis which investigated whether the costs of running the scheme were offset by the benefits. Information collected was provided to the Better Regulation Executive, for input into the post evaluative review of the scheme. Information relating to this element is available from the Department of Business Innovation and Skills[1].

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[1] http://www.bis.gov.uk/assets/biscore/better-regulation/docs/i/11-987-impact-assessment-extending-primary-authority-scheme.pdf [last accessed July 2011]

Rationale for Primary Authority

The scheme is intended to help with a number of challenges in the regulatory area including reduction of inconsistencies in the advice provided by local authorities, improved compliance processes and the desire to reduce time and expense for all parties involved.

There is alignment between the policy rationale and the stated rationale of participants in Primary Authority. Businesses and primary authorities had high expectations that the new approach would enable inconsistency to be reduced, compliance to be improved and time and expense to require less investment[2].

Operation of the scheme

Overall, a majority of participating businesses surveyed had previously taken part in voluntary schemes (such as that run by LACORS) and either switched their previous partnership to a primary authority partnership or added a primary authority partnership to pre-existing voluntary schemes. Only 5 businesses had not taken part in any voluntary schemes in the past.

Data collected on local authorities that had more than one primary authority partnership indicated that it becomes easier and faster for primary authorities to undertake this work as they become more experienced in their role as a primary authority.

Overall, the top challenge for businesses was the lack of buy-in to the scheme from local authorities. The most notable challenges for primary authorities were agreeing resource requirements and difficulty understanding what services the businesses wanted.

For the vast majority (96%) of businesses involved in Primary Authority, their participation in the scheme was not a time-burden for them. Their involvement in the scheme did not require any additional input of time in dealing with regulatory matters beyond the time that they would usually spend on this area. Indeed, over a quarter of the participating businesses (26% - 7 businesses) found that the time involved in dealing with regulatory issues had actually reduced since they joined the scheme.

There are indications of further potential time savings for businesses through participation in the scheme. Almost one third of participating businesses said that the number of inspections of their businesses by enforcing authorities had decreased.

Culture change

Primary Authority requires enforcing authorities to deal differently with both participating businesses and primary authorities and there are a range of behavioural and process step changes needed for all involved.

Participating businesses
- Most of the participating businesses who signed up in the initial stage did not find it difficult to identify a primary authority partner as they had a pre-existing relationship. For many, the development of one point of contact in the primary authority will have been a natural evolution of their existing working relationship.

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[2] Evidence for this is based on data collected in our survey of participating businesses and primary authorities conducted in 2010. Each group was asked about their expectations entering the scheme. Full details of the responses to this are presented in Chapter 3.

- Businesses expected to be charged and were willing to pay for the services they received in this context. Although some had not previously had a paying relationship through the voluntary relationship with the primary authority, this appeared to be an easy transition for them.

- Businesses believed that there was some resistance on the part of enforcing authorities to develop a new form of working relationship with the participating businesses.

- Participating businesses did not have to spend any more time overall dealing with local regulatory issues than they had previously done. However, since joining Primary Authority the tasks that they did in this regard were slightly different than previously and therefore the way they distributed their time was different.

Primary authorities
- Primary authorities reported that their interactions with enforcing authorities were not particularly time consuming. However, primary authorities to date have been careful to estimate the amount of time needed by a potential business partner, prior to establishing the agreement in order to mitigate against the risks associated with a demanding business partner. Therefore, for primary authorities that have not conducted this planning and due diligence (which may be the case for newer partnerships) there may be more time involved.

- Many primary authorities would only charge businesses for time and services that went above what businesses could normally expect to receive from them for free, either through previous voluntary schemes or through "normal" interactions with local authorities. They also mentioned that they found it difficult to establish a charging structure e.g. knowing how much to charge for additional support received.

- All three of the primary authorities participating in case studies made it clear that they did not become involved in the scheme to create a revenue stream but rather to improve or streamline the compliance process and to develop an improved business relationship.

Enforcing authorities
- One third (33% - 23 out of 69) of enforcing authorities were aware of a business being in a primary authority relationship in their area. Of these, 65% of enforcing authorities said that they had made use of inspection plans during the inspection of those businesses.

- Enforcing authorities were asked to indicate their view on the impact of using inspection plans and almost half of those having used an inspection plan (7) said that the plans enabled a more targeted inspection to take place.

Perceptions of value
- Overall, 66% (18) of the businesses surveyed thought that consistency of advice was improved or was about the same as it was before the scheme began. The remainder thought that it was too early to say if consistency of advice had changed.

- The numbers of businesses that had not experienced any inconsistent advice had increased from 37% (10 businesses) before the scheme to 52% (14 businesses) after joining.

- Businesses that compiled an inspection plan with their primary authority were more likely than those that had not to have experienced a more consistent approach to local authority regulation since their involvement in Primary Authority. This suggests that there may be clear benefits for businesses developing inspection plans beyond the obvious time savings.

- Overall, 26% (7) of business respondents believed that the burden of compliance was reduced through their participation in Primary Authority.

- Enforcing authorities were asked if they had observed any change in general compliance behaviour in primary authority businesses. A large majority (82% - 57 enforcing authorities out of 69 aware of businesses in their area being in a primary authority partnership) indicated that they had not observed any change in this regard.

- In terms of overall satisfaction with the scheme, a large proportion of businesses (74% - 20 businesses) were fairly or very satisfied with their involvement in the scheme. As businesses remain in the scheme for longer, they continue to be satisfied. A similar proportion of primary authorities (74% - 17) indicated that their involvement in the scheme has been a reasonably positive or very positive experience overall.

Recommendations for primary authorities

Currently, primary authorities are somewhat cautious of over-extending their capacity by taking on additional primary authority relationships due to the extra resource requirements involved. This results in some local authorities being reluctant to form primary authority partnerships. In essence, this issue is about the level of resources required for providing regulatory support through Primary Authority and how these should best be calculated. **This potentially limiting aspect of the scheme should be considered further in order to identify ways to incentivise and support potential primary authorities to engage with more complex businesses** (which require the most resources from primary authorities). Some support for example might include provision of accredited training sessions to enable regulatory officers to achieve greater confidence and wider sharing of examples of other similar partnerships which are resource intensive. The potential overall cost-savings to enforcing authorities by reducing demands on their resources should be factored into any consideration of this.

Recommendations for enforcing authorities

The previously **prevalent regulatory culture of enforcing authorities will need to adapt and change** so that there is improved understanding that the scheme will benefit them, rather than add to existing workloads.

The enforcing authorities are presently reducing the impacts of the scheme, to some extent. In order to maximise the value for money of the scheme, **the wider group of enforcing authorities may need to adjust their work processes to align more closely with risk-based regulation**. This may involve changing work patterns to some extent to ensure that they are consulting appropriately with primary authorities.

Recommendations for support provision for Primary Authority

Some enforcing authorities believe that the scheme will create more bureaucracy and limit their options in dealing with businesses participating in the scheme. Evidence suggests that in fact, enforcing authorities that engage with the scheme find they can undertake compliance processes in a more streamlined way. **This mis-perception needs to be addressed by demonstrating the benefits for enforcing authorities if they work in a more streamlined way, through Primary Authority.**

Up to now many primary authorities and businesses have built on pre-existing good relationships (81% of businesses chose to work with their particular primary authority because they had a good relationship with them). The scheme now needs to extend beyond these existing good relationships and make it possible and worthwhile for businesses and potential primary authorities without existing contacts to engage with the scheme. **Therefore, new ways of communicating the benefits of the scheme must be developed for all potential participants, including those without pre-existing relationships.** Additional support may be helpful to those considering developing a primary authority partnership to deal with some of the challenges and mitigate against some of the perceived risks involved in a new partnership.

At present half of primary authorities do not charge for the additional service they provide through Primary Authority and those that do charge, cover their costs. **In order to enable as many primary authorities as possible to cover their costs, additional support may be required to help them deal with some of the challenges involved.** For example, understanding a range of cost and charging models may assist with this process.

CHAPTER 1   **Introduction**

1.1   Evaluating Primary Authority

RAND Europe was commissioned in 2009 by the Local Better Regulation Office (LBRO) to undertake a comprehensive evaluation of the Primary Authority scheme. The operation, administration and the roll-out of Primary Authority is the responsibility of LBRO. The evaluation was conducted from February 2010 to November 2010 and had a number of different objectives as described in the initial invitation to tender:

- *"[To] have clear understanding of how to manage the scheme within a changing policy environment;*
- *[To] have a clear understanding of the challenges businesses face when operating across local authority boundaries and whether the scheme, as a part of the solution to inconsistency, provides a resolution, identifies if other solutions are required, and if so, what those solutions are;*
- *[To] understand the cultural change processes that occur or need to be in place during a local authority operating as a primary authority, and how this knowledge can be utilised in demonstrating service improvement for authorities and;*
- *[To] know whether the scheme provides value for money through evaluation of the net costs and the benefits realised from operating within a scheme."*

To deliver on these objectives, the work has followed three main work streams. The **first** of these consisted of a scoping stage involving semi-structured interviews with stakeholders. This provided insights into the key challenges and opportunities for developing Primary Authority in the future. The **second** stream of work involved a survey of local authorities (primary authority and enforcing authority) and businesses which explored the perceptions of the participants regarding the extent of the problem of inconsistency, their experiences of being in Primary Authority, cultural changes in local authorities and businesses, and the overall effectiveness of Primary Authority. The **third** part of the work involved conducting a preliminary cost-benefit analysis which considered whether the costs of running the Primary Authority scheme were offset by the benefits (namely the reduction of administrative time spent on solving inconsistencies and other problems in regulatory advice). Information collected for this element of the work was provided to the Department for Business, Innovation and Skills (BIS) for input into the post-evaluative review of the scheme.

1.2   Structure of the report

This document represents the final report relating to the evaluation of the first year (up to November 2010) of Primary Authority. It sets out the policy context and presents the findings of

the primary research undertaken by RAND Europe from the period February 2010 to November 2010. The policy context of Primary Authority is set out in Chapter 2. Chapters 3-6 present research findings for the evaluation across the key themes arising in the course of the evaluation. These present integrated findings from all parts of the research process under the thematic headings. The final chapter provides the conclusions and recommendations of the evaluation. Details of the methodology applied to the research and additional detailed technical data are presented in the technical appendices which are presented separately.

Policy context

2.1 The regulatory context: the move towards increased autonomy of local government and an end to the "tick-box approach" to regulation

In recent years, local authorities have become increasingly important players in delivering better regulation. As was highlighted by the Local Better Regulation Office (LBRO 2008) in its report 'Mapping the local authority Regulatory Services Landscape: Towards a Common Understanding', the regulatory agenda has been shaped by two major elements: 'an increased autonomy and devolution to local government alongside streamlined, sector-led performance'. The Lyons enquiry (Lyons, 2007) set out the local authorities' important 'place-shaping role', which signified a move towards a more localised form of government in which central government would grant more control, discretion and choice to local authorities, whilst local authorities would take on more responsibility to engage with their local communities and make effective use of their existing powers. This has of course been the focus of even more attention under the current coalition government's localism agenda.

The Hampton review, 'Reducing Administrative Burdens: Effective Inspection and Enforcement' (Hampton, 2005) outlined some important changes to be made to the regulatory services provided by local authorities by emphasising the need to reduce unnecessary administration for businesses whilst preserving the current regulatory regime. In particular, there is growing awareness of the cumulative burden of regulation, giving rise to such issues as multiple inspections and overlapping data requirements, the cumulative burden of bureaucracy, and inconsistent practice and decision-making between regulators and regulatory services (Hampton, 2005). This 'better' approach to regulation and local government was also highlighted in the previous Government's White Paper 'Strong and Prosperous Communities' (Communities and Local Government (CLG), 2006), where it is stated that more freedom and space will be awarded to councils to respond in a flexible way to local needs and demands by radically reducing national targets, tailoring others to local circumstances and introducing a lighter touch to the inspection system. This approach is broadly continuing under the new coalition government elected in May 2010. The new government's 'Programme for government' stresses the past failures of centralisation and top-down control in favour of "a radical redistribution of power away from Westminster and Whitehall to councils, communities and homes across the nation" (HM Government, May 2010, p.7). In addition, the coalition government has highlighted

a number of new "tools" it intends to employ to improve and streamline regulation. These tools include (BIS, 2010):

- *The introduction of "One-in, One-out" so that no new regulation is brought in without another regulation being cut by an equal amount.*
- *The imposition of "sunset clauses" on regulations and regulators to ensure that the continuing need for each regulation is regularly reviewed*
- *An end to the culture of 'tick-box' regulation in favour of inspections targeted on high-risk organisations through co-regulation and the improvement of professional standards. This also indicates a shift away from output-focused regulation (e.g. number of businesses inspected) to more outcome-focused regulation (e.g. improvement of business compliance, focus on higher risk businesses, etc).*
- *Ending 'gold plating' of EU regulations to minimise unnecessary burdens on UK businesses and ensure competitiveness with respect to their European competitors*
- *The development of opportunities for both the public and businesses to challenge the worst regulations*
- *The development of guidance for policy-makers to seek alternatives to regulation supported by the Behavioural Insights team at the Cabinet Office.*

2.1.1 Risk based regulation

As indicated above, one of the major recent regulatory trends in the UK has been towards risk-based regulation. This shift began as early as the 1990s and was reinforced by the Hampton Review in 2005 and more recently by the Coalition government. Risk-based regulation derives from the understanding that risks are inevitable elements of human society which can and should be mitigated but cannot be eliminated. The regulatory approach based on risk contains three main elements (Seiler, 2006):

- *Risk based approach is oriented towards addressing potential risk rather than focusing on regulating the activity as such;*
- *Risk based regulation is connected with cost-effectiveness. Risk has to be reduced as long as the costs for the supplementary safety measures are in reasonable proportion to the risk reduction which can be achieved;*
- *Risk based regulation aims to target scarce regulatory resources to areas and businesses with the highest risk;*

Risk based regulation promises tangible benefits in terms of decreasing the burden of regulation on businesses while at the same time increasing the effectiveness of regulators (for background information on these new methods and how they can be applied to public policy, please see Adil, 2008). The argument is that businesses that are and have been compliant and do not pose considerable risk will be inspected less often or not at all creating potentially substantial cost and time savings. This frees up time for regulators to focus on high risk cases, and the businesses that have a record of poor compliance. Thus, sensible and fairly enforced risk based regulation can provide benefits to all interested parties.

Risk based regulation at the local level means that more emphasis is given to high risk businesses compared to low risk ones. Nevertheless, it is unclear how the definition of low and high risk business varies across regulatory areas and localities (Hutter, 2005). As noted by many students of current trends of the British regulatory landscape, risk based regulation often goes hand-in hand with stronger reliance on firm's internal controls thus granting more autonomy and recognition to many of them (Black, 2005). This concept has been referred to as "earned recognition" or more recently as "co-regulation", with both being the result of past good performance. Consequently, risk-based regulation involves the creation of co-responsibilities and new relationships between regulators and businesses.

Based on the current trends of risk based regulation and the likely financial strain on local finances, it is suggested that heavier reliance on companies' internal controls and more selective inspection of risky businesses is likely to follow. This would appear to be in line with the Coalition government's move towards empowering local actors including citizens and businesses to change their behaviour and improve their outcomes (e.g. leading healthier lives for citizens and improving compliance of businesses) through the increased use of methods rooted in both behavioural economics and social psychology that have proved effective vehicles of behaviour change[3].

2.1.2 Primary Authority

Primary Authority was introduced in April 2009 under the Regulatory Enforcement and Sanctions Act 2008 (LBRO, 2009). It was developed and implemented by the Local Better Regulation Office (LBRO). Following the Hampton Review[4], the key driver for developing Primary Authority had been a perceived inconsistency in local authorities' application of national standards and variations in activity (Hampton, 2005). The Primary Authority scheme is firmly rooted in the Better Regulation principles that aim to reduce the administrative burden placed on businesses while promoting risk-based regulation (Better Regulation Commission, 2000). This involves: targeting inspection resources on high-risk enterprises reflecting local needs and national priorities; offering consistent (in advice and actions) and proportionate (to the risk) enforcement action; performing inspections in a transparent manner where businesses know what is expected of them and the local authority; and promoting accountability so regulatory activities stand up to public scrutiny.

Primary Authority involves broadly four actors with differing responsibilities: businesses, primary authorities, enforcing authorities and LBRO. Figure 2-1 below provides a snapshot overview of the functioning of the scheme.

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[3] For background information on these new methods and how they can be applied to public policy, please see: Cabinet Office Institute for Government, "Mindspace - Influencing Behaviour through Public Policy," 2009.
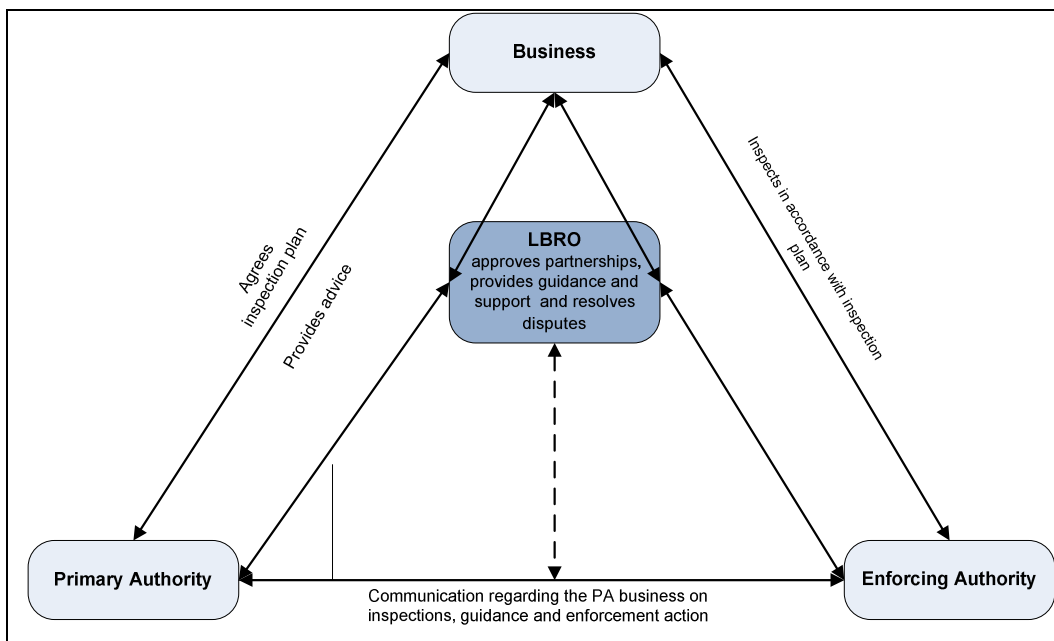
Figure 2-1: Overview of Primary Authority

SOURCE: RAND Europe

In a nutshell, Primary Authority gives businesses who operate across local authority boundaries the opportunity to form a statutory partnership with a single local authority in certain areas of regulation including all areas covered under environmental health and trading standards legislation as well as a specific functions such as food safety and petroleum licensing [5] as shown in Table 2-1 below.

Table 2-1: Areas of regulation covered by Primary Authority

Areas of regulation included	
• age-restricted sales	• food standards
• agriculture	• general licensing
• animal establishments and companion animal welfare	• health and safety
• consumer credit	• housing
• environmental protection	• metrology
• explosives licensing	• petroleum licensing
• fair trading	• pollution control
• farm animal health	• product safety
• food safety and hygiene	• road traffic.

Areas of regulation outside of the scope of the scheme	
• Alcohol licensing	
• Fire safety	
• Gambling licensing	

SOURCE: (LBRO, 2009)

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[5] Please note that at the time of writing this report, further areas of regulation are under consideration for inclusion in Primary Authority.

These partnerships can cover one or more of these areas of regulation and a business can have multiple partnerships with different primary authorities that cover different areas of regulation. As of January 2011, the scheme covers 500 partnerships between 155 businesses and 43 local authorities which represents over 34,000 premises (LBRO, 2011a).

The key aim of these primary authority partnerships is to enable businesses to be provided with robust and reliable advice by their primary authority which then needs to be taken into account by all the other local authorities that the business deals with (these other local authorities are referred to as 'enforcing authorities'). Primary Authority presents an opportunity for businesses and primary authorities alike to deepen their understanding of each other's processes and enables businesses to receive advice and guidance based on "a detailed understanding of their operation" by their primary authority (LBRO, 2011b). Businesses in collaboration with their primary authorities also have the opportunity to compile an 'inspection plan' to "improve the effectiveness of inspections, avoid repeated checks, and enable sharing of information" (LBRO, 2011c). These inspection plans can be used to effectively guide enforcing authorities towards the areas of highest potential risk for the business and to ensure that they have the key information about the business at the time of inspecting it.

The level of support each partnership requires from Primary Authority will depend on the requirement of the business (as well as other criteria such as the complexity of the business, its size, how many local authority boundaries it operates in, etc) and the capacity of the Primary Authority to deliver it (again this will depend on a number of criteria including the size of the local authority, number of staff working in regulatory services, etc). At the time of agreeing a partnership, both parties need to agree the resourcing arrangements for the partnership. In practice, there are numerous ways in which primary authorities and their business have decided to resource their partnership and primary authorities are able to recoup all of the costs incurred under the scheme. Thus, some primary authorities require full cost recovery for their partnership, others only charge businesses for support and guidance issues over and above what the business would normally receive[6] and some also agree annual set fees or a set number of hours.

The roles and responsibilities of each stakeholder can be summarised as follows:

1. The primary authority has responsibility for providing the regulatory advice that the business requires in relation to specified areas of regulation. Furthermore, a primary authority may issue statutory advice to other local authorities and produce an inspection plan which enforcing authorities must have regard to. If cases of non-compliance have been notified by enforcing authorities (and enforcement action proposed), the primary authority will advise on whether relevant advice has been given to the business and whether the proposed action is consistent with that

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[6] The level of service received previously by a business from their chosen primary authorities will vary widely depending on whether both parties already had an established relationship of some form (e.g. through a voluntary scheme).

advice. The primary authority may also provide information and advice to enforcing authorities to assist with enforcement decisions.

2. The local or enforcing authority maintains responsibility for enforcement but is required to discuss issues of non-compliance with the primary authority prior to taking enforcement actions, unless enforcement is called for urgently, e.g. to prevent immediate harm.

3. Businesses who choose to be in Primary Authority commit to work collaboratively and proactively with the primary authority and to follow guidance and advice received by the primary authority. Businesses can be, but do not have to be, charged for the services they receive from their primary authority, these cannot however exceed the costs incurred by the primary authority.

4. LBRO has a guiding role in Primary Authority as it needs to legally nominate primary authority partnerships before they can be recognised, it issues guidance on the scheme and is also involved in dispute resolution whenever disagreements arise. In those instances, LBRO is empowered to determine whether proposed enforcement action is inconsistent with the advice given by the primary authority. To date, no cases have gone through the dispute resolution process as previous disagreements have been resolved before it was called for. In addition, LBRO has a key role in assisting the maintenance of primary authority partnerships through the primary authority website which it hosts and where some communications between primary authorities, their businesses and enforcing authorities are recorded. Further responsibilities of LBRO also include generating additional interest from both potential primary authorities and businesses in order to expand the scheme, as well as raising awareness of it amongst all stakeholders.

CHAPTER 3 **Research findings: Drivers for participation in Primary Authority**

3.1 Reasons for participation in the scheme

In this section of the work, we present findings relating to reasons for participation of businesses and local authorities in Primary Authority. Some of the challenges that the scheme is intended to help with include reduction of inconsistencies in the advice provided by local authorities, improved compliance processes and the desire to reduce time and expense for all parties involved. Each of these areas is discussed further below.

3.1.1 Inconsistency

The issue of reduction of inconsistent advice and decision-making was identified as a problem that could be solved by Primary Authority.

All <u>stakeholders</u> interviewed for this research (i.e. local authorities, businesses and other stakeholders such as national regulators and primary authority staff at LBRO) acknowledged the existence of inconsistencies in the way businesses are dealt with by local authorities. All stakeholders also mentioned how these could impact on businesses by costing them more money and also frustrating those businesses that want to comply with regulation. According to interviewees, these were mostly due to inconsistencies in enforcement practices (i.e. different local authorities take different approaches, some are more likely to prosecute than others, etc) and inconsistencies in officers' interpretations of regulation although other sources of inconsistency were also mentioned such as local authorities' size, management style, level of expertise and local pressures. Businesses had broadly the same views about the origins of inconsistencies although some acknowledge that some variations in the interpretation of regulation or level of enforcement could sometimes be justified by the local context. For example, a business described how vehicle inspections and store plans could differ substantially depending on the location of the business. There was no single definition of inconsistency across all stakeholders and only some viewed instances relating to inconsistent enforcement action as a problem, whilst others judged inconsistent notice letters as a problem.

In order to explore further the issue of inconsistency, businesses were asked how many instances of inconsistent advice they had encountered in the year prior to their involvement in Primary Authority in the <u>online survey</u>. A total of 15% (4) of respondents had experienced more than 5 instances of inconsistent advice in the year prior to their involvement in Primary Authority. In one case, a respondent had encountered between 21

and 100 cases of inconsistency. For a sizeable minority of the sample, the experience of inconsistency was less frequent – 31% of businesses (8) pointed to between 1 and 5 instances of inconsistent advice. Overall, 37% of businesses (10) who responded to the survey, had not experienced any instances of inconsistent advice in the year preceding their involvement in Primary Authority[7].

From the perspective of participating primary authorities, the potential to reduce inconsistencies in decision-making or advice provision if they became involved in the scheme was also an important consideration when deciding whether or not to join Primary Authority. When asked about motivating factors, over half of primary authorities (56% - 13 primary authorities) pointed to the potential to reduce inconsistency in the way a business is regulated at the local level as either their most important motivation or second most important motivation out of a list of 7 options (for detail of options available, please refer to the survey questionnaire presented in Appendix C of the technical appendices).

The costs associated with each case of inconsistency were explored further in case study discussions in order to fully understand the effects of these instances on the business. The case studies highlighted that in general, inconsistency was considered a relatively low-level, but ongoing issue. The time involved in dealing with these was estimated at between forty and fifty hours per year. For example, in the case of Ladbrokes it was estimated that the time involved in dealing with issues associated with inconsistency or inconsistent advice had reduced from 3 hours per week to one hour per week. In the case of Moto, it was estimated that each instance of inconsistency required approximately 10 hours work to resolve it and that there were on average four instances per year of this.

3.1.2 Improvement of compliance processes

A number of aspects of the compliance process could potentially be improved as a result of Primary Authority. In particular, improvement in levels of compliance, reduction in time involved in dealing with compliance issues, reduction of inspection levels to ensure compliance and overall a more streamlined and efficient process for engaging with the compliance process. In order to get an idea of the extent to which this was considered a problem previously a number of the questions in our online survey explored this.

Firstly, as we can see from Table 3-1 and Table 3-2 below, we can gain some insight into the need for improvement in this area from the motivations of businesses and primary authorities for joining the scheme in the first place. In relation to businesses, when asked to rate their main motivations for joining Primary Authority in the online survey, the most highly rated motivation on average was "the statutory standing of Primary Authority". This is an important finding as it suggests that Primary Authority is offering a sense of certainty to potential participants and that it would carry weight in the advice it provides and decisions it makes. The second most highly rated motivation was a desire to have an "improved relationship with local authority and other regulators".

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[7] For these organisations, reduction of inconsistency was obviously not their main motivation for joining Primary Authority.

Table 3-1   Participating businesses' motivations for choosing to get involved in Primary Authority by order of importance

Option	Rank
The statutory standing of the scheme (i.e. dispute resolution and legally binding procedures)	1
Improved relationship with local authority and other regulators	2
Better intelligence from inspections carried out by local authorities	3
Recognition of compliance efforts	4
Other motivation	5

SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

Turning to the motivations of primary authorities for getting involved in the scheme (Table 3-2 below), the highest ranking motivation for primary authorities to get involved was that of making compliance easier for local businesses through the provision of improved support. This was followed by the "potential to reduce inconsistencies in the way businesses are regulated at the local level" as the next most important motivation for them to choose to get involved in Primary Authority.

Table 3-2   Primary authorities' motivations for choosing to get involved in Primary Authority by order of importance

Option	Rank
Providing more effective support to local businesses to make compliance easier	1
Potential to reduce inconsistencies in the way businesses are regulated at the local level	2
Improving relationships with local businesses	3
Making the local regulatory system work more effectively	4
Source of income for the local authority	5
Part of transition from voluntary schemes	6

SOURCE: RAND Europe, Online survey of primary authorities, Sept-Oct 2010

Therefore, we can see that business and primary authorities in general had similar hopes for the scheme at the outset – businesses wanted to be part of a scheme that had statutory standing and primary authorities at the same time wanted to provide better support for businesses. Both wanted to develop and improve their relationships with the other through

their participation in the scheme. A particular priority for primary authorities was to try to reduce the level of inconsistent advice provided to businesses.

Case study data support the findings of the surveys in this area. For example in one case study, the primary authority clearly stated that they had hoped to be able to spend their time more efficiently as a result of Primary Authority.

> *'I think now it's got some structure to it…. We've got a contract, we know what's expected from each other and then, ultimately, when I deal with other enforcing authorities I know what's expected as well. So it's a lot more defined now, which makes it a lot easier'.*

3.1.3 Reduction of time and expense involved in local regulation

A further potential improvement offered by Primary Authority for all those involved in regulation was a reduction in time spent (and therefore cost reduction) in dealing with and carrying out inspections. In order to identify an approximate baseline of how many inspections were conducted per year prior to organisations joining the scheme, businesses were asked in the online survey to estimate this. The most frequent response was 1-5 inspections per year (37% - 10 businesses) although 15% (4 businesses) indicated that they had 21-100 inspections in that year.

The issue of time involved in local regulation was considered in detail in the case studies. Interestingly, all three primary authorities who were involved in case studies were cautious prior to entering the partnerships of engaging in the scheme with a business that would not require excessive amounts of management time, relative to the previous time involved. Therefore, due diligence was undertaken by each primary authority to effectively gauge the extent of management and interaction that would be required once the partnership was in place. If this process had indicated a likelihood of excessive workload from the point of view of the primary authority, the plan to develop a partnership would not have progressed. This suggests that the businesses involved in Primary Authority may in some ways represent a high-performing selection of organisations.

3.2 Summary

- As detailed in Chapter 2 above, the fundamental policy rationale for the development of Primary Authority was the improvement of some aspects of the regulatory system. The rationale was based on a perceived inconsistency in local authorities' application of national standards; variations in activity and a desire to reduce the burden of regulation on all of those involved.

- We can see from the data presented in this chapter that there is an alignment between the policy rationale and the drivers of participation by businesses and local authorities in Primary Authority.

- Expectations amongst businesses and primary authorities were high that the new approach would enable inconsistency to be reduced, compliance to be improved and time and expense to require less investment.

- The following chapters discuss in more detail the extent to which these expectations were met and the benefits realised.

CHAPTER 4 **Research findings: Operation of the scheme**

4.1 Operation of Primary Authority

This chapter reports the research findings in relation to the functioning and operation of Primary Authority. This looked in particular at participants' experiences with joining and being involved in the scheme, aspects of their involvement and costs associated with this. The specific areas under review in this chapter are:

- Joining the primary authority scheme:
    - *How joining Primary Authority relates to membership of voluntary schemes;*
    - *Length of time from initial discussions to development of the partnership;*
    - *How the partnership was initiated;*
    - *Difficulties of finding a primary authority partner.*
- Challenges to participation in Primary Authority:
    - *Main problems encountered when setting up a primary authority partnership.*
- Maintaining the primary authority relationship:
    - *Time involved in setting up the partnership;*
    - *Costs to businesses and primary authorities of being involved in Primary Authority;*
    - *The role of inspections and inspection plans.*

Each of these areas is discussed in depth below.

4.1.1 Joining Primary Authority

This was considered first in <u>stakeholder interviews</u>. A majority of the primary authorities and participating businesses interviewed flagged up that they already had an good existing relationship with their primary authority counterpart through involvement in the Large Organisation Partnership Pilot (LOPP) or other voluntary schemes for example. One enforcing authority mentioned they would only take on Primary Authority if they already had a strong relationship with the business as they would find it suspicious to be approached by a business they didn't already know very well. Nonetheless, primary authorities felt that despite having an existing relationship with a business, delivering the scheme required them to gain specific expertise and knowledge about the business and that

this required a lot of commitment on their part to dedicate specific resources in this way. However, some businesses felt it was a benefit to local authority staff to be involved in Primary Authority as it could enable them to build up expertise and knowledge and also further their understanding of businesses generally.

In the online survey, participating businesses were asked if they were taking part in voluntary schemes in the past and currently. Figure 4-1 below shows their participation in various voluntary schemes. Overall, a majority of participating businesses had taken part in voluntary schemes previously and only 5 businesses had not taken part in any voluntary schemes previously and were not currently doing so. It is worth noting that over half of participating businesses (57.9% - 11) were participating in the Home Authority scheme in the past and 42% (8) were still in the Home Authority scheme. This indicates that a large proportion of businesses with a primary authority partnership are still maintaining a Home Authority partnership for some aspects of local regulation. As the evaluation of Primary Authority progresses, this maintenance of involvement in other partnership schemes may be useful to monitor and to consider further.

Figure 4-1 Participation of primary authority businesses in voluntary schemes in the past and currently
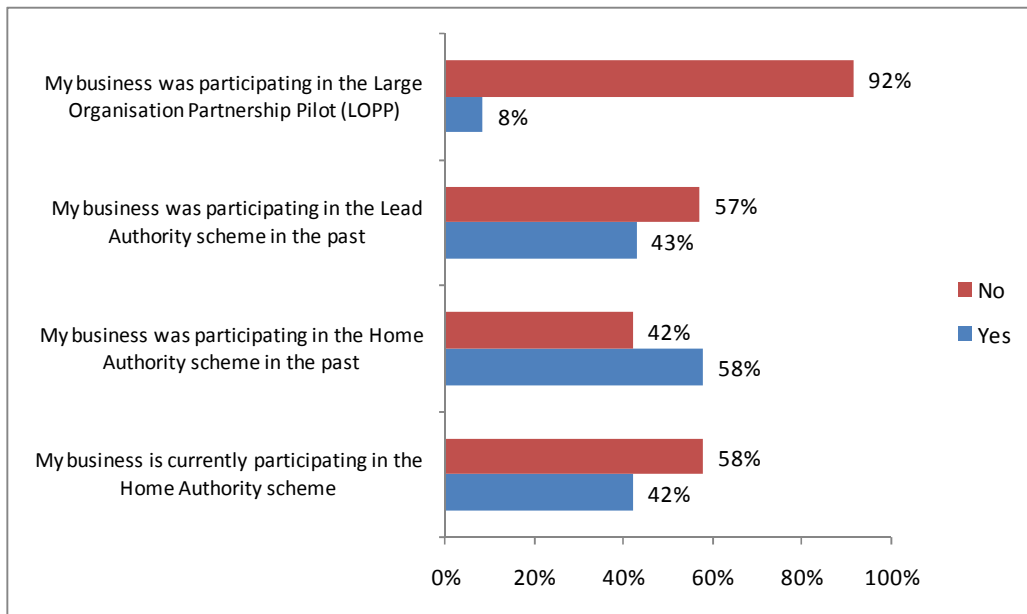
SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

Overall, primary authorities in interviews reported that the primary authority partnership was easy to set up and that LBRO provided them with good support to set up a partnership. There were some concerns expressed that the economic environment within which the scheme operates is so challenging at present that it may be difficult to sustain the level of support required. One enforcing authority who was unwilling to participate in a primary authority partnership expressed concern that local authorities will become increasingly worried about their finances and have less time to dedicate to improving the delivery of local regulation.

The process of joining Primary Authority was explored further with both businesses and primary authorities in the <u>survey research.</u> Businesses were asked to focus on their experience of developing their *main* primary authority partnership for their business (if they had more than one) and primary authorities were asked to consider this in relation to their *first* primary authority partnership. Each group were asked how much time was involved in setting up the scheme. In response, most businesses (67% - 18 businesses) said that it was less than five days work while 61% (14) of primary authorities indicated this time frame. The remainder of primary authorities (35% - 8) reported that it took longer than this.

Local authorities that had more than one primary authority partnership (only 5 primary authorities in our sample were in this category) were also asked how much time it took to set up their most recent partnership. Responses to this indicated that it becomes easier and faster for primary authorities to set up a partnership once they have already done so previously. Most of those developing new primary authority partnerships took less than 9 hours work to do so (80% - 5 primary authorities who had set up more than one partnership). In terms of the overall duration of initial discussions and planning for the establishment of the primary authority partnership, a similar time period was identified by most businesses and primary authorities. However, a larger proportion of businesses completed these early planning stages faster than local authorities. An initial time period of 1-3 months was considered an approximate duration for these discussions by 37% (10) of businesses and 35% (8) of primary authorities. However, another 33% (9) of businesses and 52% (12) of primary authorities believed that the initial process for establishing a primary authority partnership took longer than this. By contrast, 30% (8) of businesses indicated that they were able to do this in less than one month while only 13% (3) of primary authorities said they were able to do this on a similar timeframe.

Overall, 67% (18) of business respondents considered that they had completed these early planning stages for the primary authority partnership within 3 months. Overall for primary authorities, 49% (11) believed that they had completed this stage within 3 months. Figure 4-2 below shows the length of time from initial discussions stage to the start of the partnership for primary authorities and participating businesses.

Figure 4-2   Length of time from initial discussions stage to the start of the partnership for primary authorities and participating businesses
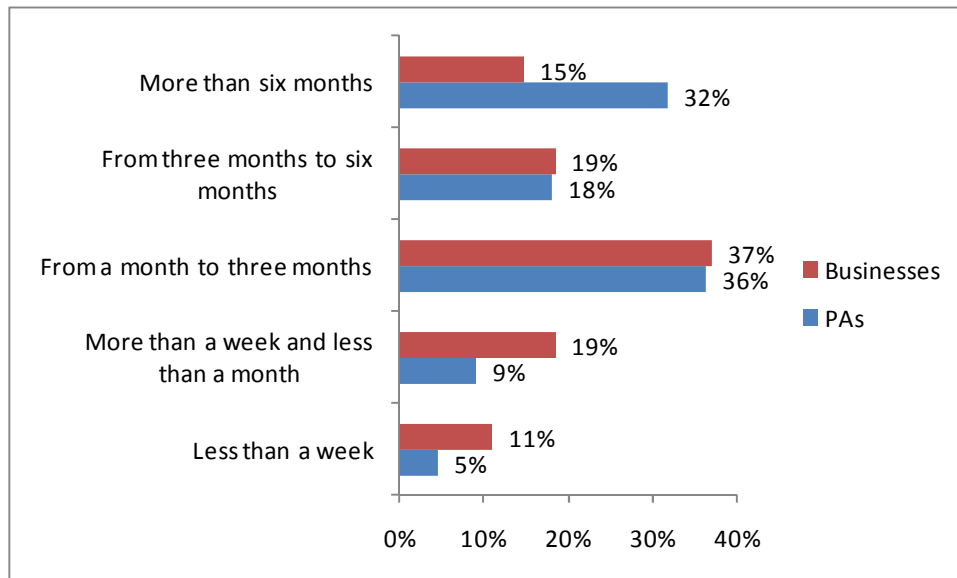
SOURCE: RAND Europe, Online surveys of primary authorities and participating businesses, Sept-Oct 2010

In attempting to measure the costs for businesses associated with the setting up of a primary authority partnership (that is, associated with finding a suitable primary authority, negotiating and concluding a primary authority contract, and devising an inspection plan) data indicated that these represent a relatively minor cost category for businesses involved in the scheme. Costs accrue primarily as labour costs. Businesses spend on average 4.7 days on setting up their partnerships (responses ranged from less than a day to more than 15 days) and - for those that had them - about 20.6 hours on average for devising an inspection plan (responses ranged between less than an hour to more than 50 hours).

In terms of initiating involvement in Primary Authority, over one third of businesses (37% - 10 businesses) said that the local authority had approached them to suggest participating in the scheme together. Interestingly, when primary authorities were asked if they had a specific planned strategy for offering Primary Authority to local businesses, a large majority (78% - 18 primary authorities) indicated that they did not plan an overall approach to enrolling businesses. This suggests that the approaches that were made by local authorities to businesses were done on a case by case basis, rather than as part of a broader strategic plan. In 15% of cases (4 businesses), businesses themselves approached the local authority to try to establish a primary authority partnership and 33% (9 businesses) said that their participation in the scheme was a direct follow-on to the previous voluntary arrangement that they had been involved with prior to this.

In a further 26% of cases (7 businesses), businesses said they became involved in a primary authority partnership because of the role played by LBRO. In these cases, LBRO either approached the business (3 businesses) or the business approached LBRO to try to establish the relationship (4 businesses). Figure 4-3 below summarises the ways in which the primary authority partnership was initiated according to surveyed businesses.

Figure 4-3 Ways in which the primary authority partnership was initiated

Transition from voluntary arrangement — 19%
My business approached the local authority — 19%
My business approached LBRO — 15%
Local authority approached my business — 37%
LBRO approached my business — 11%

0% 5% 10% 15% 20% 25% 30% 35% 40%
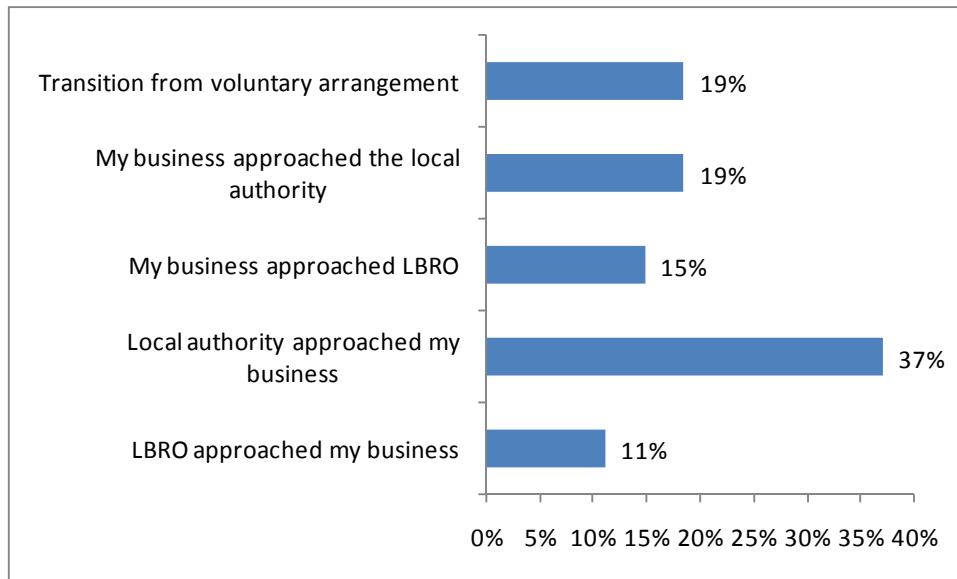
SOURCE: RAND Europe, Online surveys of participating businesses, Sept-Oct 2010

In a related question, businesses were asked why they chose the particular primary authority organisation that they developed a partnership with. The most frequent response by 81% (22) of businesses to this was that the business already had a pre-existing good relationship with the local authority. A second commonly cited reason (by 44% - 12 businesses) was that the local authority had a good understanding of the business or sector that the organisation was part of and therefore that this made it a good match. The proximity of the local authority (i.e. that it was near to the business head office or other site) was another commonly highlighted reason with 44% of businesses selecting it (12). Other reasons that were given included a previous involvement in a pilot scheme or a voluntary scheme with this local authority (37% - 10 businesses) and the perceived capacity of the local authority to deliver primary authority (26% - 7 businesses).

Figure 4-4 Main reasons selected by businesses for choosing their primary authority
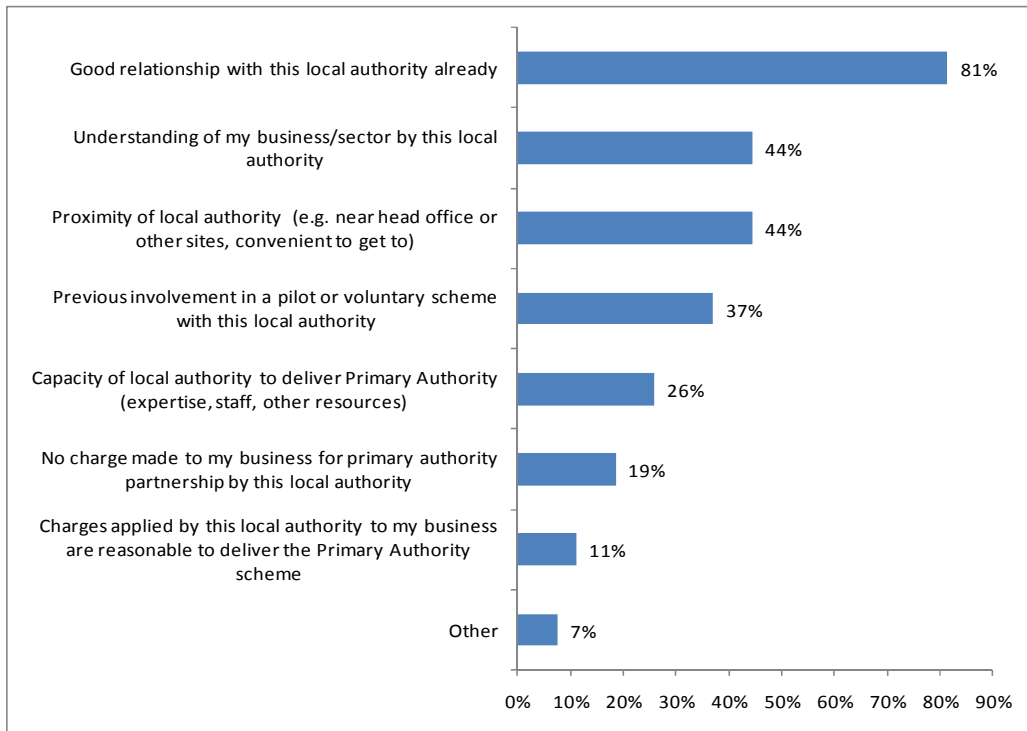
SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

When asked about the ease or difficulty of finding a suitable primary authority, most businesses (67% -18 businesses) said that this was very easy and a further 11% (3 businesses) thought it was easy. The remainder of the sample (22% - 6 businesses) said it was neither easy nor difficult and none of the sample believed that it was difficult or very difficult. Looking in a little more depth at these figures, we can see that those who were previously involved in a voluntary scheme tended to find it very easy to find a suitable primary authority. The five businesses in the survey who had not previously been involved in a voluntary scheme found this less easy. These data are presented below in Table 4-1.

Table 4-1 How easy or difficult was it for your business to find a suitable primary authority?

	Neither easy nor difficult	Easy	Very easy	Total	
	Count	Count	Count	Count	% of total
Has been in voluntary scheme before Primary Authority	3	1	18	22	81%
Has not been in a voluntary scheme before Primary Authority	3	2	0	5	19%
Total	6	3	18	27	100%

SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

When asked about the need to develop a business case within their organisation to justify joining and participating in Primary Authority, more than half of businesses (55% - 15 businesses) indicated that they did not have to develop this. This is a notable finding, as it suggests that the value of spending time developing the primary authority partnership was obvious to a significant proportion of businesses.

4.1.2 Challenges to participating in the scheme

<u>Stakeholder interviews</u> examined some of the potential challenges to participating in the scheme. One of the challenges raised in those discussions was that some regulators have a negative attitude towards Primary Authority and may find it hard to see the added value of the scheme compared with the free voluntary schemes on offer. Take-up of Primary Authority was hindered by some local authorities still promoting voluntary schemes and telling businesses that Primary Authority is similar but is not free. One business interviewed mentioned that they had to deal with a very uncooperative enforcing authority that frequently ignored their primary authority partnership. Some businesses mentioned that the success of the scheme relied on enforcing authorities having due regard to advice given from the primary authority and in the inspection plan. On the other hand, some enforcing authorities have reacted by taking a "backseat approach" and leaving it to primary authorities to deal with the businesses on their behalf (i.e. some primary authorities mentioned enforcing authorities expected them to send letters to company head office or that they expected a lot of direction from the primary authority). Some of the participating businesses interviewed also stated they felt that some enforcing authorities considered Primary Authority an infringement of their powers.

In order to explore further which, if any, aspects of the process of establishing a primary authority partnership were challenging for businesses, in the <u>survey research</u> businesses were asked to rank a series of potentially problematic aspects of the process in order of importance. The following range of possible options was provided for respondents to select from and rank:

- *Lack of corporate buy-in to Primary Authority*
- *Not enough information available about the scheme*
- *Not enough help available from LBRO*
- *Agreeing resourcing arrangements*
- *Lack of buy-in from local authority*
- *Difficulty understanding what services the local authority will provide*
- *Difficulty quantifying benefits*
- *Problems with reaching legal agreement*
- *Other challenges*

Interestingly, answers were relatively evenly spread across all the options. However, taking a mean of the scores across the options (bearing in mind that some of the detail is blurred with this method), we can see the order of these in Table 4-2 below. Overall, the top challenge for businesses was the lack of buy-in from local authorities to the scheme.

Table 4-2   Challenges faced by businesses during the process of establishing a primary authority partnership by order of importance

Options	Rank
Lack of buy-in from local authority	1
Not enough information available about the scheme	2
Other	3
Not enough help available from LBRO	3
Difficulty understanding what services the local authority will provide	4
Agreeing resourcing arrangements	5
Problems with reaching legal agreement	6
Difficulty quantifying benefits	7
Lack of corporate buy-in to Primary Authority	8

SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

A similar question was asked of primary authorities and an overview of the rank order of the challenges faced by primary authorities during the process of establishing a partnership is shown in Table 4-3 below. The most notable issues for primary authorities were agreeing resource requirements, difficulty understanding what services the businesses wanted and problems with reaching legal agreement in relation to the primary authority.

Table 4-3   Challenges faced by primary authorities during the process of establishing a primary authority partnership by order of importance

Option	Rank
Agreeing resourcing arrangements	1
Difficulty understanding what services the business wants	2
Problems with reaching legal agreement	3
Difficulty quantifying benefits to business	4
Not enough help available from LBRO	5
Not enough information available about the scheme	6
Other	7
Lack of buy-in from my local authority	8

SOURCE: RAND Europe, Online survey of primary authorities, Sept-Oct 2010

4.1.3   Maintaining the primary authority relationship

Businesses were asked in the <u>online survey</u> about the amount of time involved in maintaining their primary authority partnerships. This was asked in order to develop a clear picture of what inputs were required by all parties involved in this process. A majority of businesses (37% - 10 businesses) indicated that the maintenance time required for their ongoing primary authority partnership was one hour or less per week. For primary authorities, over half of respondents (56% - 13 primary authorities) indicated that they spent one hour or less dealing with business related to their first primary authority partnership and a further 22% (5) indicated that it required between 2 and 4 hours per week and 22% (5) estimated it to be above 5 hours per week. This is shown below.

Figure 4-5 Time spent by participating businesses and primary authorities in maintaining their primary authority partnerships per week
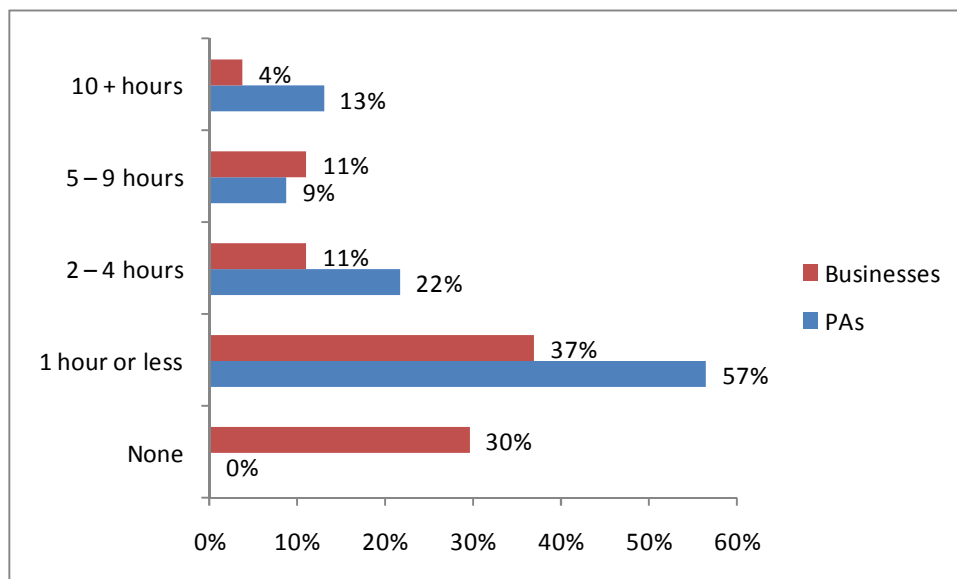
SOURCE: RAND Europe, Survey of participating businesses and primary authorities, Sept-Oct 2010

An important aspect of this estimation is whether or not this was an improved situation from the previous one. Therefore, businesses were asked if the amount of time they spent on dealing with local regulation had changed since joining Primary Authority. For the vast majority (96%) of businesses involved in Primary Authority, their participation in the scheme was not a time-burden for them. Their involvement in the scheme did not require any additional input of time in dealing with regulatory matters beyond the time that they would usually spend on this area. Indeed, over a quarter of the participating businesses (26% - 7 businesses) found that the time involved in dealing with regulatory issues had actually reduced since they joined the scheme.

Turning this time commitment into an actual monetised cost to businesses involved in the scheme, can be estimated through maintenance costs accrued through conducting meetings and regular communication relating to keeping the partnership functioning and compliant with relevant regulations. These represent modest costs which decline on a per partnership basis over time due to beneficial learning effects[8]. According to the survey respondents, overall an average business spends about 2 hours per week on maintaining each of its partnerships (responses range from less than an hour to more than 10 hours). Learning effects are expected to reduce the average number of hours to about 1 hour per week.

For primary authorities, who would generally have provided regulatory services to these businesses prior to Primary Authority, it was asked if extra resources were required to deliver the additional support provided by them under Primary Authority. Over half (52%

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[8] It is assumed that learning effects take place in the two years after November 2010 which are the same in their magnitude to the learning effects at the primary authorities' side. Primary authorities reported that their maintenance costs decreased by 53% on average between their first and latest partnership. No comparable figure could be elicited from businesses, hence this assumption.

- 12 primary authorities) of primary authorities indicated that additional resources were required but most (83% - 19 primary authorities) did not take on additional staff to deal with this.

4.1.4 Inspections and inspection plans

A potential improvement offered by Primary Authority for all those involved in regulation was a reduction in time spent (and therefore cost reduction) dealing with and carrying out inspections. In order to identify an approximate baseline of how many inspections were conducted per year prior to organisations joining the scheme, businesses were asked in the online survey to estimate this. The most frequent response was 1-5 inspections per year (37% - 10 businesses) although 15% (4 businesses) indicated that they had 21-100 inspections in that year.

They were subsequently asked to estimate how many inspections they had had since joining the scheme in order to show the direction of change for businesses before and after their participation in Primary Authority. These summary data are presented in Figure 4-6. These numbers should be examined with care as some of the businesses surveyed had not been in Primary Authority for a full 12 months and so they have not yet all been involved for the same time period. Nevertheless, these data show promising indications of potential time savings for businesses through participation in the scheme. Almost one third of participating businesses said that the number of inspections of their businesses had decreased.

Figure 4-6 **Change in number of inspections before and after involvement in Primary Authority**
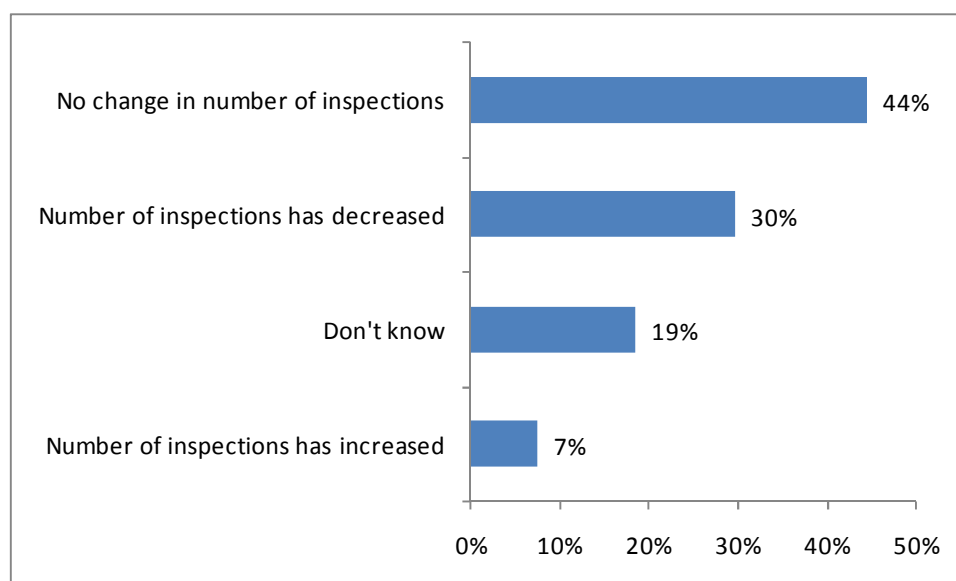
SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

Interestingly, for a small proportion, the numbers of inspections had actually increased which provides some evidence of some of the early adjustment challenges for those involved. For example in one of the case study interviews, it was noted by the participating business that enforcing authorities were inspecting them more often since they joined the scheme.

From a cost perspective, a significant cost saving potentially arises for businesses from less time spent on inspections which results not only from the decrease in the frequency of inspections, but also the decrease in the average length of inspections. As detailed above, participating businesses reported in the online survey that they experienced a reduction in the number of inspections. In terms of average reduction, each business had almost 15 inspections per year less since their involvement in Primary Authority compared to the year prior to their involvement. This average figure however masks large differences across companies' inspection experience ranging from 0 to 200 inspections per year. The estimations potentially contain larger than average measurement error as many companies have been in Primary Authority for a short period and local authorities' inspection activity may fluctuate considerably across months and years thus longer time-series would be needed for reliable estimation. The average length of an inspection decreases by about half an hour when inspections within the primary authority partnership are compared to the inspections prior to the scheme. This resulted in modest cost savings for companies as well.[9]

Following on from the issue of inspections in general, stakeholder interviews highlighted the potential of inspection plans. Some primary authorities mentioned the advantages of drawing up an inspection plan which could assist officers in focusing their inspections on the most problematic areas of a business. Inspection plans were seen by primary authorities as a way to ensure enforcing authority inspectors take the necessary steps during their inspection of the business and cover the main areas that could lead to issues as well as assess management competencies. Inspection plans were seen as having the potential to save time for both businesses and enforcing authorities by making inspections more focused and efficient. This is particularly valuable when the business being inspected is "unusual" or presents risks that are often hard to identify without prior knowledge of the business (e.g. swimming pools, health clubs or other leisure businesses). Some interviewees mentioned the inspection plan had the potential to save time in the long run because it could be used to cut down on the number of visits to a particular business.

However, the survey results showed that, in general, Primary Authority did not necessarily result in the production of inspection plans. In total, 78% (18) of primary authorities said that they had not agreed inspection plans with businesses. Similarly, 63% (17) of businesses reported that they had not developed inspection plans. Businesses that had developed inspection plans had spent varying amounts of time developing them. Some (33% - 3 out of 9 businesses with an inspection plan) spent 2-4 hours on the plan and others spent 16-50 hours on the plan.

4.2 Summary

- Primary Authority aims to reduce inconsistencies in the advice provided by local authorities, improve compliance processes and to reduce time and expense of compliance for all parties involved.

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[9] The length of inspection is based on case study data thus fewer companies' responses

- Overall, a majority of participating businesses had previously taken part in voluntary schemes and only 5 businesses had not taken part in any voluntary schemes in the past and were not currently. It is worth noting that over half of participating businesses (57.9% - 11) were participating in the Home Authority scheme in the past and 42% (8) were still in the Home Authority scheme. This indicates that a large proportion of businesses with a primary authority partnership are still maintaining a Home Authority partnership for some aspects of local regulation.

- Data collected on local authorities that had more than one primary authority partnership (only 5 primary authorities in our sample were in this category) indicated that it becomes easier and faster for primary authorities to undertake this work as they become more experienced in their role as a primary authority.

- Overall, 67% (18) of business respondents considered that they had completed the early planning stages for the primary authority partnership within 3 months. Overall for primary authorities, 49% (11) believed that they had completed this stage within 3 months.

- Businesses overall spent on average 4.7 days on setting up their partnerships and - for those that had them - about 20.6 hours on average for developing an inspection plan (responses ranged between less than an hour to more than 50 hours).

- Approaches that were made by local authorities to businesses were done on a case by case basis, rather than as part of a broader strategic plan.

- When businesses were asked why they chose the particular primary authority that they developed a partnership with the most frequent response (by 81% of businesses - 22) to this was that the business already had a pre-existing good relationship with the local authority.

- Those who were previously involved in a voluntary scheme tended to find it very easy to find a suitable primary authority. The five businesses in the survey who had not previously been involved in a voluntary scheme found this less easy.

- Overall, the top challenge for businesses was the lack of buy-in from local authorities to the scheme. The most notable issues for primary authorities were agreeing resource requirements and difficulty understanding what services the businesses wanted.

- For 96% of businesses there was no additional time burden involved in dealing with regulatory matters as a consequence of their involvement in the scheme. For 26% (7) of businesses the time involved in dealing with regulatory matters had in fact reduced.

- There are indications of further potential time savings for businesses through participation in the scheme. Almost one third of participating businesses said that the number of inspections of their businesses had decreased.

- In general, to date Primary Authority has not necessarily resulted in the production of inspection plans.

CHAPTER 5 **Research findings: Culture change for participants in the scheme**

This chapter considers the issue of the cultural challenges facing all of the participants in Primary Authority as a consequence of their involvement. Primary Authority necessitates the development of new working relationships (or a new version of a previous working relationship) for participating businesses and their associated primary authorities. It also requires enforcing authorities to deal differently with both participating businesses and primary authorities. Therefore, a range of behavioural and process step changes are needed. Below, we have set out the core aspects of these issues as they are faced by each of the main groups involved in the scheme: businesses, primary authorities and enforcing authorities.

5.1 Participating businesses

For businesses involved in Primary Authority, a number of key changes were required in the way they dealt with local regulation. These included:

- *Identification of one main point of contact within the primary authority partnership organisations*
- *Paying for regulatory services*
- *Developing a different relationship with enforcing authorities who may inspect their premises*
- *Potentially developing a different internal process for dealing with regulatory matters, including developing inspection plans*

Each of these main points will be considered in turn below.

5.1.1 The identification of one main point of contact within the primary authority partnership organisations

Firstly, looking at the issue of the identification of one point of contact within the primary authority partnership organisations, as discussed in the previous chapter, most of the businesses did not find it difficult to identify a primary authority partner as they had a pre-existing relationship with their chosen primary authority. Therefore, the development of one point of contact in the primary authority will have been, for those organisations, a

natural evolution of their existing working relationship. Looking at the length of time involved to develop the partnership for those previously involved in a voluntary scheme, Table 5-1 below shows that overall, the process was faster for those involved in other schemes prior to this one. Therefore, Primary Authority built upon previous working practices for many businesses. This may be a potentially bigger issue for newly joining businesses in the future, if they do not have a pre-existing working relationship with their primary authority partner.

Table 5-1   How long did it take from the initial discussions stage to the start of the partnership?

	Less than a week	From 1 week to 1 month	From 1 month to 3 months	From 3 months to 6 months	More than 6 months	Total	
	Count	Count	Count	Count	Count	Count	% of total
Has been in voluntary scheme before PA	2	5	9	4	2	22	81%
Has not been in a voluntary scheme before PA	1	0	1	1	2	5	19%
Total	3	5	10	5	4	27	100%

SOURCE: RAND Europe, Online survey of enforcing authorities, Sept-Oct 2010

5.1.2   Paying for regulatory services

Prior to joining Primary Authority, businesses would not generally have been charged for the services they received from their local regulators. Through their participation in this scheme, businesses could be asked to pay in order to cover the costs of providing them with individual support and to cover the costs of their primary authority liaising with enforcing authorities on their behalf.

In the survey research, this issue was explored further. Businesses were asked if they were charged for the services that they were provided and if so, what these costs were. Overall, 52% (14) of businesses were charged for their participation. Of those that were charged a fee, a majority (57% - 8 out 14 businesses being charged) paid an annual fee for an agreed number of hours per year. A further 14% (2 businesses out of 14 businesses being charged) paid an hourly rate for services provided as and when these were needed. The remainder either paid an annual fee for unlimited hours (7% - 1 business out of 14 being charged) or paid an hourly rate for an agreed number of hours (7% - 1 business out of 14 being charged). For those that were charged and paid a fee to the local authority who was their primary authority partner, the average amount that they were charged was £5,181.

In case study discussions, businesses were asked about their views on being charged for the services they were being provided with through the scheme. In each of the three cases, businesses thought the service was good value for money and did not represent a large

financial burden on their business. Typical of this view was the position of one of the case study organisations who said:

> *'For our business case, we assumed the cost would be £10K for the first year for the primary authority payment to our primary authority partner. They send us bills every couple of months for the work done….I had expected us to go over budget a bit on this but in fact we will come in a little below budget….We have easily clawed back savings in other ways since we became involved in the scheme. This specifically included reduction of duplication of efforts. This allows staff to concentrate on other things instead of this'.*

Businesses expected to be charged and were willing to pay for the services they received in this context. Although they had not previously had a paying relationship with the primary authority, this appeared to be an easy transition for them.

5.1.3 Developing a different relationship with enforcing authorities who may inspect their premises

Before their participation in Primary Authority, businesses had a direct relationship with enforcing authorities who came to inspect their business premises. Following their enrolment in the scheme, enforcing authorities needed to check if businesses in their area were involved in the scheme and if so, to refer to their primary authority with any enforcement-related queries.

This issue was explored through the survey of businesses and the case study discussions. In the survey, businesses were asked if they had noticed any changes in the way they had been dealt with by enforcing authorities since they had joined the scheme. As Table 5-2 below shows the responses were relatively evenly spread across those that saw a difference and those that did not. It is notable that those businesses that had joined Primary Authority in the last 1-4 months were more likely to have noticed a change in the way enforcing authorities deal with their business. On the other hand, those in a primary authority partnership for 5-9 months were more likely not to have noticed any changes. A possible explanation for this may be that those joining more recently are beneficiaries of the communication by earlier partnerships (via LBRO and businesses themselves) and that, as a result of this communication, more enforcing authorities are now aware of the scheme than previously.

Table 5-2 Since you joined Primary Authority, have you noticed any changes in the way enforcing authorities deal with your business?

	Yes		No		Total	
Length of participation in a primary authority partnership	**Count**	**% of row**	**Count**	**% of row**	**Count**	**% of total**
1-4 months	4	67%	2	33%	6	23%
5-9 months	4	31%	9	69%	13	50%
10+ months	4	57%	3	43%	7	27%
Total	12	46%	14	54%	26	100%

SOURCE: RAND Europe, Online survey of enforcing authorities, Sept-Oct 2010

Data from case study discussions highlighted a lack of awareness and willingness to comply with the scheme by enforcing authorities as a problematic area for some businesses. Consistently, businesses noted that there was some resistance on the part of enforcing authorities to develop a new form of working relationship with the participating businesses. For example, it was noted by a case study organisation that:

> *'I think that local authorities tried to, on the whole, ignore Primary Authority, when it came out. I think there was a general reluctance to accept that they had to seek approval from…. one particular authority and then also potentially the LBRO for their actions. I don't think most of them like that approach, but I think that the … benefits will become more apparent to them when the case for not inspecting from primary authority businesses become clearer'.*

This issue remains problematic for businesses and they clearly find it difficult to deal with. Most point to the need to get the message out to enforcing authorities that the scheme is there for the benefit of all. There is some optimism that this will improve as more enforcing authorities become aware of Primary Authority. It was noted by another case study organisation that:

> *'With reference to enforcing authorities, Primary Authority does help to deal with them. I think it will take 2-3 years to make them all realise about Primary Authority. The message is getting out there slowly'.*

5.1.4 Potentially developing a different internal process for dealing with regulatory matters, including developing inspection plans

Primary Authority encourages businesses to deal more with their primary authority on regulatory matters and less with enforcing authorities. Therefore, businesses may need to reorganise their working arrangements to reflect the shift in emphasis. However, as detailed above the distribution of time involved for businesses (i.e. they may be doing slightly different things than previously) may have changed but the overall amount of time was relatively unchanged. In Table 5-3 below, we can see the distribution of survey responses to this relative to the length of participation in a primary authority partnership. Overall, 26% saw their time involved in regulation decreasing and this tended to be among organisations that had been in the scheme for over 5 months.

Table 5-3   Has the amount of time your business spends dealing with compliance with local regulation since your involvement in a primary authority partnership changed?

Length of participation in a primary authority partnership	Decreased	Don't know	Stayed the same	Total	
	Count	Count	Count	Count	% of total
1-4 months	1	1	5	7	26%
5-9 months	3	0	10	13	48%
10+ months	3	0	4	7	26%
Total	7	1	19	27	100%

SOURCE: RAND Europe, Online survey of businesses, Sept-Oct 2010

Interestingly, in case study discussions it was noted by one organisation that the changes to the internal processes had a positive knock-on effect within their organisation due to the need for transparency and openness with all their staff in relation to inspection planning and their primary authority relationship:

> *'People have to be honest and open and the scheme encourages this. We give access to the Primary Authority to our people at any time, if they have any questions or concerns. For some businesses, this level of openness is frightening. We have confidence in our organisations'.*

This may become more prevalent as the scheme progresses and becomes more firmly embedded within organisations.

5.2   Primary authorities

For primary authorities involved in the scheme, a number of key behavioural and processes changes were required of them to adjust to the requirements of the scheme. Some of these key changes included:

- *Representing their primary authority businesses to enforcing authorities who had queries to be answered*
- *Charging businesses for the costs incurred through additional time spent dealing with them or enforcing authorities*

Both of these areas will be considered in turn below.

5.2.1   Representing their primary authority businesses to enforcing authorities who had queries to be answered

As a consequence of the arrangements with primary authority businesses, primary authorities were now responsible potentially for dealing with enforcement queries from enforcing authorities on their primary authority businesses.   This was a significant departure from previous arrangements for primary authorities despite that fact that in

many cases (as detailed above) there was a good pre-existing relationship with the primary authority business.

In the survey research, primary authorities were asked how much time they spent per week dealing with enforcing authorities in relation to their first primary authority partnership. A large proportion of primary authorities (61% - 14) indicated that they spent one hour or less on dealing with queries from enforcing authorities each week.

In case study discussions with primary authorities this was explored further. Overall, it was clear that primary authorities were careful to consider the amount of time that they would need to commit to this element of the partnership. Each of the three primary authorities in our case studies undertook due diligence of various forms to ensure that the arrangements that they agreed to in the primary authority partnership would not dominate their workload. Because of this investment of time early in the process, primary authorities reported that their interactions with enforcing authorities were not particularly time consuming. However, for new primary authorities joining the scheme this might involve more time than this. Businesses that may currently have a considerable amount of interaction with enforcing authorities and therefore may benefit considerably from having a primary authority partnership, may in fact find it harder to find a primary authority.

5.2.2 Charging businesses for the costs incurred through additional time spent dealing with them or enforcing authorities

In considering the financial aspects of participation in the scheme in interviews, stakeholders were asked to provide details of how they charged or were charging for Primary Authority. There were different arrangements in place for charging for this - some primary authorities decided not to charge businesses and others had different arrangements in place such as charging businesses per hour, per day a week or per year depending on the level of service received. Many primary authorities mentioned that it was difficult for them to work out how much to charge businesses for the scheme and that they would only charge businesses for time and services that went above what businesses could normally expect to receive at no cost to the business either through previous voluntary schemes or through "normal" interactions with local authorities. Other primary authorities mentioned they had worked out costs from previous involvement in schemes such as LOPP where they had recorded the time spent on the scheme and used that as a basis to estimate how much time it would take them to deliver Primary Authority. Some primary authorities feared that if the cost of Primary Authority was judged too high by businesses, they would stick with voluntary schemes. One primary authority also mentioned it had employed agency staff to provide additional support when other staff were working on primary authority partnerships. Others stressed that they had originally offered Primary Authority at no cost to the business because they had underestimated the amount of time it would require to deliver Primary Authority.

Primary authorities were also asked in the survey about their cost recovery arrangements in order to consider the extent to which the costs involved in delivering additional work for Primary Authority could be recovered. Overall, 48% (11) of primary authority respondents aimed to recover the full amount of their costs while 39% (9) aimed to recover some of the costs. A minority (13% - 3 primary authorities) did not have any costs recovery plan in place at all.

These responses reflect some of the cultural shifts required of stakeholders in the implementation of Primary Authority. The concept of charging customers (i.e. businesses in this case) for the provision of regulatory services is new for many local authorities. Therefore, in some cases, it was necessary for local authorities to think through an appropriate business model for the provision of services in this context. Furthermore, it is clear that Primary Authority has resulted in challenges associated with the process of charging in order to cover costs (i.e. how much to charge, over what period, how to invoice accordingly etc). While the participating primary authorities dealt with this in varying ways, the issue was clearly difficult for many and required a behaviour and practice change.

However, because of these varied charging arrangements, the total amount of fees generated does not currently cover all the costs arising as part of the scheme. This is further supported by some primary authorities stating that they are cautious levying or raising fees, in spite of costs incurred. The key reason why primary authorities do not recoup all their costs is that approximately half of primary authorities (48%) do not levy any charge at all to the businesses to which they provide primary authority services. This clearly shows that if primary authorities increased their willingness to charge for what they spend on their partnerships the scheme could be cost neutral.

This was considered further in <u>case study discussions</u>. All three primary authority organisations participating in case studies, made it clear that they did not become involved in the scheme to create a revenue stream but rather to improve or streamline the compliance process and to develop an improved business relationship. Across these three primary authorities, one had a charging arrangement but had not actually charged the business (as they believed that they had not needed to spend much time dealing with the business), one charged half of what the actual costs to them were (as they believed that much of the costs to them were due to it being a 'learning experience') and the third covered their costs in their entirety.

5.3   Enforcing authorities

The role of enforcing authorities is critical to the success of the scheme since the extent to which enforcing authorities engage with it or not, influences to a large extent whether or not the scheme works. For all enforcing authorities dealing with participating businesses and their primary authorities, two fundamental challenges existed in their management of the scheme in terms of behavioural and process changes. These included the following:

- *Awareness of the need to check if the relevant business is part of Primary Authority*
- *Practice of referring to inspection plans (if in place) rather than making queries to businesses*

Both of these areas will be considered in more detail below.

5.3.1   Awareness of the need to check if the relevant business is part of Primary Authority

Businesses were asked about this issue from their perspective. In particular, they were asked what the level of awareness is among enforcing authorities of Primary Authority. Overall 74% (20) of businesses believed that there was some awareness of Primary Authority

among enforcing authorities and 7% (2) thought that there was widespread awareness. Almost half of businesses (48%) believed that they had noticed a change in the way enforcing authorities dealt with their businesses. These changes included an improved relationship with the enforcing authority and less frequent contact with the enforcing authority. All of the businesses that had observed changes believed that they had resulted in a positive or very positive effect on their organisations. Data from case study discussions highlighted the challenges of this issue for enforcing authorities and some businesses pointed to the potential view of enforcing authorities of giving up an aspect of their power and influence as a result of Primary Authority.

Enforcing authorities were themselves asked about this in the survey. A total of 57% of enforcing authorities surveyed (69 out of 121) were aware of business premises in their local authority area being covered by a primary authority partnership. The ways in which they had become aware of participating businesses in their local area is highlighted in the figure below. This figure shows that the most common way they had become aware was through visits to the LBRO primary authority website (81%) and the second most common was through email circulation list (12%).

Figure 5-1 Ways in which enforcing authorities have become aware of primary authority businesses in their local area.
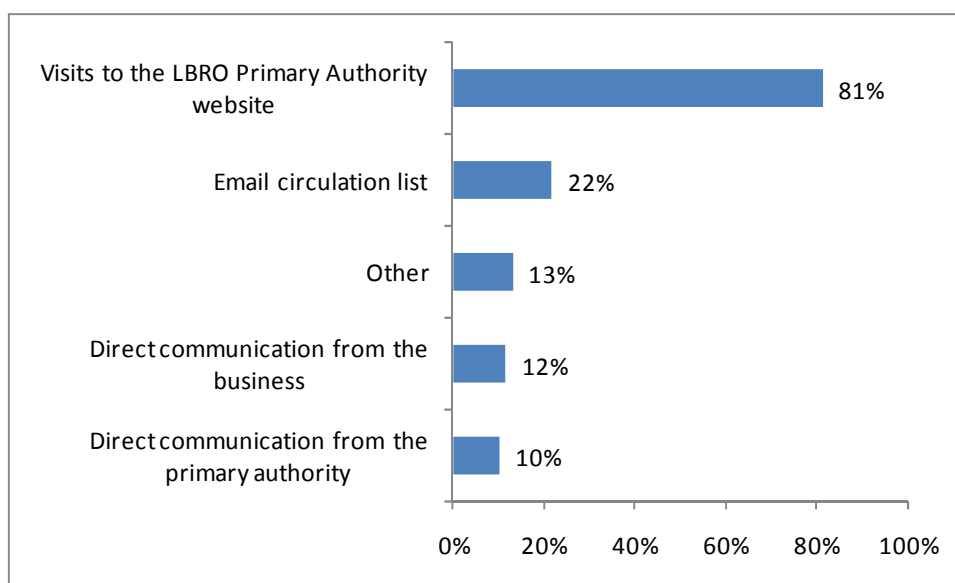
SOURCE: RAND Europe, Online survey of enforcing authorities, Sept-Oct 2010

5.3.2 Practice of referring to inspection plans (if in place) rather than making queries to businesses

When **enforcing authorities** were asked if they were aware of businesses in their area having inspection plans about one third (33% - 23 out of 69 enforcing authorities aware of a business being part of Primary Authority in their area) indicated that they were aware of these. Of these, 65% (15 out of 23) of enforcing authorities said that they had made use of the inspections plans during the inspections of those businesses. They were asked to indicate their view on the impact of using inspection plans and the responses to this are shown below in Figure 5-2. Of this group, almost half (7) said that the plans enabled a

more targeted inspection to take place, for example enabling a greater focus on the areas of risk for that organisation.

Figure 5-2 Impacts of using inspection plans for enforcing authorities
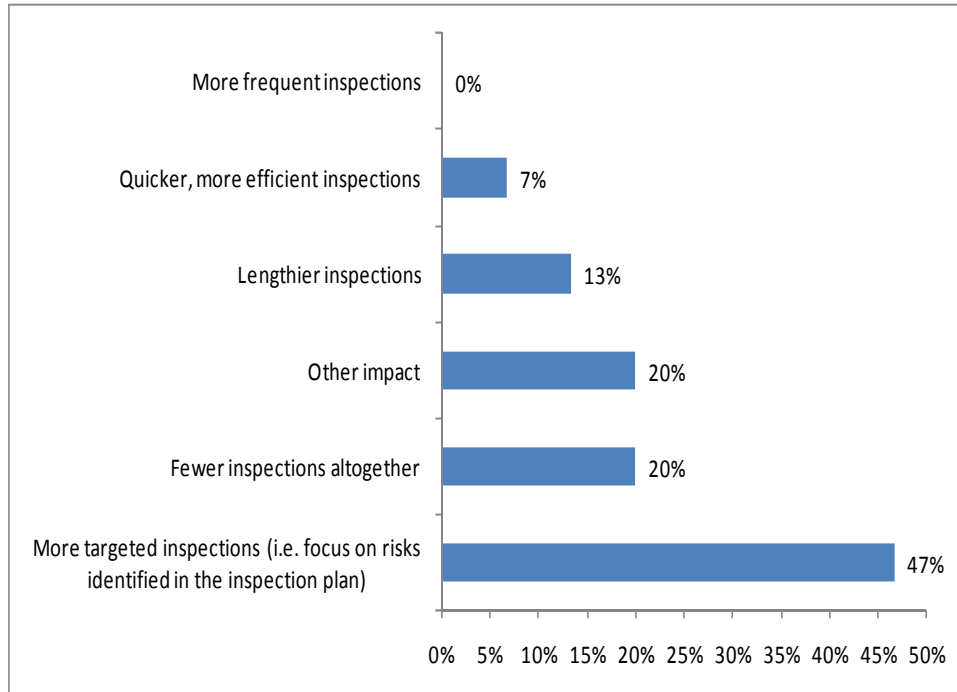
SOURCE: RAND Europe, Online survey of enforcing authorities, Sept-Oct 2010

5.4   Summary

5.4.1   Participating businesses

- Most of the participating businesses did not find it difficult to identify a primary authority partner as they had a pre-existing relationship. For many, the development of one point of contact in the primary authority will have been for those organisations a natural evolution of their existing working relationship.

- Businesses expected to be charged and were willing to pay for the services they received in this context. Although they had not previously had a paying relationship with the primary authority, this appeared to be an easy transition for them.

- Businesses believe that there was some resistance on the part of enforcing authorities to develop a new form of working relationship with the participating businesses.

- The distribution of time involved in local regulation for businesses (i.e. they may be doing slightly different things than previously) may have changed but the overall amount of time was relatively unchanged.

5.4.2 Primary authorities

- Primary authorities reported that their interactions with enforcing authorities were not particularly time consuming. However, for new primary authorities joining the scheme, the amount of time spent by current primary authorities may not reflect accurately the amount of time that they may need to commit.

- Many primary authorities mentioned that it was difficult for them to work out how much to charge businesses for the scheme and that they would only charge businesses for time and services that went above what businesses could normally expect to receive from them free, either through previous voluntary schemes or through "normal" interactions with local authorities.

- Because of these varied charging arrangements, the total amount of fees generated does not currently cover all the costs arising as part of the scheme.

- All three of the primary authority organisations participating in case studies made it clear that they did not become involved in the scheme to create a revenue stream but rather to improve or streamline the compliance process and to develop an improved business relationship.

5.4.3 Enforcing authorities

- 57% of enforcing authorities surveyed (69 out of 121) were aware of business premises in their local authority area being covered by a primary authority partnership.

- One third (33% - 23 out of 69) of enforcing authorities were aware of a business being part of Primary Authority in their area. Of these, 65% (15 enforcing authorities out of 23 enforcing authorities aware of a business in their area having an inspection plan) of enforcing authorities said that they had made use of the inspections plans during the inspections of those businesses.

- They were asked to indicate their view on the impact of using inspection plans and almost half (7) said that the plans enabled a more targeted inspection to take place,

CHAPTER 6 **Research findings: Perceptions of value and benefits**

This chapter considers the main implications of participation in the scheme relative to the original expectations and perceptions of value and benefits of involvement. For businesses and primary authorities, as detailed above, the desire to reduce inconsistency, improve compliance processes and reduce the time and expense involved in local regulation were key aspects of the rationale for involvement. Perceptions of value in relation to these areas were specifically considered.

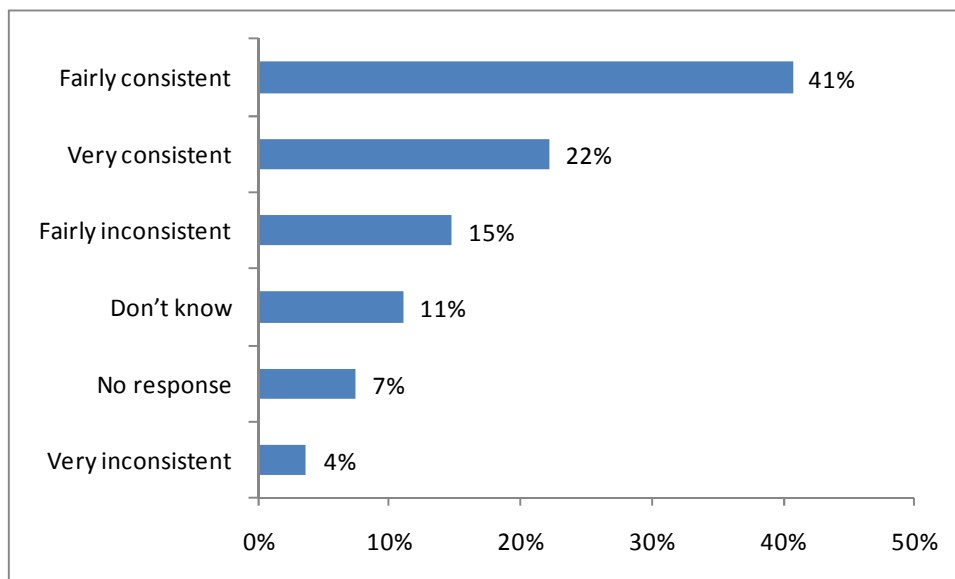This chapter will include the following areas:

- *Reduction of inconsistency*
- *Improvement of compliance*
- *Reduction of time and expense of local regulation*
- *Satisfaction with the scheme*

Each of these aspects will be considered in detail below.

6.1   **Reduction of inconsistency**

In relation to businesses, when asked about how consistent or inconsistent the advice that they currently receive from the various local authorities that they deal with is, 22% (6) said that this was very consistent and 41% (11) believed it was fairly consistent as shown in Figure 6-1 below. Overall, 44% (12) of businesses thought that this was about the same as it was before the scheme began while 22% (6) considered this to be more consistent than previously. A large proportion (30% - 8 businesses) thought that it was too early to say if consistency of advice had changed. This set of data is consistent with the finding (reported above in Table 3.1) that the main motivation for joining to join the scheme was not a desire to reduce inconsistencies but rather included reasons such as the statutory standing of the scheme, the potentially improved relationships with local authority and other regulators and improved intelligence from inspections carried out by local authorities.

Figure 6-1 Consistency of advice currently received by businesses from the various local authorities they have contact with.

Fairly consistent — 41%
Very consistent — 22%
Fairly inconsistent — 15%
Don't know — 11%
No response — 7%
Very inconsistent — 4%

SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

When asked specifically how many instances of inconsistent advice they had encountered since joining the scheme, the numbers of businesses that had not experienced any inconsistent advice increased from 37% (10) before the scheme to 52% (14) after joining. There was also a reduction amongst those who had experienced 1-5 instances of inconsistent advice over the time period (from 30% - 8 businesses prior to Primary Authority to 26% - 7 businesses after joining). However, as previously noted, these numbers should be looked at with caution given that they can relate to different time periods (i.e. 12 months prior to the primary authority partnership being formed and since it was formed).

In order to see if there was any relationship between the development of an inspection plan and an improved experience with inconsistencies, we considered this possibility in data analysis and the result is presented below in Table 6-1. This showed that those businesses that have compiled an inspection plan with their primary authority are more likely than those that have not to have experienced a more consistent approach to local authority regulation since their involvement in Primary Authority. This is an encouraging preliminary finding as it shows that there may be clear benefits for businesses developing inspection plans beyond the obvious time savings.

Table 6-1   **Have you experienced a more or less consistent approach to local authority regulation since your involvement in Primary Authority?**

	More consistent approach	Stayed about the same	Too early to say	Total	
	Count	Count	Count	Count	% of total
Businesses with inspection plan	5	0	4	9	35%
Businesses without inspection plan	1	12	4	17	65%
	6	12	8	26	100%

SOURCE: RAND Europe, Online survey of participating businesses, Sept-Oct 2010

A change in inconsistency in the advice provided to businesses may have a potentially significant financial impact on businesses. Based on interview and survey data, it is estimated that due to Primary Authority the average number of inconsistencies per business per year has reduced from about 5.5 to approximately 3 instances. The fact that businesses in primary authority still report inconsistencies imply that the benefits of the scheme may be further increased. The average cost per inconsistency is potentially a matter of debate due to the divergent and complex nature of the definition of one case of inconsistency. One source on this is the Department of Trade and Investment (DTI) whose average figure was used for our calculations (i.e. 15,000 GBP per case of inconsistency).[10] Arriving at a more precise figure than the DTI's figure was hindered by the varied nature and complexity of the phenomenon. After making the necessary adjustments to the DTI figure to incorporate inflation, the final estimated cost per case of inconsistency is £16,908. Some interviewees reported a discernible decrease in the number of hours they spend on solving each inconsistency. Therefore, it may be a reasonable assumption to make that the costs associated with inconsistencies will reduce.

6.2   Improvement of compliance

In relation to this area, we sought information through the survey on improvements in levels of compliance, reduction in time involved in dealing with compliance issues, reduction of inspection levels to ensure compliance and overall changes in the process for engaging with the compliance process.

Businesses were asked to identify the **main benefits** of their participation in the scheme. A large proportion of businesses (74% - 20 businesses) indicated that the most important benefit for them was having a single point of contact to deal with all local authorities. In addition, 55% (15) said that receiving advice from their primary authority that other local authorities must take into account was a benefit.

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[10] DTI, (2006), URN 07/639 Local Better Regulation Office (LBRO) Consistency Project. Summary of research for LBRO on Home and Lead Authority relationships and their costs and benefits. See: http://www.dti.gov.uk/files/file37268.pdf

When primary authorities were asked to identify the benefits of the scheme, 55% (15) pointed to their ability to support businesses to make compliance easier. A further 52% (14) of respondents pointed to improved working relationships with businesses as a major benefit.

Businesses were also asked if they felt that Primary Authority **reduced or increased the burden** of complying with local regulation for their business. For the vast majority (96%) of businesses involved in Primary Authority, their participation in the scheme was not a time-burden. Their involvement in the scheme did not require any additional input of time in dealing with regulatory matters beyond the time that they would usually spend on this area. Indeed, over a quarter of participating businesses surveyed (26% - 7 businesses) found that the amount of time they spent dealing with regulatory issues had actually reduced since they joined the scheme.

Enforcing authorities were also asked if they had observed any changes in **general compliance behaviour** in primary authority businesses. A large majority (82% - 57) indicated that they had not observed any changes in this regard. However, despite this, almost one third (31% - 22) of responding enforcing authorities said that they had changed the way they dealt with businesses as a consequence of businesses in their area becoming members of Primary Authority. In particular, this related to the raising of compliance issues with the primary authority or the business head office rather than with the local premises of the businesses (38% - 8) as well as carrying out more targeted inspection activity (24% - 5). A further 19% (4 enforcing authorities out of 22 enforcing authorities stating they had changed the way they deal with businesses as a result of their involvement in Primary Authority) of respondents pointed to an easier resolution of compliance issues. These changes are summarised in Figure 6-2 below.

Figure 6-2   Changes in the way enforcing authorities deal with businesses as a result of their involvement in Primary Authority
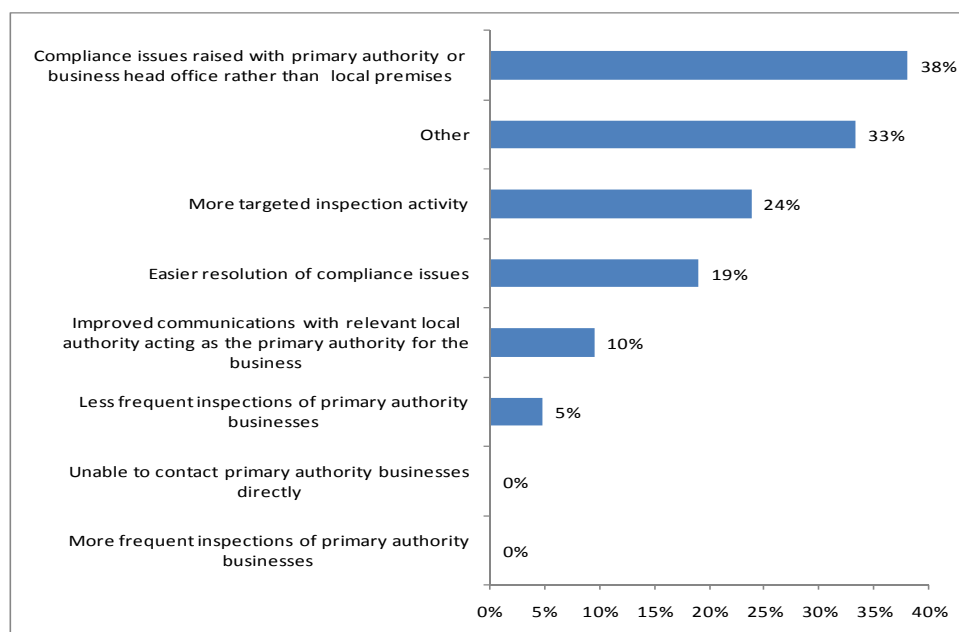
SOURCE: RAND Europe, Survey of enforcing authorities, Sept-Oct 2010

6.3   Reduction of time and expense of local regulation

In <u>stakeholder interviews</u>, it became apparent that local authorities were generally concerned about the **time and resources needed to deliver Primary Authority**. Indeed, some enforcing authorities expressed concerns over the amount of work required to set up a partnership and the fact that they could only see few benefits for local authorities to join the scheme. Some of the costs involved in setting up Primary Authority included time spent getting to grips with the scheme and delivering it as well as investing time and funds to train staff and in some cases, hire additional staff to cope with the increasing demand on the local authority. However, both primary authorities and businesses acknowledged that these costs tended to be high up-front but decreased over the long term. One of the participating businesses interviewed mentioned that it took them several months to set up the primary authority partnership with their chosen local authority because of concerns over the capacity and skills required to deliver the scheme on the part of the local authority. One "unwilling authority" mentioned that they felt Primary Authority was something that would "tie them down" unnecessarily to specific processes and timescales with businesses and that it would also introduce a new level of bureaucracy that was not needed.

This was considered further in the <u>survey research</u>. In order to further understand the time and expense aspects of the scheme, businesses were asked to estimate how many inspections they had had since joining the scheme. This was asked in order to consider a potential benefit through time saved on inspections or a cost through increased numbers of inspections. Prior to their involvement in the scheme, the most frequent number of these was 1-5 per year for 37% (10) of the businesses. After joining Primary Authority, this had slightly decreased to 33% (9). However, there was a reduction among those at the higher levels of inspections (21-100 per year) from 15% (4) to 11% (3). However, as indicated previously, these numbers are not fully comparable yet given that the time periods they compare with may be potentially different (i.e. comparing 12 months prior to Primary Authority and since the involvement in Primary Authority). This was followed up in case study discussions with businesses. One business pointed out that the lack of understanding of some enforcing authorities represented a barrier to the success of the scheme as they continued to make unnecessary demands on primary authority businesses which results in wasted time (dealing with queries etc). The same business pointed to cultural differences in the way enforcing authorities and businesses approach Primary Authority as a potential reason for this and suggested that fear of losing authority may be a primary factor for resistance to the scheme by enforcing authorities.

6.4   Satisfaction with the scheme

In terms of **overall satisfaction** with the scheme, a large proportion of businesses (74% - 20 businesses) were fairly or very satisfied with their involvement in the scheme. Those businesses with inspection plans were more likely to be very satisfied with their involvement in Primary Authority than those without, as shown below in Table 6-2.

Table 6-2 On the whole, how satisfied or dissatisfied are you with your involvement in Primary Authority?

	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Total
	% of row (count of respondent)	*% of row (count of respondent)*	*% of row (count of respondent)*	*% of row (count of respondent)*
Businesses with inspection plan	67% (6)	22% (2)	11% (1)	35% (9)
Businesses without inspection plan	24% (4)	22% (2)	29% (5)	65% (17)
Total	38% (10)	47% (8)	23% (6)	100% (26)

SOURCE: RAND Europe, Survey of enforcing authorities, Sept-Oct 2010

As businesses are in the scheme for longer, they continue to be satisfied. A similar proportion of primary authorities (74% - 17) indicated that their involvement in the scheme has been a reasonably positive or very positive experience overall.

These findings were reinforced by the case study data where satisfaction with the scheme was mentioned by all participants. An unanticipated outcome for one case study business was the improvement in staff morale and improved trust and loyalty from staff due to the obvious prioritisation of staff protection and concern for regulatory standards in relation to staff safety.

6.5 Summary

- The numbers of businesses that had not experienced any inconsistent advice had increased from 37% (10) before the scheme to 52% (14) after joining.
- Businesses that compiled an inspection plan with their Primary Authority were more likely than those that had not to have experienced a more consistent approach to local authority regulation since their involvement in Primary Authority. This suggests that there may be clear benefits for businesses developing inspection plans beyond the obvious time savings.
- For 96% of business respondents, participation in Primary Authority did not create an increased time burden for their business of complying with local regulation. Indeed, 26% (7) believed that the burden of compliance was reduced through their participation.
- Enforcing authorities were asked if they had observed any change in general compliance behaviour in primary authority businesses. A large majority (82% - 57

enforcing authorities out of 69 aware of businesses in their area being in a primary authority partnership) indicated that they had not observed any change in this regard.

- After joining Primary Authority, most businesses saw a slight reduction in the numbers of inspections. However, there was a reduction among those at the higher levels of inspections (21-100 per year) from 15% (4) to 11% (3).

- In terms of overall satisfaction with the scheme, a large proportion of businesses (74% - 20 businesses) were fairly or very satisfied with their involvement in the scheme

- As businesses are in the scheme for longer, they continue to be satisfied. A similar proportion of primary authorities (74% - 17 primary authorities) indicated that their involvement in the scheme has been a reasonably positive or very positive experience overall.

Conclusions and recommendations

Overall, Primary Authority has provided benefits to participating businesses and local authorities by improving regulatory relationships, streamlining local regulatory activity and reducing regulatory burden. There is clear potential for further positive impacts to be generated as the scheme continues and expands. In order to set out clearly the specific conclusions and associated recommendations of this work, we have presented these below in the context of the overall aims of the research (as detailed in the introduction). In line with each of the specific aims of the evaluation, we have set out our main conclusions and associated recommendations.

AIM 1: '[To] have clear understanding of how to manage the scheme within a changing policy environment'

Primary Authority has been a timely initiative which has been introduced during a period of increased financial pressure on local authorities and businesses. All those involved in the scheme need to try to reduce the burden of administration and to reduce costs. Primary Authority offers them a way of doing this. Government priorities have been clearly set out in this context to reduce the complexity of the regulatory system and help businesses to flourish as much as possible.

Primary Authority reduced the burden for over one third of businesses of complying with local regulation and did not increase the burden on any businesses. Evidence from stakeholder interviews, survey of businesses and case studies all indicate that most participating businesses see Primary Authority positively and as a helpful initiative to their businesses.

In the wider context, those enforcing authorities that had used an inspection plan (a minority at present) developed within a primary authority partnership, found that it resulted in more targeted inspections. Therefore, there is further potential for increased time and cost-savings.

Recommendations

- *Currently, primary authorities are somewhat cautious of over-extending their capacity by taking on additional primary authority relationships due to the extra resource requirements potentially involved. This results in some local authorities being reluctant to form primary authority partnerships. In essence, this issue is about the level of resources required for providing regulatory support through Primary Authority and how these should best be*

*calculated. This potentially limiting aspect of the scheme **should be considered further in order to identify ways to incentivise and support potential primary authorities to engage with more complex businesses** (which require the most resources from primary authorities). Some of the ways that help may be provided could, for example, include provision of accredited training sessions to enable regulatory officers to achieve greater confidence and wider sharing of examples of other similar partnerships which are resource intensive. The potential overall cost-savings to enforcing authorities by reducing demands on their resources should be factored into any consideration of this.*

• *Some enforcing authorities believe that the scheme will create more bureaucracy and limit their options in dealing with primary authority businesses. Evidence suggests that in fact, enforcing authorities that engage with the scheme find they can undertake compliance processes in a more streamlined way. **This mis-perception needs to be addressed by demonstrating the benefits for enforcing authorities if they are to work in a more streamlined way, through Primary Authority.***

AIM 2: '[To] have a clear understanding of the challenges businesses face when operating across local authority boundaries and whether the scheme, as a part of the solution to inconsistency, provides a resolution, identifies if other solutions are required, and if so, what those solutions are'

Primary Authority directly addresses some of the regulatory challenges that businesses face when they work across a number of regulatory boundaries. In particular, it considers and tries to resolve the problems associated with inconsistent advice received by businesses when they receive advice from a number of different sources, complex compliance processes and the time and expense involved in local regulation.

Based on early data, over the time that the scheme has been running so far, the average number of inconsistencies has already reduced for businesses by approximately 2.5 instances per business. This in turn has a number of positive effects including reduced costs associated with dealing with the inconsistency (which may be a matter of just the time involved or a much more considerable cost), more reliable implementation of advice and improved relationships between local authorities and businesses (since there is less conflict arising).

In addition to specifically helping with the problem of inconsistency, Primary Authority has improved the compliance process, from the perspective of businesses. Two-thirds of businesses believed that the most important part of their involvement in the scheme was that they now had a single point of contact for their regulatory activity. This has made the process more logical and efficient for businesses to use.

The scheme has resulted in improved working relationship between businesses and their primary authorities, as indicated by both groups. This has in many cases built upon previously existing good relationship and developed them to become working partnerships.

Recommendations

• *Up to now many primary authorities and businesses have built on pre-existing good relationships (81% of businesses chose to work with their particular primary authority*

because they had a good relationship with them). The scheme now needs to extend beyond these existing good relationships and make it possible and worthwhile for businesses and potential primary authorities without existing contacts to engage with the scheme. **Therefore, new ways of communicating the benefits of the scheme must be developed for all potential participants, including those without pre-existing relationships.** *Additional support may be helpful to those considering developing a primary authority partnership to deal with some of the challenges and mitigate against some of the perceived risks involved in a new partnership.*

AIM 3: '[To] understand the cultural change processes that occur or need to be in place for a local authority operating as a primary authority, and how this knowledge can be utilised in demonstrating service improvement for authorities'

Primary Authority has provided an excellent environment for understanding in greater detail the cultural change processes required to support business compliance. For businesses and especially those businesses that had a previous involvement in a voluntary scheme such as home authority, the cultural shifts required were less than for local authorities (as the businesses built upon pre-existing patterns of interaction). The biggest actual change was experienced by the primary authorities who had to develop new ways of working in order to accommodate potentially high levels of new interactions with enforcing authorities in relation to their primary authority business partner.

From the perspective of enforcing authorities, there was and is an element of resistance to the scheme and as a result they have some way to go in order to benefit overall from the positive impacts of the scheme. The statutory standing of the scheme has potentially been seen as a threat by some enforcing authorities, in terms of some mis-perceptions that Primary Authority will limit their power to act and that it will result in increased red-tape. Given the strong policy shift (as detailed in Chapter 2) towards risk-based regulation and away from tick box approaches, this is a change that will need to be increasingly embraced by enforcing authorities in order for them to be able to adapt their ways of working. An increased understanding of the mechanics of the scheme will likely be helpful to enforcing authorities in this regard.

Recommendations

- *The previously prevalent regulatory culture of enforcing authorities will need to adapt and change so that there is improved understanding that the scheme will benefit them, rather than add to existing workloads.*
- *Enforcing authorities need to adjust their way of working so that they can operate effectively within a risk-based regulatory environment. This may require the provision of additional support through attendance at briefing meetings and/or training sessions.*

AIM 4: '[To] know whether the scheme provides value for money through evaluation of the net costs and benefits realised from operating within a scheme."

The impact of set-up costs on all participants in Primary Authority will reduce over time and learning effects will reduce inefficiencies over time. There are clear learning effects and these will increase as the scheme continues. For example, the time involved in setting up a primary authority partnership declines as organisations involved become more experienced at it.

Primary Authority offers significant benefit to business, with no additional time burden involved for most businesses, beyond what they would have input in any case. The scheme offers them a single point of contact for managing most of their regulatory services requirements. There is potential to stimulate growth and development of business through making local regulation easier and associated potential for increased tax revenues for Government.

From the perspective of primary authorities, the scheme offers them improved opportunity to support local businesses. There are costs associated with this, which to date have not been fully recovered. There is potential for all of these costs to be recovered from the businesses that directly benefit from the provision of the service.

The scheme offers additional potential for enforcing authorities to make time (and therefore cost) savings in the delivery of local regulation. In the work done to date, businesses could see a difference in how they were being dealt with by enforcing authorities and enforcing authorities found that when they used inspection plans, work was more targeted and therefore more efficient.

Recommendations

- *At present half of primary authorities do not charge for the additional service they provide through Primary Authority. Those that do charge for the service, cover their costs.* **In order to enable as many primary authorities as possible to cover their costs, additional support may be required to help them deal with some of the challenges involved.** *For example, understanding a range of cost and charging models may assist with this process.*

- *The enforcing authorities are presently reducing the impacts of the scheme, to some extent.* **In order to maximise the value for money of the scheme, the wider group of enforcing authorities may need to adjust their work processes to align more closely with risk-based regulation. This may involve changing work patterns to some extent to ensure that they are consulting appropriately with primary authorities.**

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