

# Focus without Friendship

## The Practice (and Principles) of Modern Regulatory Governance and Management

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# Structure of Presentation

- 1:** The case for a business friendly approach
- 2:** Leading examples of modern regulatory practice
- 3.** Co-production and the model of modern regulatory governance & management
- 4.** LBRO's work to create new relationships between regulators and the regulated
- 5.** Depicting the new relationships and their limits - new 'friends' or new horizons?

# Section 1

## The case for business-friendly local regulation

### LBRO Business perspectives survey 2010:

48% of businesses feel that local councils do not understand businesses well enough to regulate

# The demand for business-friendly local regulation

## LBRO Business perspectives survey 2010:

The maintenance of an ongoing relationship with regulators is very or fairly important to 74% businesses

# The benefits of business-friendly local regulation

- Being business friendly can...
  - save wasted time and effort
  - promote a better relationship between regulators and regulated
  - better deliver long term sustainable compliance
  - lift burdens and promotes growth
  - facilitate a focus on the rogues
  - be more cost effective (for regulators, regulated and UK tax payers)

# The themes of business-friendly local regulation

- **Create ‘accountability’ to regulated entities**
  - Understanding/responding to businesses’ and regulated entities’ needs
- **Change culture**
  - New behaviours to underpin ‘friendly’ approaches
- **Create the right framework conditions**
  - Embedding client-focus across the system

# Section 2

## Modern Regulatory Practice

- National Business Award for Better Regulation
- 10 Shortlisted Projects
- Major themes of regulator/regulated relationships....
- ....reflecting attempts to change cultures along with (and through) changes in processes and procedures
- 4 'quick' examples

# Example 1

## Export Control Organisation

Statutory authority for licensing export of  
military and dual use goods

“To promote global security through strategic  
export controls, facilitating responsible  
exports”

# ECO - The challenge

- Promoting Global Security
  - WMD
  - Regional conflicts
  - “UK fighting edge”
  - Human rights
- Facilitating responsible exports
  - Rapid growth in exports
  - Time-critical

# ECO - Our success

- “The UK operates the most industry-friendly export licensing system of any major Western country (although there is room for improvement)” BAe Systems, April 2010
- Key features
  - Single agency
  - Risk-based approach
  - Fully electronic process
  - Culture of business engagement and dialogue

# ECO - Business Engagement

- Engagement as the route to quality enforcement
- Stakeholder engagement – ECAC
- On-site audit and advice
- Training and awareness

# Example 2

## National “Scores on the Doors” User Group

“The world’s largest food hygiene rating site.”

*Putting food hygiene on the menu*

Before you fork-out, check out

[www.scoresonthedoors.org.uk](http://www.scoresonthedoors.org.uk)



SCORES  
ON THE  
DOORS



# Scores on the Doors: Independent study by Northumbria University

- 🌟 Evidence of real improvement in compliance
- 🌟 Fewer inspections
- 🌟 Popular (business advantage)
- 🌟 Changed relationship between inspectors and premise

## Four-star treatment for Bombay Brasserie

Luthur Khan, owner of the Bombay Brasserie in Grantham, Lincolnshire was awarded a four-star food hygiene certificate at the Best of the Best.

Mr Khan was given his certificate by South Kesteven DC, one of the first authorities to develop a Scores on the Doors food hygiene rating scheme.

David Price, head of the council's healthy communities team, said since the scheme had been introduced in 2006 the Bombay Brasserie had been the 'most improved' food establishment in the district, increasing from nil to four stars.

He said: 'This is the best illustration of how we intended the scheme to work,

helping food businesses achieve and maintain the best hygiene standards. When the Bombay Brasserie was given the lowest score, they also got a lot of negative press coverage. Mr Khan accepted and acted on our advice and has shown what can be achieved. He's turned things around and has been praised by customers and media.'

**Proud owner:** Luthur Khan

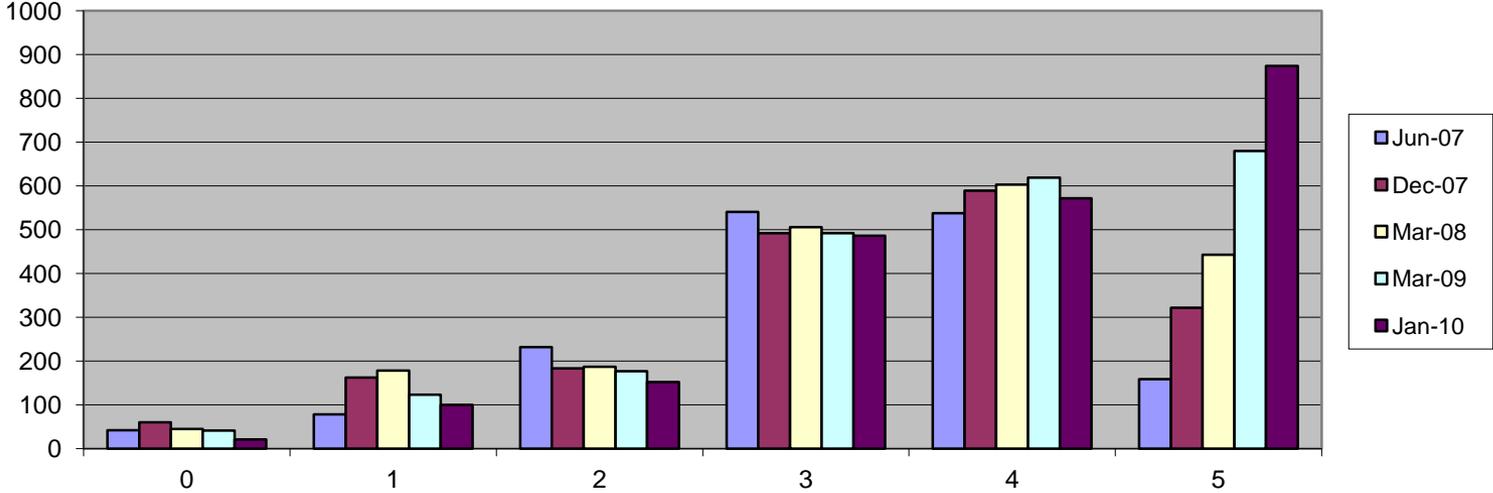


Nottingham resident Mr Khan said: 'I was overwhelmed by the invitation to the conference. It was the last thing I'd have ever expected. I am so proud. It was hard work and we couldn't have done it without the help and support from the district council.'

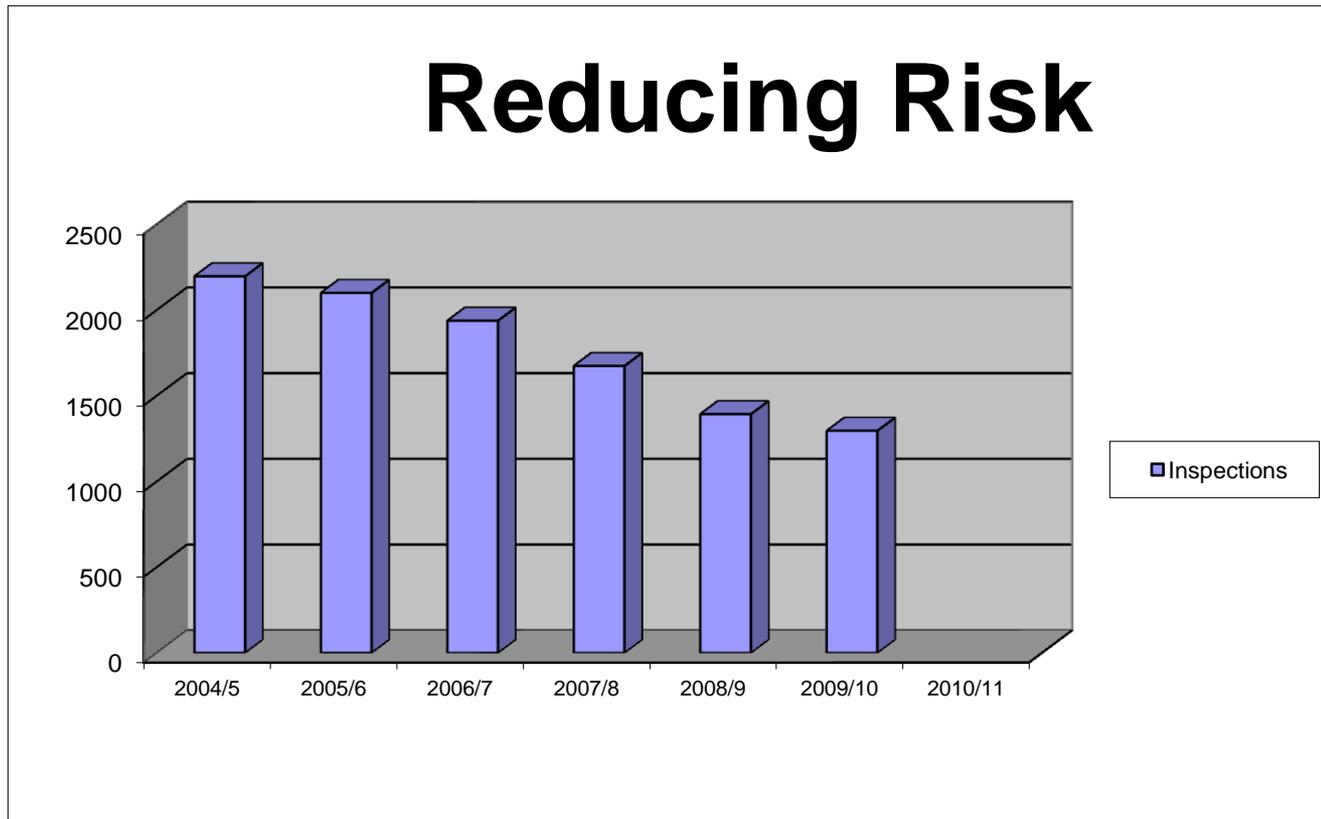
For more information about SKDC's food stars, look at [www.southkesteven.gov.uk/healthy](http://www.southkesteven.gov.uk/healthy)

# Scores on the Doors: Bradford City Council

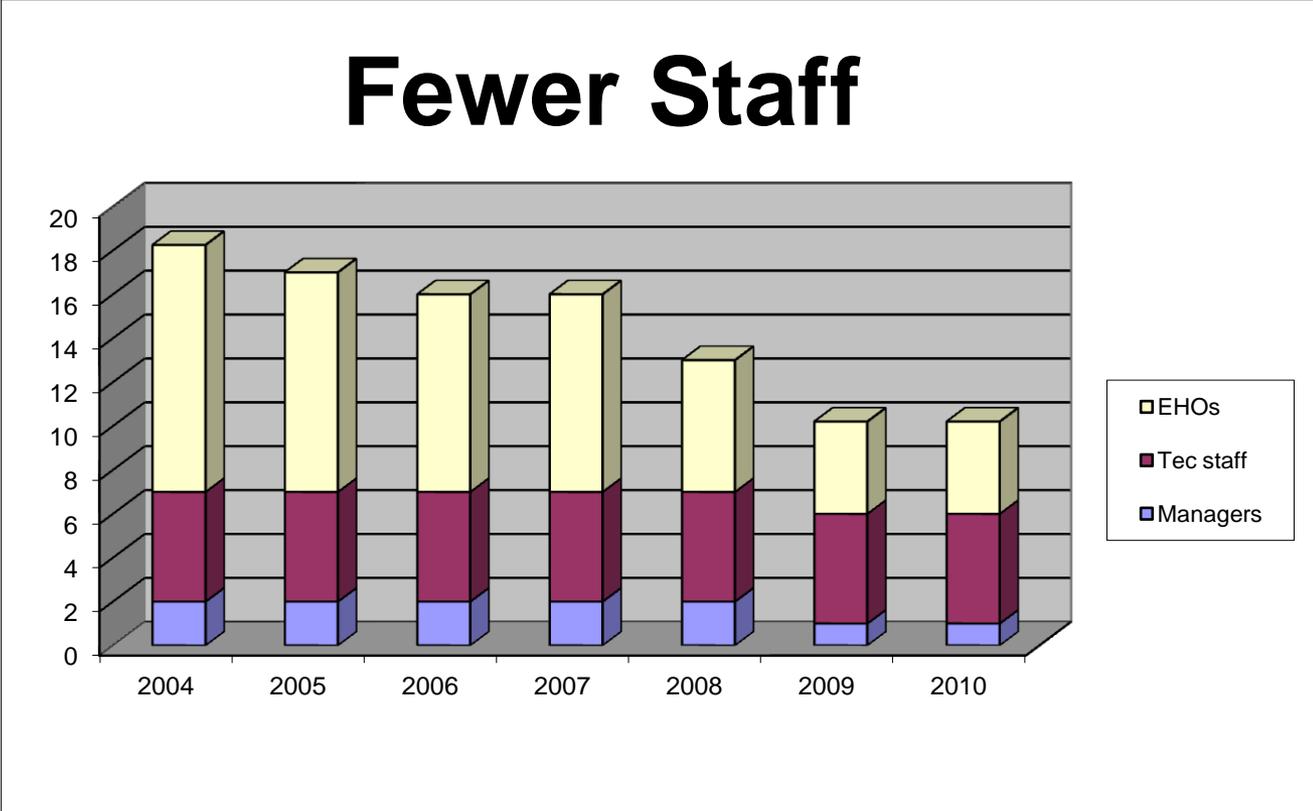
## MUCH BETTER STAR RATINGS 2007-2010



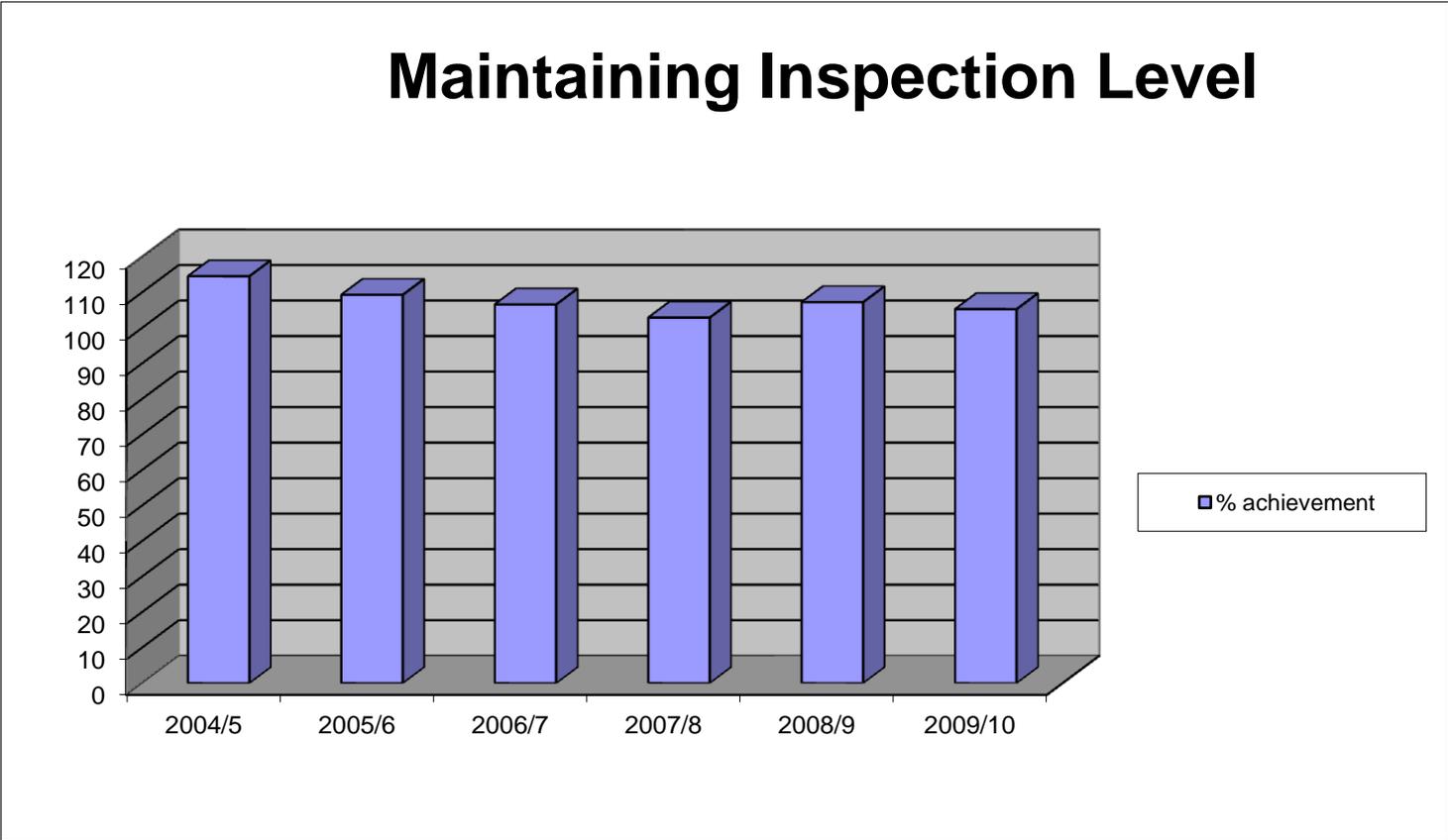
# Scores on the Doors: Bradford City Council



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# Scores on the Doors: Bradford City Council



# Scores on the Doors

Independent study by Northumbria University

- ★ Real consumer choice and transparency
- ★ Biggest ever improvement in food standards
- ★ Reduced business burden
- ★ Significant council savings
- ★ Can now focus resources where it really matters

# Example 3

## Trading Standards North West

***Arnold Clark***

- Largest independent motor group in the UK
- 152 retail branches throughout Scotland and England
- 205,000 car sales per year
- 8322 employees
- 61% repeat purchase

**TSNW**  
Trading Standards North West

- 23 Local Authorities
- Small TS services
- Dense population
- Over 7 million residents
- 18 AC branches within 10 LA's

# Why Arnold Clark?

- Identified as a company generating a large number of complaints
- Complaint analysis highlighted a regulatory concern
- Improvements would have a regional/national impact

# Regulatory Compliance Model

## Our Aims

- Improve regulatory compliance
- Reduce complaint numbers
- Increase complaint resolution
- Provide a better deal for consumers
- Reduce the regulatory burden on businesses and Trading Standards Services

# The Regulatory Compliance Model

## 10 key components of the process

1. Complaint Analysis
2. Consultation with stakeholders
3. Consultation with Trader
4. Trader Engagement
5. Improvement plan/ Business review
6. Stakeholder engagement
7. Seminar/Training
8. Measuring performance
9. Impact assessment
10. Self regulation

# Results

## Benefits for Trading Standards

- **Consumer complaints to Consumer Direct reduced by 44%**
- **42% reduction in complaints per sale**
- **64% reduction in referrals from Consumer Direct**
- **Improved relationship with business**
- **TS Impact Assessment ratio 36:1**
- **Reduced regulatory burden**

# Results

## Benefits for consumers

- **Saving £2.18 million**
- **Improved customer service and satisfaction**
- **Fair and safe trading environment**
- **Less cause for complaint, increased complaint resolution**
- **Reduced Regulatory Burden**

# Results

## Benefits for business

- Improved regulatory compliance without significant cost
- Improved relationship and transparency with Trading Standards
- Improved customer experience, customer satisfaction and customer retention
- Measurable outcomes and improvements
- Reduced regulatory burden

## **Example 4**

### **Schools' Portal: Meeting the 'More for Less' Challenge**

A web based communication system that allows providers a means of exchanging information securely and quickly between the Authority and its 647 schools. Lancashire County Council's Schools' Portal has improved schools related regulation and processes to deliver a more effective operating environment within schools and the County Council.

# The Schools' Portal provides opportunities to:

1. Quality assure communications with schools
2. Utilise e-communications and e-data collection processes to reduce the bureaucratic burden on schools
3. Monitor and regulate (gatekeep) requests made to schools for data so information is collected once and used many times
4. Achieve significant savings within schools and the Authority
5. Improve the quality of services provided to schools
6. Improve the relationship between the Authority and schools
7. Achieve More by Doing Less

## Schools' Portal: The Aim

To deliver the potential benefits with less effort and less resource to the advantage of schools and the Authority. Promote a culture change – think, understand and respond to the needs of schools, not the Authority.

# Schools' Portal: Engagement – The Key to Success

- Visited schools – asked Headteachers, staff and Governors questions – got some honest answers!
- Feedback facility on Portal.
- Improving Communications with Schools Group (Star Chamber) – schools, senior officers, Elected Members.
- External Scrutiny Group – schools teaching and non teaching staff, school governors

# Schools' Portal: Achievements – so far

- 2005 – 2,500 requests for data from schools
- 2010 – 220 requests made
  
- 2005 – Estimated cost of printing and postage £1.6m
- 2010 – Estimated cost - £100,000
  
- 2009-10 – 3,500 gatekeeping interventions which stopped or improved the quality of communications with schools

# Schools' Portal: Achievements

## ... continued

- 2005 – 900 active Portal users in schools
- 2010 – 7,000 active users of the 'DDM'  
(receiving directed mail)

### **Improved Safeguarding**

- Urgent sharing of information to targeting school staff
  - CRB returns via 'My School Folder' – 3 to 8 week reduction on manual process
- 2009-10 – Re-engineered 83 processes and e-enabled communications – efficiency savings of £3m in LCC and significantly reduced the burden on schools

# These examples of Modern Regulatory Practice....

- Demonstrate the importance of engagement by regulators...
- ...and an appropriate sense of 'accountability' to the regulated entities...
- .....and an emphasis on culture change.
- They also demonstrate that its not just about the regulator and the regulated....
- ...its also about citizens and consumers, the intended beneficiaries of regulation

# Section 3

## Modern regulatory governance & management

- Client-centred approaches & Alford's work on client focus
- Helps give effect to key principles of transparency and proportionality
- Two way relationships
- But not just 'friendly' – or friendly at all...
- ...but about co-producing better regulatory outcomes

# Co-production & Co-responsibility

## Defined generally as:

‘the means by which the beneficiaries of public services are instrumental in the design, planning and delivery of specific services or broader social outcomes as a way of improving the service’.

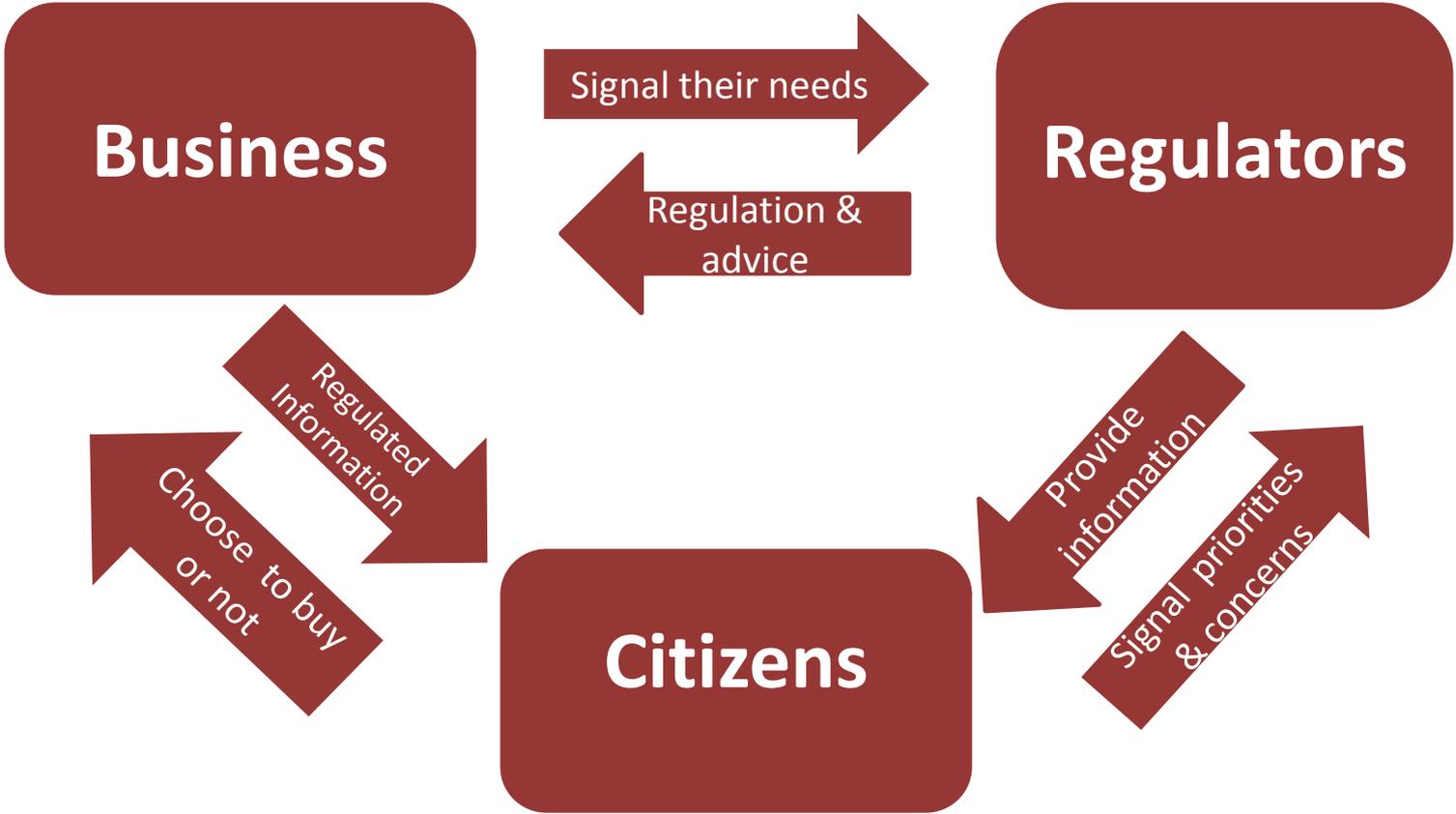
## In a regulatory context?

‘the means by which regulated entities and the intended beneficiaries of regulation contribute alongside the regulator to produce better regulatory compliance and outcomes’

# Regulators and the Regulated: Co-production



# Citizens and Consumers in Co-production



# Accountability, Rights & Responsibility

## Business

### *Responsibilities:*

- Work with regulators to comply with proportionate regulation and abide by advice issued
- Provide citizens with clear information to make informed decisions

### *Rights:*

- Regulators have good awareness of business needs
- Citizens reward compliant businesses



## Regulators

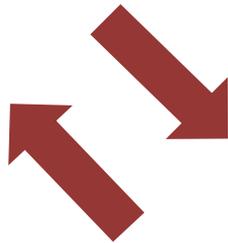
### **Coordinate the interaction**

### *Responsibilities:*

- Regulate in a proportionate manner and issue reliable and accessible advice
- Educate citizens to protect themselves and protect them where this is not possible

### *Rights:*

- Businesses comply and abide by advice issued
- Citizens play a role in their own protection



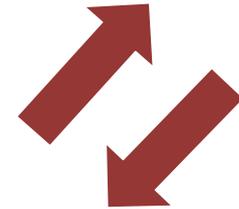
## Citizens

### *Responsibilities:*

- Use their purchasing power to reward compliant businesses
- Play a role in their own protection

### *Rights:*

- To be provided with information to help them make informed choices
- To be protected from detriment resulting from non compliance



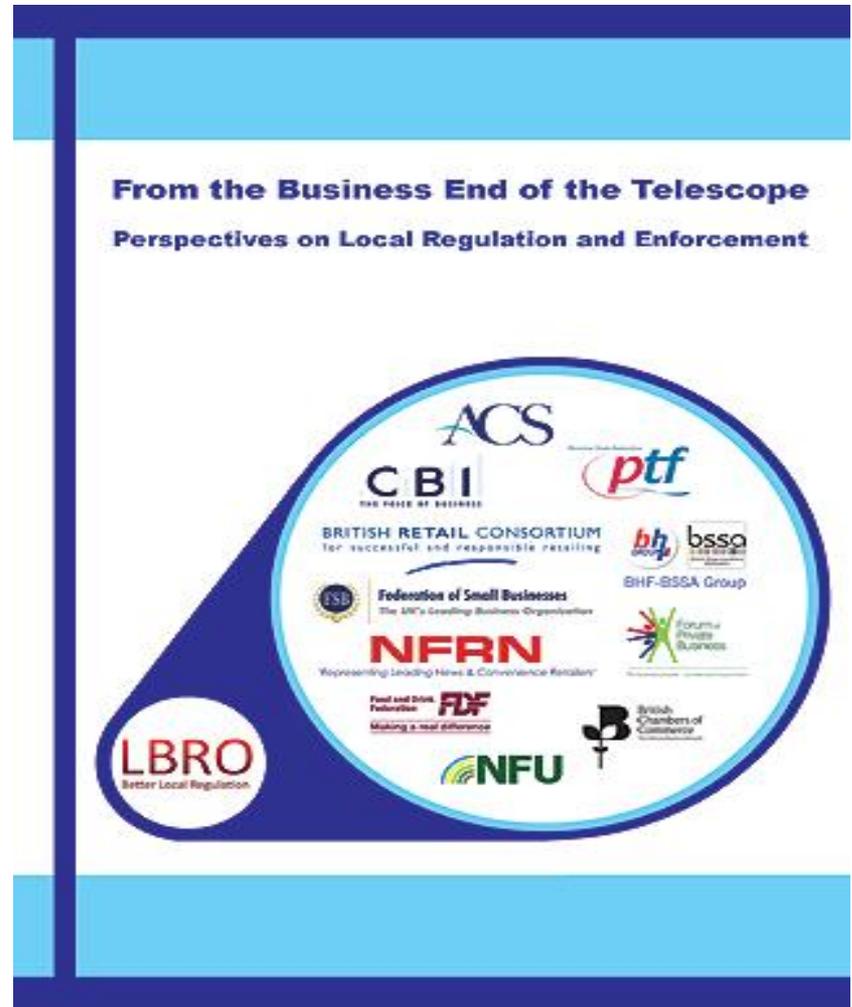
# Section 4

## LBRO and new relationships between regulators and regulated

- **Seeing** the ‘Business End of the Telescope’
- Crystallizing & channeling the **business voice**
- **Listening** via the Business Reference Panel
- ‘Trading Places’ – **understanding business** and what you regulate
- Creating a **new culture and behaviours** through the Primary Authority scheme
- Supporting more **professional** relationships

# Seeing from the Business End of the Telescope

- Input from 35 leading UK trade associations and business organisations
- Provides insight into business views on local regulation and enforcement
- Copies available



# Crystallizing and channeling the business voice

- Age restricted products
- Significant & complex issue
- Many uncoordinated business voices...
- ...not fully evidenced based
- **Business** working group supported by LBRO
- Key report for Government
- LBRO not the 'business voice' but helping it to crystallize and be heard by Government

# Hearing via LBRO's Business Reference Panel

- Connects to in excess of 300,000 individual businesses
- Key business federations participate
- Identifies and takes forward key regulatory issues for UK businesses
  - VAT
  - Better Regulation of Age Restricted Products
  - From the Business End of the Telescope
  - Labelling issues

# Understanding business and what you regulate

- “You can’t regulate (properly) what you don’t understand”
- **‘Trading Places’** gives regulators structured experience of business processes and problems
- Part of accredited Continuous Professional Development
- Major programme of exchange – 500+ local regulators

# Positive change in behaviours and culture through the Primary Authority Scheme

- Creates partnerships between a business and one (of 400+) local authorities
- Privileges the advice & regulation by that local authority and so ensures consistency
- Enables in-depth understanding of the partner business to resolve issues more efficiently
- Promotes a more collaborative and less burdensome way of working
- Progressive partnership that enables the use of more tailored approaches

# Relationships underpinned by professional standards

- Promotes business-focus as a core regulatory skill
- Develops 'softer skills', enabling use of discretion and judgement to support proportionate decision making
- Encourages officers to work in line with the better regulation principles

# Section 5

## New Relationships and their Limits

- not just about closeness without coziness
- this is about new relationships which should be 'win/win/win' for business, regulators, and citizens...a case of prosperity and protection
- need to capture the essence of the new relationships:
  - business choice?
  - business preference?
  - a sense of 'accountability' to business?

# Mechanisms?

- **Preserving citizen accountability**
  - Recognising and understanding the role of the citizen in delivering regulatory outcomes
- **Minimising the risks of a business friendly culture**
  - Ensuring strong regulatory governance mechanisms such as the independence enshrined in the Primary Authority scheme, and perhaps such as public audit can contribute
- **Creating the conditions**
  - The UK and OECD Principles

# UK Better Regulation Principles and OECD Principles of Regulatory Quality

- Absolutely central to the issue of new relationships between regulators and the regulated
- Both directly.....and indirectly
- Imperative that they are at the leading edge:
  - Not only consistent with how to deal with modern and emerging problems...
  - ...but also actively supportive of leading edge solutions to current and emerging problems

# UK Better Regulation Principles

**Targeted**

**Accountable**

**Consistent**

**Transparent**

**Proportionate**

# **OECD Principles**

**High level political commitment**

**Assess and review regulation**

**Transparency and non-discrimination**

**Strengthen competition policy**

**Design regulation to stimulate competition/efficiency**

**Eliminate barriers to trade and investment**

**Link to other policy objectives**

# Problems....and new Principles?

- Taking account of issues of multi-faceted governance
- Sponsoring culture change and continuous improvement
- Address the differentiation of enterprises/markets
- Embracing the technological transformations of both commercial and enforcement environments
- Recognising empowerment in achieving compliance and outcomes through co-production and co-responsibility

**So, important to review and revise both  
UK and OECD sets of principles**

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