

Mapping the  
Local Authority  
Regulatory Services  
Landscape:  
November 2009

**LBRO**  
Better Local Regulation

## Resources

**Part Four of Six**

### Themes:

- |                        |                        |
|------------------------|------------------------|
| <b>1 Legislation</b>   | <b>4 Resources</b>     |
| <b>2 Policy</b>        | <b>5 Performance</b>   |
| <b>3 Organisations</b> | <b>6 Relationships</b> |

## Part 4: Resources

- 4.1 This section provides an overview of the resources for local authority regulatory services (LARS) in terms of expenditure, funding flows and staffing.

### Funding for LARS

- 4.2 Local government expenditure as a whole stands at around a quarter of total public sector expenditure and has remained constant at that level since 2001-02.<sup>1</sup> The budgets for LARS are determined solely by local councils, which are funded from locally raised council tax and central grant depending on devolved arrangements.
- 4.3 In 2007-08, the latest year for which data is available, local authorities in England, Scotland and Wales spent nearly £1.35 billion<sup>2</sup> providing environmental health and trading standards services. This was equivalent to just under one per cent of total local authority expenditure on services, which was £139 billion.<sup>3</sup> At this aggregate level therefore, the proportion of public expenditure used in the provision of LARS is very small.
- 4.4 Table 9 breaks down LARS' gross expenditure by devolved administration in 2007-08. Gross expenditure is financed from the council budget and incomes accrued from the delivery of services. It includes expenses relating to employees, premises, transport, supplies and services, third party payments, support services costs and capital charges. The table is based on data submitted to the Chartered Institute of Public Finance and Accountancy (CIPFA) and supplemented by data from Scottish Local Government Finance Statistics.

**Table 9. LARS gross expenditure 2007-08 across Great Britain**

	Environmental Health <sup>4</sup>	Trading Standards <sup>5</sup>	Total
	Gross expenditure £m	Gross expenditure £m	Gross expenditure £m
England	936.5	189.7	1126.2
Wales	63.7	18.6	82.3
Scotland	112.4 <sup>6</sup>	24	136.4
GB	1112.6	232.3	1344.9

- 4.5 The estimated total expenditure of the relevant national regulators in this landscape in 2007-08 is £1.68 billion, which is of a similar magnitude to the total expenditure of LARS, as set out in Table 10 (gross figures have been used where possible). It is important to note however that each national regulator listed in Table 10 has differing enforcement responsibilities and different relationships with local authorities.
- 4.6 Table 10 also shows that most obtain the majority of their funding from the national department that sponsors them and from statutory charges and levies. However, the Food Standards Agency is a non-Ministerial Department and obtains its funding in the same way as other national departments. The Gambling Commission is mainly self-funded.

**Table 10. Expenditure of the national regulators 2007-08**

National Regulator	Total expenditure 2007-08 £m - rounded	Funding Source
Environment Agency	1102.9 <sup>7</sup>	DEFRA and Welsh Assembly Government
Health and Safety Executive	213.9 <sup>8</sup>	DWP
Food Standards Agency	142.5 <sup>9</sup>	HM Treasury
Office of Fair Trading	68.8 <sup>10</sup>	BIS
National Measurement Office	4.29 <sup>11</sup>	BIS
Gambling Commission	16.7 <sup>12</sup>	Self-funded
Animal Health	130.5 <sup>13</sup>	DEFRA
Total	1679.59	

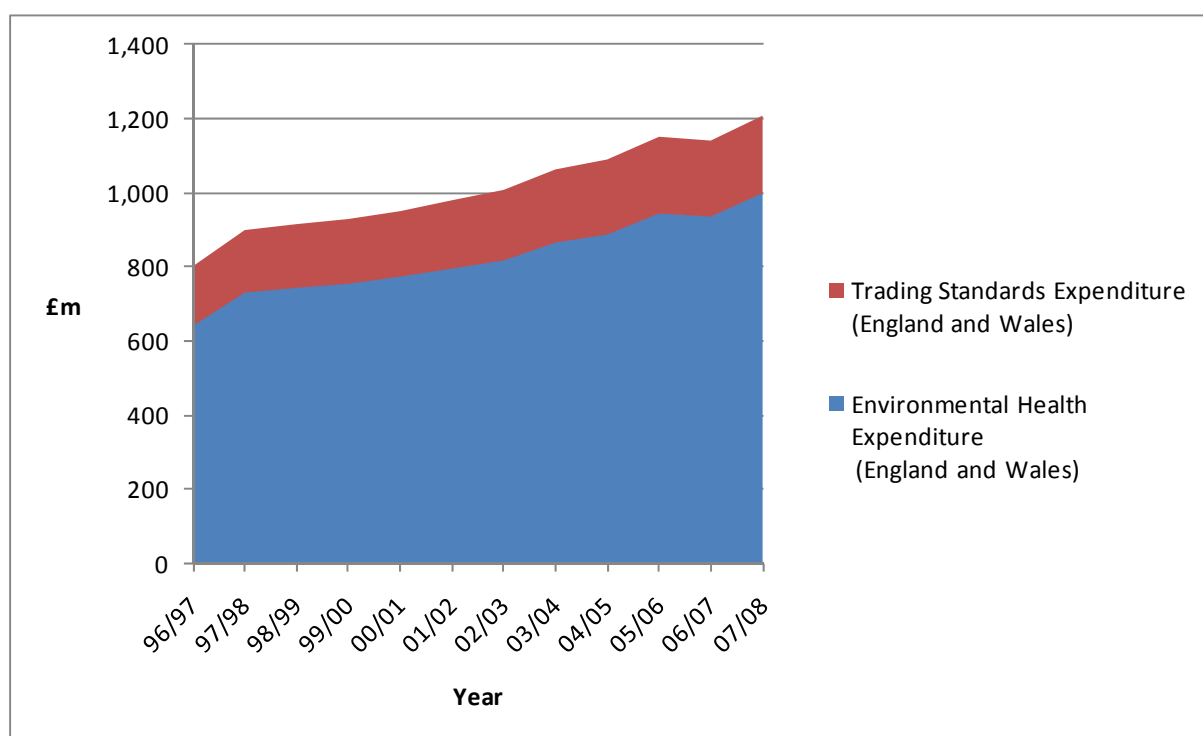
- 4.7 The trend in LARS expenditure over time is increasing, although the scale of responsibilities given to LARS has also grown. Figure 1 overleaf shows the growth in real terms in total expenditure since 1996-97.<sup>14</sup>
- 4.8 Going forwards, it is unlikely that this rising trend will continue. Following the shocks in the world economy in 2007 and 2008, almost every major advanced economy went into recession. The most pessimistic forecast for the UK's growth in GDP is -4.5 per cent (average -4.3) in 2009 and -0.5 per cent (average 1.3) in 2010. This indicates that most observers believe the UK will remain in recession through 2009 and may only just emerge in to positive growth in 2010.<sup>15</sup> The Treasury has forecast that the UK's public sector net debt will increase to 55.4 per cent of GDP in 2009-10 and 76.2 per cent of GDP in 2013-14.<sup>16</sup> This is likely to have a major constraining effect on the funding of public services.
- 4.9 Equivalent data for fire safety enforcement is not included as it is not possible to disaggregate from total fire and rescue services expenditure. However, collectively, the fire service in England and Wales spent around £2.3 billion in 2007-08.<sup>17</sup>

### Efficiency

- 4.10 The 2007 Comprehensive Spending Review set the public sector a target to achieve three per cent annual efficiencies, all cash releasing. Following the findings of the Operational Efficiency Programme that reported in April 2009, the 2009 Budget announced that an additional one per cent will be required in 2010-11 raising the target from £30 billion to £35 billion. In the next Spending Review period additional efficiencies will be sought rising to £9 billion by 2013-14.<sup>18</sup>

- 4.11 Together, for councils in England, this amounts to a target of £5.5 billion cash-releasing efficiencies by the end of March 2011. While there are no mandatory targets for individual authorities, each council will be required to report their progress through National Indicator 179 – total net value of ongoing cash-releasing value for money gains. In 2008-09, councils in England reported a total of nearly £1.8 billion value for money gains against this Indicator.<sup>19</sup>
- 4.12 Regional Partnership Boards have been created in Wales to pool expertise, share best practice and increasingly plan and deliver joint services. The Boards should also see substantial efficiency savings.<sup>20</sup>

**Figure 1. Gross expenditure (in real terms) of trading standards and environmental health services since 1996-97<sup>21</sup>**



#### Other funding flows for LARS (excluding fire safety)

- 4.13 These services generate income during the course of their work, a large proportion of which are licensing fees. Table 11 provides a breakdown of the income figures, again using CIPFA data supplemented by data from Scottish Local Government Finance Statistics.

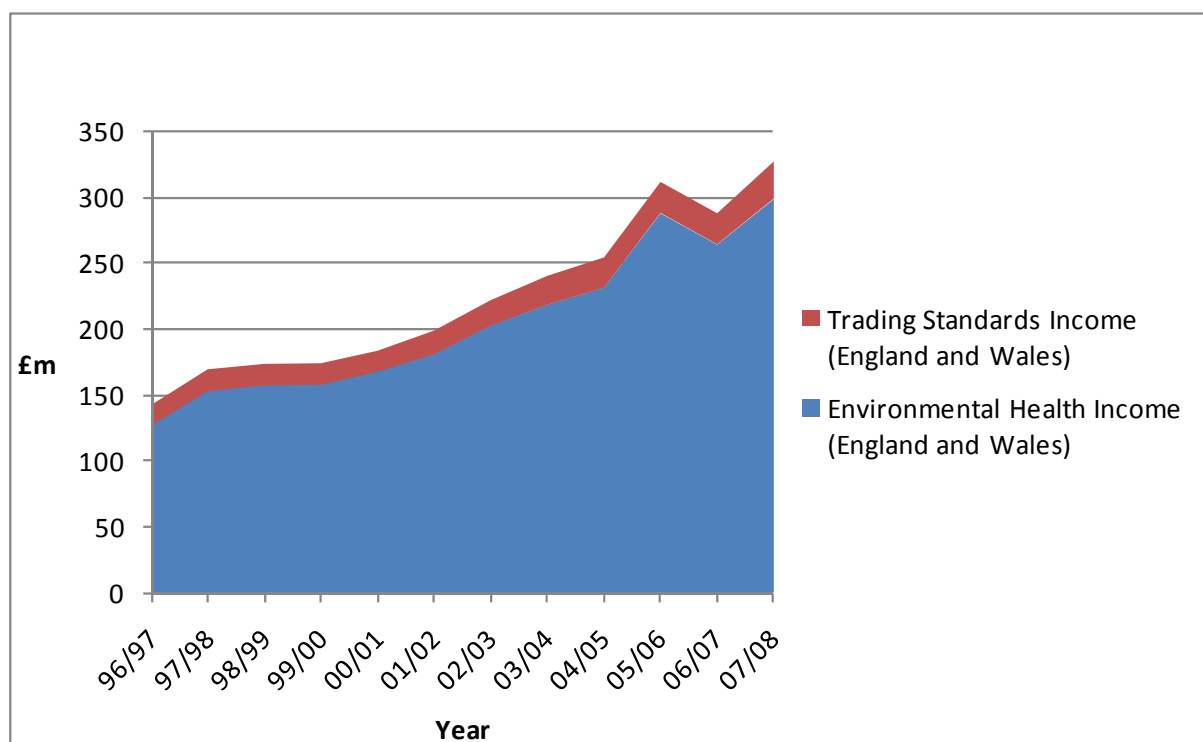
Table 11. LARS total income 2007-08 across Great Britain

		England	Wales	Scotland	GB
Environmental Health	Total income £m	284.2	14.1	33.2 <sup>22</sup>	331.5
Proportion of gross expenditure (see Table 9)	%	30	22	30	30
Trading Standards	Total income £m	26.1	2	2.3	30.4
Proportion of gross expenditure (see Table 9)	%	14	11	10	13
Environmental Health and Trading Standards	Total income £m	310.3	16.1	35.5	361.9

4.14 The figures in Table 11 show that income received by environmental health services was a greater proportion of their total gross expenditure than for trading standards services.<sup>23</sup>

4.15 The trend in income over time is increasing. Figure 2 below shows a steady increase of total incomes since 1996-97, again in real terms.

Figure 2. Incomes (in real terms) of trading standards and environmental health services since 1996-97

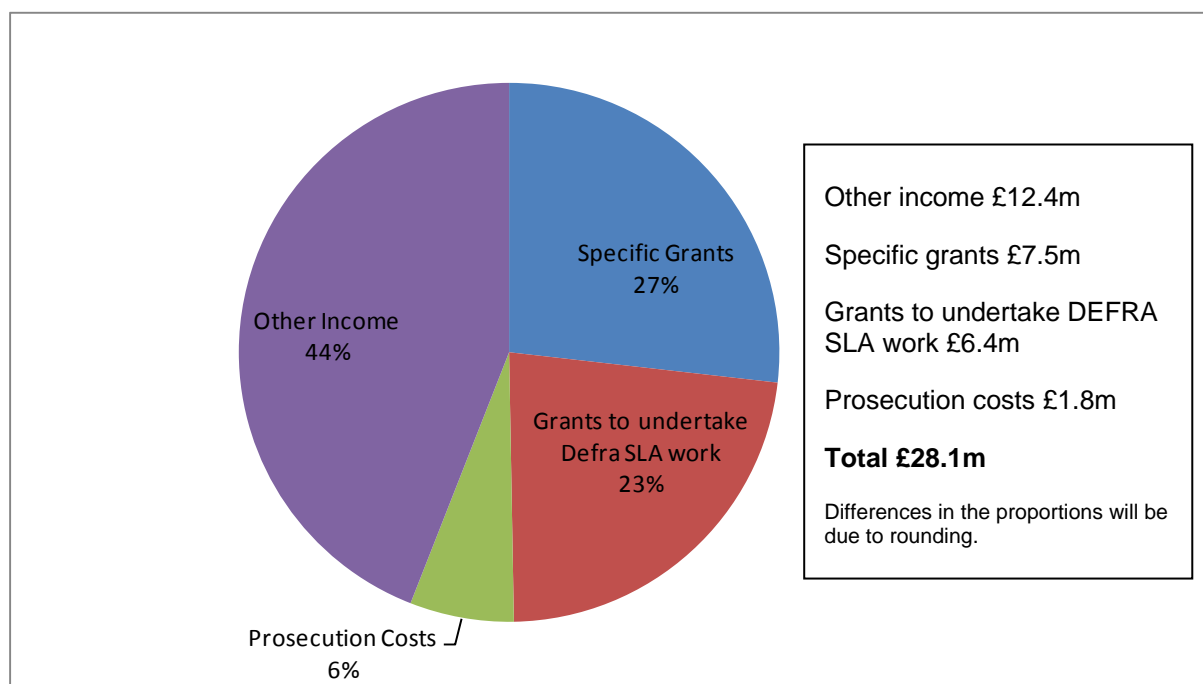


4.16 Despite the rises in incomes from other sources, LARS are accountable first and foremost to their local council and therefore their local community. However income streams indicate the level of commitment taken on by LARS to tackle different priorities and the extent to which they are delivery partners of other bodies. These data suggest this is an increasing trend and this is explored further below.

## Incomes to trading standards services

- 4.17 Incomes to trading standards services are classified in four ways in the CIPFA statistics: specific grants, grants to undertake Department for the Environment, Food and Rural Affairs (DEFRA) SLA work, prosecution costs and 'other'. Figure 3 overleaf shows the proportions of each type of income for trading standards in 2007-08. It shows that 'other' income forms the largest proportion at 44 per cent, with specific grants and DEFRA grants being similar at 27 and 23 per cent respectively. Prosecution costs are a much smaller proportion of income at six per cent.
- 4.18 Table 12 sets out what the 'other' and 'specific grants' categories of income comprise, using notes accompanying the CIPFA statistics and giving illustrative examples in each case. It shows that trading standards receive income primarily from metrology and licensing, but also receive grants for specific activities such as copyright and patent enforcements, tobacco control and regional activities. It does appear however that some income sources may have been mis-recorded as, for example, tobacco control features in both 'other' income and 'specific grants'.

**Figure 3. Types of income as a proportion of total income received by trading standards in 2007-08**

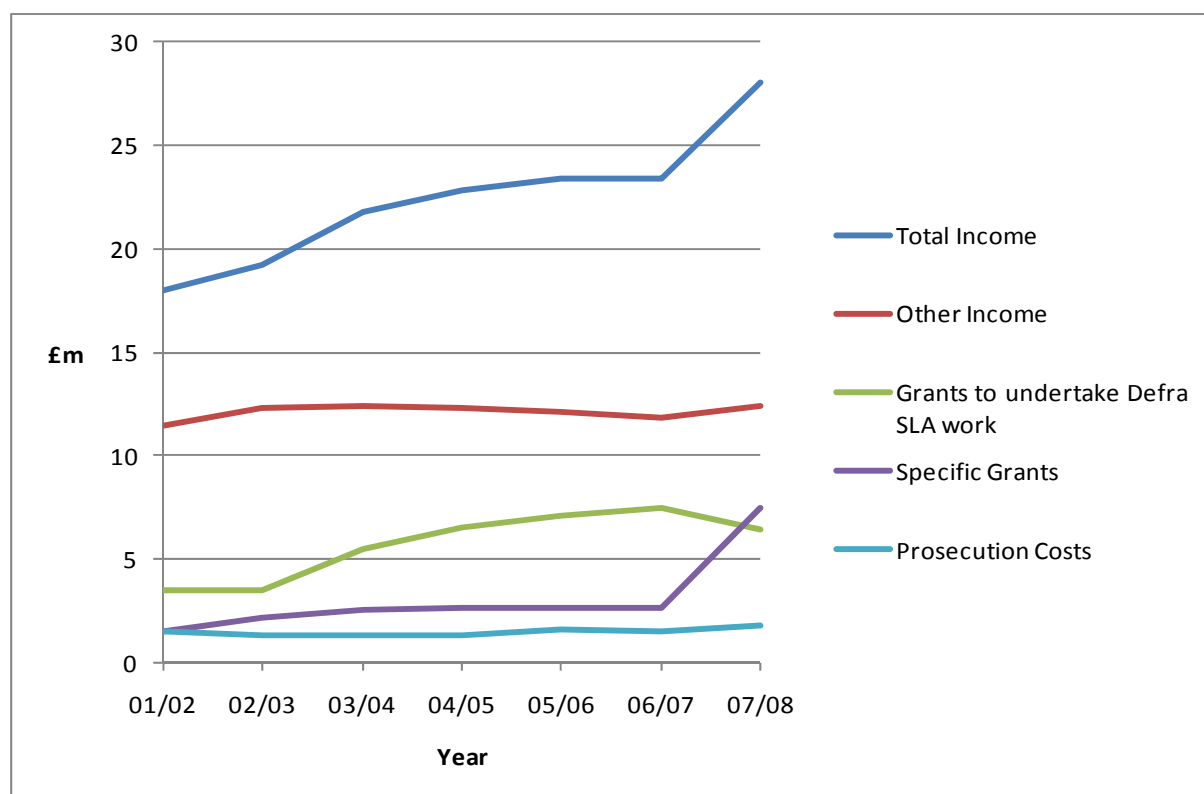


**Table 12. Details of 'other' and 'specific grants' trading standards income categories**

CIPFA Statistics Category	Common examples cited in accompanying notes (number of authorities, excluding Scotland)
Other income	Weights and measures (69) Licensing/license fees eg petroleum, poison, explosives (57) Tobacco control (3) No cold calling (2) Food standards agency (2)
Specific grants	DTI copyright designs and patents enforcements (Gower's Review) (75) Food standards agency food hygiene (21) Consumer support network (5) Smoke free/tobacco funding (6) Consumer advice (2) Regional intelligence (2) Regional coordination (2) Animal movements (DEFRA) (2) LAA (4) BERR (2)

4.19 Figure 4 shows the trend in trading standards income since 2001-02 when the DEFRA grants began, coinciding with the foot and mouth outbreak. When adjusted for inflation there was an increase in income of 20 per cent in 2007-08 compared to 2006-07. This is mainly due to a 180 per cent increase in the amount of 'specific grants' received. This indicates that new initiatives came on stream in that year.

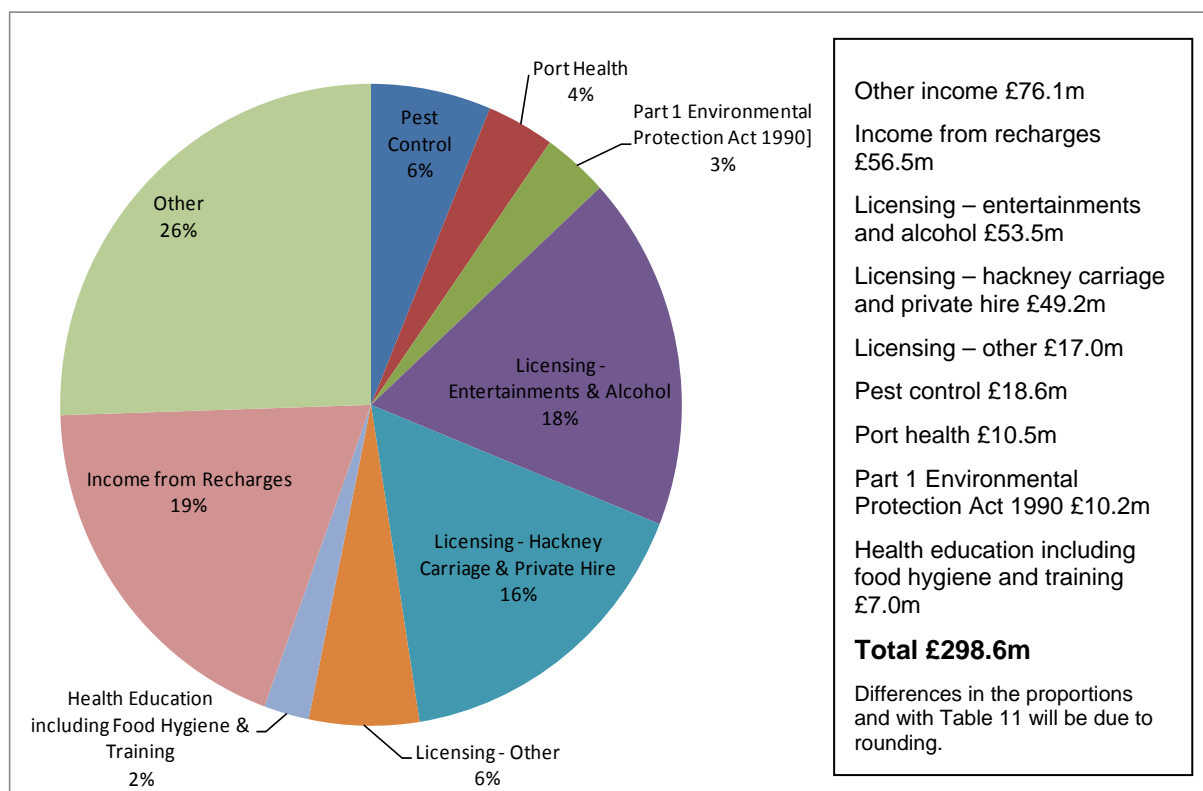
**Figure 4. Trading standards income streams (in real terms) since 2001-02**



### Incomes to environmental health services

4.20 Incomes to environmental health services are classified according to nine categories by CIPFA, giving somewhat greater visibility than for trading standards. Figure 5 shows the proportions of each type of income for environmental health in 2007-08. It shows that the majority of income is from licensing activities (the three licensing categories total 40 per cent) and 'other income' at 26 per cent.

**Figure 5. Types of income as a proportion of total income received by environmental health in 2007-08**



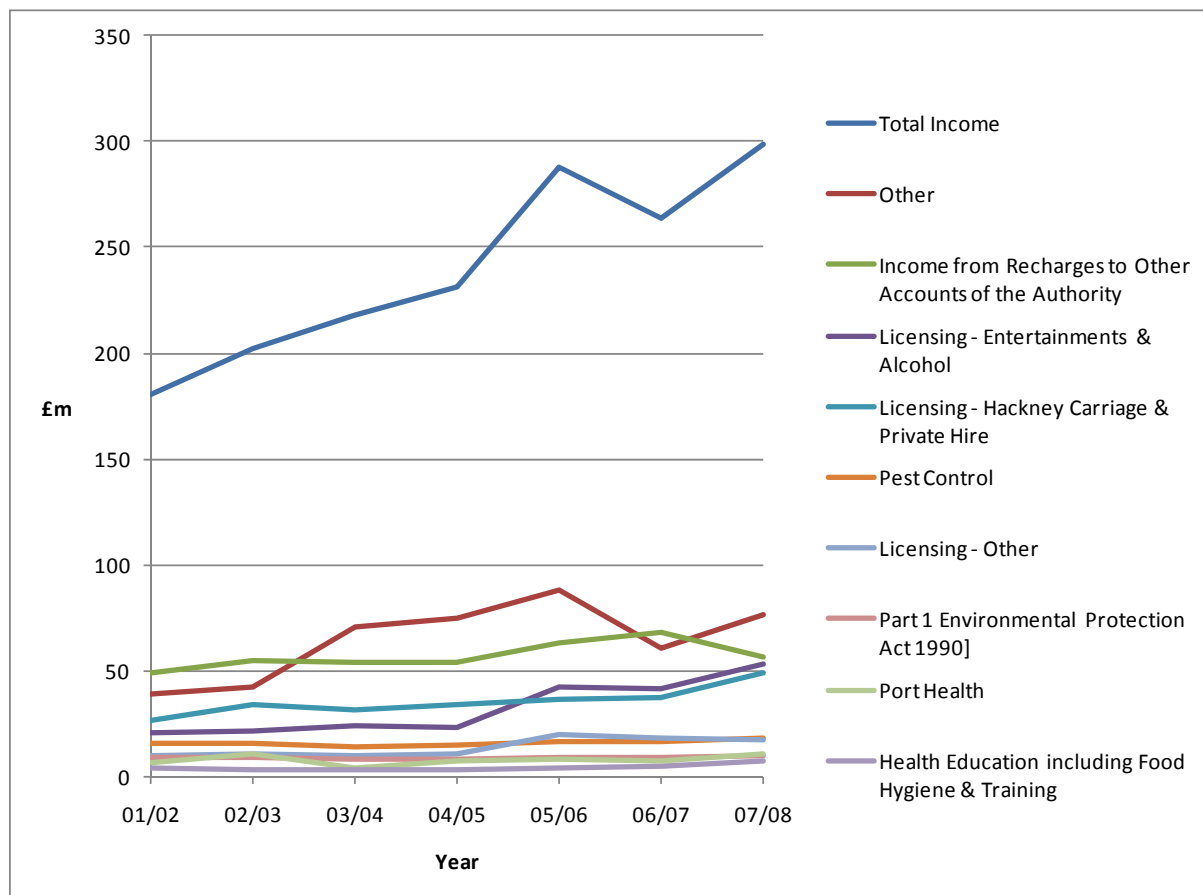
4.21 Table 13 gives examples of what is included in the 'other' and 'licensing-other' categories. The category 'Incomes from Recharges to Other Accounts of the Authority' is income obtained by LARS for providing goods and services for another part of the local authority.

**Table 13. Details of 'other' and 'licensing-other' environmental health income categories**

CIPFA Statistics Category	Common examples cited in accompanying notes (number of authorities, excluding Scotland)
Other income	Only two authorities are cited
Licensing - other	Street trading (22) Gambling Act 2005 (14) Lotteries and gaming (11) Sex establishments (7)

4.22 Figure 6 overleaf shows the trend in environmental health income since 2001-02. When adjusted for inflation, it shows that income increased sharply between 2006-07 and 2007-08. This is accounted for by a 19 per cent increase in licensing income compared to an increase in total income of 12 per cent.

**Figure 6. Environmental health income streams (in real terms) since 2001-02**

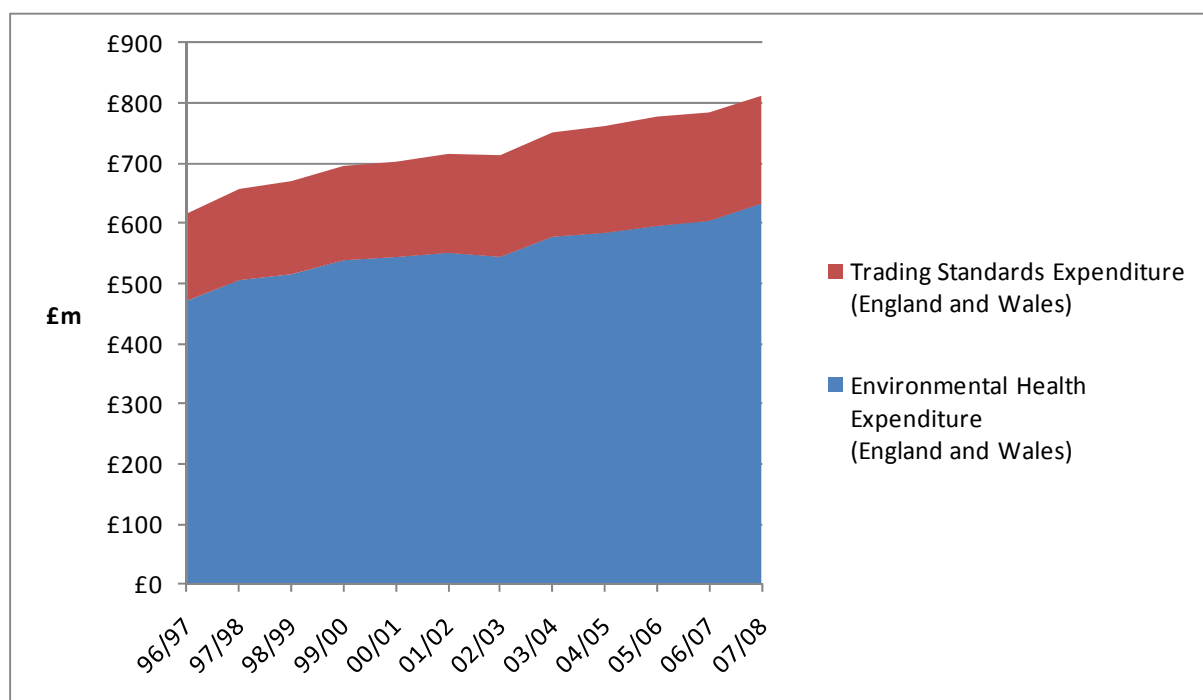


4.23 Subtracting incomes and capital charges from gross expenditure gives a figure for net expenditure. Figure 7 overleaf shows the trend over time in net expenditure, again in real terms. Income is increasing at a faster rate than expenditure which means that net expenditure is increasing slower than gross expenditure. Net expenditure for trading standards services actually went down this year due to the large increase in income compared to expenditure.

### Staffing for LARS

4.24 LARS are delivered by trained officers and staff costs account for around two-thirds of expenditure. The breakdown of full-time equivalent (FTE) staff for environmental health and trading standards services across Great Britain is given in Table 14. Since last year, there has been an increase of 175 staff across environmental health and trading standards services in England, a decrease of 125 staff in Wales across both services and a decrease of 25 staff in trading standards services in Scotland.

**Figure 7. Net expenditure (in real terms) of trading standards and environmental health services since 1996-97<sup>24</sup>**



4.25 In the Local Government Workforce in England Survey 2008, environmental health officers (EHOs) and trading standards officers (TSOs) were ranked fourth and eighth respectively in the top ten local authority occupations experiencing recruitment difficulties in 2008. Forty per cent of local authorities answering the survey experienced difficulties recruiting EHOs and 28 per cent experienced difficulties recruiting TSOs. Retention also appears to be an issue for EHOs, as a fifth of authorities (20 per cent) reported difficulties retaining them.<sup>25</sup> The Audit Commission has also recently noted the potential impact of a shortage of EHOs.<sup>26</sup>

**Table 14. LARS total FTE staff 2007-08 across Great Britain**

		England	Wales	Scotland	GB
Environmental Health <sup>27</sup>	FTE	14,720	1,238	N/A	15,958
Trading Standards <sup>28</sup>	FTE	3442	381	491	4314
Total	FTE	18,162	1,619	491	20,272

## Part 4: End Notes

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- 1 In 2007-08, local authorities spent £155bn of Total Managed Expenditure. See Public  
Expenditure Statistical Analyses (PESA) 2009, published June 2009, table 1.15. The  
2 proportion of 25 per cent has remained roughly constant in nominal terms since 2001-02  
Calculations based upon CIPFA returns and service definitions which cover 'core functions'  
3 including some licensing activities  
*HM Treasury Public Expenditure Statistical Analysis (PESA) 2009*, table 9.17. Excluding  
4 Northern Ireland  
Data for England and Wales from Environmental Health Statistics, CIPFA, 2008  
5 Data for England, Wales and Scotland from Trading Standards Statistics, CIPFA 2008  
6 Data for environmental health in Scotland from Scottish Local Government Finance Statistics  
2007-08  
7 Environment Agency Annual Report and Accounts 2007-08, page 26. Operating costs not net  
of income  
8 Health and Safety Executive Annual Report and Accounts 2006-07, page 64. Crown  
Copyright 2008  
9 Food Standards Agency Annual Report and Accounts 2007-08, page 60. Crown Copyright  
2008  
10 Office of Fair Trading Annual Report and Accounts 2007-08, page 85. Crown Copyright 2008  
11 National Measurement Office Annual Report and Accounts, page 47. Crown Copyright 2008  
12 Gambling Commission Annual Report and Accounts, page 42. Crown Copyright 2008  
13 DEFRA Departmental Report 2008, page 173. Crown Copyright 2008  
14 Expressing trends in financial data over time in real terms requires that the figures are  
adjusted to account for the effect of inflation. These inflation-adjusted figures put the  
expenditure levels in the past to the levels that they would be today. Method uses the October  
2009 GDP deflators available from the HM Treasury website  
15 *Forecasts for the UK Economy. A comparison of independent forecasts*. October 2009. HM  
Treasury No. 270. Page 3  
16 Public Sector Finances Databank 22 October 2009. HM Treasury, Table A8  
17 Data for England and Wales from Fire and Rescue Statistics, CIPFA 2008  
18 See 2009 Budget announcement on the HM Treasury web pages [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)  
19 Further details on the CLG web pages [www.communities.gov.uk](http://www.communities.gov.uk)  
20 Further details on the WLGA web pages [www.wlga.gov.uk](http://www.wlga.gov.uk)  
21 Source: CIPfastats.net. Excludes Trading Standards Scotland figures  
22 Data for environmental health in Scotland from Scottish Local Government Finance Statistics  
2007-08  
23 Some caution must be taken when comparing CIPFA datasets, particularly as the response  
rates for the environmental health surveys are lower than those for trading standards  
24 Note that the net expenditure figures used in last year's report contained several errors. This  
was due to capital charges being included in the figures for some years  
25 Local Government Association, Local Government Workforce Survey 2008 England  
26 Audit Commission Report, *Tomorrow's People*, 2008  
27 Data for England and Wales from Environmental Health Statistics, CIPFA, 2008  
28 Data for England, Wales and Scotland from Trading Standards Statistics, CIPFA 2008