Title: Impact Assessment of delivery options for functions of Local Better Regulation Office	Impact Assessment (IA)
	IA No: BIS0274
	Date: 5 April 2011
Lead department or agency: Department for Business, Innovation & Skills	**Stage:** Consultation
Other departments or agencies: Local Better Regulation Office	**Source of intervention:** Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Roger Weller (e-mail: roger.weller@bis.gsi.gov.uk)

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The recent Review of Local Better Regulation Office, as part of the Public Bodies Bill reviews, identified the problem that the existing non-departmental public body model was not the best option for delivery of LBRO's functions. It also concluded that LBRO's two functions should continue and one ought to be discontinued.

To obtain the benefits identified by the Review government intervention is necessary to change LBRO's current status and enable continuity of the regulatory enforcement culture change and to ensure greater accountability, transparency and efficiency in one of the department's public bodies.

What are the policy objectives and the intended effects?

The policy objective is to ensure greater accountability, transparency and efficiency of the functions that LBRO undertakes.
The intended effects include:

- Better use of public funding by focusing on the functions that are giving the best return;
- Achievement of efficiency savings and independence to continue to run the Primary Authority scheme; and
- More effective utilisation of expert source of implementation to enhance the policy development and impact assessment process.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The following options for a future delivery mechanism for the LBRO's functions which are going to be continued have been considered: Option 1 - Retain NDPB status (do nothing); Option 2 - Bring into the department (Option 2.a. - Establish Executive Agency in its own right, Option 2.b. - Merger with the Regulatory Policy Committee and Option 2.c. - Bring into the department but ensure that special governance arrangements for independence are in place – as with another BIS example, the Export Control Organisation) and Option 3 - Establish Private Limited Company.

Option 2.c. is our preferred option. Although it will deliver the same costs and benefits as options 2.a. and 2.b. we believe that it offers the best balance between independence, flexibility and balances the views of stakeholders.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 2015 **What is the basis for this review?** PIR. **If applicable, set sunset clause date:** N/A	
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: .... Date: 20 June 2011

Summary: Analysis and Evidence

Policy Option 2a

Description: Establish Executive Agency in its own right

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 6.4

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0.1			**0.1**

Description and scale of key monetised costs by 'main affected groups'

One-off redundancy costs (£80,000)
One-off communication/branding costs (£15,000)
One-off costs for the people, finance and data assimilation processes (£5,000)

These costs will fall on government.

Other key non-monetised costs by 'main affected groups'

One-off costs for pension compensation payments.

One-off costs associated with possible underperformance caused by the time it takes the new organisation to get up to speed.

These costs will fall on government.

One-off costs from the loss of expertise. This cost will fall on government and indirectly on businesses.

BENEFITS (£m)	Total Transition (Constant Price)	Year	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			0.79	**6.5**

Description and scale of key monetised benefits by 'main affected groups'

Ongoing efficiency savings from improved use of financial resources (£542,000).

Ongoing programme savings (£243,000).

These will be benefits to government.

Other key non-monetised benefits by 'main affected groups'

Greater flexibility and control to the department regarding the scope and delivery of the LBRO's functions.

More strategic alignment with the Coalition government's priorities of delivering policy options on co-regulation, raising professional standards and eradicating a culture of tick-box inspection.

Support for better local regulation will remain in the public sector, offering the continued neutrality and the safe space desired by stakeholders.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

Assumptions: LBRO board not required; transfer with a number of LBRO staff; some of LBRO's staff reduction met through natural wastage and 2 redundancies; consideration of relocating the organisation once the break clause in 2013; back office rationalisation.
Main risks:

- Staffing risk: loss of expertise, difficulties in recruiting replacement for business-critical staff who leave during transition.
- Stakeholder risk: loss of confidence by business stakeholders, dissatisfaction of local authorities' stakeholders with the level of their influence over the new body, problems caused by winding down LBRO's website.
- Project risks: failure to follow correct finance rules and redundancy procedures, increase in transition costs.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	NO	N/A

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England and Wales				
From what date will the policy be implemented?	1 November 2011				
Which organisation(s) will enforce the policy?	BIS				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:** N/A	**Non-traded:** N/A			
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	**Costs:** N/A	**Benefits:** N/A			
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** N/A	**< 20** N/A	**Small** N/A	**Medium** N/A	**Large** N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/A

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

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Wider environmental issues Wider Environmental Issues Impact Test guidance	No	Page 26
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	Page 26
Human rights Human Rights Impact Test guidance	No	Page 26
Justice system Justice Impact Test guidance	No	Page 26
Rural proofing Rural Proofing Impact Test guidance	No	Page 26
Sustainable development Sustainable Development Impact Test guidance	No	Page 26

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option 2b

Description: Merger with the Regulatory Policy Committee

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate: 6.4**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0.1			**0.1**

Description and scale of key monetised costs by 'main affected groups' These costs will fall on government**.**

One-off redundancy costs (£80,000)
One-off communication/branding costs (£15,000)
One-off costs for the people, finance and data assimilation processes (£5,000)

These costs will fall on government

Other key non-monetised costs by 'main affected groups'

One-off costs for pension compensation payments.

One-off costs associated with possible underperformance caused by the time it takes the new organisation to get up to speed and/or as a result of the merger failing.

These costs will fall on government.

One-off costs from the loss of expertise. This cost will fall on government and indirectly on businesses.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate			0.79	**6.5**

Description and scale of key monetised benefits by 'main affected groups'

Ongoing efficiency savings from improved use of financial resources (£542,000).

Ongoing programme savings (£243,000).

These will be benefits to government.

Other key non-monetised benefits by 'main affected groups'

Improved linkages between policy development and impact assessment process with compliance and implementation options being a closely related part of the policy development cycle.

These will be benefits to government and will have wider impact to those affected by the policy options being appraised.

Key assumptions/sensitivities/risks | **Discount rate (%)** | 3.5

Assumptions: LBRO board not required; transfer with a number of LBRO staff; some of LBRO's staff reduction met through natural wastage and 2 redundancies; consideration of relocating the organisation once the break clause in 2013; back office rationalisation.
Main risks:

- Staffing risk: loss of expertise, difficulties in recruiting replacement for business-critical staff who leave during transition.
- Stakeholder risk: loss of confidence by business stakeholders, dissatisfaction of local authorities' stakeholders with the level of their influence over the new body, problems caused by winding down LBRO's website.
- Project risks: failure to follow correct finance rules and redundancy procedures, increase in transition costs.

Direct impact on business (Equivalent Annual) £m):			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0	**Benefits:** 0	**Net:** 0	No	N/A

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England and Wales				
From what date will the policy be implemented?	1 November 2011				
Which organisation(s) will enforce the policy?	BIS				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:** N/A	**Non-traded:** N/A			
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	**Costs:** N/A	**Benefits:** N/A			
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** N/A	**< 20** N/A	**Small** N/A	**Medium** N/A	**Large** N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/A

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

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Sustainable development Sustainable Development Impact Test guidance	No	Page 26

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Summary: Analysis and Evidence

Policy Option 2c

Description: Bring into the Department but ensure that special governance arrangements for independence are in place – as with another BIS example, the Export Control Organisation

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate: 6.4**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional	1	Optional	**Optional**
Best Estimate	0.1			**0.1**

Description and scale of key monetised costs by 'main affected groups'

One-off redundancy costs (£80,000)
One-off communication/branding costs (£15,000)
One-off costs for the people, finance and data assimilation processes (£5,000)

These costs will fall on government.

Other key non-monetised costs by 'main affected groups'

One-off costs for pension compensation payments.

One-off costs associated with possible underperformance caused by the time it takes the new organisation to get up to speed.

These costs will fall on government.

One-off costs from the loss of expertise. This cost will fall on government and indirectly on businesses.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			0.79	**6.5**

Description and scale of key monetised benefits by 'main affected groups'

Ongoing efficiency savings from improved use of financial resources (£542,000)

Ongoing programme savings (£243,000)

These will be benefits to government.

Other key non-monetised benefits by 'main affected groups'

Improved co-ordination of the regulatory system.
The best balance between independence, flexibility and the views of stakeholders.
These will be benefits to government and will have wider impact (securing growth, improving business confidence, reducing the burden on business).

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

Assumptions: LBRO board not required; transfer with a number of LBRO staff; some of LBRO's staff reduction met through natural wastage and 2 redundancies; consideration of relocating the organisation once the break clause in 2013; back office rationalisation.
Main risks:

- Staffing risk: loss of expertise, difficulties in recruiting replacement for business-critical staff who leave during transition.
- Stakeholder risk: loss of confidence by business stakeholders, dissatisfaction of local authorities' stakeholders with the level of their influence over the new body, problems caused by winding down LBRO's website.
- Project risks: failure to follow correct finance rules and redundancy procedures, increase in transition costs.

Direct impact on business (Equivalent Annual) £m):			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0	**Benefits:** 0	**Net:** 0	No	N/A

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			1 November 2011		
Which organisation(s) will enforce the policy?			BIS		
What is the annual change in enforcement cost (£m)?			N/A		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A		**Non-traded:** N/A
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** N/A		**Benefits:** N/A
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** N/A	**< 20** N/A	**Small** N/A	**Medium** N/A	**Large** N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/A

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Summary: Analysis and Evidence

Policy Option 3

Description: Establish Private Limited Company

Price Base Year 2011	PV Base Year 2011	Time Period Years 1	Net Benefit (Present Value (PV)) (£)		
			Low: Optional	**High:** Optional	**Best Estimate: -2,000**

COSTS (£)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	2,000			**2,000**

Description and scale of key monetised costs by 'main affected groups'

One-off legal costs related to changing a status (£2,000)

These costs will fall on government.

Other key non-monetised costs by 'main affected groups'

Possible additional annual staff costs - Director and additional staff for determinations on the Primary Authority scheme

These costs will fall on government.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups'

This option would not deliver any savings as it assumes all LBRO's statutory functions continuing and almost the same level of resources.

Other key non-monetised benefits by 'main affected groups'

As above.

Key assumptions/sensitivities/risks — **Discount rate (%)** N/A

Assumptions: a status quo as regards location, ICT and finance systems; possible additional staff (Director, and additional staff for determinations on the Primary Authority scheme)

Main risks: decrease in transparency and accountability.

Direct impact on business (Equivalent Annual) £m):			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0	**Benefits:** 0	**Net:** 0	No	N/A

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			1 November 2011		
Which organisation(s) will enforce the policy?			BIS		
What is the annual change in enforcement cost (£m)?			N/A		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** N/A	**Benefits:** N/A	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro** N/A	**< 20** N/A	**Small** N/A	**Medium** N/A	**Large** N/A
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/a

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	The Regulatory Enforcement and Sanctions Act 2008; http://www.bis.gov.uk/policies/better-regulation/improving-regulatory-delivery/implementing-principles-of-better-regulation/regulatory-enforcement-and-sanctions-bill
2	
3	
4	

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs	0.1									
Annual recurring cost										
Total annual costs	0.1									
Transition benefits										
Annual recurring benefits	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79
Total annual benefits	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Background

1. The Local Better Regulation Office (LBRO) was created in response to the recommendations of the Hampton review of inspection and enforcement that identified a number of systemic issues in the structure of regulatory enforcement in the UK, particularly inconsistency of enforcement for businesses that operate across more than one local authority area. LBRO's activities, particularly through the Primary Authority scheme[1], are intended to reduce uncertainty, ensure proportionate and consistent local authority regulatory enforcement and lower administrative burden for businesses operating across multiple local authorities.
2. LBRO, as currently constituted, is a statutory non-departmental public body (NDPB) sponsored by the Department for Business, Innovation and Skills (BIS). Its functions can be summarised under three headings:
   - managing and developing the Primary Authority scheme for multi-site businesses;
   - providing direct support for service improvement in local authorities;
   - working to improve and simplify the national framework under which local authorities enforce certain areas of law.
3. In summer 2010 the Better Regulation Executive (BRE) undertook a review of LBRO ("the Review"). The Review was commissioned by Ministers to determine options for the most effective implementation of the functions of LBRO. The Review's main drivers were the public sector financial position and commitments in the Coalition government's programme for government to "reduce the number and cost of quangos". Other influencing factors were the 2010 Spending Review, HMT's Operational Efficiency Programme and BIS Commercial Strategy which were seeking efficiencies in back office functions[2].
4. Ministers decided that LBRO should not continue as an arm's length body and more should be done to hone its activities in order to do more for less, provide additional value for money and enable greater deployability and flexibility to meet the Coalition's plans for the enforcement of regulation.
5. The Review concluded that there was a continuing need for two of the functions currently carried out by LBRO:
   - the Primary Authority scheme; and
   - its work to improve and simplify the national framework for local authority regulation, whether by collaborative working or through advice to Ministers.
6. Both functions are critical to the regulatory enforcement culture change, and there is a case for giving these a greater emphasis.
7. Businesses and their representative organisations contacted during the course of the Review were clear that consistency of treatment across the country remains a major concern for businesses. The respondents to the Review were also firmly of the view that the Primary Authority scheme represented a significant step forward from the previous voluntary arrangements. Primary Authority has been useful in helping local authorities focus on achieving better compliance rather than simply enforcement. Businesses strongly argued that Primary Authority was delivering cultural change at a local level. They expressed concern that removing the scheme would indicate a lack of commitment to better regulation. Most felt that the cultural changes are starting to have an impact and there is a real risk that this progress and the groundwork that has been achieved would be lost if LBRO were

[1] The Primary Authority scheme was created in response to the Hampton Report (2005) which noted widespread inconsistencies of regulatory interpretation between different local authorities. It came into force on 6th April 2009 following the passing of the Statutory Instruments which set out more detail about the implementation of the Primary Authority scheme. The scheme allows businesses, charities or other organisations that are regulated by more than one local authority to enter into a partnership with a local authority for it to become a Primary Authority. The Primary Authority provides assured advice to the business and can then block proposed enforcement action it regards as inconsistent with advice or guidance that it has previously given.

[2] It was a government internal review and therefore is not published.

to be disbanded. The Review therefore recommended that the LBRO's function of Primary Authority should continue.

8. The Review collected strong evidence about the value of LBRO's functions related to improving and co-ordinating the work of national regulators and central government policy-makers. For example, there were many positive comments on the value of LBRO's World-class coalition and Common Competency Framework projects. The Review noted that the function was effectively part of the national policy-making process and its abolition would therefore detract from the government's ability to achieve its intentions to secure fundamental culture change in the way that the regulatory system as a whole operates. The Review therefore recommended that this function should continue.

9. The Review also concluded that there was no strong case for continuing the function of statutory guidance and direction in direct support of local authorities, particularly in the context of wider reforms to the local government performance framework. The Review therefore recommended abolition of this function and the associated statutory powers.

10. This function was designed to address a finding of the Hampton Review that the regulatory system could be better focused on supporting compliant businesses. We felt that this would be achieved in part through better sharing of best practice and innovative approaches across regulators including local authorities. However, LBRO has made a number of contributions to this under its general duty to promote local better regulation, rather than under this specific function. Therefore abolition of this function is not expected to have a significant impact for the following reasons

No significant resource was allocated to the function

11. Since inception in 2007 the LBRO spent £243,000 on carrying out this function. We believe that this is de minimis in terms of the IA process and not a significant proportion of the LBRO budget of £3.3m p.a. in 2011-12 and £3.7m in 2010-11.

The statutory powers associated with function 2 were not formally used

12. The LBRO has not issued any guidance under its statutory powers associated with function 2, nor has it issued directions to any local authority to comply with guidance.

13. The review of the LBRO found that cultural change in the way that the regulatory system as a whole operates is the function is in fact being achieved by the Primary Authority scheme (function 1) rather than under function 2.

Substitutes have developed

14. The Whitehall-wide policy of localism emphasises increased accountability to local business and social enterprise. In itself this adds pressure on Local Authorities to improve their regulatory services for local business and take account of their views thus reducing the significance of LBRO's function 2 further. In particular Local Enterprise Partnerships[3] have been established which provide improved accountability of Local Authorities to local business including in the way regulation is enforced, planning etc. It is believed that LEPs will provide a better vehicle for driving the outcomes associated with LBRO's function 2.

15. Consideration was given to transferring responsibility to another body. However, stakeholder comments from the Review suggest that there would in fact be minimal impact from the abolition of this function.

No significant outputs were generated

16. The resource was spent on
    - a document on how Local Authorities might support local business in the recession
    - a range of other advice and informal guidance
    - a framework for Local Authorities to assess the effectiveness of their enforcement

17. While these activities have not been evaluated in quantitative detail, submissions from stakeholders as part of the LBRO review and informal discussion with LBRO suggested that a) and b) may not have had a significant impact.

[3] http://www.bis.gov.uk/policies/economic-development/leps

18. The framework for Local Authorities (c) has now been established and can be used by Local Authorities for self assessment if they chose to use it. It does not require further LBRO input.

Stakeholder views were mixed

19. In the review of the LBRO business stakeholders did not express strong interest in function 2. The 'real world' impact of the LBRO regarding this function was questioned by some businesses as was the added value of some of the activities. For example, some local authorities questioned the need for the document on supporting business through a recession when the Local Government Association had issued something similar a few months prior.

Problem under consideration

20. The review of LBRO undertaken in summer 2010 concluded that LBRO should not retain its current status as a free-standing non-departmental public body. The Review concluded that there are better options than the existing NDPB model for delivery of LBRO's functions and recommended that an alternative organisational structure would promote greater efficiency, accountability and joint working with the department, whilst maintaining the necessary independence.
21. The Review also considered the relevance of LBRO's various functions to the culture change of regulatory enforcement and concluded that the functions of Primary Authority and creating the conditions for a simpler regulatory system should continue. One of LBRO's functions (support to local authority improvement) ought to be discontinued (explained in the "Background" section).
22. The government's intention is to act on the Review's recommendations.
23. This impact assessment discusses an appropriate future delivery mechanism for delivering the two functions which are going to be continued. It should be noted that this policy involves mainly just an administrative change in the status of the LBRO.

Rationale for intervention

24. Evidence from the Review of LBRO indicated that LBRO should not retain in its current status as a NDPB. Government intervention to change LBRO's current status is necessary to enable continuity of the culture change of regulatory enforcement and to ensure greater accountability, transparency and efficiency in one of the department's public bodies.
25. Secondary legislation is required because the board was established by statute and includes a minimum number of board members. The number of Board appointments is controlled by Schedule 1 of the Regulatory Enforcement and Sanctions Act 2008 and requires the LBRO Board to have at least five and no more than ten members (including the Chairman).

Policy objectives

26. The policy objective is to ensure greater accountability, transparency and efficiency of the functions that LBRO undertakes.
27. The intended effects include:
    - Better use of public funding by focusing on the functions that are giving the best return;
    - Achievement of efficiency savings and independence to continue to run the Primary Authority scheme; and
    - More effective utilisation of expert source of implementation to enhance the policy development and impact assessment process.

Options identification

28. The following options for a suitable future delivery mechanism for the functions which are going to be continued have been considered.

Option 1 - Retain NDPB status (do nothing);

Option 2 - Bring into the department:

- Option 2.a. - Establish Executive Agency in its own right;
- Option 2.b. - Merger with the Regulatory Policy Committee;
- Option 2.c. - Bring into the department but ensure that special governance arrangements for independence are in place – as with another BIS example, the Export Control Organisation.

Option 3 - Establish Private Limited Company.

29. Bringing LBRO's functions in-house (option 2) and establishing Private Limited Company (option 3) would require legislation.

Options analysis

Model

30. We have looked at the options with a view to estimating costs and benefits associated with each option. Each option is explained in more detail in the cost and benefit detail section. Each option is compared to the counter factual of 'do nothing' or no change to the LBRO status and location.

Costs

31. We have considered the following categories of one-off transition costs:
    - Staffing (redundancy payments, contract termination, pension)
    - Property (break in lease, dilapidation costs)
    - ICT (break in ICT contract)
    - Integration of pay systems, terms and conditions, data transfer, ICT systems
    - Integrating LBRO's employees into new office/working space (Government Secure Intranet, security checks, desk/PC/telephone allocations)
    - Branding, communication.
32. For the options which assume consideration of relocating the organisation once the break clause for their current Birmingham based premises is up in 2013 we believe that there will not be any ongoing costs until 2013 (as there is no change as a result of the policy) and that there will be some accommodation costs post-2013. The detailed costing will be prepared nearer the time of the lease break.
33. The estimated cost for each option does not include possible underperformance caused by the time it takes a new organisation to get up to speed (such as short-term declines in staff morale and a short-term decline in staff productivity) as we have been unable to quantify these. We have also assumed that there will not be any real costs from the loss of expertise as all options assume transferring LBRO staff to a new structure.

Benefits/savings

34. In terms of benefits we have looked at each option to estimate the efficiency savings from improved use of financial resources and the programme savings associated with the function to be discontinued.
35. We have estimated the efficiency savings as those related to administrative savings which we have split into staff and non-staff savings.

36. We have estimated the staff savings as those related to redundancies (salaries, National Insurance contributions and training). Redundancy cost will also include pension compensation payments. However, it has been impossible to estimate those costs at this stage as they will depend on the age of people being made redundant and the type of pension scheme.

37. The staff savings also include savings as a result of people finishing their secondments and fixed term contracts (the do nothing option assumes that those contracts would be renewed).

38. We have considered the following elements of non-staff administrative spending:

- Rent and other premises charges
- Back office
- Board
- ICT costs.

39. We have estimated the programme savings as those related to the function to be discontinued.

Other impacts

40. We have also considered a range of other impacts. We have assessed each option in the light of the following considerations:

- **Independence:** how effectively the option would assure independence of decision-making (ability to maintain, and be seen to maintain, independence from political control in decisions where required);
- **Transparency and accountability;** how effectively the option would provide improved transparency and accountability with business, national regulators and local government to help take forward wider work on culture change;
- **Flexibility:** how effectively the option would provide flexibility to align LBRO's work as closely as possible with relevant Ministers' priorities (capacity to deploy LBRO resources in a way that is consistent with Coalition priorities, and ability to influence and shape future policy from enforcement perspective, from within government. Some (manageable) tension with independence); and
- **Stakeholders**: what is most likely to have credibility with LBRO's stakeholders.

41. Each option has been then assessed against each criteria using qualitative judgement. Scores ranging from 1 to 5 have been chosen. A score of 5 has been used to reflect the best that can be achieved and has been assigned to the 'best' performing option. Similarly, a score of 1 has been used to reflect the worst that can be achieved and has been assigned to the 'worst' option. All options have been then scored relative to the best and worst options.

42. The preferred option has been chosen taking into account the cost-benefit analysis and the analysis of other impacts.

Data and assumptions

43. Much of the data used for the estimates is LBRO's financial data. The figures provided are based on LBRO latest estimates of actual costs for the full financial year 2010-11 (some will not be finalised until 8 April 2011 when accruals in 2010-11 are confirmed) - these are the most up to date estimates[4]. BIS in-house data has also been used.

Rent and other premises charges

44. Based on LBRO's data, the annual rent and other premises charges have been estimated at £154,000.

Back office

[4] The figures used in this impact assessment have been provided by LBRO. They are current estimates based on experience from the previous financial year. The Annual Report and Accounts 2009/10 can be found at http://www.lbro.org.uk/docs/annual-report-2009-2010.pdf

45. Based on LBRO's figures, we have estimated annual back office costs at £5,000. It includes payroll and pension administration. It does not include back office staff costs as we do not know if back office staff will be affected by redundancies.

Board

46. Based on LBRO's figures, LBRO's board is currently composed of a Chair and four Non-Executive Members. We have estimated annual board costs at £206,000. They include: salaries, National Insurance contributions, incidentals, training, travel, accommodation, subsistence and hospitality.

Staff spending

47. Based on LBRO's figures we have estimated annual spending per one employee (permanent contract) including salaries, National Insurance contributions and training at £50,000 and the average salary of a permanent full time post at £40,000. Redundancy savings also include LBRO's staff reduction met through natural wastage - people finishing their secondments and ending fixed term contracts. We have estimated a total annual staff spending on secondees and people on fixed term contracts at £232,000 (4 FTEs).

Programme spending

48. Based on LBRO's data, we have estimated that the cost of projects that relate to a stricter definition of the function to be discontinued at £243,000.

Civil servant time for system integration processes

49. Based on BIS in-house pay scales we have estimated the cost of system assimilation process at £5,000. It includes 1 or 2 weeks time of legal, HR, ICT and finance people associated with integration of pay systems and terms and conditions, integration of LBRO's employees into new working space (e.g. carrying out additional security clearance, establishing Government Secure Intranet), legal issues related to transferring staff to the new employer, data transfer, particularly the Primary Authority database and closing LBRO's accounts and integrating LBRO's finance with BIS.

Risks

50. We have considered a wide range of risks (summarised in the table below).

Risk	Issue
Project management risk	Failure to establish/follow correct procedures regarding redundancies
	Failure to agree clear governance procedures for the new organisation
	Failure to comply with finance rules around closing accounts
	Transition costs increase
Reputation/PR Risk	LBRO's contractors and suppliers are unprepared for the transition
	Previous name - Local Better Regulation Office or LBRO - is used in a way that damages the reputation of the department or the government
Staffing Risk	Loss of staff knowledge/expertise if key staff members do not transfer to the new organisation
	Once converted from public servants to civil servants, staff move elsewhere in the civil service, resulting in reduced implementation expertise
	Difficulties in recruiting replacements for any business-critical staff who leave during the transition
Stakeholder Risk	LBRO's business stakeholders lose confidence in our commitment to their concerns
	Stakeholders perceive a loss of independence and see the body as part of central government
	Winding up of LBRO website causes problems for stakeholders
	Secondary legislation needed to make the changes is delayed due to consultation on staff cuts
Benefits realisation risk	The transition of responsibility to BIS results in a drop in delivery pace
	Loss of independence for LBRO - particularly problematic for Primary Authority determinations
	Valuable LBRO activities are lost in the abolition of the improvement function
	Perceived or actual impropriety around finances during the transition and final accounts
	Intellectual property is lost without potential value being gained

Cost and benefit detail

Option 1 – Do nothing

51. This option involves LBRO continuing as currently constituted and retaining its current status as a non-departmental public body funded by government.

52. This option assumes a status quo – i.e. all LBRO's statutory functions continuing and the same level of resources (including secondment and fix term contract extension).

Costs

53. There would be no additional costs associated with this option as LBRO will continue 'business as usual'.

Benefits

54. This option would not deliver any savings as LBRO will continue 'business as usual'.

Other impacts

55. This option would allow the reputation of LBRO and Primary Authority, as arm's length but close to government, to continue, and supports the strong business views that a neutral and independent body is highly valued.

56. This option would retain a body that is valued for its impartiality, independence and deliver programmes that achieve a good rate on return on investment. The strong and trusted brand of the Primary Authority scheme and LBRO would be retained.

57. This option enables LBRO to continue without diverting its focus and resources to effect a change of status.

58. However, this option does not increase and devolve transparency and accountability.

59. Retaining NDPB status is the least promising option. There are a number of inflexibilities that come from its statutory status which are unavoidable; for instance, a paid Board will need to be maintained, and it would have no legal basis for work which was not founded on the specific provisions of the Regulatory Enforcement and Sanctions Act.

Option 2 – Bring into the Department

60. This option would in effect bring two of LBRO's functions into BIS and has 3 variations - a, b and c.

61. As the strategic direction would be provided by the department, the option assumes that a non-executive Board would not be required.

62. The LBRO Review found that retaining the expertise and commitment of LBRO's staff will be essential in ensuring the Primary Authority scheme continues to deliver. A failure to account for this would have a serious impact for business stakeholders. Expertise regarding regulatory enforcement is not generally available from within the civil service's traditional recruitment pools. Therefore the option assumes the transfer of functions to the department with a number of LBRO staff. However, the option assumes two redundancies and staff reduction met through natural wastage (people finishing their secondments and ending fixed term contracts).

63. This option also assumes rationalisation of back office functions (a single back office carried out in-house).

64. This option includes consideration of relocating the organisation once the break clause for their current Birmingham based premises is up in 2013.

65. Legislative changes would be required, for example, to enable LBRO's successor body to operate the Primary Authority scheme.

Option 2.a. – Establish Executive Agency in its own right

66. LBRO could be formed as an Executive Agency in its own right.

67. This option includes consideration of relocating the organisation once the break clause for their current Birmingham based premises is up in 2013.

68. The option assumes some of LBRO's staff reduction met through natural wastage (people finishing their secondments and ending fixed term contracts) and two redundancies.

Costs

Transition costs of moving LBRO's functions to BIS by establishing an Executive Agency

69. There will be one-off transition costs from transferring LBRO's functions to BIS by establishing an Executive Agency. These costs will fall on government and indirectly on businesses.

Monetised transition costs

70. In terms of the composition of these costs, there will be some costs related to redundancy.

71. We understand that all LBRO employees are members of the Civil Service Compensation Scheme (CSCS). The CSCS sets out the terms that are applicable in the event of either voluntary or compulsory redundancy across the civil service. Clause 1 of Superannuation Bill 2010-11 caps compensation payable under the Civil Service Compensation Scheme at a maximum of 12 months' pay for compulsory redundancy and 15 months' for voluntary exits.

72. We have used a number of assumptions to estimate costs arising from redundancies:
    - The average length of service of staff in LBRO is 12 years.
    - Any redundancy would be compulsory not voluntary.

73. As the average salary in LBRO is £40,000, for two redundancies, we have estimated the redundancy settlement at £80,000.

74. Redundancy cost will also include pension compensation payments. However, it has been impossible to estimate those costs at this stage as they will depend on the age of people being made redundant and the type of pension scheme.

75. We have not estimated any additional costs associated with secondment and fixed term contracts as we assume that they will be allowed to expire.

76. A transfer would have the net effect of adding to the civil service headcount at the point of transfer. There will be some costs associated with integration of pay systems and terms and conditions, and integration of LBRO's employees into new working space (e.g. carrying out additional security clearance, establishing Government Secure Intranet). An assimilation process may involve costs for legal issues related to transferring staff to the new employer. There will also be costs of data transfer, particularly the Primary Authority database, closing LBRO's accounts and integrating LBRO's finance with BIS. There may also be some costs related to legal difficulties arising over transfer of LBRO's assets to the new body. Based on BIS in-house data we have estimated costs related to the above at £5,000.

77. To maintain a strong identity for LBRO's successor body after the change, there will be some costs associated with communications and branding. Having looked at some BIS in-house examples we have estimated those costs at £15,000. This will include winding down the existing website, creating a new logo and a new website.

78. At this stage, the total one-off transition monetised costs related to this option are estimated to be around £100,000. These costs will fall on government. However, we expect the costs to be higher as we have not yet estimated the costs for pension compensation payments and due to additional costs which may arise from the change. We have already set up a small BRE and legal team drawing on BIS expertise and are currently working to estimate costs related to the transition. We will publish the total transition costs (close to accurate) in the final impact assessment.

Non-monetised transition costs

79. This option assumes retaining the Birmingham leased building until the break clause in 2013 so it will not impose any additional costs associated with lease and ICT contract break. This will, however, establish an additional BIS outpost in Birmingham and will have to be considered in the context of the wider BIS approach to the location of other non-London-based offices and the BIS local

80. There will be some accommodation costs post-2013. Several locations are being considered. The detailed costing will be prepared nearer the time of the lease break. These costs will fall on government.

81. It can be assumed that there will be some costs associated with possible underperformance of LBRO as a whole caused by the time it takes a new organisation to get up to speed such as short-term declines in staff morale and a short-term decline in staff productivity.

82. We have also assumed that there will not be any real costs from the loss of expertise as this option assumes transferring LBRO staff to the new structure. However, if many/key staff decide not to move to the new organisation, it may result in the loss of expertise and impose some recruitment costs. This may also happen if, once converted from public to civil servants, LBRO staff move elsewhere within the civil service.

83. The non-monetised costs will fall on government. Businesses may also be indirectly affected. However, we have been unable to quantify these costs.

Annual costs

84. As this is an administrative change, although LBRO will stop delivering one function, we believe that there will not be any ongoing costs.

85. Based on stakeholders' views gathered for the LBRO Review we believe that there will be minimal impact on stakeholders from LBRO not undertaking the function of statutory guidance and direction in direct support of local authorities.

Benefits

86. We have estimated the overall annual benefits of this option at £786,000. These include:

Efficiency savings from improved use of financial resources

87. We have estimated efficiency savings resulting from back office rationalisation, removing the Board and staff spending reduction (two redundancies) and people finishing their secondments and fixed term contracts).

88. The table below shows the details of the efficiency savings associated with this option:

Category of costs	Amount	Comment
Non-staff administrative savings including	**£211,080**	This is a sum of back office and board savings.
Back office	£5,000	This includes payroll and pension administration. It does not include back office staff costs as we do not know if back office staff will be affected by redundancies.
Board	£206,080	This includes salaries, National Insurance contributions, incidentals, training, travel, accommodation, subsistence and hospitality associated with LBRO's board.
Staff savings (without board)	**£322,143**	This includes annual spending for two employees on permanent contract (including salaries, National Insurance contributions and training) and staff spending on people on secondments and fixed term contracts (2x£50,000 plus £232,000 respectively).
Total efficiency savings	**£542,223**	This is a sum of staff and non-staff administrative savings.

Programme savings

89. We have estimated the cost of projects that relate to a stricter definition of the function to be discontinued at £243,000.

Other impacts

90. This option would provide much greater flexibility and control to the department regarding the scope and delivery of the functions and enable a more strategic alignment with the Coalition government's priorities, in part due to the removal of the need for an external non-executive Board.

91. The department will gain the flexibility to use the expert staff to assist on the delivery of the Coalition government's priorities of delivering policy options on co-regulation, raising professional standards and eradicating a culture of tick-box inspection.

92. Changing status to an Executive Agency will contribute to the Coalition government's desire for a reduction in the number of arm's length bodies. Support for better local regulation will remain in the public sector, offering the continued neutrality and the safe space desired by stakeholders.

Option 2.b. – Merger with the Regulatory Policy Committee

93. This option means that LBRO would merge with another organisation which is carrying out similar functions or operating in a similar policy sphere. One candidate, the Regulatory Policy Committee, has been considered.

94. The Regulatory Policy Committee, also sponsored by BRE, has some matters in common with LBRO. It is independent by design, and provides "independent scrutiny before new regulatory proposals are approved by government", providing Ministers with "an independent view on whether or not there is sufficient evidence and analysis to support a new regulation before they decide whether to move ahead with it or not."[5]

95. However, the RPC has an advisory function which requires an independent committee of experts, whereas LBRO also has delivery functions. Added to this, a potential area of synergy between the two organisations relates to the RPCs original Terms of Reference, which stated that the second of the RPCs two functions was: "to review, advise and comment on the performance of regulators against the Hampton principles". To date, however, the RPC has not carried out this secondary function and is not expected to do so in the foreseeable future, its primary focus being on reviewing analyses presented in impact assessments.

96. The case for a single advisory body providing robust advice to government on regulation issues, from options analysis through the implementation chain, down to plans for enforcement has some merit. There are clear synergies in the approach to lifecycle assessment of new policy proposals and their implementation. The fit of roles is in no way exact; in addition to its advisory function, LBRO would retain for the immediate future a key service delivery function in the Primary Authority scheme.

97. The staffing requirements are also dissimilar – RPC depends on policy-making and economic expertise, LBRO on enforcement expertise – but there would be opportunities for joint learning, and for encouraging policy-makers to adopt a more holistic approach to enforcement. The future composition of the RPC has yet to be agreed.

98. Similarly to options 2.a. and 2.c. this option includes consideration of relocating the organisation once the break clause for their current Birmingham based premises is up in 2013 and LBRO's staff reduction met through natural wastage (people finishing their secondments and ending fixed term contracts) and two redundancies.

Costs

Transition costs of moving LBRO's functions to BIS by merging with the RPC

99. Because of the same assumptions around elements of one-off costs (redundancies, system integration process and communication/branding) one-off monetised transition costs from transferring LBRO's functions to BIS by merging with the RPC will be the same for this option as for option 2.a. and 2.c. (£100,000).

100. However, we consider that one-off non-monetised costs will be higher than options 2.a. and 2.c. This is because there is a higher probability of additional costs related to decline in staff productivity in both RPC and LBRO as a result of the merger. Differences in shared missions, cultural mismatches and differences in delivery mechanisms may cause a short-term (or even long-term) decline in staff productivity. However, we have been unable to quantify those costs.

[5] http://regulatorypolicycommittee.independent.gov.uk/rpc/wp-content/uploads/2010/08/August-8-2010-press-release.pdf

Benefits

101. Annual benefits of this option will be the same as those identified in options 2.a. and 2.c. (£786,000) as all three options assume the same administrative changes (although with different governance arrangements).

Other impacts

102. We think that this option would result in improved policy development resulting from adopting a more holistic approach to enforcement.

103. However, a merger would be difficult because a decision has yet to be made about the future composition for the RPC. The RPC is currently an ad hoc advisory committee. This is a temporary classification which should not remain in place for more than 2 years. As the RPC was established in November 2009, work is now starting to re-classify the RPC as a permanent body. It is unclear what future classification the RPC will have but there is the potential that it will retain an advisory capacity. LBRO's remit goes beyond advice, and includes a delivery function. Therefore there would be a significant detrimental impact on the RPC were it to be merged with LBRO, in that it could no longer become an advisory NDPB.

Option 2.c. – Bring into the department but ensure that special governance arrangements for independence are in place – as with another BIS organisation, for example, the Export Control Organisation - PREFERRED OPTION

104. This option brings LBRO into BIS with special governance arrangements to secure more independence in practice.

105. The organisation in legal terms would be a part of the department, made up of civil servants and perform functions which have been delegated to them by the Secretary of State. For the organisation to be successful it needs to be demonstrably independent, have technical expertise and be advised by a representative Steering Group. The statutory power would move to the Secretary of State and delegated in practice to the new organisation.

106. A mechanism would be required to maintain independent decision-making and to set out the scope of ministerial direction, this is particularly important in cases where independence is critical, such as the operation of the Primary Authority scheme. LBRO's independence has been one of LBRO's drivers of success and is important to stakeholders. A structure will be needed to ensure that decisions are able to be taken, free from political interference but that matters are referred to ministers in cases of controversy. Careful management of the organisations' separate cultural identity – e.g. through strong and distinctive executive leadership, separate office space, branding has been noted by the Export Control Organisation as contributing to maintaining independence. This independence could be reinforced by a document that sets out roles and responsibilities, such as a Memorandum of Understanding.

107. Moving from a relatively autonomous position to form part of the department is a change that would require clear expression of our expectations and careful management, setting out clear on boundaries and delegations on finance and other matters.

108. This option would remove the need for a non-Executive Board. A Representative panel – with members who represent particular organizations and sectors rather than being appointees in their own right. It is proposed that a Steering Group would be created comprising nominated, representative individuals from a range or organisations that have an interest in the work of the organisation. This will make sure that it is accountable and relevant to the businesses and the regulators that it serves, while also improving the accountability of the new organisation. It will be important to set out ways of working between the RPC, BIS and the new organisation to build on respective strengths and ensure value for money.

109. Similarly to options 2.a. and 2.b. this option includes consideration of relocating the organisation, for example to London, once the break clause for their current Birmingham based premises is up in 2013 and assumes some of LBRO's staff reduction met through natural wastage (people finishing their secondments and ending fixed term contracts) and two redundancies.

Costs

Transition costs of moving LBRO’s functions to BIS but ensure that special governance arrangements for independence are in place – as with another BIS organisation, for example, the Export Control Organisation

110. Because of the same assumptions around elements of one-off costs (redundancies, system integration process and communication/branding) one-off monetised transition costs from transferring LBRO’s functions to BIS but with special governance arrangements for independence will be the same for this option as for options 2.a. and 2.b. (£100,000).

Benefits

111. Because of the same assumptions about administrative changes (although with different governance arrangements), annual benefits of this option will be the same as for options 2.a. and 2.b. (£786,000).

Other impacts

112. We believe that this option will improve co-ordination of the regulatory system by positioning the reformed LBRO to play an active part in supporting local business engagement, through Local Enterprise Partnerships, and to support the development and dissemination of good business-friendly front line regulatory practice at all levels.

113. This option will secure the delivery of the Primary Authority scheme and work to simplify the regulatory system, providing benefits for businesses, but will be overseen by a streamlined organisation that will be part of the department.

114. This option delivers the benefits of all the in-house options but deals with its main weakness, which is lack of perceived independence – not as adequately as the NDPB model, but well enough in practice given the relatively low level of controversy attached to decisions taken by LBRO.

115. It will enable a Local Enterprise Partnerships (LEPs) which are already bringing business and civic leaders together across natural economic areas to set a strong local economic lead. Effective and proactive local regulatory services can play an important role in securing growth, giving businesses the confidence and expert advice that they need to grow, and regulatory improvement needs to be at the heart of these local strategies.

116. The new organisation will play an active part in supporting LEP’s: helping them set a clear lead in tackling red tape, disseminating and promoting good, business-friendly, practice including the Primary Authority scheme.

117. The proposed special governance arrangements which retain the operational independence and technical expertise that have been important to LBRO’s role, ensuring that it is still relevant to businesses and regulators. This will enable more focus on ensuring that there is better enforcement of regulations and will work closely with the Better Regulation Executive and Regulatory Policy Committee to reduce the burdens on business in the most cost effective way.

Preferred option

118. This option will deliver the same monetised costs and benefits as other in-house options (2.a. and 2.b.). It will deliver all the benefits of the in-house options but will deal with their main weakness - that is lack of perceived independence. Moreover, it will avoid the disruption caused by a merger (2.b).

119. We believe that this option offers the best balance between independence, flexibility and balances the views of stakeholders. It is therefore our preferred option.

Option 3 – Establish Private Limited Company

120. LBRO was initially established as a company limited by guarantee in 2007, to enable it to become resourced and ready to deliver its forthcoming statutory functions. This option would involve LBRO reverting to its company status.

121. The Department would own the company – with a named minister or senior official acting as the sole member of the company and directing LBRO’s work.

122. This option assumes a status quo – i.e. all LBRO’s statutory functions continuing.

123. This option does, in effect, abolish an arm's length body but almost the same level of resources would be required.

Costs

Transition costs of moving LBRO's functions to BIS by establishing Private Limited Company

124. There will be one-off transition costs from transferring LBRO's functions to BIS by establishing Private Limited Company. These costs will fall on government.

125. We assume that this will be legal costs related to changing a status. We estimated those at £2,000. Other changes will not be required as this option assumes a status quo as regards location, ICT and finance systems.

126. This option assumes almost the same level of human resources. However, as a private company, this option would require a Director, which could be a ministerial representative. This would not necessarily impose additional remuneration costs. An additional mechanism would be required to enable determinations on the Primary Authority scheme to be made. This would require additional resource. However, we are not in a position to say yet what level of additional resources will be required.

127. As already mentioned, we have set up a team and are currently working to estimate costs related to the transition. We will publish the total transition costs (close to accurate) in the final impact assessment.

Benefits

128. This option would not deliver any savings as it assumes all LBRO's statutory functions continuing and almost the same level of resources.

Other impacts

129. We think that this option could be perceived as sacrificing the extensive transparency and accountability requirements that public bodies statutorily have – such as the need to lay Annual Reports, NAO verified accounts etc.

Summary of options

130. To change LBRO's current status is necessary to enable continuity of the culture change of regulatory enforcement and to ensure greater accountability, transparency and efficiency.

131. We have considered a number of options. At this consultation stage we invite comments on how those considered options might work in practise.

132. The table below summaries the costs and benefits of all options.

Costs and benefits	**Option 1 Do nothing**	**Option 2.a. Establish Executive Agency**	**Option 2.b. Merger with RPC**	**Option 2.c. Bring to the department (ECO model)**	**Option 3 Establish Private Limited Company**
Total annual benefit	No additional benefit	£786,000	£786,000	£786,000	No additional benefit
Total annual cost	No additional costs	No additional costs	No additional costs	No additional costs	No additional costs
Total annual net benefit	No additional net benefit	£786,000	£786,000	£786,000	No additional net benefit
Transition costs	No additional costs	£100,000	£100,000	£100,000	£2,000
NPV	**N/A**	**£6.4m**	**£6.4m**	**£6.4m**	**-£2,000**

133. As already mentioned we have also considered a range of other impacts (independence, transparency and accountability, flexibility and stakeholders). The table below summaries the scoring of each option.

Impacts	Option 1 Do nothing	Option 2.a. Establish Executive Agency	Option 2.b. Merger with RPC	Option 2.c. Bring to the department (ECO model)	Option 3 Establish Private Limited Company
Independence	5	2	5	4	2
Transparency/accountability	1	1	3	3	3
Flexibility	2	5	2	5	3
Stakeholders	2	3	3	4	2
Total scoring	**10**	**11**	**13**	**16**	**10**

134. Our preferred option is bringing LBRO in-house along the lines of the existing ECO model (option 2c). The preferred option has been chosen taking into account the cost-benefit analysis and the analysis of other impacts.

135. We believe that the preferred option is the best model. Although this option will deliver the same costs and benefits as options 2.a. and 2.b. we believe that it offers the best balance between independence, flexibility and taking account of stakeholders' interests.

136. Our preferred option is based on the need to deliver four things:

- assurance to business that they will continue to receive a professional service;
- assurance of the government's continued commitment to the Primary Authority scheme;
- a platform for a radical transformation in our relationship with local authorities going ahead; and
- efficiency savings from improved use of financial resources.

137. The consultation will seek views on these issues. We will also continue working on estimating transition costs for each option.

One-In, One-Out and sunsetting regulations

138. This policy does not impose any direct costs on business, so no corresponding 'out' is required.

139. As the proposal will not result in any new burden on businesses or civil society organisations it is out of scope for sunsetting.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review , or there could be a political commitment to review (PIR)]; Political commitment to review success of change to status and the impact of LBRO.
Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] 1) Review the success of the processes involved in the administrative change to LBRO and 2) review the impact of the LBRO.
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] 1) Consider whether the costs and benefits have been realised and if not why. Lessons learned. 2) In-depth evaluation of the impact of LBRO's policies.
Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] 1) The impacts assessment provides the figures on the baseline admin costs and expected benefits. 2) The baseline for the evaluation of the impact of LBRO's work is the Review of the LBRO 2010.
Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] 1) Costs and benefits in line with expectations or better. Risks mitigated. 2) Positive additional impact of LBRO's work on business.
Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] LBRO already undertakes extensive monitoring and evaluation.
Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here] N/A

Annex 2: Specific impact tests

Equality Test

140. We do not believe that there will be any impacts in the area of equality.

Competition Test

141. The initial analysis of the competition filter test reveals that a detailed competition assessment is not considered necessary. Table below gives the results of the competition filter test.

Results of the Competition Filter test:

In any affected market, would the proposal	
Directly limit the range of suppliers?	No
Indirectly limit the range of suppliers?	No
Limit the ability of suppliers to compete?	No
Reduce the suppliers' incentives to compete vigorously?	No

Small Firm Test

142. This policy does not impose any direct costs on business including small firms.

Other Impact Tests

143. We do not believe that there will be any impacts in the areas of greenhouse gas, wider environmental issues, health and well being, human rights, rural proofing and sustainable development