



REGULATORY OVERVIEW

JUNE 2017 – DECEMBER 2019

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FOREWORD BY STEPHEN GIBSON, INTERIM CHAIR



This report covers the period of the previous Parliament – from June 2017 to December 2019. During this period, the RPC's composition changed significantly. The original Chair, Michael Gibbons CBE, was succeeded by Anthony Browne. Several new members of the Committee were appointed including Laura Cox, Sheila Drew Smith OBE, Professor Brian Morgan, Andrew Williams-Fry and myself (joining Jeremy Mayhew and Dr Jonathan Cave). At the end of the period, I was appointed Interim Chair when Anthony stepped down following his election to Parliament.

Over the period, the Regulatory Policy Committee (RPC) scrutinised hundreds of impact assessments (IAs) and was the Independent Verification Body checking the Government's calculations of the impact of its regulations on businesses. This report summarises the RPC's views on how well the Government's IAs captured the impacts on business over that period.

Government set itself a target of reducing the direct costs of regulation to business by £9bn over the duration of the 2017-22 Parliament (£4.5bn *pro rata* given the shorter actual life of the Parliament). In the event, it actually increased them by £7.8bn (excluding *de minimis* measures).

The RPC's role also evolved during the 2017-19 Parliament, expanding to cover several new areas: scrutiny of independent regulators' self-assessments and of EU-Exit related IAs, and IAs relating to international trade agreements. We also reviewed the IAs for several significant immigration measures during the period.

In addition, 2017 saw several significant changes to the Better Regulation Framework. The introduction of the +/-£5m '*de minimis*' threshold enabled us to focus on the more substantive regulatory proposals. Also, the requirement for departments to submit IAs for RPC scrutiny at pre-consultation stage was removed, meaning that we now see less than half of IAs before final stage. (Some departments still choose to submit IAs voluntarily for informal RPC scrutiny at the pre-consultation stage). In practice, not mandating RPC scrutiny of IAs early in the policy-making process has significantly reduced our ability to contribute at the point where we can add most value – by helping to improve the evidence and analysis needed to underpin strong IAs, support meaningful and effective consultation with stakeholders and better inform policy decisions.

In addition to scrutinising IAs for new regulatory measures, we serve as a Centre of Excellence for analysis of new regulatory measures. We work collaboratively with departments and independent regulators to improve the quality of governmental analysis, train hundreds of economists (on behalf of the Government Economic Service) and other policymakers and officials across government, engage with departmental Chief Economists and Better Regulation Units, and publish a wide range of methodology guidance notes and case histories on how to apply the Better Regulation Framework. We also work with regulatory scrutiny bodies internationally to share best practice.

The Government has announced that it intends to review the Better Regulation Framework. We look forward to working with the Better Regulation Executive (BRE) in the Department for Business, Energy and Industrial Strategy (BEIS) to deliver a revised framework that is even more effective in improving the quality of evidence and analysis underpinning regulatory proposals. By improving the Better Regulation Framework, government can help ensure that regulation enables better outcomes for the economy, society and the environment, while minimising unnecessary costs of regulation to business.

Stephen Gibson, RPC Interim Chair

December 2020

EXECUTIVE SUMMARY

In this report, the RPC comments on the Government's *Business Impact Target (BIT): report 2017 to 2019*¹ ("the BIT Report"). It presents our observations on the measures that were in scope of the BIT for the 2017-19 Parliament. It summarises our assessment of the quantified impacts and comments on the quality of the impact assessments (IAs) underpinning those measures which we reviewed.

BIT Score: For the 2017-19 Parliament, the BIT Report shows that Government regulation imposed an **additional £7,853.1m** of direct costs on businesses, compared to their target of reducing those direct costs by £9,000m over the life of a full 2017-22 Parliament (£4,500m *pro rata* given the life of the Parliament was shorter).

The BIT score can be broken down by year:

Parliament

- From June 2017 to June 2018 Government departments introduced measures that delivered **£2,603.1m of direct cost savings**.
- From June 2018 to June 2019 Government departments introduced measures that imposed **£6,594.3m of additional direct costs**.
- From June to December 2019, Government departments introduced measures that delivered **£27.9m of direct cost savings**.
- Across all three reporting periods, regulators introduced measures imposed a further **£3,889.8m of additional direct costs**.

The RPC has validated the BIT scores of all qualifying regulatory provisions within the above calculations, and can therefore confirm the accuracy of the final BIT score reported by Government for the 2017-19 Parliament.

This impact reflected **50 measures** introduced during the 2017-19 Parliament. Of these, 21 were introduced by government departments and 29 by government regulators. While most measures included both direct costs and direct cost savings, overall:

- 32 measures resulted in net costs to business, amounting to £12,622.9m.
- 18 measures resulted in net cost savings to business, amounting to £ 4,769.8m.

The vast majority (92%) of the impact on business during this reporting period, came from the 4 largest measures, with impacts on specific industries:

¹ 'Business Impact Target: final report for the 2017-19 Parliament',

<https://www.gov.uk/government/publications/business-impact-target-bit-report-2017-to-2019>

- the Energy and Gas (Energy Company Obligation) Order 2018 (Department for Business, Energy, and Industrial Strategy) [£2,130.2m];
- the Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures (Department for Digital, Culture, Media, and Sport) [£2,470.5m];
- the Tenant Fees Act 2019 (Ministry for Housing, Communities, and Local Government) [£1,554.0m]; and
- the Default Tariff (*Consumer Gas and Electricity*) Cap (Ofgem) [£2,405.8m].

The remaining **46 measures result in an overall net cost saving of £707.4m** more widely distributed across the economy.

INTRODUCTION TO THE REGULATORY LANDSCAPE

THE ROLE OF THE RPC

1. Within the first year of a new Parliament, the Secretary of State has a statutory duty to publish a BIT and to set the framework surrounding the BIT. At the start of the 2017-19 Parliament, the BIT metric was set as the equivalent annual net direct cost to business (EANDCB) of qualifying regulatory provisions (QRPs) implemented during the Parliament. The Government set a savings target at £9,000m for the Parliament (i.e. to reduce the costs of regulation to business by that amount).
2. The Government is also required to appoint an 'independent verification body' (IVB) for the 2017-19 Parliament to verify the savings counting against the BIT. The RPC was appointed as the IVB for the 2017-19 Parliament.
3. The RPC has two key roles in relation to the exercise of its statutory function as IVB:
 - a. After a measure has been determined to be a regulatory provision, the RPC confirms departments' assessments of regulatory provisions as either qualifying or non-qualifying in relation to the BIT (Chart 1 provides a guide to what counts as a regulatory provision, and which regulatory provisions count towards the BIT).
 - b. The RPC validates the EANDCB calculations for QRPs.
4. An important complementary but non-statutory role of the RPC is validating the EANDCB calculations of significant (over +/- £5m per year) departmental non-qualifying regulatory provisions (NQRPs). Ministers and the RPC recognise that this validation enhances the credibility of the BIT Report and of government regulatory decisions more generally.
5. In addition, regulators provide the RPC with summaries of their NQRPs. Our non-statutory role in respect of these statements is to highlight any measures that might, in fact, qualify for inclusion in the BIT. We do not validate the EANDCB of regulators' non-qualifying activities, which regulators are not required to provide to the RPC.
6. Alongside these verification functions, we aim to improve the quality and usefulness of IAs by scrutinising and providing comments in our opinions on departments' and regulators' consideration of wider societal impacts, indirect impacts on business and alternative policy options, including non-regulatory options.
7. We also provide training and other support to teams across government which are developing IAs, publish guidance and case studies on the methodology to use in developing IAs and engage regularly with policy teams and analysts in departments.

8. During the 2017-19 Parliament, we increased our focus on improving analytical capability across government for both IAs and post-implementation reviews. We offered training to departments, increased engagement on specific cases to support improvement of IAs, published a range of methodological guidance and case histories and increased departments' access to the RPC's methodology sub-group. In doing so we were careful not to compromise our independence for purposes of carrying out our role of formally scrutinising final-stage IAs and PIRs.
9. Where necessary we provided detailed Initial Review Notices (IRNs) to departments on IAs which did not meet the required standard to be deemed "fit for purpose", and met with policy teams frequently to provide advice and guidance to help departments improve such IAs in advance of final submissions.
10. We also offered informal scrutiny of pre-consultation stage IAs and provided support and guidance on IAs for some EU-Exit related measures, where departments voluntarily submitted the IAs to us for review. For the latter, in recognition of the urgency in many cases, we offered condensed timelines, with an agreement to produce opinions in 20 working days (as opposed to our usual 30 working days), although in many cases worked to much shorter timelines to help meet parliamentary deadlines.
11. Our informal opinions have had clear impacts of improving the quality of the resulting final-stage IAs, and our formal opinions have influenced Parliamentary debate including debate on several EU-Exit measures.
12. During the period, the RPC moved from its own stand-alone website to the gov.uk website, making our opinions and guidance documents accessible to stakeholders.
13. We also had regular engagement with stakeholders through meetings, and using our social media channels: Twitter and LinkedIn.
14. Across the 2017-19 Parliament, we trained hundreds of government officials in regulatory appraisal – both in the UK and, by invitation, in other countries – through both direct engagement and as co-leads with the BRE on the Government Economic Service's regulatory impact assessment training for government economists.
15. In addition, the RPC made contributions to the 2018 revision of HM Treasury's *Green Book*, the principal guide to appraisal and evaluation in central government.
16. We also contributed to further developments to, and implementation of, the Better Regulation Framework, which are covered in detail later in this report. In particular, we worked with the BRE to develop processes to support the "call in" of IAs for regulatory measures that were either incorrectly assessed as *de minimis*, or subject to RPC scrutiny on other grounds. We have subsequently called in several IAs. But, as we note elsewhere in this report, we consider that there is more work to be done to ensure this process works effectively.
17. Working with the Department for International Trade (DIT) and BRE, we developed and agreed a checklist for assessing free trade agreement IAs.
18. Working with BRE and BEIS, we have developed new, stricter standards on Small and Micro Business Assessments (SaMBA).

THIS REPORT

19. The remainder of this report provides details on the breakdown of the 2017-19 Parliament's total BIT figure. It also provides information on the specific regulatory measures that contributed to the BIT.
20. **The BIT Report states that governmental regulations above *de minimis* contributed £7,853.1m of increased net costs towards the BIT. We have validated the individual BIT scores of all the regulatory measures included in the BIT account, and therefore, we verify in this report that the total BIT score of £7,853.1m is correct.**

OUTSTANDING CONCERNS

21. **We had concerns about the operation of the *de minimis* and “call in” system.** For each new measure, the relevant department or regulator assesses whether or not the measure is exempt from RPC scrutiny because it will have a *de minimis* net impact on business. However, we recognise that some measures will have larger gross cost and savings impacts, even if the net impact is *de minimis*; while other issues will have greater significance for business regardless of the overall economic impact. Where significant, the RPC is able to request BRE “call in” a measure to challenge application of the use of the *de minimis* exemption. We believe that the *de minimis* threshold and “call-in” process combined provide both a reduction in burden for less significant items and also a useful check and balance to benefit significant issues with more specific attention.
22. During the 2017-19 Parliament, we called in the following measures: the Agriculture Bill, the Fisheries Bill, the Environment Bill and the Immigration Bill. However, we were disappointed that our requests to “call in” the IAs supporting these measures did not result in independent RPC scrutiny over regulatory impacts. We would highlight the benefit of RPC scrutiny could have delivered for these very important regulatory measures. We ask the Government to consider the “call-in” mechanism as part of its review of the Better Regulation Framework to ensure RPC scrutiny is focused on the most significant measures².
23. **We remain concerned that the Government's BIT Report does not place sufficient emphasis on the score that was achieved against the Government's own target.** This is of particular concern given the wide gap between the Government's target of £9,000m in cost reductions (£4,500m *pro rata*) and the £7,853.1m of increased costs delivered across the 2017-19 Parliament.
24. **The BIT Report does not cover all measures and some other challenges faced in the 2017-19 Parliament.** Despite the potentially significant direct impacts on business from Grenfell related and EU-Exit measures, they were excluded from the BIT account and therefore from RPC verification.
25. **The BIT Report does not make any mention of mitigations for small and micro businesses (SMBs).** In its 2018 report, the Government started work on analysing the

² See for example, our statement on the *Agriculture and Fisheries Bills IAs* <https://www.gov.uk/government/publications/agriculture-fisheries-bills-ias-statement-from-the-rpc>

mitigations made for SMBs. Although these were not done in a systematic way, we believe that the report could usefully have provided more insight into mitigations for SMBs.

26. **Withdrawal Agreement Bill IA:** This Parliament has featured some unique challenges for Departments. These included the Withdrawal Agreement Bill, which involved challenging timing between completing the negotiations with the European Commission and Parliamentary approval. In January 2020 the RPC issued a statement³ regarding the IA for the European Union (Withdrawal Agreement) Bill produced by the (now-disestablished) Department for Exiting the European Union (DExEU). This statement confirmed the exceptional position set out in the October 2019 RPC opinion⁴ not to rate the IA (as either ‘fit for purpose’ or ‘not fit for purpose’) “in recognition of the unique circumstances that have prevented the Department from producing a more substantive impact assessment on all aspects of the Bill”, although we stated that the IA “did not provide the quality of evidence that we would normally expect to see in a final stage IA”.
27. While we recognise the unique circumstances of this measure, we encourage Departments to work within the Better Regulation Framework in the current Parliament, to continue to improve the quality of regulatory impact assessments.

³ *RPC opinion: European Union (Withdrawal Agreement) Bill*,
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841050/RPC-4320_2_-DExEU_-_European_Union_Withdrawal_Agreement_Bill_-_IA_f_-_Opinion.pdf

⁴ *RPC Statement: European Union (Withdrawal Agreement) Bill - Impact Assessment*,
<https://www.gov.uk/government/publications/european-union-withdrawal-agreement-bill-rpc-opinion>

REGULATORY IMPACT IN THE 2017-19 PARLIAMENT

MAJOR CHANGES IN SCOPE OF THE BIT

Several changes were made to the scope of the BIT during the two years of the 2017-19 Parliament.

2017-18 CHANGES TO THE SCOPE OF THE BIT

DE MINIMIS

28. One of the major changes to the scope of the BIT, compared to the previous Parliament, was the introduction of the '*de minimis*' threshold. Under the *de minimis* threshold, regulatory provisions self-certified by departments or regulators as having an EANDCB of less than +/- £5m are NQRPs and not required to be submitted to the RPC for verification. In the 2015-17 Parliament, there were 321 QRPs with an impact below the *de minimis* threshold, accounting for around 61 per cent of the total number of QRPs. This change has significantly reduced the number of cases we scrutinised compared to the previous Parliament.

CHANGES TO THE NATIONAL MINIMUM WAGE

29. For the 2017-19 Parliament, the Government removed changes to both the national minimum wage (NMW) and the national living wage (NLW) in line with the Low Pay Commission's recommendations from the list of BIT exclusions. The annual regulations on the NMW and the NLW therefore became QRPs and counted towards the BIT score.
30. Periodic changes to the NMW have been some of the largest regulatory measures in terms of EANDCB value. Approximately £252m was included in the BIT score in 2017-18 as a result of the 2018 changes to the NMW/NLW.
31. For 2018-19 the Government continued to include changes to the NMW and the NLW in line with the Low Pay Commission's recommendations in the BIT. For 2018-19, the inclusion of these measures in the BIT score adds around £304m in business burden to the 2018-19 BIT account.

2018-19 CHANGES TO THE SCOPE OF THE BIT

IMPLEMENTATION OF THE CALL IN PROCESS AND PIPELINES ACROSS 2018-19 BIT REPORTING PERIOD

32. In response to the introduction of the *de minimis* threshold, BRE and the RPC introduced a pipeline system, asking departments to regularly submit planned timetables for their regulatory proposals to the BRE, which were shared with the RPC.

33. By looking at the timetables submitted by departments, we were able to ask BRE to trigger the call in process for proposals that might merit RPC scrutiny under the Better Regulation Framework. In 2018-19, we sought to call in IAs for four measures in this way: for the Agriculture Bill, the Fisheries Bill, the Environment Bill and the Immigration Bill. IAs for the Agriculture and Fisheries Bills were not submitted to the RPC, we subsequently published a statement commenting on the lack of IAs accompanying the Bills⁵. We received an IA for the Agriculture Bill later in the parliamentary process, but an IA for the Fisheries Bill has still not been submitted to the RPC.
34. On the other hand, the Environment Bill is a good example of a department engaging constructively with the RPC on an IA for a complex measure, which ultimately received a fit for purpose rating. That said, awareness amongst parliamentarians of our opinion and the IA would have been improved if the department had published the IA at an earlier stage of the Bill's passage through Parliament.
35. We recognise that initially there were some issues with the clarity of how the call in process was expected to work. We and BRE have had constructive discussions with departments which will hopefully improve the process for the future.

CHANGES TO THE SCOPE OF THE BIT – EU-EXIT CASES

36. Under the Better Regulation Framework, EU-Exit measures were out of scope of the BIT. As the IAs for a number of EU-Exit measures did not comprehensively quantify the impacts of their regulations, we are unable to provide an estimate of how significant these impacts might be.

CHANGES TO THE SCOPE OF THE BIT – GRENFELL EXCLUSION

37. For the 2017-2019 Parliament, following the Grenfell tragedy, an administrative exclusion was introduced relating to the safety of tenants. The Better Regulation Framework Guidance defines this exclusion as being “*for measures related to ensuring the safety of tenants, residents and occupants in buildings that stem from, or relate to, the Government's response to the Grenfell tragedy, reviews, inquiries or working groups.*”⁶
38. One measure was captured by this exemption; the ban on combustible materials, which had a published EANDCB estimate with a range of £24.9m to £33.7m.

⁵ 'Agriculture and Fisheries Bills IAs: Statement from the RPC', <https://www.gov.uk/government/publications/agriculture-fisheries-bills-ias-statement-from-the-rpc>

⁶ <https://www.gov.uk/government/publications/better-regulation-framework-p24>, para 2.5.1

OUR IMPACT ON THE TARGET

39. When the RPC issues an IRN after initial submission of an IA indicating that the department should improve its analysis of the EANDCB of a measure, it often leads to the department making significant changes to the EANDCB calculation for the measure. This section discusses the impacts of this process on the final IAs for measures where we issued an IRN, for both measures in and out of scope of the BIT.
40. During the 2017-19 Parliament, we issued IRNs in relation to IAs for **11** measures in scope of the BIT:
- Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures;
 - Extending the Mandatory Licensing of Houses in Multiple Occupation;
 - Rules applicable to firms within the scope of the Insurance Distribution Directive;
 - The Business Contract Terms (Assignment of Receivables) Regulations 2018;
 - National Minimum Wage (Amendment) Regulations 2018;
 - Universal service obligation;
 - Markets in Financial Instruments (MiFID) II;
 - CP18/43 High-cost credit review;
 - PS18/6 Advising on pension transfers;
 - PS19/17 'Buy now, pay later' offers, and;
 - PS19/18 Restricting contract for difference products sold to retail clients.
41. Table 1 shows each measure's initial EANDCB (second column) and final EANDCB (third column) validated by the RPC. The fourth column shows the difference. Ignoring the "direction" of the corrections, our corrections had a 'gross' impact on EANDCB figures contributing to the BIT of **£177.0m**, composed of **£52.3m** in decreases in burden, and **£124.7m** in increases in burden; a net impact of **£72.4m** in increased burdens on business.

Table 1: Impact of RPC IRNs on EANDCBs of measures included in the BIT score

Measure name	Initial EANDCB (£m)	Final EANDCB (£m)	Variance (£m)
Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility	470.0	494.1	24.1
Extending the Mandatory Licensing of Houses in Multiple Occupation	23.5	20.1	-3.4
Rules applicable to firms within the scope of the Insurance Distribution Directive	9.4	8.7	0.7
The Business Contract Terms (Assignment of Receivables) Regulations 2018	-93.6	-47.4	46.2
National Minimum Wage (Amendment) Regulations 2018	77.0	76.6	-0.4
Universal service obligation	-23.0	30.5	53.5
Markets in Financial Instruments (MiFID) II	10.6	10.6	0.0
CP18/43 High-cost credit review	53.6	12.1	-41.5
PS18/6 Advising on pension transfers	6.9	6.9	0.0
PS19/17 'Buy now, pay later' offers	52.3	45.3	-7.0
PS19/18 Restricting contract for difference products sold to retail clients	41.0	41.2	0.2
Total gross variance for qualifying measures for which RPC issued an IRN			177.0

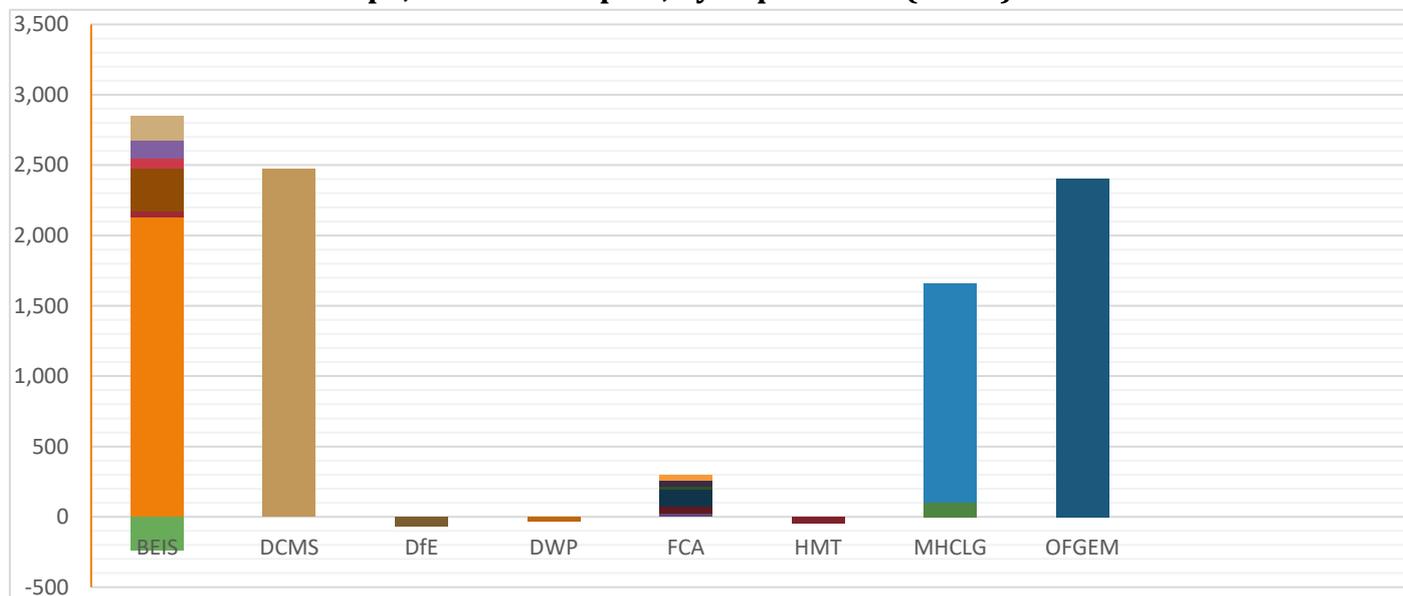
QUALITY OF REGULATORY SUBMISSIONS THAT CONTRIBUTED TO THE BIT

- 42. The Better Regulation Framework allows the RPC to issue an opinion that an IA is “not fit for purpose” where we have sufficient concerns with the calculation of the EANDCB and/or the SaMBA.
- 43. We issued IRNs in relation to IAs as first submitted for **11** of the **50** measures that contributed to the 2017-2019 BIT.

NUMBER OF MEASURES

- 44. We have validated the BIT score of **50** qualifying measures that came into force during the 2017-19 Parliament. Of those measures, **21** were departmental measures and **29** were regulator measures.
- 45. During the BIT reporting period, the Government implemented **32** qualifying measures that imposed a net direct cost on business, and **18** that brought net direct benefits to business, as shown in Chart 2.

Chart 2: Measures in scope, and their impact, by department (in £m)



MOST SIGNIFICANT MEASURES

46. For the 2017-19 Parliament, the majority (**92** per cent) of the value of the total BIT score came from relatively few measures. The **4** largest measures were:
- a. the Energy and Gas (Energy Company Obligation) Order 2018 [£2,130.2m];
 - b. the Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures[£2,470.5m];
 - c. the Tenant Fees Act 2019[£1,554.0m]; and
 - d. the Default Tariff Cap[£2,405.8m].

DEPARTMENTAL QUALIFYING REGULATORY PROVISIONS

IMPACT OF DEPARTMENTAL QRPS ON THE BIT SCORE

47. Table 2 below provides a breakdown of the impacts of departmental QRPs on the total BIT score. **9** out of the **21** departmental QRPs reduced costs to businesses by **£3,608.8m**, while the other **12** increased costs to businesses by **£7,696.7m**.

Table 2: Impacts of departmental QRPs⁶

QRPs	Number of measures	EANDCB (£m)	BIT score (£m)
Net beneficial measures	9	-684.3	-3,608.8
Net costly measures	12	1,846.3	7,696.7
Total (net)	21	1,162.0	4,087.9

SIGNIFICANT DEPARTMENTAL QUALIFYING REGULATORY PROVISIONS

48. Table 3 lists the **3** largest departmental QRPs. These **3** measures combined accounted for **£6,154.7m** of costs.

Table 3: Largest departmental QRPs⁷

Largest departmental QRPs implemented in BIT reporting period	Department	EANDCB (£m)	BIT score (£m)
Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures	DCMS	494.1	2,470.5
Energy and Gas (Energy Company Obligation) Order 2018	BEIS	608.3	2,130.2
Tenant Fees Act 2019	MHCLG	310.8	1,554.0

49. The RPC confirms in this report that we have verified the figures reported by the Government.

50. The largest QRP introduced was the Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures. This measure principally reduces the maximum stake on B2 gambling machines (otherwise known as fixed odd betting terminals). The Department argued that government intervention was needed to strike the right balance between socially responsible growth of the gambling industry and the protection of consumers and wider communities. The ultimate policy aim is to reduce gambling related harm. This measure follows other legislation which takes a behavioural approach to addressing problem gambling.

51. The second largest QRP was Energy and Gas (Energy Company Obligation) Order 2018. The regulations place an obligation on larger energy suppliers to achieve both carbon and bill savings by promoting and installing energy efficiency measures into homes. These regulations are the part of the Energy Company Obligation (ECO), and follow ECO2t. ECO3 is due to run between October 2018 and March 2022.

52. The third largest QRP was the Tenant Fees Act 2019. This measure proposes to ban the charging of fees to tenants (whether by agents or by landlords) except for utilities, Green Deal loan payments and fees arising because of a default or variation requested by the tenant. It also caps deposits charged by landlords at the beginning of a tenancy to a maximum of six weeks' rent.

⁷ Figures are different from those in the RPC opinions on these measures due to rebasing to 2016 prices and 2017 base year for discounting.

REGULATORS' QUALIFYING REGULATORY PROVISIONS

IMPACT OF REGULATOR QRPS ON THE BIT SCORE

53. Table 4 provides a breakdown of the impacts of regulator QRPs on the total BIT score. **19** regulator QRPs had a net cost to business and **9** resulted in net benefits to business. The total impact of regulatory QRPs, **£3,765.2m**, represents **48%** of the total costs to business incurred during the 2017-19 Parliament.

Table 4: Impacts of regulator QRPs

QRPs	Number of measures	EANDCB (£m)	BIT score (£m)
Measures with net cost to business	19	1,262.3	4,926.2
Measures with net benefit to business	9	232.2	1,161.0

SIGNIFICANT REGULATOR QUALIFYING REGULATORY PROVISIONS

54. The largest regulator QRP was Ofgem's Default Tariff Cap which accounted for £2,406m or **31%** of the total BIT score and **65%** of the impacts of regulators' measures.
55. The Default Tariff Cap: The Domestic Gas and Electricity (Tariff Cap) Act 2018 created a new duty for Ofgem to design and implement a temporary cap on domestic standard variable and default gas and electricity tariffs ('the default tariff cap').
56. A default tariff cap was introduced on 1 January 2019 at a £1,137 per year for typical single rate dual fuel customers paying by direct debit. Around 10.7 million households were expected to benefit from it. The cap will be in place until at least the end of 2020, at which point Ofgem will make a recommendation to the Secretary of State for BEIS regarding any possible extension. For the purposes of its BIT assessment, Ofgem assumed the policy duration to be two years.
57. Of the **28** regulator BIT assessments submitted to the RPC, **18** came from the Financial Conduct Authority (FCA). The other regulators which brought QRPs into force in the 2017-19 Parliament were the Care Quality Commission, the Environment Agency, the Health and Safety Executive,

the Office for Communications, the Office of Gas and Electricity Markets, the Payment Systems Regulator, and the Pensions Regulator.

NON QUALIFYING REGULATORY PROVISIONS

58. This section discusses NQRPs, which do not count towards the BIT score, but which nevertheless had direct business impacts above the *de minimis* threshold.
59. For departmental measures above the *de minimis* threshold, the RPC confirms which are NQRPs and validates the costs and benefits of significant NQRPs. As these measures do not qualify for the BIT score, their impacts are validated and presented only as EANDCB figures, not as BIT scores.
60. For departmental measures, the RPC identifies any regulatory provisions that have been incorrectly classified as not qualifying for the BIT, thus ensuring that any necessary BIT assessment is submitted for validation. The following tables and discussion report government departments' NQRPs above the *de minimis* threshold.
61. For regulators' activities, the RPC offers to provide assurance regarding regulators' summaries of NQRPs. Regulator summaries describe the impact of a number of measures enacted by the relevant regulator during a particular period (including changes to regulatory rules and guidance, etc.) . The RPC review provides oversight over and transparency of the high volume of regulatory provisions enacted by regulators.
62. During the 2017-19 Parliament, the RPC scrutinised **59** IAs for NQRP measures, as shown in Table 5.

Table 5: NQRPs scrutinised by the RPC

BIT exclusion	Number of measures	Combined EANDCB
EU	30	£292.7m cost
EU Exit	22	£0.2m cost
<i>Other exclusions</i>	7	£1.4m cost
Total	59	£294.3m cost

Significant Non-Qualifying Regulatory Provisions

63. Table 6 lists the **three** largest NQRPs.

Table 6: Largest Non-Qualifying Regulatory Provisions

Largest NQRPs implemented in 2018-19 reporting period	Department	EANDCB (£m)
Falsified Medicines Directive – Safety Features	MHRA ⁸	153.0
Package Travel Directive	BEIS	103.0
Network Information Security Directive	DCMS	20.4

EU EXIT MEASURES

64. In the 2017-19 Parliament, we scrutinised IAs relating to a number of EU-Exit measures. As the UK did not leave the EU during this period, many of these measures did not come into force. Nevertheless, some elements of some of these measures were implemented during this period. As these elements were part of IAs covering multiple measures, it is not possible to separately quantify the impacts of EU-Exit measures which came into force during the reporting period.

DE MINIMIS MEASURES AND THEIR POSSIBLE IMPACT ON THE BIT

65. We have worked with departments to provide them with assurances around their *de minimis* assessments on regulatory measures. We carried out this work primarily through scrutiny of departmental casework pipelines. This process has been helpful for all involved, and we look forward to continuing pipeline discussions with department. We are pleased that a range of departments intend to continue trilateral pipeline discussions with the RPC and BRE in the future.

66. We are pleased with how departments have engaged with us and BRE in the pipeline process, and how proactive departments have been in sharing their pipelines.

⁸ Medicines and Healthcare products Regulatory Agency, a regulatory body of DHSC