Regulatory Policy Committee

The Growth Duty

Department for Business, Innovation and Skills

RPC rating: fit for purpose

The IA is now fit for purpose as a result of the Department's response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

Description of proposal

The proposal would require regulators 'have regard' to economic growth when making operational and policy decisions. It would put the existing growth requirement in the voluntary Regulators Code on a statutory footing.

Impacts of proposal

The Department expects 57 regulators to come within scope of the proposal. The Department expects the proposal to impose relatively minor transitional and ongoing costs on regulators. It correctly assesses the costs for those regulators that are funded by industry as a direct cost to business. In line with previous assessments, half of the costs imposed on regulators are considered costs to business.

Based on survey responses of regulators, the Department estimates around two-thirds of regulators will face one-off costs of training and changes to IT and guidance with a total cost of around £0.2 million. Using the same survey data, the Department estimates that just under half the regulators will face ongoing costs totalling some £0.3 million each year. The Department estimates around 50% of these costs will be recovered from business with the remainder being costs to regulators that do not recover their costs from industry.

The RPC is able to validate the estimated equivalent annual net direct cost to business (EANDCB) of £0.2 million. The proposal is a qualifying regulatory provision that will be scored for the business impact target.

Quality of submission

As initially submitted, the RPC did not consider the IA fit for purpose. The IA stated the proposal would deliver very significant benefits (nearly £800 million in net present value terms), but appeared to suggest that this would be achieved through very minor changes in regulators' operational behaviours (as evidenced by the very low transitional and ongoing costs). The IA also appeared to treat evidence from the regulators in an inconsistent way, for example by incorporating the low cost estimates in the analysis while disregarding responses from some regulators that benefits would be limited.

The significant societal benefits that had been expected to come from changes driven by the growth duty are now excluded from the impact assessment and will instead be assessed by regulators as and when changes to policy or practice are made. In addition to making the IA internally consistent, this means the effects of the growth duty can more accurately be assessed, and avoids the potential double counting of benefits in the IA and any subsequent regulator assessments. This will also enable those changes to be correctly scored for the business impact target because the qualifying status of such changes can more accurately be assessed.

The revised IA also provides further information on why the low estimated costs can be considered reasonable, for example by referring to regulators that consider they already have regard to growth and economic impacts.

The IA would benefit from including further information on the survey and methodology used to inform the 50% of regulator cost recovery estimate. The Department, in subsequent submissions should also provide further justification for 50% continuing to be the most robust estimate.

Small and micro business assessment

The IA explains that the proposal is expected to benefit businesses overall, but will impose costs on small and micro businesses. The IA states that any process to amend fee structures to mitigate the marginal fee increases as a result of this change would be likely to result in additional costs that would outweigh any potential benefits. It would also appear to be the case that, in considering whether to pass on any increased costs through fees, regulators would need to have regard to growth, including effects on smaller businesses and potential mitigations, when setting subsequent fees. The IA would, however, benefit from providing further information on how regulators will be encouraged to consider and analyse the effects of subsequent regulator led changes on smaller businesses.

Initial departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net cost to business (EANCB)	£0.1 million (initial estimate) £0.2 million (final estimate)

Business net present value	- £1.4 million
Societal net present value	-£2.9 million

RPC assessment[1]

Classification	Qualifying regulatory provision
Equivalent annual net cost to business (EANCB)	£0.2 million
Small and micro business assessment	Sufficient

Michael Gibbons CBE, Chairman

[1] For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.