

RPC Press Release: Jan – Aug 2012 Report

The Regulatory Policy Committee (RPC) announces that departments have continued to improve the quality of the evidence and analysis supporting their regulatory proposals, and advises the Government to review several aspects of its better regulation agenda. The RPC, set up to contribute to a cultural change in the Government's approach to regulation, today publishes its latest findings "Assessing Regulation".

Impact Assessments (IAs), produced to inform Ministers' decisions on regulatory proposals, are scrutinised by the RPC to assess the quality of the supporting analysis and to validate the department's 'One-in, One-out' (OIOO) assessment.

From January to August 2012 the RPC provided Opinions on 370 IAs (compared with 300 over the same period in 2011) ascribing each a 'Red', 'Amber' or 'Green' (RAG) rating of the quality of the analysis and evidence presented. A 'Red' rating declares that the Committee considers the IA to be 'Not Fit for Purpose', drawing Ministers' attention to significant concerns with the quality of evidence and analysis supporting the proposal. The latest results¹ show that:

- Overall, departmental performance has improved, with 81% of the 370 IAs considered to be 'Fit for Purpose', compared with 75% for the second half of 2011.
- However, less than one third of IAs received the highest 'Green' rating. The RPC has challenged departments to improve their performance in this regard.

Commenting on the report, Michael Gibbons, Chair of the Regulatory Policy Committee, said: "It is encouraging that departments have continued to raise their game with a further improvement in the quality of the IAs. This is a significant step forward and provides evidence that the independent scrutiny the RPC provides is making a real difference to the standard of evidence and analysis used to inform Ministers' policy decisions."

"However, with one in five of the IAs we review still deemed to be 'Not Fit for Purpose', there remains significant room for improvement. This is further demonstrated by the fact that only 30 per cent of measures have achieved the highest 'Green' rating in 2012."

¹ See page 15.

The RPC also provides an independent review of the costs and benefits of measures covered by the Government's One-in, One-out rule, whereby departments must offset any new regulatory cost on business with cuts to the cost of existing regulation. This process is integral to the Government's commitment to reducing the regulatory burdens facing business and civil society organisations.

Mr Gibbons continued:

"There is no doubt that the Government's One-in, One-out rule has put pressure on Departments to identify areas to deregulate. However, we believe the operation of this policy can be improved to further reduce the regulatory burdens placed on businesses and civil society organisations.

Having scrutinised over 1300 IAs since August 2010, our experience of the UK regulatory system has given the RPC a unique position from which to comment on the effectiveness of the system and the challenges Ministers and departments face in addressing the full spectrum of the Better Regulation agenda. With this in mind, we have made recommendations to Ministers², including that the Government reviews all areas of regulation that are currently treated as outside the scope of One-in, One-out. Together with our European partner bodies we have also provided advice on how EU regulatory processes could be improved, in particular, that the European Commission should introduce a new programme aimed at reducing overall regulatory burden in 2013 as well as publishing the total annual net costs imposed on business.³

"When it comes to departments' assessments of the One-in, One-out implications of their proposals, the RPC continues to play a key role in ensuring that the claimed levels of both IN's and OUT's are robust. In fact, Ministers have committed to ensuring that only figures validated by the RPC may be included in the Government's regular Statements of New Regulation. The importance of this quality assurance role has been clearly demonstrated over the first four SNR's, with marked differences of around £300m, excluding pensions measures, between the numbers claimed by departments and those finally validated by the RPC."⁴ The RPC therefore provides a unique challenge to ensure that figures presented are accurate and robust."

For further information please see <http://regulatorypolicycommittee.independent.gov.uk> or contact Sue Youngman, Compass Rose & Co on 07768 283 162.

1. The RPC was set up in 2009 to provide independent scrutiny of the evidence and analysis supporting proposed regulatory measures put forward by Government. From 2010 the RPC began commenting, for the first time in the UK, on the evidence supporting new regulation, prior to final Ministerial decisions.

² See page 38.

³ See page 11.

⁴ See page 29.

2. In April 2012 the membership of the RPC Committee was expanded and it became an Advisory Non-Departmental Public Body (sponsored by the Department for Business, Innovation & Skills). Further information on the Committee can be found on the RPC website.

3. Departments submit IAs accompanying regulatory proposals to the RPC, and an RPC Opinion must be given before Ministers on the Reducing Regulation Committee, the Cabinet sub-Committee set up to vet all new regulatory proposals, will consider the proposal. Under the RPC's traffic light system, if it is 'Fit for Purpose,' it is classified as either 'Amber' or 'Green'. 'Amber' is used to denote an IA with areas of concern that should be corrected but which is still 'Fit for Purpose'. If an IA is classified 'Red' it is 'Not Fit for Purpose' – the RPC has major concerns over the quality of evidence and analysis.

4. The RPC's Opinions inform the decisions that are taken by Ministers as to whether they proceed or not with the proposal. If the Government proceeds with a proposal despite the RPC assigning a 'Red flag' the Opinion is published on the RPC website.

5. Each IA is tested against well-established standards for Government appraisal set out in the Better Regulation Executive's toolkit^[1] and guidance for impact assessments along with HM Treasury's Green Book^[2]. The RPC has previously published its seven recommendations for how to improve the quality of IAs:

- Don't presume regulation is the answer
- Take time & effort to consider all options
- Make sure you have substantive evidence
- Produce reliable estimates of the costs and benefits
- Assess non-monetary impacts thoroughly
- Explain and present results clearly
- Understand the real cost to business of regulation

6. The RPC has also been asked by Ministers to provide a quality check of the figures for the government's 'One in, one out' policy. Under this policy each new regulation which imposes a cost to business must be balanced by the removal of existing regulation with at least as great a cost.

7. The RPC has been tasked with ensuring that the claimed costs and benefits of regulatory proposals are more than just 'claims', and that the costs and benefits to business have been identified and are a realistic and credible estimate of their potential impacts.

8. In September 2012 Ministers expanded the role of the RPC still further asking it to review areas of regulation where challenger businesses are being

held back by rules, regulations or wider barriers in the market and to make recommendations to Government to address these.

1. <http://www.bis.gov.uk/assets/biscore/better-regulation/docs/i/10-1269-impactassessment-guidance.pdf>
- 2 http://www.hm-treasury.gov.uk/d/green_book_complete.pdf