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## **Regulatory Policy Committee issues its latest findings on Government regulatory proposals, January – June 2011**

The independent Regulatory Policy Committee (RPC), charged by government with assessing the quality of analysis and evidence supporting government departments' proposals to regulate, today publishes its third report *Rating Regulation*. The report shows that 31% were judged 'Not fit for Purpose', a significant improvement from the 44% registered previously, with a variation in the quality of analysis across departments being observed.

During the first six months of 2011, the Committee scrutinised and produced Opinions on 278 Impact Assessments (IAs) that support regulatory proposals, covering issues as wide ranging as nuclear energy, equality legislation, migration limits, and the 2012 Olympic Games. Each IA is rated Red, Amber or Green (RAG). A 'Red flag' declares the IA is 'Not Fit for Purpose' which means there are significant concerns with the quality of analysis and evidence provided to support the proposal. The report presents departmental performance against the RAG ratings and lists the IAs that have been reviewed alongside the rating assigned.

Chairman of the RPC Michael Gibbons said: *"High quality evidence and analysis used as an integral part of the policymaking process is essential to deliver effective outcomes. Around a third of the IAs we assessed were deemed 'Not fit for Purpose', a figure that is too high but does show a significant improvement since December last year. This improvement has been delivered by departments responding to the independent challenge provided by the RPC combined with the firm line that Ministers have taken where we have deemed the evidence and analysis to be 'Not Fit for Purpose'.*

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. The report says that this has proved a challenging discipline on departments who wish to regulate and suggests that it could in time usefully be extended.

The introduction of OIOO has increased the importance of the costs and benefits to business being accurately assessed. A department that claims to have found a de-regulatory 'OUT', will be able to bring in regulation of an equivalent amount. Therefore, if an 'OUT' is overestimated, business may be exposed to greater regulatory burden in the future. Likewise, if an 'IN' is underestimated, business will receive a smaller benefit in the future to compensate for that. The RPC has reduced the value of claimed 'OUTs' by half (£3.7bn) meaning that for business the equivalent value of new regulation cannot now be brought in.

Mr Gibbons continued: *"This Government has made clear that it is a priority to reduce unnecessary regulation. I urge Ministers to stand firm as the new system begins to bite and encourage departments to welcome the opportunity this presents to provide a robust case for the proposals they make."*

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Commenting on the Regulatory Policy Committee's (RPC's) third report, Sir Don Curry, Non-Executive Chair of the Better Regulation Executive, said: "A significant reduction - more than 10 per cent - in the number of unsatisfactory Impact Assessments (IAs) shows that Whitehall is beginning to

answer the call to provide robust, evidence-based analysis when seeking to introduce new regulations. But the fact that nearly one in three assessments is 'not fit for purpose' is simply not good enough.

"Independent scrutiny is clearly having a positive impact and the enhanced role of the Regulatory Policy Committee in validating the One-in, One-out system continues to help Government reduce the cost of regulation and control the flow of new regulation.

"I look forward to seeing this policy deliver even greater benefits to the business community and contribute to the drive for strong, sustainable economic growth."

Minister for Business and Enterprise Mark Prisk said:

"It's good to see that the RPC's scrutiny of the regulatory proposals developed by departments is having a real and positive impact across Government. The committee is a key tool in our aim of being the first administration to leave office having reduced the regulatory burden rather than increased it."

#### Notes to editors

1. The RPC was set up in 2009 to provide, for the first time in the UK, real-time independent scrutiny of proposed regulatory measures put forward by Government.
2. The RPC does not comment on the Government's policy objectives. It comments on the analysis and evidence supporting new regulations.
3. The RPC is a group of independent experts, including businessmen, academics, trade union and consumer representatives. The Committee is supported by a secretariat of officials with a mixture of analytical, policymaking and economic expertise. Further information on the Committee can be found on the RPC website.
4. Departments submit IAs accompanying regulatory proposals to the RPC, and a 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.
5. The RPC's Opinions inform the decisions that are taken by Ministers as to whether they proceed or not with the proposal. So far this year, the Government has proceeded with a proposal despite the RPC assigning a 'Red flag' on three occasions. Where this happens, the Opinion is published on the RPC website: <http://regulatorypolicycommittee.independent.gov.uk/>
6. Each IA is tested against well-established standards for Government appraisal set out in the Better Regulation Executive's toolkit<sup>1</sup> and guidance for impact assessments along with HM Treasury's Green Book<sup>2</sup>.
7. In its first report, the RPC published its six recommendations for how to improve the quality of IAs:

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<sup>1</sup> <http://www.bis.gov.uk/assets/biscore/better-regulation/docs/i/10-1269-impact-assessment-guidance.pdf>

<sup>2</sup> [http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf)

- 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
8. 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.