Regulatory Policy Committee	**Opinion**	
Impact Assessment (IA)	Scrap Metal Dealers Act	
Lead Department/Agency	Home Office	
Stage	Final	
IA number	HO0086	
Origin	Domestic	
Expected date of implementation	October 2013 (SNR 6)	
Date submitted to RPC	2 October 2014	
RPC Opinion date and reference	21st October 2014	RPC12-HO-1434(5)
Departmental Assessment		
One-in, Two-out status	**IN**	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	**£30.4 million**	
RPC Overall Assessment	**GREEN**	

RPC comments

The IA is fit for purpose. Following our previous red rated opinions, most recently of 25 November 2013, the IA and supporting spreadsheets now provide a robust justification for the estimates in the IA and capture the full range of relevant costs to business.

The RPC is able to validate the estimated costs to business as £30.4 million each year. As a result of the additional information collected, the department has increased its estimated costs to business from the previous estimate of £17.4 million each year.

Background (extracts from IA)

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

"The Government believed that the regulation of the scrap metal industry, the Scrap Metal Dealers Act 1964, was no longer effective and did little to raise trading standards of the industry or prevent the trade of stolen metal which cost the UK at least £220m per annum. Parts of the scrap metal industry were recognised by the Association of Chief Police Officers as being the principal market for stolen metal. Reform of the sector was therefore considered vital and so the Government introduced the Scrap Metal Dealers Act 2013."

What are the policy objectives and the intended effects?

"The intended effect of the policy was to implement the Scrap Metal Dealers Act 2013 which provided a robust, modernised, and comprehensive regulatory regime for the metal recycling sector that enabled agencies to tackle unlawful behaviour

and metal theft.

The Act would reduce crime by ensuring that only scrap metal dealers with a licence are permitted to operate, and that those dealers who facilitate metal theft are identified, tackled and closed. A licence places a number of conditions on the dealer which must be met and failure to meet these conditions may result in the licence being revoked; and operating without a valid licence can result in the site being closed. These measures aim to raise trading standards across the industry, tackling the low risk/high reward nature of metal theft.

The Act also better integrates this regime with the separate environmental regulations overseen by the Environment Agency, to ensure closer intelligence sharing and enforcement activity where possible between organisations."

Comments on the robustness of the OITO assessment

The IA says that this is a regulatory proposal that will impose a net cost on business of £30.4 million each year (an 'IN'). This is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10) and, based on the evidence presented, the RPC is able to validate the estimated cost to business.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

The proposals increase the scope of regulation on business. However, the proposals came into force before April 2014 and, therefore, a SaMBA is not required.

The IA does, however, include some discussion of the impacts on small and micro businesses. The evidence in the IA suggests that smaller businesses account for around 5% of the transactions each year, but also that, as the burdens are on a per transaction basis, the impacts are unlikely to be disproportionate. The department also highlights that evidence suggests that the criminal behaviour the proposals are intended to stop (the trade in stolen metal) predominantly happens through smaller businesses.

Quality of the analysis and evidence presented in the IA

The proposal requires scrap metal dealers to be licensed in order to continue trading. Licences will require dealers to meet a number of conditions, including collecting and storing of further information regarding customers selling scrap metal and regarding the metal itself (such as its provenance). The proposal has also extended existing cashless payment requirements to itinerant dealers.

The main direct impact on business arises from the requirement to collect and store further information for every transaction. Collecting details on the customer (such as a copy of photographic identification) and information on the source of the metal should make it more difficult for stolen metal to be sold. However, the information requirements will impose time burdens on scrap metal dealers (estimated to cost £20.7 million each year) and for businesses selling scrap metal (estimated to cost £10.4 million each year). Other costs to business identified in the IA include extending cashless payments to itinerant collectors (estimated to cost £5.2 million each year), transitional costs (including familiarisation and purchasing of additional storage, estimated to be a one-off cost of £2.2 million), licence fees (£2.2 million every three years) and compliance activity (estimated to cost £0.4 million each year). The only identified direct benefit to business is the removal of 'end of life vehicle site' licence fees estimated to save business £0.06 million each year.

The department estimates that the proposal will have a net cost to business of £37.1m each year on average (before discounting). This is consistent with the Equivalent Annual Net Cost to Business (EANCB) of £30.4m. On the basis of the evidence presented, including the additional supporting spreadsheets provided by the department, the RPC can validate the estimated direct cost to business of £30.4 million each year.

Indirect benefits. The department expects the proposal to result in significant indirect benefits to business as a result of reduced metal theft – "*the Home Office estimated the cost of metal theft to be at least £220 million a year in 2010*" (paragraph 96) and "*potential benefits* [of the proposal] *could be as high as £100 million* [each year] *for businesses*". As these benefits are indirect, the department correctly excludes them from the calculation of direct costs to business. These indirect benefits are also not included when the department has calculated the net present value (NPV) of the proposal. It would be beneficial if these could be included as a best estimate. This would provide a more accurate NPV so the overall expected impact of the proposal is clearer.

Clarity. The IA would be clearer if it included more effective summaries or tables of what makes up the different costs. The additional information provided in the supporting spreadsheets includes such detailed information. The department should consider including some of this detail in the main body of the IA.

Assumptions. For some of the assumptions used, the IA refers to the content of other IAs. The supporting information provided by the department shows that the assumptions and estimates are robust, but the department could improve the IA by reiterating or summarising the evidence from the other IAs.

Signed	**Michael Gibbons,** Chairman