

## **Simplification and expansion of the Primary Authority scheme**

**Department for Business, Innovation & Skills**

**RPC rating: validated**

### **Description of proposal**

The Primary Authority scheme enables businesses to have a single source of advice and point of contact for their local regulatory system. The proposal will either simplify or remove some of the eligibility criteria for the scheme, opening it to a wider range of businesses. This will make it easier for businesses operating in a single local authority area to receive tailored advice and for smaller businesses to obtain advice through co-ordinating bodies (such as trade associations).

### **Impacts of proposal**

The scheme will be voluntary. The IA states that around 5% of businesses eligible for the current scheme have joined. As the benefits per business for the proposed extension are likely to be lower than for businesses operating across local authorities under the current scheme, the Department assumes around 1% of newly eligible businesses will join the scheme; around 21,000 businesses by 2025/6. The Department has used feedback from businesses currently participating in the primary authority scheme, adjusted to reflect the likely lower level of benefit to businesses operating in a single authority area. Using this information, the Department estimates that regulatory consistency and reliable advice ('Assured Advice') will result in an average benefit to each business of £7,500 each year.

Primary authorities will be able to recover their costs from businesses (with an estimated average cost of £5,000 per business each year), and businesses will incur set up costs (of £700 each). This is expected to lead to an annualised net benefit of around £2,400 for each business, reaching a total annual net benefit of £49.5 million by 2025/6. Taking account of the estimated linear increase in businesses entering into partnerships, this element of the proposal would result in an estimated equivalent annual net cost to business (EANCB) figure of -£23.8 million.

The proposal will also streamline the process for businesses obtaining advice through co-ordinating bodies. The current enrolment process requires administrative procedures that are time consuming for the co-ordinating body and members. By replacing this with auto-enrolment there will be administrative time savings for existing and future partnership co-ordinators and businesses within the partnerships. This is expected to save businesses around half an hour of time each, with a benefit of £16 per business. For the 128,000 businesses in existing partnerships that have not completed the administrative process this is expected to result in a one off benefit of around £2 million. Using trends on the number of new co-ordinated partnerships since the 2013 Act, the Department estimates that there will

be around 50 new co-ordinated partnerships a year, with an average of around 2,400 members in each partnership. The Department expects this to result in an annual benefit of £1.9 million. Overall, this proposal is estimated to have an EANCB of -£2.0 million.

On the basis of the information presented, the RPC is able to validate the Department's overall estimated EANCB of -£25.77 million.

## Quality of submission

The estimates in the IA draw on experience of the implementation of the Primary Authority scheme in 2009 and subsequent amendments. While there remains some uncertainty regarding some of the estimates, they appear to be based on evidence relating to the existing policy. The quality of the evidence presented, for example on the benefits to businesses joining the scheme, would have been improved by including further information on the practical benefits of joining the scheme, such as reductions in number of inspections. This would also help provide a clearer narrative of how the benefits of the extension will differ from those for businesses on the current scheme, and how this drives the lower expected rate of incremental take up.

The Department's impact assessment would benefit from a discussion on the interaction between the number of businesses entering direct partnerships and those in co-ordinated partnerships, including setting out explicitly how the approach taken avoids double counting of benefits. This could also explain the potential significance of businesses that enter into partnerships but subsequently cease to trade. While the volumes and the effect on overall net benefits are not likely to be significant enough to affect the EANCB, the IA would benefit from discussing this.

The IA assumes that no businesses will incur any costs as a result of auto-enrolment in co-ordinated partnerships. Given the current low take up and relatively low cost, the IA would benefit from discussing why businesses do not take part in the partnerships currently. For example, this could cover whether some businesses consider there to be other costs or risks of membership of co-ordinated schemes partnerships.

The RPC's triage confirmation opinion highlighted that the powers enabling national regulators to enter into primary authority arrangements could result in costs to business where a regulator is funded by industry. The IA explains that this change will require further secondary legislation, but that the expected cost is likely to be less than £52,000 each year by 2025/6.

## Initial departmental assessment

Classification	OUT
Equivalent annual net cost to business	-£25.77 million

(EANCB)	
Business net present value	£233.25 million
Societal net present value	£229.31 million

#### **RPC assessment**

Classification	OUT
EANCB – RPC validated	-£25.77 million
Small and micro business assessment	Not required (deregulatory)



**Michael Gibbons OBE**, Chairman