



Regulatory Policy Committee

Securing the evidence base for regulation

**Regulatory Policy Committee scrutiny
during the 2010 to 2015 parliament**

March 2015

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Foreword



The life of this parliament has been a productive time for better regulation, and the Regulatory Policy Committee (RPC) in particular.

At the start of the parliament, the Government set a target of being the first government in modern history to end a parliamentary term with the burden of regulation being lower than at the start.

For the proposals in scope of this target, the RPC has been able to validate the Government's statement that it has reduced the burden of regulation on business and civil society organisations by an equivalent of £2.2 billion per year currently.

The One-in, One-out and One-in, Two-out policies, championed by ministers and the Better Regulation Executive, demonstrated a commitment to reduce the regulatory burden experienced by businesses and civil society organisations. The Red Tape Challenge added further impetus. Much of this activity is given credibility through the central role of independent scrutiny by the RPC.

The RPC has acted as a crucial part of the better regulation agenda. For the first time, there has been an assessment of regulatory impacts, which is independent of politics, at the heart of key regulatory decisions.

In this parliament, the RPC has scrutinised the evidence supporting all government proposals that regulate businesses and civil society organisations and has provided opinions on the quality of evidence supporting proposals before ministers take proposals forward. All the figures in the Government's regulatory accounts have to be validated by the RPC. This has emphasised the importance of evidence when developing proposals for regulatory change, and it also ensures that businesses and the public can have confidence in the Government's claims relating to the savings delivered by measures within scope of their accounts.

I am extremely privileged to be the Chairman of an organisation that, over the last few years, has:

- considered more than 1,200 distinct proposals and issued just over 2,000 opinions;
- improved the accuracy of government estimates of the impacts of regulation by £585 million per year;
- brought increased transparency to the regulatory process; and
- helped improve the quality of impact assessments supporting regulatory proposals.

These achievements have helped ensure that the UK is in the vanguard of the better regulation agenda in Europe. The RPC is a founding member of *RegWatchEurope* working together with our sister organisations across Europe to influence EU better regulation.

The job is, however, far from finished. While we have seen some improvement in awareness and capability in departments, there is further work to do to deliver real culture change within Whitehall. For example, the RPC would like to see non-regulatory options properly assessed against regulatory options, and for departments to develop creative ways of mitigating the impacts of regulation on smaller businesses.

It is expected that the next government will need to set the scope and level for a business impact target. As we set out in this report, a significant volume of regulation is currently outside the scope of the Government's One-in, One-out and One-in, Two-out policies. This issue, therefore, needs careful review. We also consider that the Government should always explain any changes to the better regulation framework and, wherever possible, ensure that the figures reported by the Government reflect the experiences of business and civil society.

The experience of the RPC since 2009 means we have significant expertise in providing the independent validation of impacts that a business impact target would require. We are ideally placed to fulfil such a statutory scrutiny role, if the next government wish us to do so. The better regulation framework and methodology have continued to mature over the course of the parliament. Our insights into the operation of the system and our experience in interpreting its requirements are an invaluable resource. They will help ensure the achievements of independent scrutiny over the last six years are retained in the system.

I sincerely thank all the RPC members and the RPC secretariat team, past and present, for their highly professional work in this important role. In particular, Sarah Veale, Ian Peters and David Parker have been members of the RPC from its creation in 2009. Ian and David will be standing down at the end of March. They have each contributed greatly to the work of the RPC.

Michael Gibbons OBE
Chairman, Regulatory Policy Committee

Executive summary

Over the course of the 2010 to 2015 parliament:

- 1. The Regulatory Policy Committee (RPC) has scrutinised over 1,200 regulatory proposals affecting business and civil society organisations, of which 951 became law.** This has resulted in the RPC issuing just over 2,000 opinions on the quality of the evidence base supporting these proposals.^{1,2}
- 2. Over 500 proposals were in scope of the Government's One-in, One-out or One-in, Two-out policies.** These policies, together with the Red Tape Challenge, have encouraged Whitehall departments to consider removing regulations where possible. Overall, just under half of the proposals in scope reduced the impact of regulation on business and civil society organisations.
- 3. The overall impact of the measures that were in scope of One-in, One-out or One-in, Two-out has been positive for business and civil society organisations, leading to a net saving of £2.2 billion per year currently.** However, just 15 significant measures generated over 90% of the costs and savings to business. Three-quarters of the measures cost or saved business less than £1 million per year each and accounted for less than 1% of the total value of the Government's regulatory account.
- 4. Over 400 proposals were outside the scope of One-in, One-out or One-in, Two-out.**
 - The RPC has validated the costs of regulation of European origin since 2013. Two of the largest of these, the Alternative Investment Fund Managers Directive and the Bank and Recovery Resolution Directive, were introduced to protect against financial systemic risk and, together, impose a combined total of £1.6 billion per year in net costs on business. The RPC has validated the other EU measures from 2013 as imposing £730 million per year in net costs on UK business.³
 - The RPC has scrutinised a further 292 out of scope measures, estimating that they will impose £467 million per year in net costs on UK businesses.⁴ These costs include £137 million in EU costs implemented before 2013, £181 million for measures deriving from international agreements and

¹ Throughout the document, reference to "business" includes civil society organisations (charities and voluntary groups).

² The RPC opinions issued include those on both the consultation and final stage impact assessments of distinct proposals. They also include opinions issued on impact assessments that have been revised following a not fit for purpose RPC rating.

³ This figure derives from the fact that the RPC was given responsibility for validating annual net costs to businesses in October 2012 for EU transpositions only from the fifth statement of new regulation onwards. That is, the RPC has validated the impact of European measures that have an implementation date from 1 January 2013 onwards and that were submitted for RPC scrutiny after October 2012.

⁴ Includes only measures that received a fit for purpose rating by the RPC at the final stage and those cases where the direct costs and benefits to business are discussed clearly in the impact assessments. The figure does not include any individual measure with an impact on business of less than £1 million.

£118 million from measures relating to changes to fees and charges where the scope of regulation is unchanged.^{5,6}

5. **In addition, the RPC scrutinised 183 measures that were in scope of One-in, One-out or One-in, Two-out but classified as having “zero net cost”, according to the framework.** Many of these measures increased the scope of regulation on business but did so in a way that saved them money. We estimate that the measures saved business at least £135 million per year.⁷

Impact of independent scrutiny of regulatory proposals

6. **The independent scrutiny of regulatory proposals by the RPC** represents an effective means to:
 - a. improve the quality of impact assessments;
 - b. encourage cultural change by ensuring that departments justify why new regulation is more appropriate than non-regulatory options; and
 - c. ensure that ministers are able to decide on the merits of new regulatory proposals with the knowledge that the underlying evidence base is robust.
7. **However, the benefits of independent scrutiny can be undermined if departments do not follow due process.** For example, we are aware of 14 cases during the parliament where the department proceeded to the next stage of the policy process on the basis of an impact assessment rated by the RPC as not fit for purpose. While this represents only a very small proportion of cases, it risks undermining the credibility of the system, particularly where cases are high profile or politically contentious.
8. **RPC scrutiny improved the accuracy of the estimates of the annual costs or savings to business from regulatory change by at least £585 million per year over the course of the parliament.** Without this scrutiny, the net savings to business claimed by government from regulatory reforms would be around £505 million higher than the final validated figure of £2.2 billion per year currently.⁸
9. **RPC scrutiny has also prompted government to reconsider the evidence base for some of its regulatory proposals,** and make revisions to the detail of the proposals which have reduced burdens on business. For instance, RPC scrutiny resulted in small and micro-businesses being exempted from a measure requiring energy suppliers to provide personal information on consumer bills in a machine-readable format, such as a bar code.

⁵ £31 million worth of measures were out of scope for other reasons. This comprises temporary and emergency measures, and those changing the level of fines or penalties. Three changes to the National Minimum Wage increased the costs to business by a magnitude of £155 million, £187 million and £401 million in 2012, 2013 and 2014 respectively.

⁶ A list of all measures mentioned and used for the analysis and figures provided can be found at: <https://www.gov.uk/government/publications/validated-costs-and-benefits-to-business-of-regulations/complete-list-of-validated-costs-and-benefits-of-regulatory-and-deregulatory-proposals>

⁷ Only proposals where a robust and identifiable direct cost to business was available were used to estimate the figure, which represents a lower bound.

⁸ £585 million represents the gross absolute RPC adjustment to initial government estimates. After costs and savings are offset, this equates to a net figure of £505 million.

10. RPC scrutiny also led to a step-change in the quality of evidence supporting regulatory proposals. In 2010, the RPC rated just over half of all first-time submissions as fit for purpose, rising to 72% in 2011.⁹ However, the quality has not improved noticeably since 2011, with fit for purpose ratings averaging 78% over the remaining four years of the parliament. In addition, although some departments show improving performance over time, the performance of others has been more variable.¹⁰

Transparency, communication and engagement

11. The RPC supports transparency in the regulatory process. The RPC publishes its opinion, when aware that the department has published its impact assessment. However, not all departments inform the RPC when they publish impact assessments supporting their regulatory proposals. To date, we have published over 750 opinions. Publishing impact assessments in a timely manner and making these documents more easily accessible will improve accountability of the Government. It will also help to make their regulatory account transparent and auditable.

12. The RPC has worked with stakeholders both at home and abroad to illustrate the potential benefits of independent scrutiny. All the main business groups support the work of the RPC. We are also keen to build on our contact with civil society organisations. A number of other countries, most recently France, are following similar approaches to that of the UK regarding better regulation.

Reflections on better regulation during the parliament

13. Over the parliament, government has refined and adapted the framework for better regulation. This has included the introduction of a number of initiatives aimed at encouraging better and more evidence-based policy-making across departments, such as limiting disproportionate impacts on small and micro-businesses.

14. There have been a number of key changes that have made the framework more robust. These include the requirement for scrutiny, and receipt of a fit for purpose RPC opinion, for all proposals considered by the Government's Reducing Regulation Committee; and increased transparency of out of scope measures, including significant EU regulatory measures.

15. Other changes have, in the view of the RPC, weakened the framework. These include unpublished changes to the methodology for determining the scope of One-in, One-out and One-in, Two-out; the RPC has argued strongly in favour of greater transparency to explain these changes.

⁹ 2010 figures cover September to December 2010 only.

¹⁰ For example, the Department for Health saw its full impact assessment performance consistently rise each year over the parliament from 47% in 2011 to 73% in 2014. However, the Treasury saw its equivalent performance measure decrease from 89% in 2011 to 67% in 2014.

Forward look – next parliament

16. **The Small Business, Enterprise and Employment Bill represents one of the most significant steps in embedding better regulation into government law-making.** It is expected that the Bill will become law before the end of the parliament. It includes proposals that will place future governments under an obligation to publish a target for the economic impacts of new regulation on business and civil society organisations, and to report regularly on performance against that target. Under the proposals, information on impacts must be independently validated.

17. **The RPC makes the following recommendations for implementing the requirements of the Bill in the next parliament:**

- a. **Consider how to reflect the true impact of regulation on business through widening the scope of regulation included in any future target.** This would enhance credibility of the system to business and other stakeholders.
- b. **Continue to increase the transparency of regulatory policy-making.** This includes publishing figures reflecting the impact of all regulatory measures, including those which are out of scope of the government account, all impact assessments, and all methodology changes.
- c. **Ensure that the better regulation framework does not become overly complex and bureaucratic.** Government should consider ways to simplify and streamline current processes, for example, by establishing a clear statement of the main guiding principles underpinning better regulation.
- d. **Ensure that any future target provides the right incentives on departments to minimise the costs of regulation.** The RPC considers that it would be beneficial to have greater flexibility on the criteria by which it rates an opinion not fit for purpose, for example by considering the evidence on wider societal impacts. However, any changes to the framework should be made only where there is clear benefit in doing so; a degree of familiarity and understanding has been gained with the existing framework over the parliament. We suggest that adapting the framework would be preferable to undertaking wholesale reform.
- e. **Continue to drive forward a programme of culture change within departments regarding better regulation.** In particular, government needs to encourage stronger leadership and more senior-level ownership of better regulation issues within departments. It is expected that the regular review of proposals through post-implementation reviews will provide such an opportunity, and should result in better regulation as policy-makers assess the continued need for regulation.

18. The RPC looks forward to contributing to better regulation in the next parliament in the following ways:

- a. **The RPC's experience and capability means that it is well-placed to take on the independent scrutiny role required in the Bill.** A range of stakeholders have expressed their support for the work of the RPC since it was established in 2009. We have won the confidence of many of the business groups who value the independence of the RPC in scrutinising the evidence presented in support of government regulation.
- b. **The RPC represents a source of best practice on better regulation.** The RPC can assist in the spread of best practice across Whitehall through training on specific regulatory issues and publication of guidance.
- c. **The RPC also sees merit in continuing its work in Europe.** The RPC believes that working within *RegWatchEurope* can achieve significant progress towards establishing an improved regulatory framework at the European level, including advocacy for an independent scrutiny body in association with the European institutions, in the future.

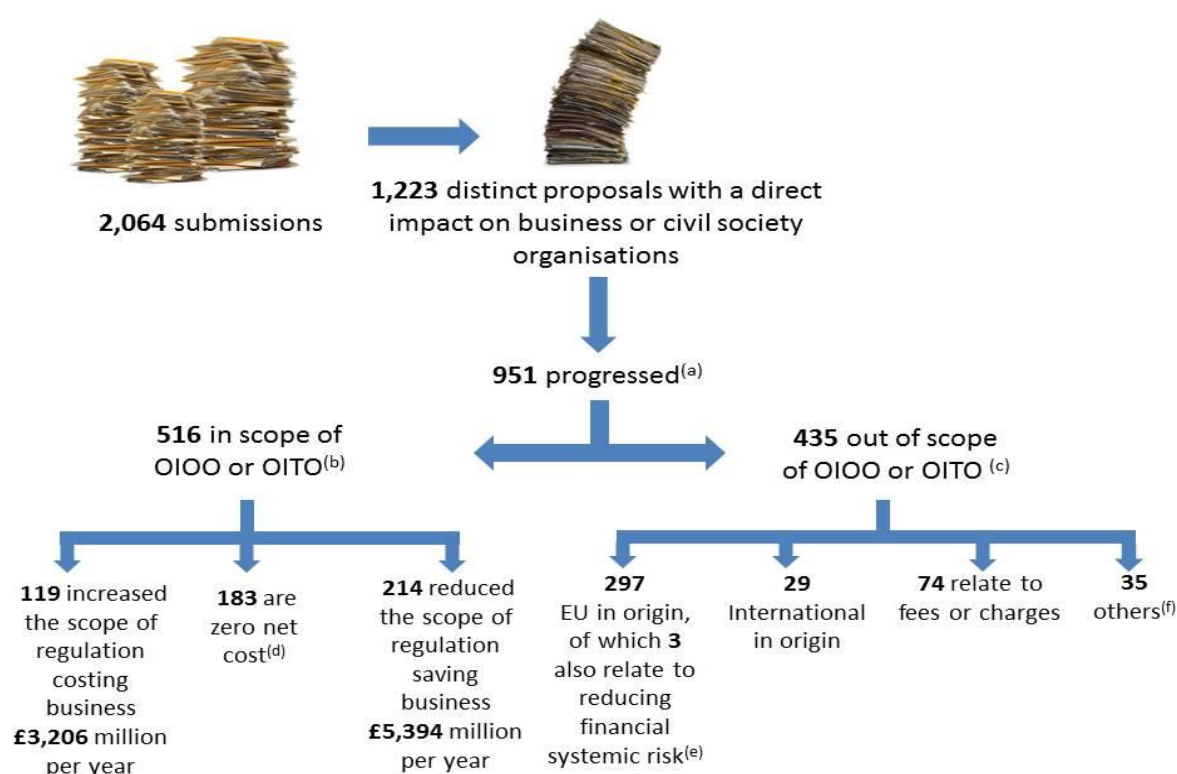
Chapter 1 - Key Issues

The nature and profile of the Government's regulatory proposals over the course of the parliament

Regulatory changes in scope of One-in, One-out or One-in, Two-out

- 1.1 **The Regulatory Policy Committee (RPC) has scrutinised over 1,200 distinct regulatory proposals affecting business and civil society organisations.¹¹** This has resulted in the RPC issuing just over 2,000 opinions on the quality of the evidence-base supporting these proposals.¹²

Figure 1.1: Summary of measures scrutinised by the RPC during the parliament



(a) 272 measures did not progress to a final stage impact assessment.

(b) These are all the measures presented in the Statements of New Regulation 1 – 9 that contribute to the measurement of the One-in, One-out and One-in, Two-out accounts.

(c) Measures identified that sit outside of One-in, One-out or One-in, Two-out but within the better regulation framework and have, therefore, been scrutinised by the RPC.

(d) These are measures that were either regulatory but benefited business, had no net impact on business or where the benefits and costs could not be monetised.

(e) 297 are EU proposals, of which 3 relate also to reducing financial systemic risk. These are the Alternative Investors Fund Managers Directive, the Bank Recovery and Resolution Directive and Transposition of the Solvency II Directive (2009/138/EC).

(f) Others include eight measures relating to domestic proposals that deal with financial systemic risk. The rest relate to temporary and emergency measures, those changing the level of fines and penalties and National Minimum Wage regulations.

¹¹ Throughout the document, reference to “business” includes civil society organisations (charities and voluntary groups).

¹² Includes opinions for consultation, final and revised impact assessments for each distinct proposal.

- 1.2 **Of 951 measures that became law during the parliament, just over half (516) were within scope of the Government’s One-in, One-out or One-in, Two-out framework.** These measures relate to domestic policy decisions and to proposals that went beyond the minimum requirements in implementing legislation of European origin in the UK.¹³
- 1.3 **The One-in, One-out and One-in, Two-out policies that the Government have introduced, together with the Red Tape Challenge, have created incentives for Whitehall departments to consider removing regulation where possible.** Of 516 proposals that became law during the parliament and were in scope of One-in, One-out or One-in, Two-out, 214 reduced the scope of regulation on business and civil society organisations, while 119 of them increased the scope of regulation in a way that was costly to business.¹⁴

“Gold-plating” of European legislation

RPC scrutiny identified that there were only six cases of new “gold-plating” over the course of the parliament that resulted in additional costs to UK business each year. These are cases where the Government decided that it would be in the UK’s interests to go beyond minimum EU requirements when implementing European legislation, resulting in increased costs to business. This includes cases where the UK has implemented European legislation early or extended the scope of it. New gold-plating is usually in scope of One-in, Two-out because government has discretion over whether or not to regulate beyond minimum EU requirements.

The majority of the costs to business resulting from new gold-plating are one-off costs arising from the early implementation of three EU directives. These are:

- The Bank Recovery and Resolution Directive, which imposes additional one-off costs of £363 million on business. The cost of this measure is out of scope of One-in, Two-out, because it is also designed to tackle financial systemic risk.
- The Transparency Directive, which imposes additional one-off costs of £33.6 million.
- Chapter 10 of the Accounting Directive, which imposes additional one-off costs of £6.7 million.

The remaining costs to business resulting from new gold-plating are on-going and come from extending the remit of three EU measures (EU regulation on explosive precursors, the Consumer Rights Directive and Seveso III) which, when combined, equals £1.4 million per year in costs to UK business.

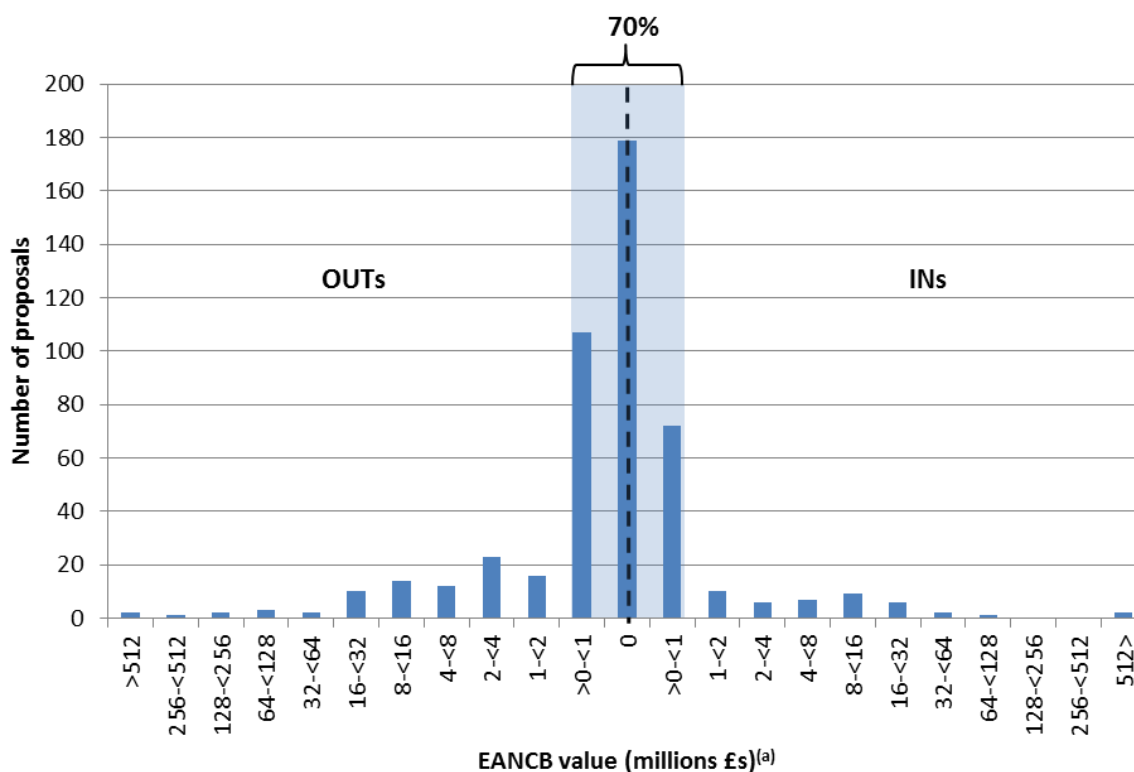
In addition, there have been several examples where departments have removed gold-plating and aligned domestic legislation with minimum EU requirements. Two notable instances are the Recast of the Energy Performance of Buildings Regulations and the Construction (Design and Management) Regulations 2015, which will save business £14.4 million and £19.6 million per year respectively.

¹³ This is referred to as “gold -plating”. See box on page 13.

¹⁴ Scrutiny relating to zero net cost measures are outlined in paragraphs 1.10 and 1.11.

- 1.4 **The overall impact of the measures that are in scope of One-in, One-out or One-in, Two-out has been positive for business and civil society organisations, saving them £2.2 billion per year currently.**¹⁵
- 1.5 **A small number of significant measures have driven the balance of costs and savings for business:** the 10 most beneficial changes to business generate over 90% of the £5.4 billion in overall savings. The introduction of a change in the indexation of pensions represented the single largest saving to business of £3.3 billion per year. The most costly change to business (pensions auto-enrolment) accounted for most of the £3.2 billion in overall costs.
- 1.6 Most of these measures have had only a modest impact on business costs. Some 70% of the regulatory changes have led to costs or savings to business of less than £1 million per year each. Overall, these measures account for less than 1% of the total value of the account.

Figure 1.2: Profile of distinct regulatory proposals in scope of One-in, One-out or One-in, Two-out



(a) The equivalent annual net cost to business (EANCB) is a metric that provides an estimate of the average impact of a proposal on business and civil society organisations per year.

¹⁵ Since the publication of the Government's ninth Statement of New Regulation in December 2014, the RPC has validated seven additional measures in scope of One-in, One-out or One-in, Two-out (as at mid-February 2015). Six of these are regulatory and will impose £2.14 million in costs on business per year. One measure is classified as zero net cost. Our opinions on these measures can be found here: <https://www.gov.uk/government/publications/validated-costs-and-benefits-to-business-of-regulations>

Department for Work and Pensions reforms

The Department's reforms to UK pensions represent some of the most significant regulatory reforms in the parliament. The change in indexation of occupational pensions and the introduction of auto-enrolment, both implemented under One-in, One-out, were the two largest measures introduced over the period.

The introduction of a change in the indexation of occupational pensions from using the Retail Price Index (RPI) to the Consumer Price Index (CPI) represented an overall reduction in the burden on business, as CPI generally provides a lower estimate of inflation. This was classified as an OUT under One-in, One-out. The Department engaged with the RPC to determine the appropriate basis on which to estimate the relevant costs and benefits. As a result of this engagement, the initial estimate of the annual net saving to business was reduced from over £7 billion to £3.3 billion. This reflects changes in the underlying assumptions used, such as the expected differential between RPI and CPI and the length of the labour market adjustment period.

Following a review of automatic enrolment (Making automatic enrolment work, 2010), and further extensive public consultation, the Government made changes to the workplace pension reforms. Employers are required to enrol their eligible workers into a workplace pension scheme to ensure individuals save for their retirement. Automatic enrolment began in 2012 for the largest employers and is being rolled-out gradually to medium, small and micro employers. It will apply to all employers by February 2018. It is expected to affect 1.2 million businesses, the majority of which will be small or medium-sized enterprises. The estimated annual net cost to business of £2.7 billion is made on a comparable basis to the change in the indexation of occupational pensions.

Regulatory changes out of scope of One-in, One-out or One-in, Two-out

- 1.7 **The remaining 435 of the 951 changes that became law were outside the scope of One-in, One-out or One-in, Two-out.** The RPC has scrutinised 143 regulations of European origin since 2013, validating their costs at the final stage of the policy process. Two of the largest of these, the Alternative Investment Fund Managers Directive and the Bank and Recovery Resolution Directive, were introduced to protect against financial systemic risk and, together, impose a total of £1.6 billion in net costs on business per year.¹⁶
- 1.8 **The RPC validated the remaining EU measures as imposing £730 million in net costs on business per year.**¹⁷ The most costly of these is the Prevention of Air Pollution from Shipping Directive, which imposed £400 million of these costs.

¹⁶ The Bank and Recovery Resolution Directive was implemented one year early. As a measure protecting against financial systemic risk, it is out of scope, in the first year, while in subsequent years, it is out of scope on both European and financial systemic risk grounds.

¹⁷ This figure derives from the fact that the RPC was given responsibility for validating annual net costs to businesses in October 2012 for EU transpositions only from the fifth Statement of New Regulation onwards. That is, the RPC has only

- 1.9 **The RPC scrutinised a further 292 out of scope measures, estimating that they will impose £467 million in net costs on UK business per year.** This figure is based on all cases that received a fit for purpose RPC rating from the RPC at the final stage of the policy process, but for which the direct costs and benefits to business have not been validated.^{18,19} The profile of these additional out of scope measures and their associated costs to business is presented in Table 1.1 below.
- 1.10 **In addition, the RPC scrutinised 183 changes that either increased the scope of regulation on business, but did so in a way that either, saved them money, had no net impact, or had an impact that could not be monetised.** These measures are classified as zero net cost and have no impact on the One-in, Two-out account.
- 1.11 **The majority of the zero net cost measures that were net beneficial to business were regulatory.** That is, although they increased the scope of regulation on businesses, they did so in a way that saved them money.²⁰ Although not captured within the Government's regulatory account, we estimate that these measures have saved business at least £135 million per year (see Table 1.5).²¹

validated the impact of European measures that have an implementation date from 1 January 2013 onwards and that were submitted for RPC scrutiny after October 2012. This refers to 69 measures.

¹⁸ £31 million worth of measures were out of scope for other reasons. This comprises temporary and emergency measures, and those changing the level of fines or penalties. Three changes to the National Minimum Wage increased the costs to business by a magnitude of £155 million, £187 million and £401 million in 2012, 2013 and 2014 respectively.

¹⁹ This refers to 45 measures.

²⁰ These measures are classified in the Better Regulation Framework Manual (BRFM) as INs with zero net cost.

²¹ Only proposals where a robust and identifiable direct cost to business was available were used to estimate the figure, which represents a lower bound.

Table 1.1: Validated and estimated direct costs to business for out of scope measures

		Number of proposals included in the analysis*	Value of INs	Value of OUTs	Net value of proposals
			millions per year		
Validated figures	EU (2013/2014)	69	£741m	£11m	£730m
	EU financial systemic risk	2	£1,601m	-	£1,601m
Figures based on RPC analysis	EU (2011/2012)	22	£297m	£160m	£137m
	Fees & charges	18	£128m	£10m	£118m
	International agreements	4	£181m	-	£181m
	Others	1	£31m	-	£31m

*Includes only measures that received a fit for purpose rating by the RPC at the final stage and those where the direct costs and benefits to business are discussed clearly in the impact assessments. The figure does not include any individual measure with an impact on business of less than £1 million for all categories except EU (2013/2014).

Table 1.2: The five most significant INs validated during the parliament

Title of proposal	Department	Annual costs to business (to nearest £ million)	Brief description of proposal
Workplace pension reforms	Work and Pensions	£2,700 million	Requires employers to enrol their eligible workers into a workplace pension scheme automatically to ensure individuals save for their retirement.
Financial Conduct Authority cap on the cost of payday loans	HM Treasury	£91 million	Requires the Financial Conduct Authority to use its existing powers to cap the cost of payday loans.
Smart meter roll out for the domestic and small and medium non-domestic sectors	Energy and Climate Change	£36 million	Enables gas and electricity customers (individuals and businesses) to help control their energy usage.
The Scrap Metal Dealers Act 2013	Home Office	£30 million	Introduces a more robust, local authority-administered licence regime.
Protection of Freedoms Act 2012 – (c. 9) Schedule 9 – consequential amendments Part 4 – vehicles left on land (Chapter 2 vehicles left on land)	Home Office	£21 million	Bans vehicle immobilisation and towing without lawful authority, and extends police powers to remove cars from private land.

Table 1.3: Five most significant OUTs validated during the parliament

Title of proposal	Department	Annual savings to business (to nearest £ million)	Brief description of proposal
Impact of the change to CPI for uprating of occupational pensions	Work and Pensions	£3,342 million	Enables occupational pension schemes to increase pension benefits in line with the Consumer Prices Index rather than the Retail Prices Index.
Replacing the old Energy Company Obligation (ECO 1) with a new obligation (ECO 2)²²	Energy and Climate Change	£604 million (net)	The introduction of ECO1 (along with the Green Deal) represented an annual net cost to business of £1.3 billion. Its replacement with ECO2 resulted in a net reduction in the burden on business of £604 million per year. ²³
Audit and financial reporting under Companies Act 2006	Business, Innovation and Skills	£304 million	Aligns audit and accounting exemptions for small companies, exempts subsidiaries from mandatory audit where they fulfil certain criteria; and exempts dormant subsidiaries from all accounts preparation and filing requirements.
Simplification of the contaminated land regime	Environment, Food and Rural Affairs	£132 million	Makes statutory guidance relating to contaminated land more usable for those that deal with land contamination and remediation.
The Employers' Duties (Implementation) (Amendment) Regulations 2012	Work and Pensions	£131 million	Defers, until the next parliament, automatic enrolment for workplace pensions for employers with fewer than 50 workers.

²² The ONS is currently deliberating whether to classify the Energy Company Obligation (ECO) as a tax.

²³ This treatment of ECO1 and ECO2, along with the Carbon Emission Reduction Target (CERT), allows for comparability with the total and departmental IN and OUT monetary values presented in the Statements of New Regulation.

Table 1.4: The five most significant out of scope measures validated during the parliament

Title of proposal	Department	Annual costs to business (to nearest £ million)	Brief description of proposal	Out of scope category
Alternative Investors Fund Managers Directive	HM Treasury	£1,238 million	Establishes a harmonised framework for monitoring and supervising risks posed by alternative investment fund managers and the funds they manage.	Financial systemic risk and EU-derived legislation
Prevention of air pollution from shipping – implementation of Directive 2012/33/EU	Transport	£400 million	Aims to reduce the sulphur emissions and emissions of particulate matter that result from the combustion of marine fuels.	EU-derived legislation
The Bank Recovery and Resolution Directive	HM Treasury	£363 million	Establishes a framework for the recovery and resolution of credit institutions and investment firms across the EU.	Financial systemic risk and EU-derived legislation
The Companies and Partnerships (Accounts and Audit) Regulations 2013	Business, Innovation and Skills	£190 million	Ensures that certain partnerships and unlimited companies whose members are all limited companies prepare accounts in line with the Companies Act 2006.	EU-derived legislation
Industrial Emissions Directive	Environment, Food and Rural Affairs	£130 million	Aims to achieve a high level of protection for the environment from harmful effects of industrial activities.	EU-derived legislation

Table 1.5: A sample of net beneficial zero net cost regulatory measures

Proposal	Department	Estimated annual net benefit to business (to nearest £ million)	Description
Private rented sector Regulations	Energy and Climate Change	£95 million	Increases the uptake of energy efficiency measures in the private rented sector by placing new requirements and restrictions on landlords.
Early conciliation	Business Innovation and Skills	£24 million	Makes it a mandatory requirement for anyone considering lodging an employment tribunal claim to first contact Acas.
Changes to Part L of the Building Regulations	Communities and Local Government	£15 million	Changes building regulations to increase the level of energy efficiency of buildings.
HM Land Registry - local land charges	Business Innovation and Skills	£1 million	Legislates for the Land Registry to undertake local land charge searches on behalf of those buying property.

Chapter 2 - Impact of independent RPC scrutiny

2.1 **The Regulatory Policy Committee (RPC) plays an important role in government's regulatory process.** The RPC scrutinises the underlying evidence base for regulatory proposals before they are considered by the Reducing Regulation Committee (RRC), a Cabinet sub-committee. Scrutiny ensures that, when ministers and Parliament make decisions on regulatory proposals, they do so with the confidence that the potential impact of the proposals, in the opinion of the RPC, is robust.

2.2 Independent scrutiny provides:

- stronger and more effective challenge to policy-makers than internally and within government;
- an effective means to drive culture change and improvements in the quality of impact assessments;
- a counter to biases in decision-making, such as optimism bias or a bias towards regulating;
- enhanced credibility to government's regulatory reform approach;
- increased transparency in decision-making and policy-making. For example, by providing external stakeholders with more information on the evidence used in decisions made on regulatory proposals; and
- more informed discussion within government and in Parliament on the underlying evidence base.

2.3 **However, these benefits can be undermined if departments do not follow due process.** For example, the RPC has published 14 red-rated opinions as a result of departments consulting on new regulatory proposals despite the RPC rating the impact assessments as not fit for purpose.²⁴

2.4 Five of these opinions – the Financial Conduct Authority cap on payday lending, reforming the regulatory framework for employment agencies and employment businesses, trade union registers of members, biodiversity offsetting and capping the charges in auto-enrolment pension schemes – generated significant interest in parliamentary debates and public discussion of the proposals. While this represents only a small proportion of the 1,200 distinct proposals scrutinised by the RPC over the course of the parliament, potentially it undermines the credibility of the framework, particularly where cases are high profile or politically contentious.

²⁴ These opinions are available here: <https://www.gov.uk/government/collections/red-rated-impact-assessment-opinions>

Departmental assessment vs. RPC-validated figures

- 2.5 **Over the course of the parliament, the RPC has improved the accuracy of departmental estimates of the costs and benefits of regulatory proposals by a minimum of £585 million per year.**^{25,26} This improvement excludes the impact of our scrutiny on the measure changing the indexation basis for workplace pensions from the Retail Price Index to the Consumer Price Index. When included, the absolute account adjustment rises to £4.5 billion per year. Table 2.1 below sets out the impact of the different types of correction made following RPC scrutiny.
- 2.6 **Almost all the estimated costs and benefits revised by the RPC following scrutiny resulted in a higher estimate of the costs to business or a lower estimate of the cost savings.** However, there were two cases across the parliament where RPC scrutiny led to an increase in the size of the OUT being claimed by Departments (an overall increase of £36.1 million) and three cases that resulted in a downward revision in the size of the IN (an overall revision of £4 million) compared with the value initially estimated.

Table 2.1: Summary of differences between estimates initially submitted by departments and figures validated by the RPC during the parliament

Impact of RPC scrutiny over the parliament - corrections made:	Number of assessments adjusted ^a	Absolute change in estimated impact on business ^b (£ million per year)	Net impact of RPC scrutiny on the Government's regulatory account ^c (£ million per year)
Underestimated INs	10	117	+117
Overestimated OUTs	18	428	+428
Overestimated INs	3	4	-4
Underestimated OUTs	2	36	-36
Total	33	585	505

^a Corrections made over the parliament. Figures do not correspond exactly to all the nine Statements of New Regulation over the parliament because RPC figures relate to measures validated during the parliament, and not to measures coming into force during the parliament, as reported in the Statements of New Regulation. Furthermore some changes relate to measures that have not yet been reported in a Statement of New Regulation.

^b Column shows the absolute changes made to departmental assessments as a result of RPC scrutiny. This is a measure of the increase in accuracy made as a result of RPC scrutiny.

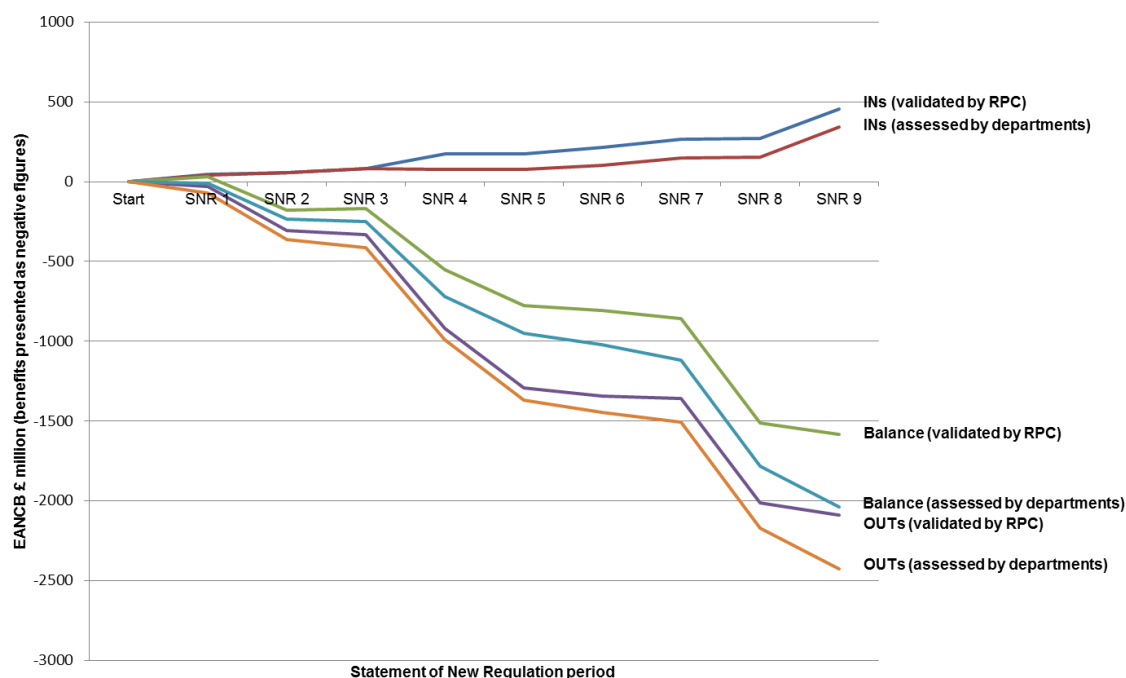
^c Column shows the net impact on departmental assessments as a result of RPC scrutiny. This is a measure of the impact on government's assessment of the costs of regulation. A positive figure indicates the Government have, under One-in, One-out or One-in, Two-Out, less scope to regulate as a result of RPC scrutiny.

²⁵ That is, the total absolute difference between the cost estimates initially submitted by departments and the values validated by the RPC stands at £585 million since the beginning of 2011. £585 million represents the gross absolute RPC adjustment to initial government estimates. After costs and savings are offset, the figure nets off to £505 million.

²⁶ Overestimates of the benefits of deregulation account for 75% of this figure (£428 million), with 20% coming from underestimated costs of regulation (£117 million). A small proportion comes from underestimated benefits (£36 million).

- 2.7 **RPC scrutiny of departmental estimates has also had the result of reducing the estimates of savings to business by a minimum of £505 million per year (net) compared with initial departmental estimates.** That is, without RPC scrutiny, the Government would potentially have been able to introduce an additional £505 million of annual regulatory burdens on business and still be in the same credit position under the One-in, Two-out policy. RPC scrutiny has therefore provided an effective brake on new, costly, regulation.

Figure 2.1: Impact of RPC scrutiny on departmental estimates by Statement of New Regulation (SNR)*



*Excludes the DWP measures of workplace pension reforms and the change in the indexation basis of occupational pensions from RPI to CPI. As such, the final balance of the Government's account as presented in the graph does not correspond to the balance of £2.2 billion as presented in the Ninth Statement of New Regulation.

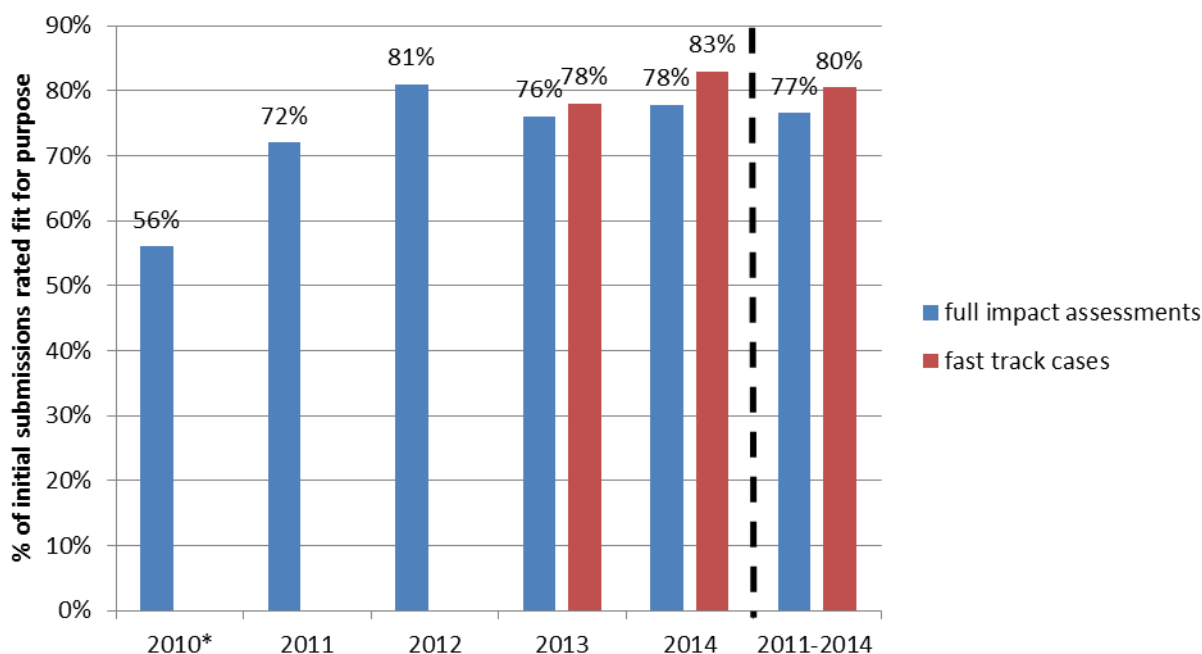
- 2.8 **RPC scrutiny ensures that the analysis and evidence-base supporting regulatory proposals is robust.** This scrutiny has prompted government to reconsider the evidence base for some of its proposals, resulting in revisions to the detail of the regulatory proposals which has generated cost savings for business. For instance, RPC scrutiny resulted in small and micro-businesses being exempted from a measure requiring energy suppliers to provide personal information on consumer bills in a machine-readable format, such as a bar code.²⁷

²⁷ The RPC opinion on this case can be found here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307487/2014-01-16_-_RPC13-DECC-1962_-_Legislation_to_require_energy_suppliers_to_provide_key_personal_information_on_consumers_bills_in_a_machine_readable_format.pdf

Departmental performance

2.9 RPC scrutiny has led to an improvement in the quality of evidence supporting regulatory proposals as measured by the overall proportion of initial submissions receiving a fit for purpose rating (green or amber). In 2010, the RPC rated just over half of all first time submissions as fit for purpose, rising to 72% in 2011. However, the quality has not improved noticeably since 2011, with fit for purpose ratings averaging 78% over the remaining four years of the parliament.²⁸

Figure 2.2: First-time submissions rated as fit for purpose



* Paragraph 2.12 of the RPC's "Challenging Regulation" report (February 2011), covers only September to December 2010 and refers to impact assessments that did not raise concerns "regarding the quality of analysis" as the green/amber rating system was not used at the time.

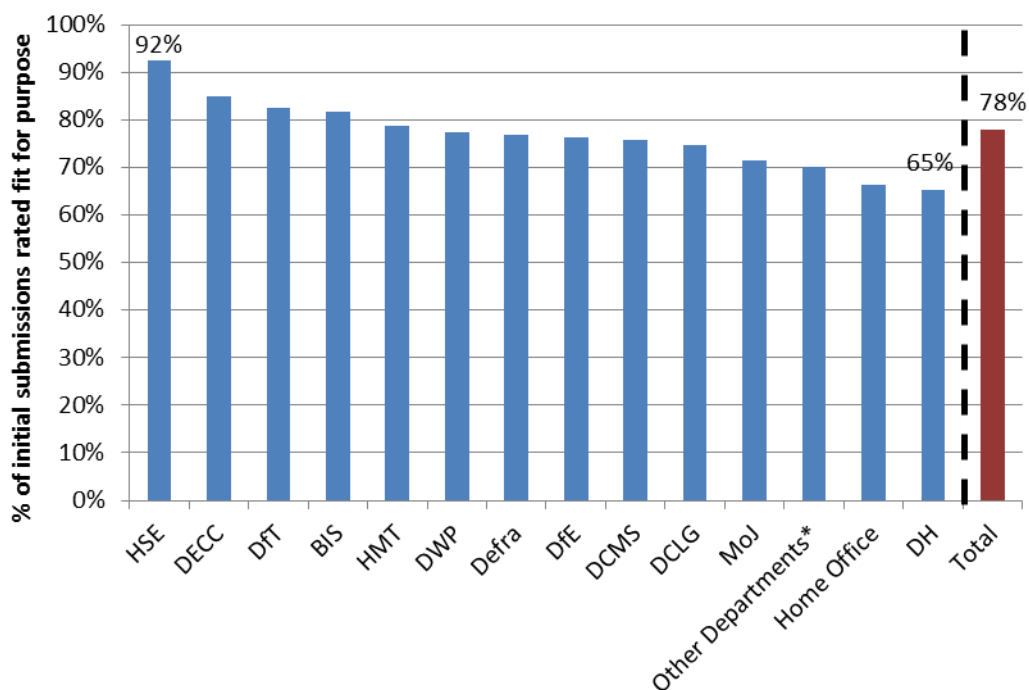
2.10 It is hard to pinpoint a reason why departmental performance has been fairly constant after an initial improvement. However, this could partly be due to:

- some departments not yet embedding better regulation principles within their policy-making process to the same extent as others;
- a number of complex policies raising novel analytical challenges that make it difficult for departments to get their analysis right at the first attempt;
- changes to the framework midway through the parliament, such as the introduction of a new fast track route from 2012; and
- timetables increasing pressure on departments, so that insufficient time is devoted to the better regulation process.

²⁸ We use first time submissions because the requirement for departments to receive fit for purpose opinions before proceeding with regulatory proposals means that they may submit multiple versions of an impact assessment before it receives a fit for purpose rating.

2.11 **Departmental performance for all initial submissions has been varied.**²⁹ As outlined in Figure 2.3, the overall performance across all departments for all initial submissions ranges from 65% to 92%.

Figure 2.3: Departmental performance for all initial submissions during the parliament



*combines results from all departments with no more than 11 submissions each in any year of this parliament.

2.12 **While some departments have performed consistently over the parliament, the performance of others has varied.** For example, although the Department for Health saw its full scrutiny performance rise each year over the parliament from 47% in 2011 to 73% in 2014, the Treasury saw its equivalent performance measure decrease from 89% in 2011 to 67% in 2014.

²⁹ See Table 2.2 (on page 27): departmental performance for all initial submissions during the parliament.

Table 2.2: Departmental performance for all initial submissions (consultation & final stages) over the parliament (ranked by combined full scrutiny and fast track performance over the period 2011-2014)

Department	2011		2012		2013				2014				Total	
	Full Scrutiny		Full Scrutiny		Full Scrutiny		Fast Track		Full Scrutiny		Fast Track			
	% fit for purpose	Number	% fit for purpose	Number	% fit for purpose	Number	% fit for purpose*	Number	% fit for purpose	Number	% fit for purpose*	Number	% fit for purpose	Number
HSE	91%	11	93%	15	86%	7	100%	4	100%	6	90%	10	92%	53
DECC	82%	28	88%	25	100%	15	79%	14	73%	15	90%	10	85%	107
DfT	77%	91	88%	50	89%	37	85%	47	83%	24	80%	45	83%	294
BIS	77%	75	84%	92	75%	36	84%	25	88%	49	84%	25	82%	302
HMT	89%	20	87%	15	66%	9	82%	11	67%	18	75%	12	79%	85
DWP	42%	12	83%	18	75%	4	100%	6	80%	5	100%	8	77%	53
Defra	70%	69	84%	61	48%	19	71%	45	91%	11	91%	46	77%	251
DfE	86%	7	84%	37	67%	3	46%	13	50%	2	86%	14	76%	76
DCMS	76%	34	82%	17	66%	9	67%	6	75%	8	80%	10	76%	84
DCLG	69%	32	76%	29	60%	5	74%	34	100%	3	82%	23	75%	126
MoJ	69%	32	76%	14	100%	4	80%	5	43%	7	78%	9	71%	71
Other Depts**	60%	10	63%	8	0%	0	86%	14	60%	5	70%	20	70%	57
Home Office	50%	24	68%	31	61%	13	86%	14	50%	8	86%	14	66%	104
DH	47%	19	68%	31	72%	7	73%	11	73%	11	69%	13	65%	92
Total	72%	464	81%	443	76%	168	78%	249	78%	172	83%	259	78%	1755

*For fast track submissions, a fit for purpose opinion refers to either a confirmation of a Regulatory Triage Assessment or a validation of an EANC validation.

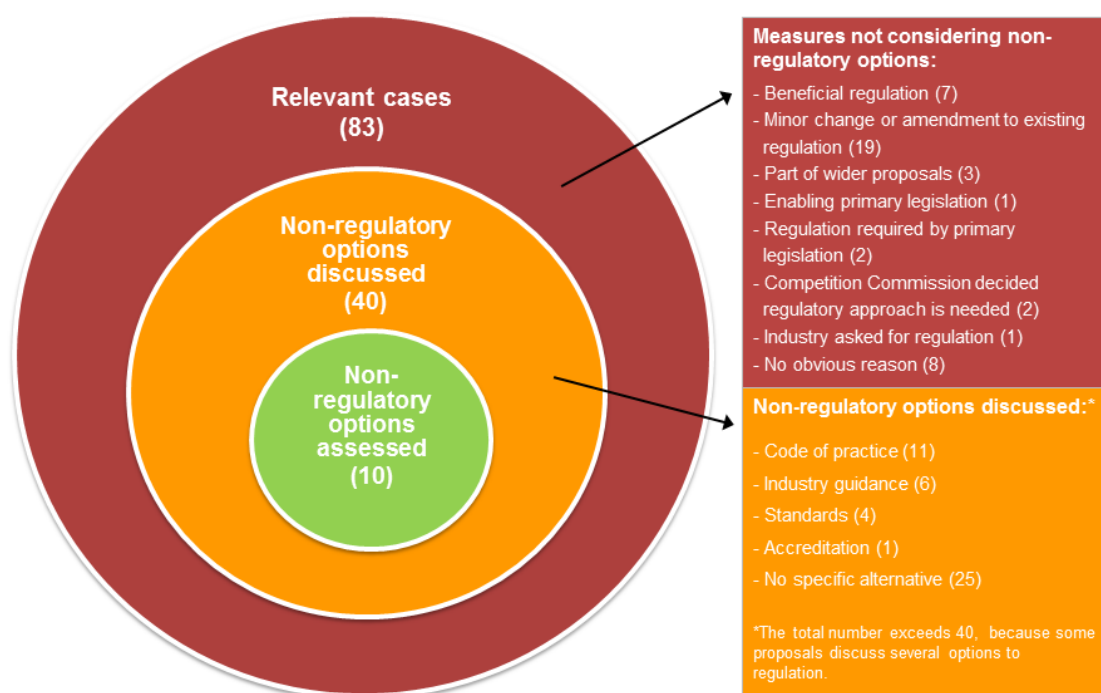
**"Other departments" combines results from all departments with no more than 11 impact assessments each in any year of this parliament (FCO, Cabinet Office, MOD, FSA, Government Equalities Office, NI Office, Scotland Office)

Impact of the better regulation framework on the policy-making process

Non-regulatory options

2.13 **Under the framework, departments are encouraged to consider non-regulatory options instead of regulatory measures.** It was expected that this requirement would, over time, drive a change in the culture of solving policy problems. Our sample analysis found that, around half of impact assessments supporting the introduction of new regulation in 2014, discussed why an alternative to regulation was not feasible. However, only 10 of these cases (12%) analysed contained an explicit assessment of the costs and benefits of any non-regulatory options.

Figure 2.4: Breakdown of the types of non-regulatory options considered in impact assessments (domestic, non-fast track regulatory, measures in 2014)



Non-regulatory options discussed: The assessment mentions non-regulatory options, discusses them and provides an argument for why they were not deemed sufficient.

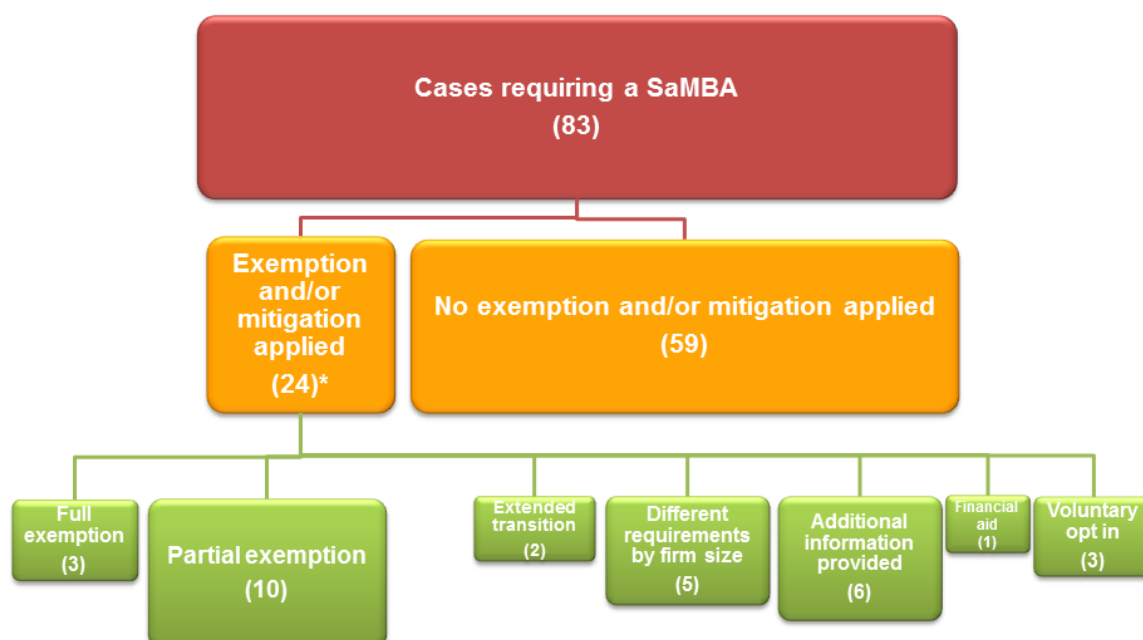
Non-regulatory options assessed: Non-regulatory options are fully assessed, i.e. monetised where possible, and analysed in as much detail as the regulatory approach.

2.14 The analysis suggests that more work is needed to encourage departments to consider non-regulatory options throughout the development of a policy, including at the later stages when RPC receives a final stage impact assessment.

Small and micro-business assessments

- 2.15 In April 2011, the Government introduced a three-year freeze on new UK regulation for businesses with fewer than ten employees, and start-up businesses. Known as the micro-business moratorium, the freeze applied to business regulation that came into force before 31 March 2014.
- 2.16 For any new regulatory proposal now coming into force from 1 April 2014, departments must undertake a small and micro-business assessment (SaMBA). Such assessments identify whether proposals are likely to have disproportionate impacts on smaller businesses and set out proposals to exempt small businesses or mitigate the impacts on them.
- 2.17 RPC analysis indicates that, for impact assessments supporting the introduction of new regulation from April 2014, around one quarter included some form of exemption or mitigation for small and micro-business. However, only three of these 83 proposals included a full exemption, the Government's default policy for new regulation. The most common reason for not exempting small and micro-businesses is that, by doing so, the policy objective would not be achieved.

Figure 2.5: Application of the SaMBA requirement in impact assessments (domestic, non-fast track regulatory measures in 2014)



*The number of exemptions and mitigations shown below add up to more than 24 as some proposals consider more than one exemption or mitigation process.

2.18 The analysis suggests that more work is needed with departments to establish the level of appropriate analysis and to encourage departments to consider innovative ways of mitigating the impacts of regulation on smaller businesses.

RPC transparency, communication and engagement

RPC performance

2.19 **The RPC operates to administrative turnaround times for its scrutiny of impact assessments.** The RPC aims to issue opinions on impact assessments within 30 working days. The expectation for the fast track is that submissions will receive a response within 10 working days; and within 30 working days for validation statements.

2.20 **During 2014, the RPC improved its performance against these targets.** 499 submissions were considered by the Committee in 2014. We increased the proportion of responses issued within the target times, albeit we saw a slight increase in average turnaround times for impact assessments and EANCB validations.³⁰

Table 2.3: RPC performance against targets³¹

Opinion type	Period	No. Issued	Proportion meeting target time	Average days
Impact assessment	2014	217	92%	22.4
	2013	206	86%	20.1
Fast track - regulatory triage assessment	2014	154	87%	8.4
	2013	185	58%	11.2
Fast track - EANCB validation statement	2014	127	96%	21.0
	2013	116	91%	20.7

2.21 **The RPC understands that departments work to challenging timescales.** We recognise that improvements in our turnaround times can help departments achieve their commitments, and we will continue to look for ways to improve performance in 2015.

³⁰ Although there was a slight increase in the number of submissions received from 2013.

³¹ Performance figures are publicly available from 2013. Pre-2013 figures are not available because they were compiled in a different format for internal management purposes only. As such, they are not directly comparable to the post-2013 figures.

2.22 The RPC is also committed to improving capability within Whitehall with regards to the quality of impact assessments being prepared in support of regulatory proposals. As part of this, the RPC launched its new quarterly impact assessment survey in August 2014, to seek the views of policy officials and analysts across government on their experience of the RPC process and the adequacy of the training and information provided to complete impact assessments. The RPC quarterly online impact assessment survey is now part of a commitment in the RPC business plan to monitor our engagement and collaboration with Whitehall departments. Early indications are that, although awareness of RPC processes is high, officials still feel that more can be done to improve impact assessment capability within government.

RPC communications

2.23 The RPC supports transparency in the regulatory process and the work we do. The RPC publishes its opinion when aware that the department has published its impact assessment. However, not all departments inform the RPC when they publish impact assessments supporting their regulatory proposals, resulting in some opinions not being published. Even where impact assessments have been published, they are not always easily accessible especially where departments do not publish documents in one place.

2.24 Publishing the impact assessments supporting regulatory proposals in a timely manner, and making these documents more easily accessible will help make the Government's regulatory account more transparent and easily auditable. To date, we have published over 750 opinions.³²

RPC engagement

2.25 All the main business groups and a number of civil society organisations, including the Trades Union Congress (TUC), support the work of the RPC. The Federation of Small Businesses (FSB), Confederation of British Industry, Institute of Directors (IoD), Engineering Employers Federation (EEF) and British Chambers of Commerce (BCC) are supportive of the work of the RPC and have played a key role in lobbying for the RPC to be put on a statutory footing, as reflected in the quotes below.

"The role of the independent RPC is critically important. We support the work of the Regulatory Policy Committee, but are of the view that their resources need to be increased." - EEF

"The RPC has developed into a respected body, which provides rigorous testing of the quality of Impact Assessments (IAs) by government departments regarding new regulatory proposals. We believe that the work of the RPC and the high degree of transparency with which it carries it out has introduced a discipline and rigour to the IA process that has not always been evident in the past. We welcome the overall improvement in IAs to date and want to see it continue. We

³² All the published RPC opinions can be found here: <https://www.gov.uk/government/policies/regulatory-policy-committee-opinions-on-impact-assessments>

believe the RPC has earned access to more resources. This would enable it to expand its remit and for the Government to put RPC (or at least the RPC process) on a statutory footing.” - FSB

“The RPC has proved popular both with ourselves and civil society organisations.” – TUC

- 2.26 In particular, our engagement with stakeholders suggests that they see value in the work we do given that independent scrutiny helps to ensure that the Government brings forward new regulation only when it is supported by a robust evidence base and the Government’s claims about the savings to business generated by One-in, One-out and One-in, Two-out are accurate.
- 2.27 We are strengthening our contact with civil society organisations such as the TUC and Which?. We have also strengthened our contact at trade body level by having a member of the Committee, Martin Traynor, sit on the Better Regulation Delivery Office’s business engagement panel of approximately 80 trade bodies. This helps to ensure their views on such issues as the scrutiny of SaMBAs, and non-regulatory options are brought to the RPC’s attention.
- 2.28 Equally important has been the improved engagement with departments in an on-going programme of presentations (to senior departmental officials) of the RPC’s role and remit. We see this as a vehicle to support culture change with regards to better regulation within government and to assist in improving the quality of evidence within impact assessments. The RPC Chairman has met ministers from time to time to discuss issues arising. Supporting this programme, the RPC’s secretariat has maintained strong contact with departmental better regulation teams to ensure that departments always have the opportunity to discuss the content of impact assessments either prior to submission for scrutiny or following the issuing of opinions. Such engagement, we believe, is helping us to achieve our objective of being more open and transparent to all of our stakeholders.

RPC in Europe

- 2.29 **A number of other EU member states have introduced a better regulation agenda similar in approach to the UK.** Together with the RPC, four other independent scrutiny bodies from the Netherlands, Germany, Sweden and the Czech Republic collaborate under the banner of *RegWatchEurope*. *RegWatchEurope* exists to enable the independent bodies of these member states to speak with one voice to influence the EU institutions on the development of Europe’s better regulation agenda. *RegWatchEurope* draws on the expert knowledge it has gained over many years to improve the quality of impact assessments within respective member states, emphasising the potential benefits of independent scrutiny at the European level in particular.
- 2.30 Bilaterally, and as *RegWatchEurope*, we have established strong links with representatives of the European Parliament (including the legal affairs and internal market committees), the Council of Ministers and the European Commission. The RPC welcomes the European Parliament establishing its own dedicated impact assessment unit to provide advice to members of the European Parliament and European Parliament committees on the quality of European Commission impact assessments.

- 2.31 In addition, the Chairman of the RPC has used his position as a member of the European Commission's High Level Group on Administrative Burdens, chaired by Dr. Edmund Stoiber, to help shape far-reaching recommendations of key reports on better regulation and reducing unnecessary burdens on business. The RPC will continue to seek to influence the new European Commission as it strengthens the independence of its impact assessment board and establishes the basis of its better regulation agenda.
- 2.32 Finally, members of the RPC and the secretariat have engaged bilaterally with the governments of a number of other European countries to help explain the potential benefits of independent scrutiny, and the UK's approach to better regulation. For example, the RPC has worked with the governments of Iceland and Norway that are in the process of establishing independent scrutiny bodies for their regulatory regimes. Last year, following RPC engagement with French authorities, we welcomed their government's announcement to establish an independent scrutiny body. The RPC has also worked closely with the internal impact assessment body of Poland whose purpose is to improve the quality of impact assessments in Poland. The RPC has also hosted a number of economists from overseas to provide direct experience of the UK's approach to impact analysis and scrutiny. By sharing its own experiences, the RPC has made a positive contribution to the changes and developments in Europe. We believe that widening the membership of *RegWatchEurope* to include France and other EU member states can only strengthen its voice and, in particular, its call for a single, independent scrutiny body at the European level.

Chapter 3 - Reflections on better regulation during the parliament

Introduction

- 3.1 **The better regulation framework comprises the rules that Whitehall departments must follow when introducing proposals for regulation and deregulation.** It serves to incentivise departments to consider non-regulatory options wherever possible and was established in order to embed the One-in, One-out policy across government.
- 3.2 **The Government introduced One-in, One-out in September 2010 to control the flow of domestic regulation.** This meant that departments needed to offset any increase in the direct cost of regulation to business resulting from the introduction of new regulatory measures, by removing existing regulation of at least equal value. This was strengthened to One-in, Two-out in January 2013, so that now the introduction of any new regulation needs to be offset by the removal of existing regulations of at least twice the value. These have been key factors in encouraging departments to (i) bring forward deregulation, and (ii) improve the quantification of the costs and benefits of any regulatory proposals.

Role of the Regulatory Policy Committee

- 3.3 **The Regulatory Policy Committee (RPC) was formed in November 2009 and became an independent advisory non-departmental public body (NDPB) in 2012.** The RPC ensures that when ministers make decisions on regulatory proposals, they do so with the fullest picture possible and in surety that assessments of impacts have been independently validated. Where a department has not obtained a fit for purpose opinion it acts at risk if their assumptions of the benefits of the policy are flawed. The RPC does not comment on the Government's underlying policy objectives.
- 3.4 **Initially the RPC played an advisory role in better regulation.** Between December 2009 and May 2010, the RPC selectively reviewed the impact assessments of regulatory proposals that were subject to public consultation. The RPC issued opinions only where there were major concerns regarding the analysis or evidence.
- 3.5 **The Government strengthened the RPC's scrutiny role after the 2010 general election.** In August 2010, ministers asked the RPC to take on an enhanced role that placed independent challenge more firmly at the centre of the regulatory development process. Ministers said that they did not want the Cabinet's Reducing Regulation Committee (RRC) to agree any regulatory proposal, unless the RPC had first confirmed that the impact assessment, setting out the underlying evidence base for the proposals, was fit for purpose. For the first time in the UK, this meant that there was a government intention that all

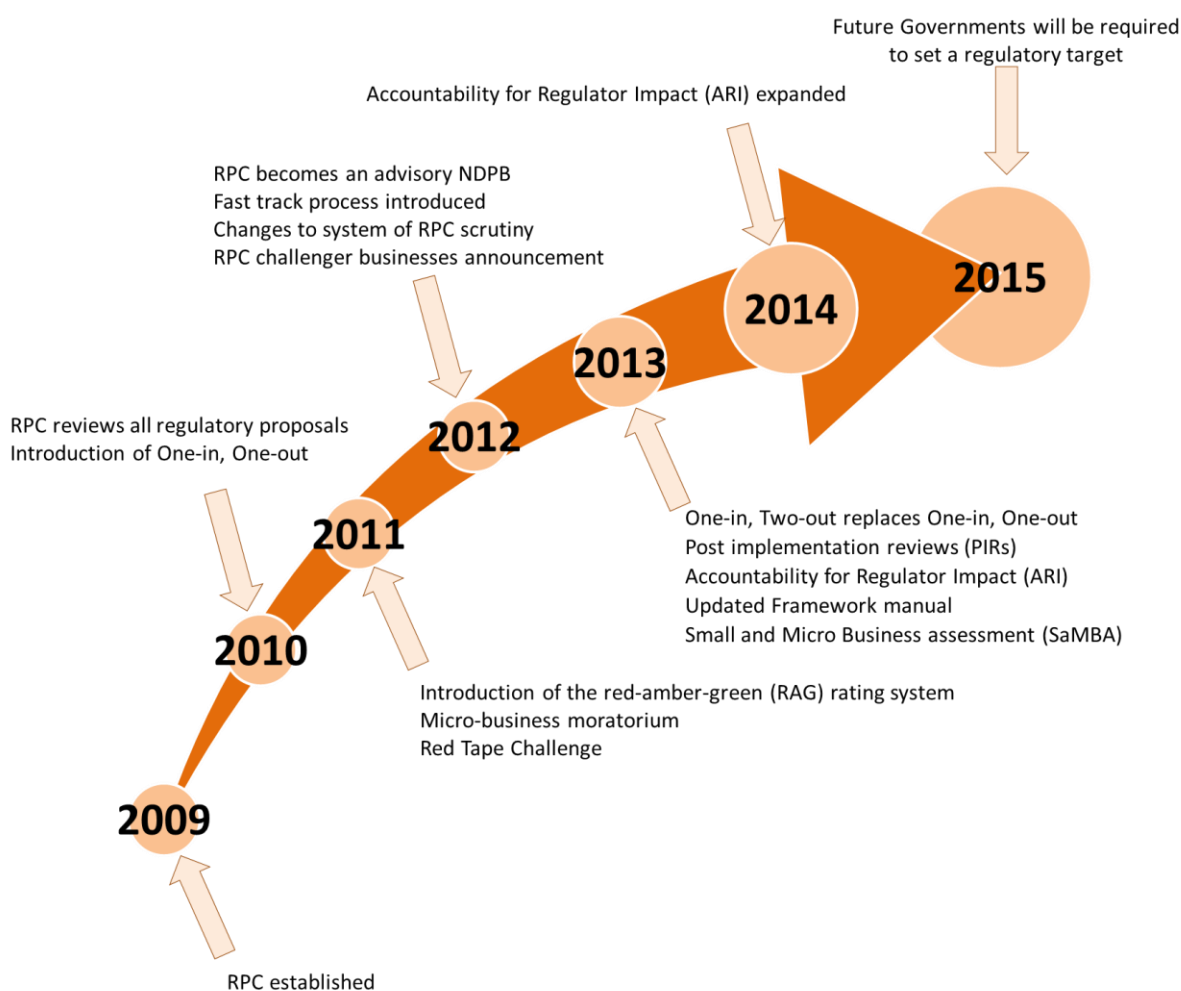
regulatory proposals should have an impact assessment that is independently verified as fit for purpose in order to proceed.³³

- 3.6 In addition, the RPC was given the role of independently validating the estimates of the costs and benefits associated with each proposal.³⁴ This has been vital for the operation of One-in, One-out and One-in, Two-out.

Changes to the better regulation framework during the parliament

- 3.7 Over the parliament, government has refined and adapted the framework for better regulation. This has included the introduction of a number of initiatives aimed at encouraging better, and more evidence-based, policy-making across departments. Figure 3.1 shows a timeline of key milestones in the evolution of the better regulation framework, since the establishment of the RPC in November 2009.

Figure 3.1: Timeline of changes to the better regulation framework



³³ See paragraph 2.3 and 2.4, for proposals that proceeded without a fit for purpose opinion from the RPC.

³⁴ The RPC does not scrutinise the full range of regulation that affects the UK economy. We provide independent advice to the RRC which considers regulatory proposals from central government departments and some governmental agencies. In particular, the RPC does not consider regulation coming from independent economic regulators (such as Ofgem or Ofcom), and other independent regulators such as the Financial Conduct Authority.

- 3.8 The aim of many of these initiatives has been to restrict and, where possible, reduce the regulatory burden on UK business, particularly small businesses. The Government's One-in, One-out and One-in, Two-out policies have resulted in a £2.2 billion saving to business per year currently for those changes that are in scope of the framework. However, while some changes have improved and strengthened the framework, others have, in the view of the RPC, weakened it. This is explored further below as we present our reflections on the framework.
- 3.9 The RPC considers that there have been a number of key changes to the framework that have had a significant beneficial impact. These include:
- a. **The introduction of the fast track process.** Departments had expressed concern over the amount of time they needed to build into their timetable for RPC scrutiny of impact assessments and to receive a fit for purpose opinion. At the time, there existed a single process that took no account of the size or significance of proposals. In August 2012, the Government introduced a new fast track procedure for proposals with a gross cost to business and civil society organisations below £1 million a year and for all deregulatory measures, including those identified through the Red Tape Challenge. This process sought to ensure that (i) the collective efforts of Whitehall and the RPC are focused on the most significant regulatory changes, and (ii) deregulatory proposals are brought forward more quickly. RPC's analysis, set out in Chapter 1, shows that 70% of in scope proposals have a cost or saving to business each year of less than £1 million. This suggests that the introduction of a more streamlined and focused process has been worthwhile, given the large number of small regulatory changes going through the system.
 - b. **Increased transparency of out of scope measures.** This covers a number of initiatives including increased scrutiny by the RPC of EU measures and the introduction of the Accountability for Regulator Impact policy.

EU Measures

A substantial proportion of UK regulation originates in the EU or other international institutions. For a number of years, the RPC has called for the scope of independent scrutiny to be extended as far as possible.³⁵ In the interests of transparency and balanced reporting, the Government asked the RPC to validate, from 2013 onwards, the cost to business for the transposition of all significant EU regulatory measures that affect business. The RPC scrutinises EU measures with no less vigour than domestic regulation and expects impact assessments supporting EU requirements to provide a robust assessment of the costs and benefits.

³⁵ RPC annual report March 2013 <https://www.gov.uk/government/publications/regulatory-policy-committee-scrutiny-in-2013-improving-the-evidence-base-for-regulation>

Accountability for Regulator Impact

Currently, independent regulators' proposals to change their operational policies, processes or practices are outside the scope of One-in, One-out, and One-in, Two-out. To improve transparency and accountability of regulators' decisions, the Government introduced Accountability for Regulator Impact (ARI) in July 2013. Non-economic regulators, such as the Legal Services Board, when planning a significant change in policy or practice are now expected to assess and quantify the impact of that change on business. They are expected to share their assessment with representatives of businesses affected, discuss and, if possible, agree it with them before making the change, and then publish their final business assessment. The Government expanded the RPC's role to allow us to investigate, assess and determine the best means of resolving disputes in cases where the regulator and business are unable to agree the assessment. This includes an arbitration role for the RPC.

The RPC published guidance on ARI in March 2014 but has yet to receive a case. We are not sure of the reasons for this but we are not aware of many business assessments being undertaken by regulators.³⁶ Also, few businesses may be sufficiently aware of the ARI policy to refer cases to the RPC.

As part of the Autumn Statement in December 2014, the RPC's role was extended as business now has the right to ask the RPC to review independently the impact of government-sponsored voluntary schemes, such as an industry code, agreement or joint statement of principles. An example is the Grocery Suppliers Code of Practice. ARI represents an increasingly comprehensive approach by government to account for regulation more broadly and the associated costs to business.

- c. **Replacing the micro-business moratorium with small and micro-business assessments.** As discussed in the previous chapter, the Government announced that the small and micro-business assessment would replace the moratorium for significant new regulatory measures coming into force from April 2014. The RPC was given a new role in checking these assessments, which identify whether the proposals are likely to have disproportionate impacts on smaller businesses and set out proposals to mitigate such impacts. While there have been examples where departments have exempted small and micro-businesses from measures, it is still, very much, the exception. The RPC would like to see greater quantitative analysis of the impact of proposals on small and micro-businesses to inform greater consideration of whether an exemption or mitigation is appropriate. As with other aspects of the regulatory framework, the RPC is committed to helping to provide training and advice to departments on how to improve their preparation of these assessments.

³⁶ The guidance can be found here: <https://www.gov.uk/government/publications/accountability-for-regulator-impact-guidance-from-rpc-for-trade-bodies-business-groups-and-civil-society-organisations/accountability-for-regulator-impact-guidance-from-rpc-for-trade-bodies-business-groups-and-civil-society-organisations--12>

3.10 In other areas, the RPC considers that changes have weakened the framework.

- a. **As the framework has evolved, government has made a number of changes to the methodology for determining the scope of One-in, One-out and One-in, Two-out and therefore the balances within government accounts.**³⁷ Essentially, these changes have determined whether particular regulatory proposals are in, or out, of scope of One-in, One-out and One-in, Two-out. Some of these changes have resulted in an accounting benefit by moving net costly measures out of scope of the framework.³⁸

The RPC accepts that some changes are necessary to ensure the system delivers on its policy intentions; but too many changes can undermine the credibility of government claims on deregulation. We have said previously that government should explain, in one place, all the changes to the methodology that have resulted in changes in the scope of One-in, One-out and One-in, Two-out. The absence of transparency risks losing the confidence of stakeholders in the Government's target and hence its commitment to reducing burdens on business.

- b. **In 2012, the ability of the RPC to rate an impact assessment as not fit for purpose at the final stage was restricted.** The RPC can now rate an impact assessment as not fit for purpose only in the following circumstances: if the calculation of the direct costs and benefits to business is incorrect, if the One-in, Two-out status is incorrect, or if the SaMBA is inadequate. The RPC can, and does, comment on other aspects of the impact assessment, for example on whether the department has considered wider impacts on society, but these cannot be reflected in the fit for purpose rating. The RPC considers this can, in some cases, send a misleading signal as to the overall robustness of the quality of the impact assessment. The benefits of evidence-based policy-making and independent scrutiny have merits that go beyond the focus on the costs and benefits to business. The RPC, therefore, considers that it would be beneficial to have greater flexibility on the criteria by which it can issue a not fit for purpose opinion.

³⁷ The methodology is owned by the Better Regulation Executive (BRE) and is set out in the Better Regulation Framework Manual. Some of the major changes have related to the treatment of periodic adjustments to existing regulation, the transposition of European measures and the definition of gold-plating, and international agreements and their incorporation into domestic law.

³⁸ Further information is included in the RPC's submission to the Regulatory Reform Committee parliamentary inquiry, available at <http://www.parliament.uk/business/committees/committees-a-z/commons-select/regulatory-reform-committee/inquiries/parliament-2010/better-regulation/?type=Written#0-0-pnlPublicationFilter>

Chapter 4 - Forward Look: next parliament

- 4.1 **The Small Business, Enterprise and Employment Bill represents one of the most significant steps in embedding better regulation into government law-making.** It is expected that the Bill will become law before the end of the parliament. It includes proposals that will place a future government under an obligation to publish a target for the economic impacts of new regulation on business and civil society organisations, and to report regularly on performance against that target. Under the proposals, information on impacts must be independently validated.
- 4.2 The Regulatory Policy Committee (RPC) is uniquely placed to provide specific feedback on how the provisions in the Small Business, Enterprise and Employment (SBEE) Bill might operate in practice. We have several years of accumulated experience of how the system has worked over this parliament, and have detailed knowledge of the operation of the methodology that currently supports the better regulation framework.
- 4.3 We offer the following advice for implementing the requirements of the Bill in the next parliament:
 - a. **Consider a wider scope for the business impact target than that used in the current parliament.** The Bill does not specify the target or metric, but leaves it for the government of the day to determine the level and scope of the target, and the underlying methodology for calculating business impacts.

The RPC has generally found that the more exceptions there are to the scope of the framework, the more complex it becomes to navigate. For example, proposals that cut across numerous 'scope' areas, may be difficult to determine in terms of how they should be classified for the purposes of One-in, Two-out. The latest RPC impact assessment survey results show that a third of departmental officials working on impact assessments found it challenging to determine the scope of the legislative proposal on which they are working.³⁹

The next government should consider widening the scope of the target. This could cover EU measures, international agreements and fees and charges. Such an approach is likely to enhance the credibility of the system to external stakeholders, including business and civil society groups. The British Chambers of Commerce has previously commented that the RPC's remit should be widened to include key areas such as tax administration and fees and charges.⁴⁰ A new target may also represent an opportunity for the government to consider

³⁹ RPC quarterly impact survey: see Chapter 2 (para 2.22) for further details

⁴⁰ Submitted in its evidence to the Regulatory Reform Committee parliamentary inquiry 2014, available at <http://www.parliament.uk/business/committees/committees-a-z/commons-select/regulatory-reform-committee/inquiries/parliament-2010/better-regulation/?type=Written#pnlPublicationFilter>.

whether the benefits resulting from zero net cost measures should be fully reflected in the government account.⁴¹

- b. **Continue to increase the transparency of regulatory policy-making.** This includes publishing figures reflecting the impact of all regulatory measures, including those out of scope of the framework. The RPC already publishes a record of the estimated value of individual measures that make up government regulatory accounts. The RPC also publishes opinions where these relate to published impact assessments. In the interests of greater transparency, and to assist stakeholders, a more streamlined process is needed to ensure that impact assessments and their relevant opinions are published in a more timely manner.

In addition, the next government should publish all changes in methodology, especially where these have an impact on the balance of government regulatory accounts. As explained in the previous chapter, the RPC sees merit in government explaining, in a single place, all changes to the methodology that result in changes in the scope of the framework.

- c. **Ensure that the better regulation framework does not become overly complex and bureaucratic**

During the parliament, the RPC has identified a number of issues that consistently raise debate with departments and within the Committee.

A particular challenge in the current framework is the accurate **identification of direct and indirect costs on business**. This is particularly important, as the assessment of final stage impact assessments and the size of the One-in, Two-out target stems from correct identification of these. The current Better Regulation Framework Manual does not provide sufficient clarity on how impacts should be treated in terms of whether they are direct or indirect. The latest evidence collected by the RPC shows that about 40% of policy specialists and analysts who work on an impact assessment recently found calculating the direct impacts of the proposal on business as the most challenging part of an IA to complete.⁴²

While departments welcomed the introduction of **the fast track process**, it has introduced greater complexity into the system because its assessment criteria differs from the main impact assessment route. For example, the RPC can consider that a regulatory proposal is suitable for the fast track process only if the gross direct and indirect costs are unlikely to exceed a low-cost threshold. However, departments have, on occasions, submitted proposals for the fast track when only the net direct costs (rather than the total costs) of the

⁴¹ These are measures that increase the scope of regulation on business, but do so in a way that either saves them money, has no impact, or whose impacts cannot be monetised.

⁴² RPC Quarterly Impact Survey: see Chapter 2 (para 2.22) for further details

proposals are below the threshold. This misunderstanding has resulted in an unnecessary delay for departments.

The next government should consider ways to simplify current processes. One option would be to move away from a system that relies solely on a set of detailed rules in favour of establishing a clear statement of the main guiding principles underpinning better regulation. This approach would assist in the interpretation of the rules and, together with more detailed guidance, provide a better understanding of how to assess policy proposals against the better regulation criteria.

- d. Ensure that any future target provides the right incentives for departments to minimise the costs of regulation.** As mentioned in Chapter 3, the benefits of evidence-based policy-making and independent scrutiny have merits that go beyond the existing focus on the costs and benefits to business, currently represented by an equivalent annual net cost to business figure. The RPC considers that it would be beneficial to have greater flexibility on the criteria by which it rates impact assessments not fit for purpose, for example by considering the evidence on wider societal impacts. However, any changes to the framework should be made only where there is clear benefit in doing so; a degree of familiarity and understanding of the existing framework has been gained by all stakeholders over the current parliament. This suggests that adapting the framework rather than wholesale reform is the most sensible approach.
- e. Continue to drive forward a programme of culture change within departments regarding better regulation.** In particular, the next government needs to encourage stronger leadership and more senior-level ownership of better regulation issues within departments. The RPC will continue to play its role in this by providing advice and guidance where it is appropriate to do so.

Evidence from this parliament suggests that culture change is still required in some key areas, including on the small business assessment and identifying non-regulatory options to regulation. The RPC's analysis indicates that policy teams should include greater quantitative analysis of the impact of their proposals on small business, together with a more rigorous assessment as to why exempting small businesses, or mitigating the impacts on them, is not viable. It remains the case that too few non-regulatory options to regulation are being considered as a viable option at the later stages of policy development.

The regular review of proposals through post-implementation reviews (PIRs) should result in better regulation as policy-makers assess the continued need for regulations and review their assessment of the associated costs and benefits. Ideally, departments should set out their plans for undertaking PIRs when taking forward new proposals. Departments will, therefore, need to consider data collection and analysis as part of policy proposals from an early stage in order to inform these policy reviews. If undertaken correctly, PIRs will contribute to establishing a circle of continuous improvement for policy-makers

resulting in improved and more accurate analysis over time. To date, we have seen only a handful of cases but we expect these to increase to an estimated 60 reviews over the coming 18 months.

4.4 The RPC looks forward to contributing to better regulation in the next parliament in the following ways:

- a. **The RPC's experience and capability means that it is well-placed to take on the independent scrutiny role outlined in the SBEE Bill**
A range of stakeholders have expressed their support for the work of the RPC since it was established in 2009. We have won the confidence of many of the business groups. They value the independence of the RPC in scrutinising the evidence presented in support of government regulation. For example, the British Chambers of Commerce submitted, in its evidence to the Regulatory Reform Committee parliamentary inquiry in 2014, that it "...welcome[s] the important work of the RPC in holding government departments to account and ensuring that the analysis behind regulations within its scope is of a high quality and accurate".⁴³ The RPC has the experience and confidence to challenge where necessary and ultimately act as an independent validator of the Government's target.
- b. **The RPC represents a source of best practice on better regulation.**
The past five years provide a sound basis on which to develop better regulation further and embed the culture change the Government are seeking. The RPC can assist in this, by helping to spread best practice across Whitehall through training on specific regulatory issues and publication of guidance. The RPC, through its quarterly impact assessment survey, is already identifying areas for improvement that could assist policy teams. Also, the RPC has made its case histories more widely available across government. Policy teams have found this document helpful as it provides a practical interpretation of the better regulation framework guidance.
- c. **The RPC also sees merit in continuing its work in Europe.** We propose to continue working collaboratively with Europe's independent assessment bodies, as *RegWatchEurope*, to influence better European regulation. The RPC will continue to use its experience, and the evidence it has obtained, to promote the value of independent scrutiny. The RPC believes that working within *RegWatchEurope* can achieve significant progress towards establishing an independent body at the European level, in the future.

⁴³ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/regulatory-reform-committee/inquiries/parliament-2010/better-regulation/?type=Written#pnIPublicationFilter>

Members' biographies

Michael Gibbons OBE was appointed Chairman of the Regulatory Policy Committee when it became a public body in 2012. Prior to this, he led the Committee for two years and served on the Better Regulation Commission from 2002. In 2007 he produced the 'Gibbons Review' examining employment dispute resolution regulations. He received the OBE for services to regulatory reform in 2008.

Michael's current roles in business include:

- Chairman, Elexon Ltd and BSC Panel
- Director, 2Co Power (Yorkshire) Ltd.
- Chairman, Carbon Capture and Storage Association
- Member, Advisory Board, OPT inc.

He was a member of the High Level Group on Administrative Burdens, European Commission, until the end of 2014.

Alexander Ehmann is currently the Head of UK Public Affairs at TATA Ltd. He previously worked as Head of Government and Parliamentary Affairs and Head of Regulation and Employment Policy at the Institute of Directors.

Ian Peters is the Chief Executive of the Chartered Institute of Internal Auditors. His current and previous roles include:

- Director of External Affairs at the Engineering Employers Federation from 2001 to 2009
- Deputy Director General of the British Chambers of Commerce
- Head of the Small and Medium Enterprise Unit at the Confederation of British Industry
- Member of the Better Regulation Commission

Ken Warwick is an economist and independent consultant specialising in industry economics, innovation, economic appraisal and evaluation. He has undertaken studies for the Organisation for Economic Co-operation and Development and the World Bank on industrial policy and innovation. He also lectures at the University of Warwick.

Ken is a former member of the board of the Government Economic Service and was Director of Economics in the Department for Business, Innovation and Skills. He served as Chief Economist and acting Director General, Economics there during 2010. He has also worked as a senior economist in the Foreign and Commonwealth Office and the International Monetary Fund in Washington.

Jeremy Mayhew is:

- non-party Common Councilman on the City of London Corporation, where he is Chairman of the City Bridge Trust Committee and a Deputy Chairman of the Policy & Resources and Finance committees
- a senior advisor to PwC Consulting
- a trustee of the City Arts Trust, the Crossrail Art Foundation and the British Friends of Harvard Business School
- a member of the Council of the London Chamber of Commerce & Industry
- a governor at Prior Weston Primary School (Islington)

Jeremy's professional career has been mainly in the media and broadcasting industry, both at the BBC and as a consultant. His previous roles include:

- Board director of BBC Worldwide
- Chairman of the Barbican Centre Board
- Chairman of the City of London's Audit & Risk Management Committee
- Non-executive board member of the Strategic Rail Authority
- Non-executive adviser to MOPAC (the Mayor of London's Office for Policing & Crime)
- Member of the Evaluation Committee of the ESRC (Economic & Social Research Council)
- Non-executive board member of the London Development Agency

Martin Traynor served as Group Chief Executive of the Leicestershire Chamber of Commerce for 14 years. He has extensive experience in the leisure and hospitality industry, having worked in hotel management for over 20 years. He is currently non-executive Chairman of the The King Richard III Visitor Centre and The Forest Experience Ltd., which operates a large visitor attraction in the National Forest.

Martin has recently joined the board of the University of Hospitals of Leicester NHS Trust, one of the county's largest teaching hospitals. He also serves on a number of boards and charitable trusts.

David Parker is the UK government's official historian of privatisation and his previous roles include:

- Dean of the Faculty of Management, Cranfield University, 2007 to 2009
- Co-director of the Centre for Research in Economics and Finance
- Member of the UK Competition Commission between 1999 and 2007

Sarah Veale CBE is Head of the Equality and Employment Rights Department at the Trades Union Congress (TUC), where she has worked since 1985. She was a member of the TUC team which negotiated the agreement with the CBI and the government that formed the basis of the Temporary Agency Work Directive; she is also responsible for the development of TUC policy on employment law. Sarah was awarded the CBE for services to diversity in 2006.

Sarah is currently:

- Board member of the Health and Safety Executive
- Board member of the Equality and Human Rights Commission

Her previous memberships include:

- Better Regulation Commission
- Risk and Regulation Advisory Council
- ACAS Council

Glossary

Accountability for Regulator Impact: part of a package of measures intended to create greater clarity and fairness for businesses while ensuring regulators focus their resources where they are needed most. Regulators are expected to follow best practice when engaging with the businesses affected by their policies and practices, assessing and agreeing business impacts with them before making significant changes. They are expected to publish those assessments.

Better Regulation Executive (BRE): a directorate within the Department for Business, Innovation and Skills that leads the regulatory reform agenda across government.

Business: unless specified, this also refers to civil society organisations in the context of better regulation.

Civil society organisations: voluntary and charitable organisations that are neither a business nor public sector.

Department: government departments and agencies.

Deregulate/Deregulatory: to have the effect of reducing the scope of government regulation, including the removal of existing regulation, or amendment/recasting that reduces the scope of existing regulation.

Direct impact: an impact that can be identified as resulting directly from the implementation or removal/simplification of regulation.

Domestic regulation: a measure which is neither EU-derived nor based on an international obligation.

Equivalent annual net cost to business (EANCB): the annualised value of the present value of net impact to business, calculated with reference to the counterfactual. Details on how to calculate EANCB are provided in One-in, Two-out guidance.

Exemption: the disapplication of a regulatory or deregulatory measure in relation to certain categories of activity or entity (e.g. small businesses). Most usually this is in the form of an exemption set out in the relevant legislation.

EU-derived (measure): UK measures that implement EU directives and EU regulations.

EU directive(s): EU directives lay down certain end results that must be achieved in every member state. National authorities have to adapt their laws to meet these goals, but are usually free to decide how to do so. EU directives may concern one or more member states, or all of them.

EU regulation(s): EU regulations have binding, directly applicable, legal force throughout every member state, on a par with national laws. National governments do not have to take action themselves to implement EU regulations, but may need to introduce legislation to implement or enforce the directly applicable obligations.

Fast track: a system of light touch scrutiny for deregulatory and low-cost regulatory measures.

Fees and charges: for more details on fees and charges, please refer to HMT guidance (Part 6 of Managing Public Money).

Fit for purpose: a green or amber-rated opinion from the Regulatory Policy Committee, indicating that the analysis in the policy and calculations of the business impact meets an acceptable standard (in the case of amber, this is subject to changes specified in the RPC opinion).

Gold-plating: Implementation of an EU directive or other international obligation early or implementation that goes beyond the minimum requirements necessary to comply with the directive.

Gross cost to business: the total costs to business from a measure, not taking into account any benefits.

Impact assessment: a continuous process to help policy-makers think through and understand the consequences of possible and actual government interventions in the public, private and third sectors; and a tool to enable government to weigh and present the relevant evidence on the positive and negative effects of such interventions, including by reviewing the impact of policies after they have been implemented.

IN: a measure (whether regulatory or deregulatory) for which the direct incremental cost to business exceeds the direct incremental economic benefits to business.

In scope: proposals that are within scope of the better regulation framework.

Measure: any primary or secondary legislation, statutory guidance, or policy proposal.

Micro-business: a business with 10 or fewer employees.

Micro-business moratorium: a requirement to exempt micro-businesses and start-ups from all new regulation that came into force before 31 March 2014.

Net cost to business: the total costs to business from a measure, taking into account any benefits.

Net present value (NPV): the net difference between the present value of a stream of costs and a stream of benefits.

Non-regulatory options: ways to achieve policy outcomes without 'command and control' regulation. This includes self-regulation, co-regulation, information and education, economic instruments and better use of current regulation. For more details, see <https://www.gov.uk/government/policies/reducing-the-impact-of-regulation-on-business/supporting-pages/using-alternatives-to-regulation>.

Not fit for purpose: a red-rated opinion from the Regulatory Policy Committee, indicating that the analysis in the policy and calculations of the business impact does not meet an acceptable standard.

One-in, One-out (OIOO): a policy that no new regulatory measure that imposes costs on business or civil society organisations can be brought in without identification of existing regulatory measures with an equivalent value that can be removed. OIOO applies to all measures that came into force between 1 January 2011 and 31 December 2012.

One-in, Two-out (OITO): a policy that any new regulatory measure that is expected to result in a direct net cost to business and civil society organisations must be offset by compensatory deregulatory measures providing savings to business of at least double that amount. OITO applies to all measures coming into force after 1 January 2013.

Departments are expected to demonstrate compliance with OIOO and OITO policies from January 2011 to the end of the parliament.

OUT: a deregulatory measure whose direct incremental economic benefit to business exceeds its direct incremental economic cost to business. OUTs can be sourced from existing regulation which is removed completely or existing regulation which is re-cast in order to reduce burdens.

Out of scope: proposals that are not within scope of the better regulation framework.

Post-implementation review: a process to establish whether implemented regulation is having the intended effect and was implemented efficiently.

Present value (PV): the total value of a policy, over the appraisal period, expressed in present terms by means of discounting.

Red Tape Challenge: a cross-government programme to review the stock of existing regulation. The default is that regulation should be removed unless its continuation can be justified.

Red Tape Challenge (RTC) measure: a regulatory reform that has been formally reviewed through the RTC process, agreed by the Reducing Regulation sub-committee and announced by the departments as part of the outcome of a Red Tape Challenge 'theme'.

Reducing Regulation Committee (RRC): a Cabinet sub-committee established to take strategic oversight of the delivery of the Government's regulatory framework.

Regulate/Regulatory: to have the effect of increasing the scope of government regulation or adding government controls to an industry or sector.

Regulation: a rule or guidance with which failure to comply would result in the regulated entity or person coming into conflict with the law or being ineligible for continued funding, grants and other applied for schemes. This can be summarised as all measures with legal force imposed by central government and other schemes operated by central government.

Regulatory account: government mechanism of accounting for the burden of regulation as measured by One-in, One-Out and One-in, Two-out.

Regulatory Policy Committee (RPC): an advisory committee of independent experts that provides external and independent challenge on the evidence and analysis presented in impact assessments.

RPC opinion: an opinion of the RPC on whether an impact assessment is fit for purpose.

RPC validation: the process by which RPC examines and agrees the EANCB of fast track measures that are in scope for One-in, Two-out. This would normally be based on the final stage impact assessment prepared by departments.

Regulatory triage assessment: the form completed by departments for fast track measures that is submitted to RPC in order to obtain RPC confirmation that a proposal is suitable for the fast track process.

RegWatchEurope: together with the RPC, four other independent scrutiny bodies from the Netherlands, Germany, Sweden and the Czech Republic collaborate under the banner of *RegWatchEurope* to influence the EU institutions on the development of Europe's better regulation agenda.

Small and micro-business assessment: an approach to analysis intended to ensure that all new regulatory proposals are designed and implemented so as to mitigate disproportionate burdens.

Small business: businesses with 11-49 employees.

Statement of New Regulation: a six-monthly publication, setting out measures which will come into force over the coming six months and reporting on progress under One-in, One-out (OIOO) and One-in, Two-out (OITO).

Systemic financial risk: the risk that the inability of one institution to meet its obligations when due will cause other institutions to be unable to meet their obligations when due. Such a failure may cause significant liquidity or credit problems and, as a result, could threaten the stability of or confidence in markets.

Zero net cost: measures that either increase the scope of regulation on business, but do so in a way that either saves them money, has no net impact, or has an impact that could not be monetised. Measures classified as zero net cost are scored as zero for OIOO and OITO.

