

Attendees

Chairman

Michael Gibbons

RPC Secretariat

Hiroko Plant, Head of Secretariat
Secretariat Staff

Committee Members

Jonathan Cave
Alex Ehmann
Nicole Kar
Jeremy Mayhew
Martin Traynor
Sarah Veale
Ken Warwick

Better Regulation Executive (BRE) officials

Chris Carr

1. Matters arising

Minutes of May Committee meeting

- Minutes of the May meeting were agreed subject to minor changes:
 - Paragraph 2 Change February to April
 - Following actions not completed. Para 13 –to circulate a near final draft of the Corporate Report and Para 18 to circulate a summary of the action points

All the above changes were made in the May minutes

Matters arising

- No member declared any conflicts of interests or changes to conflicts of interests.
- It was agreed to recirculate to the committee the note sent to BRE on the preferred future framework and metrics. [Post meeting note. This was circulated in draft with the action points on 13 June].

2. Update to committee on post-election issues

- The BRE Director explained to the committee that Purdah had been lifted and he was now able to discuss the next steps with the committee. As the Committee were aware, a new Parliament means a new Business Impact Target (BIT) and a new Independent Verification Board (IVB). In the immediate future, he proposed that RPC continue to be the IVB for outstanding work from the last parliament and complete the job of verification that they had started. There would be a submission to Ministers shortly with regard to this and he did not anticipate any problems on this approach. Action BRE: **The Director agreed to provide confirmation of this at the next meeting.**
- The BRE Director then noted that the final form of the BIT and IVB could take up to a year to arrange. It was therefore important to have suitable interim arrangements. The thing that comes through strongly is the issue of proportionality. He noted that 90% of RPC's time was spent on assessing around 10% of the impacts on business. BRE therefore proposed to raise the de minimis threshold for submissions to the RPC to £10 million. We do not scrutinise anything

- lower unless it has a crucial impact. This would remove all the small cases and allow them to focus on cases that matter. It was important that once agreed the interim approach was effectively communicated to Departments and regulators.
6. Concern was expressed by some committee members, who felt that Departments were being let off the hook (JM) or that there was an implicit assumption that anything under £10 million was considered to be accurate (AE) They also noted that that the vast majority of regulators' activity would be below the threshold and would not be scrutinised, raising concerns about the integrity of the BIT (AE). The BRE Director said that this was a point that would need careful consideration, but that one solution might be some sort of audit or sample approach to assess the impact of such changes. With regard to regulators, most of their work would be outside of the scrutiny process, but it was important that they were required to state the impact they are having on the burden of regulation alongside Departments. He welcomed the views of the committee as to whether this approach was in the right direction.
 7. One member of the committee (MT) agreed the need for change in principle saying that during the last quarter, the committee had spent too much time reviewing the smallest measures. It was important to set the right threshold and have clear parameters so that the system worked effectively. Another member (SV) said that she also agreed in principle, but did not feel confident in the ability of departments to be able judge sensibly what should and what should not be submitted to the RPC. It was important to ensure that the RPC should not miss any key assessments and she would like to understand in more detail how the system meshes together.
 8. The Chairman (– like AE -) was concerned that it appeared to be a fast track system with the RPC seeing only a small fraction of cases, while the vast majority of regulations would go unscrutinised thus bringing the system into disrepute. The BRE Director explained that what was proposed was not a fast track system, but a more proportionate approach. He agreed that there were big risks, which would need to be carefully managed by monitoring departments and regulators as to how they treat their assessments and by calling in cases and sampling to ensure propriety and regularity. A committee member (JC) said that a streamlined set of principles would help here. However, an absolute cut-off such as £10 million may seem big for some businesses, but trivial to others (such as those in the financial and banking sectors). How this is managed and deciding the ground rules and the measures needs to be carefully thought through.
 9. Another member (KW) felt that the devil was in the detail; it was difficult to see how the proposals would work without seeing them clearly written down. He felt that £10 million would be seen as too high. The BRE Director responded that £10 million threshold was not a figure set in stone and he was happy to discuss with the RPC (among others) to get the right threshold. With regard to sampling and calling–in he explained that there would be a list of those measures below and above the threshold and any of these could be called-in or sampled based on criteria which would then be reviewed to seek overall assurance on validation.
 10. One member (AE) commented that it was better to have an interim arrangement similar to the current system rather than introducing a new system which would then change again thus creating confusion and more changes than necessary. He also asked whether Brexit measures would be included and how the accounts would be managed as in theory the UK could repeal all the European measures and get an out, but it would then become UK measures which would be counted as an in. Concern was expressed that a vast majority of Brexit cases would be low cost

measures and would not be seen by RPC. The BRE director said if the threshold was right, the same system should work for Brexit.

11. The session was concluded by the BRE director saying that BRE hope to pull together the BIT report for the 2015-17 Parliament and lay it in the September after the summer recess. They also hope to achieve write round clearance for the interim system on the same timescales. Before that happens, the proposals would be shared with RPC. **Action: BRE to share draft submission on interim arrangements with RPC.**

4. Quarterly update against business plan

12. The secretariat (FB) provided the committee a summary of the survey results and quarterly update over the lifetime of this parliament... The survey revealed that Departmental satisfaction rating of RPC had fallen to its lowest levels in this parliament. Three main negative themes came out of the survey:

- Policy teams do not like the length of time of time it takes for measures to be go through the review process, especially with regard to small measures;
- The overall burden on departments and regulators appears to them to be disproportionate; and
- There were a number of comments which said that the RPC should be abolished or added little value

On the positive side, Departments welcomed the way the RPC engaged and worked with them. It appears that the RPC has addressed much of the criticism from earlier surveys such as lack of clarity and progress on cases. On the negative side RPC turnaround times have increased.

13. The committee considered the results and felt that there were a number of reasons for the negative comments.
- Political changes such as the departure of former Ministers who were keen on deregulation and the approach to regulation taken by new Ministers and the PM. Departments may now feel they have more chance of success if they complain. It was inevitable that departments' are going to complain about bodies like the RPC which they need to go through for approval before they can proceed to the next step. The thirty day turnaround does not negate them getting on with other work (AE);
 - Some departments are much more dynamic at complaining than others.
- One member argued that we should accept there are grounds for concern but be careful to retain quality in addressing them; the proposed interim arrangements should help (KW);

14. Quick wins were considered:

- Establishing a tracker system to enable departments to track progress on case work;
- Making a distinction between large and small measures and clustering to get asymmetry and push through smaller measures with a faster turnaround time.
- Refresher training for new and existing BRUS.

Action: RPC Secretariat to develop a tracker system for Departmental BRUs to monitor casework in the RPC system and refresher training for existing and new BRUs. Also, Secretariat to circulate proposed actions to be undertaken from the survey results

5. EU exit analysis and X-Whitehall approach

15. The Chief Economist for BEIS gave an update on the analytical work in hand across government to assess the economic impact of different approaches to regulatory convergence/divergence in the negotiation around market access with the EU. She covered both the process and a sense of the issues being raised.

16. The work was sensitive and being done to a tight timescale. The work falls under two main strands:

- Negotiations; and
- Domestic consequences

The key issues were around understanding the economic impact of retaining the Acquis. In terms of methodological work it raises some questions outside the usual impact assessment considerations. One is the dynamic aspect - what the UK and the EU may be doing in going forward on policy issues. The time frame is important to assess the impact of the short term and the longer term in trying to anticipate future directions of the Government. For example, we may know that there will be change in a given policy area, but may not know what both the UK and the EU may plan for the future. This makes analysis of the options very difficult. The government will want to know how different measures will affect different areas and to compare all the impacts. So both business impact and NPV will be considered. Both will be important to Ministers and negotiators in considering future actions. The approach is to start with a few primary areas of policy and regulations in business such as financial services, labour markets, environment and agriculture where the EU has a lot of activity - this feels like a natural place to start. There would be quick diagnostic questions for departments to respond to, to help them ascertain if there were any other areas that should be considered. The X-Whitehall Group of economists was looking at case studies to ensure robust, consistent analysis. This would feed into the Chief Analysts Board and the Negotiating Board. The aim was to have an initial view of the scale of the impacts by July/August and then refine it further.

17. The committee had a number of questions:

- Where should the burden of proof lie when costing whether it was better to stay in the single market or not? Also, was the focus on the impact of UK business only or would it cover the wider impact to consumers and employees (AE)?
- What would the counterfactual be; zero regulations or some minimum level of UK regulation (KW)?
- How would enforcement be modelled and would it mirror EU enforcement (NK).

18. The Chief Economist responded by saying that it is not about what we should do, but setting out the consequences of action taken on each of the options. Both the NPV and the business costs will be assessed including the impacts on societal costs including for the consumers and employees. However this was not going to be easy. The counterfactual would be a pragmatic approach considered on a case by case basis. For instance, in climate change, the counterfactual question would be, what would the UK do in the absence of being in the EU. Further work was being undertaken to consider the consequences of the UK's not meeting its commitments.

19. The agenda item was concluded by the Chief Economist saying that it was still work in progress and much more needed to be done. She would be happy to come back in the next few months

when things are further developed to provide the committee an update. **Action Secretariat GM: The CEO agreed to come back to the RPC in the future to provide an update.**

5. Outline of the Corporate Report

20. The Secretariat presented the outline messages for the corporate report. It was an opportunity for the committee to provide an input and steer at this early stage. . The committee suggest the following:

- Set out how the RPC maintain its independence, but assure stakeholder stakeholders that we value and listen to them. The need to set out that we are ahead of the game (SV)
- Emphasis the need for stronger regulatory scrutiny, highlighting our knowledge and experience and being a credible resource in the field of regulatory activity (AE).
- Set out the RPC achievements in the past and what it could do in the future (JM).
- Set out progress the RPC has made in respect of future challenges.
- Set out the media angle in that the RPC can provide certainty, continuity and credibility.
- Set out how the RPC could do more to support the Brexit analysis

21. **(1)Action: Secretariat (GM & KM).** It was agreed that the secretariat would take the above comments on board; in particular, setting what the RPC has done and can do for business, Brexit and the role of the IVB. The draft report would then be circulated in in June to the committee for further comments. A near final draft will be issued to the committee at the July committee meeting for its endorsement.

(2) Action: secretariat (DE & SC). To arrange a meeting of the COMM group to discuss comms issues and develop a communications strategy for the Corporate Report – using it as a tool to gain support from stakeholders.

5. Updates

22. The Chairman reported that Regwatch is going from strength to strength with 7 full members and a number of putative new joiners including the French scrutiny body. As a result, it would be developing its branding and setting up a simple website. ACTAL, the Dutch body has now been rebranded as ATR to take account of the changes in its remit following the elections in the Netherlands RWE had agreed increased cooperation with the OECD. RWE would publish an independent study on target-setting for the EU in July, which it was hoped would influence the Commission's position on the subject.

6. Any Other Business

The Chair clarified that corrections had been made to the Pensions Measure which had an EANDC benefit of £16 million based on the assumption that there would be full take up the measure. It was subsequently found this was not the case and adjustments were made to the measure to reflect this.

Annex – Outstanding and ongoing actions grid

Outstanding Actions Grid

Action	Date of meeting when raised	Lead	Status/Date to be completed
The committee agreed to provide BRE with written comments on the future framework and metrics.	June 2017	Hiroko Plant	Note sent to BRE in June 2017
Confirmation to be provided by BRE that RPC In the immediate future, continue to be the IVB for outstanding work from the last parliament and complete the job of verification that it had started.	June 2017	Chris Carr	July 2017
BRE would share with RPC for comments an early draft of the BIT interim arrangements which they expect to submit to Ministers in July	June 2017	Chris Carr	Draft submission of the interim arrangements given to RPC
RPC to develop a tracker system for Departmental BRUs to monitor casework in RPC system and refresher training for existing and new BRUs	June 2017	Filip Balawejder	August 2017
Secretariat to circulate proposed actions as a result of the survey outcomes	June 2017	Filip Balawejder	August 2017
Jenny Bates to be invited back to the committee to give an update on EU exit analysis when further developments have taken place	June 2017	Gordon Manickam	Jenny Bates has tentatively agreed to provide an update at the September committee meetings subject to there being progress. She is also giving consideration to involving the committee in the analysis work her team is undertaking. One option being considered is for one of the committee members to talk the X-Whitehall Group
Secretariat to redraft Corporate Report and associated messaging in line with Committee feedback;	June 2017	Gordon Manickam/Kim Moxey	19 June

<p>in particular setting what the RPC has done and can do for business, Brexit and the role of the IVB</p>			
<p>Secretariat to arrange a meeting of the COMM group to discuss comms surrounding corporate report</p>	<p>June 2017</p>	<p>David Eggleton/Sara Coakley</p>	<p>[date/next steps] – To be confirmed by DE or SC</p>
<p>Sara Coakley to develop a communications strategy for the Corporate Report gaining support from stakeholders</p>	<p>June 2017</p>	<p>Sara Coakley/David Eggleton</p>	<p>Target date to be confirmed</p>