

RPC meeting 13 September 2021 minutes (open session)
Attendees
The Committee

Stephen Gibson – Chair
Jonathan Cave
Laura Cox
Sheila Drew Smith
Jeremy Mayhew
Brian Morgan
Andrew Williams-Fry

RPC Secretariat

Stuart Sarson – Head of Secretariat

Better Regulation Executive

Chris Carr – Director
Nishan Shah – Deputy Director

National Farmers Union

Nick von Westenholz

UK Finance

Matthew Conway
David Wraith

A. Introduction and matters arising

1. The **minutes of the July committee meeting** were agreed, subject to clarification of paragraph 19 and further typographical checks.
2. **Register of Interests:** no new interests were declared. The register has been published on the RPC website.
3. **Gifts and Hospitality Register:** no new gifts or hospitality were declared. The register is published on the RPC website.

B. National Farmers Union (NFU)

4. The Chair introduced Nick van Westenholz (NVW), the Director of Trade and Business Policy at the NFU. NVW gave a brief overview of the NFU, which covers England and Wales but works closely with its equivalents in Scotland and Northern Ireland. The NFU is a democratic body with over 55,00 member businesses. It covers a range of different types of farming and sectoral groups.
5. The key challenges facing NFU members were described as follows:
 - Agriculture is in a heavy state of flux with a considerable degree of uncertainty and many unknowns.
 - Changes are taking place to the domestic agricultural policy system following EU exit. The EU Common Agricultural Policy (CAP) subsidy is being phased out and replaced with a UK-specific system. The CAP, whilst area based, was linked to farming and production of foods. Although subsidies were modest there was clear statutory management for receiving payments. The new system is based on public good such as environment and resource management. It is still at a developmental stage so farmers are not sure what the regulatory baseline will be and what they will receive in the form of payment.
 - Trade is an important area. There is uncertainty over the impact of the new trade deals and what the real impact will be to farming. For instance, Australia, and New Zealand Free Trade

Agreements are likely to increase competition for UK farmers in beef, lamb and sugar and it is feared that the balance of interest may lean towards Australia and New Zealand.

- Immigration and labour are big issues for farming with the need for seasonal labour.
- Animal welfare is an increasingly important issue for the public and it is important to get the balance right.
- Environmental issues are also raising challenging issues for NFU members, including regulation around on the protection of waterways from nitrates and on use of organic manure. There are benefits from such regulation, but costs to farmers may be significant.

In conclusion, the Government have transferred many EU laws into UK law. The EU tended to be more precautionary whilst the UK Government appear to be taking a more a risk-based approach, which the NFU welcomes.

6. The chair thanked NVW for his presentation and confirmed that the RPC also reviews IAs supporting FTAs. The RPC does not look at the policy, but at the quality of evidence.
7. The following issues were discussed:
 - Importance of subsidies – without subsidies about 50% of farms would be lossmaking. Agriculture has a very low rate of return in comparison to non-farming activities. This level of subsidy keeps food prices in the UK relatively low.
 - The concepts of public goods and food security.
 - The changing demography of farming.
 - The pressure that supermarkets put on the farming supply chain.
 - Net Zero and climate commitments and their implications for farming.
8. Overall NWZ concluded that farming is likely to look very different in 20 years' time. It is important that the Government ensure future regulation is proportionate and supportive of farming.

C. Engagement updates

9. The Chair and committee members reported on their engagements with key stakeholders since the last meeting. A summary was circulated to the committee in advance of the meeting.
10. The Chair commented that he had seen several business groups and parliamentarians to encourage them to engage with the consultation on the framework for better regulation. These included Anthony Browne MP, the former RPC Chair, and John Penrose MP.

D. BRE update

11. Chris Carr (CC) informed the committee that the focus in BRE is on the consultation on the framework for better regulation, which closes on 1 October. Once it closes, BRE will be considering the responses. To date, few responses have been received from businesses although significant consultations have taken place with government departments. CC will be chairing a number of meetings of stakeholders during September.

12. Consideration is being given to a regulatory gateway process, as trailed in the consultation document, the purpose of which would be to intervene at an early stage in the regulatory development process to encourage consideration of alternative options and to prevent unnecessary regulation. Consideration is being given to various options.
13. CC discussed the One-in X-out (OIXO) principle, which was strongly supported by John Penrose in his report 'Power to the People' and in Sir Iain Duncan Smith's 'TIGGR' report. A comparison was drawn with Europe, where there is a clear vision of what OIXO is and that budgets are allocated to policy areas rather than departments. The committee welcomed the thinking being given by BRE to a future framework.
14. BRE would welcome the committee's views on aspects of the consultation.

E. MSG update

15. JC summarised discussion at the August MSG meeting, which considered issues relevant to the committee responding to the consultation on the business impact target metric and OIXO. The discussion centred around:
 - alternative options to the current EANDCB metric.
 - consideration of OIXO as a mechanism to contain regulatory burden; and,
 - use of regulatory budgets as a mechanism.

F. UK Finance

16. The Chair welcomed Matthew Conway (MC) from UK Finance (UKF).
17. MC presented the view of UKF which represents banking and finance firms. Covid has presented a major challenge to the sector; there were almost 3 million mortgage deferrals, and the economy has seen a considerable reduction in the use of cash. A lot has happened in terms of regulation of the sector over the last few years and HMT is re-thinking the regulatory framework in the light of post-crisis reforms, Brexit and technological change. Regulation in the sector is no different to that in others insofar as it imposes burdens on business. The early stages of the pandemic resulted in a range of decisions by HMT to ensure businesses received support, and many firms took government-backed loans irrespective of whether they necessarily needed them.
18. Much of the cost of regulation of the banking and finance sector is indirect rather than direct. While the sector fully accepts the need for high standards of regulation, which provides clarity both to business and consumers, the approach needs to be more proportionate. A final consultation on reforming the regulatory framework is anticipated from HMT, and the industry is waiting to see the proposals that emerge. It hopes that this might address the concerns it has, with increased powers for regulators matched by increased accountability.
19. UKF will be responding to the BRF consultation. It supports the existence of an independent regulatory scrutiny body but not the re-introduction of OIXO. UKF supports better regulation, not weaker regulation. Developed well, regulation can be beneficial to the banking and finance sector.

G. Any other business

20. There were no AOBs

