
Better Regulation Executive

Formal Government Response

‘Regulation – Less is More. Reducing Burdens, Improving Outcomes’

A Better Regulation Task Force Report

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Introduction

The Government is grateful for the Better Regulation Task Force (BRTF) report on 'Regulation - Less is More. Reducing Burdens, Improving Outcomes', published in March alongside Budget 2005. As announced on Budget day and detailed in this document, the Government accepts the report in full.

The BRTF report proposes procedures for measuring and then reducing the administrative burdens faced by business and other organisations in the UK. It also proposes that the Government strengthens controls over the introduction of new regulation and simplifies existing regulations, including removing unnecessary ones. Taking forward the recommendations will achieve year on year reductions in the total administrative burdens faced by business and other organisations. As recommended by BRTF, the Government is also exploring how this same approach could be used to measure and reduce administrative burdens on other parts of the economy, including the public and voluntary sectors.

The Government makes no apologies for targeted regulation to improve standards and protect rights. Of course, as set out in recommendation four, it is important to get the balance right so that, wherever possible, new regulation is balanced by compensating simplification measures. A step change is already underway across Whitehall to achieve the required rebalancing of efforts between regulation and deregulation. The better regulation agenda will continue to be supported by the BRTF which is being put onto a permanent footing from 1 January 2006 as the Better Regulation Commission.

In short, the Government is committed to the full implementation of the BRTF recommendations. The Government agrees with the BRTF conclusion that this will help release energy, promote innovation and, improve productivity and value for money. The formal response to each of the BRTF recommendations follows.

Recommendation one

The Task Force recommends that, to strengthen the structure for managing the total regulatory burden, the Government should:

- *Adopt the Standard Cost Model and use it to provide a systematic measurement of the Administrative Burden in the UK by May 2006;*
- *By May 2006 (or earlier if the results of the measurement are available), set a target for reducing the Administrative Burden; and*
- *By July 2005, put in place an organisational structure and the necessary resources to facilitate measurement and target achievement. This structure must include a central co-ordination unit, a body providing independent scrutiny, and stakeholder*

Accepted

The Government recognises the importance of measuring the administrative burdens it generates and the value of pursuing targets for reduction. The Government accepts that this will involve refocusing priorities and an immediate rebalancing between regulation and deregulation across Whitehall. To take this forward the Better Regulation Executive (BRE) has been established as a central co-ordination unit and is working with departments and stakeholders to map the stock of existing legislation.

The Standard Cost Model (SCM) will be used to provide a common methodology for measuring the baseline administrative costs of complying with regulation for business, charities and the voluntary sector. This will be completed in early 2006. The model is being amended to meet UK specific requirements, including a breakdown of administrative burdens by firm size, while ensuring consistency with the international model used in the Netherlands and Denmark. This international methodology is increasingly being adopted by other member states and will assist with international benchmarking.

Business organisations were involved in adapting the SCM for use in the UK. They will continue to be involved at key points in the measurement process to provide further input and observe progress. Departments will actively engage with businesses and business organisations throughout the measurement exercise to ensure that the regulatory impacts which are of particular concern to them are taken into account.

Departments are also developing plans for administrative burdens reductions and targets will be set in time for the Pre Budget Report 2006 (PBR 2006). These targets will form part of departments' wider rolling programmes of simplification. Further detail about simplification programmes is provided in the response to recommendation three.

Recommendation two

The Task Force recommends that, by the end of 2005, the Regulatory Impact Unit in the Cabinet Office should, in consultation with departments, develop a robust mechanism for the submission of proposals for simplification by business and other stakeholders. The mechanism should require businesses and other stakeholders to submit evidence in support of their proposals, with options for reform. It should require departments to respond within 90 working days, setting out and justifying the course of action they propose with a time limit for delivery.

Accepted

The Government recognises that business and other stakeholders have a critical role as partners in helping to identify evidence-based proposals for the simplification of existing regulations. A robust and user-friendly way for stakeholders to submit evidence-based simplification proposals is being developed. A pilot phase is starting in July 2005 and initial guidance is on the BRE website. Drawing on this pilot phase, the intention is to launch a web-based process from September 2005.

In line with the BRTF recommendation, the full process will be launched by December 2005. From this date, Departments will be required to respond to proposals within 90 working days, setting out their intended course and timetable for action. The proposals will help inform departments' rolling programmes of simplification – more details on which are in the response to recommendation three.

Other mechanisms by which the Government engages with stakeholders are also being strengthened. For example, departments will continue to develop industry forums. The Department for Trade and Industry's successful Vehicle Industry Policy and European Regulatory group already provides a forum for vehicle manufacturers to ensure their priorities and concerns are taken into account. This is being replicated with other groups including the construction,

chemicals, retail and food sectors. The model enables industry to express views directly to the Government on emerging policy and will help departments to solicit proposals for reform.

Recommendation three

The Task Force recommends that, by September 2006, all departments, in consultation with stakeholders, should develop a rolling programme of simplification to identify regulations that can be simplified, repealed, reformed and/or consolidated.

The simplification programmes should include:

- *Proposals to reduce Administrative Burdens.*
- *Revisiting the implementation of EU directives, particularly framework directives.*

Departments should undertake post-implementation reviews of all major pieces of legislation, the results of which should feed into their rolling simplification programme.

Departments' simplification programmes should be subject to scrutiny by the Panel for Regulatory Accountability (PRA).

Accepted

The Government agrees with the need for rolling programmes of simplification. All departments will develop rolling programmes by September 2006. They will include proposals to reduce administrative burdens within five years, in line with targets agreed by PBR 2006. They will also outline broader simplification measures such as proposals to consolidate and repeal legislation. As explained in the response to recommendation two, the proposals will be informed by suggestions made by business and other stakeholders.

The simplification programmes will be reviewed and updated annually. They will be vetted by the BRC and scrutinised by the Panel for Regulatory Accountability (PRA). The PRA has previously taken strategic oversight of

regulatory activity across Government. In this role, it has already challenged departments to identify opportunities for reform or simplification.

For example, the Department for Environment, Food and Rural Affairs is reducing the administrative burden of the regulations it imposes upon business by 25 per cent. The Department of Trade and Industry (DTI) has agreed to reduce the costs it imposes by £1 billion. These commitments are outlined in their respective five-year plans. PRA will now be strengthened to ensure that all departments and their regulators are held to account for their regulatory performance; this includes setting targets for the reduction of administrative burdens by PBR 2006.

To make the scrutiny process even more thorough, efficient and transparent, the BRTF is being put onto a permanent footing as the BRC from 1 January 2006. It will vet simplification plans prior to submission to the PRA, in addition to undertaking the existing independent advisory and challenge role of the BRTF.

In addition, departments are required to conduct reviews of regulations to ensure they are having the intended effect. Guidance on RIAs is being strengthened to ensure that departments record how and when new regulations will be monitored and reviewed. When undertaking a post implementation review, departments should consider the scope for simplification, including revisiting EU Directives as part of the European programme of simplification where relevant.

The Government welcomes the BRTF commitment to monitor the requirement for departments to review regulations for which they are responsible. The BRTF will report back on each department's compliance in its annual assessment of departmental regulatory performance.

Recommendation four

The Task Force recommends that the Regulatory Impact Assessment process for major regulatory proposals should require consideration of compensatory simplification measures. Where it is not possible to include any simplification measures, there should be a reasoned explanation of why not. The guidance on Regulatory Impact Assessment should be amended to reflect this change by the end of 2005.

Clearance by the Panel for Regulatory Accountability of any major regulatory proposal should include consideration of offsetting simplification proposals.

Accepted

As noted in the response to recommendation three, PRA examines new regulations that are likely to impose a major cost to business before they can become law. Consideration for clearance is based on a thorough impact assessment, agreed by the BRE.

In order to ensure that the burden of regulation on business continues to be kept to the minimum necessary, the guidance on preparing RIAs is being amended to require departments to actively consider offsetting simplification measures. The scope for compensatory simplification will have to be set out in an RIA and the justification for the proposed approach explained, particularly in cases where there are no immediate plans to offset. PRA will take account of this in deciding whether to clear proposals.

Recommendation five

The Task Force recommends that the Government should, as a matter of urgency, progress its promised review of the operation of the Regulatory Reform Act.

The review should consider how the scope of the Regulatory Reform Act can be widened to allow a greater number of reforms to be delivered by Regulatory Reform Order (RRO). Specifically it should explore whether the scope of RROs should be extended to deliver non-controversial proposals for simplification.

In addition the review should consider whether the whole process for developing an RRO and subsequent scrutiny could be more proportionate.

Accepted

The Government agrees with the need to speed up the legislative process for deregulation by amending the Regulatory Reform Act. The Government is now able to learn from the experience of taking through some major reforms, having previously agreed with the Parliamentary Committees to extend the original review date of 2004.

Informed by the enhanced evidence base, a review of the Regulatory Reform Act is now underway. A consultation document on the Regulatory Reform Bill will be published in July alongside the review. It will set out the Government's proposals to make it easier to remove outdated and unnecessary legislation and to deliver non-controversial proposals for simplification by RROs. The focus will be on how to make the process of developing and delivering an RRO proportionate to the reforms proposed.

Recommendation six

The Task Force recommends that the Government should provide Parliamentary time for a Deregulation Bill during the second session of the next Parliament.

Accepted

The Government will, as required, make use of all appropriate legislative vehicles for delivering simplification proposals: departmental bills, secondary legislation, including new extended RRO powers and a possible second session Deregulation Bill. The BRE will work with departments to identify proposals that require primary legislation to include in a possible Deregulation Bill. Where appropriate, this will take account of proposals for simplification submitted by business and other stakeholders.

Recommendation seven

The Task Force recommends that, by April 2006, the Government should extend the use of common commencement dates to other policy areas and include implementation of simplification measures as well as new regulation.

Accepted

To improve certainty for business and other sectors, the Government has already committed to extending the implementation of Common Commencement Dates (CCDs) for all new and amended domestic legislation, as far as possible. The Government will also work with stakeholders across sectors to ensure appropriate application of CCDs to all legislation which impacts on business.

Both the DTI and the Health and Safety Executive have already published annual CCD statements. In addition to employment, consumer and corporate law, the DTI is now extending CCDs to cover intellectual property. New regulations in these areas are being introduced on two dates each year (6 April and 1 October) unless there are exceptional reasons for not doing so.

The Government accepts the need for even greater transparency and certainty for business on changes to regulation. It will therefore further extend roll out of CCDs to include simplification measures. Timescales for implementation will be included in departmental simplification programmes. These should be in accordance with CCDs, from April 2006 wherever possible. Where this cannot be done, the simplification programme will explain why.

Recommendation eight

The Task Force recommends that the Government should start developing a methodology for assessing the total cumulative costs of regulatory proposals. We believe that it should be possible to have the fundamental elements of such a methodology within the next two years. At this point, the Government should reassess whether full regulatory budgets, taking into account the cumulative impact of regulation, should be introduced.

Accepted

The BRTF rightly acknowledges the difficulties associated with full regulatory budgeting, in particular the practical difficulties of measuring the total effects of regulation. However, in line with recommendation eight, the Government does recognise that it is worthwhile doing further research into regulatory budgets as they might provide a usefully comprehensive overview of all regulatory costs.

Building on the work to measure administrative burdens, the BRE and DTI are therefore doing more research into developing the fundamental elements of a methodology for assessing the total cumulative cost of regulation. This research will be conducted over the next two years and subsequent consideration will be given to the benefits and feasibility of establishing regulatory budgets.

Glossary

BRC	Better Regulation Commission
BRE	Better Regulation Executive
BRTF	Better Regulation Task Force
CCDs	Common Commencement Dates
PBR	Pre Budget Report
PRA	Panel for Regulatory Accountability
RIA	Regulatory Impact Assessment
RRO	Regulatory Reform Order
SCM	Standard Cost Model