





# CORPORATE REPORT

1 APRIL 2016 TO 31 MARCH 2017

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## Foreword from Chairman, Michael Gibbons CBE



This report has been written during a period of major change. In particular, the UK's decision to leave the EU, the new Parliament and the changes created by the Small Business, Enterprise and Employment Act 2015, such as the inclusion of regulators in

Business Impact Target accounting, have presented us with challenges and opportunities.

Against this background, we have continued to carry out our role in accordance with our terms of reference, and discharge effectively our statutory responsibilities as set out in the Small Business, Enterprise and Employment Act. We have worked with departments and, for the first time, with a wide range of regulators to improve the quality of the evidence they present in support of Ministerial and operational decisions. In particular, we have validated regulators' assessments; developed improved methodological guidance for post-implementation reviews, developed guidance on proportionality and designed a programme of work to help lower-performing departments to improve their approach to appraisal as set out in our *Review of Government impact assessment capability in 2016*.

Our actions to help lower performing departments included regular pre-submission meetings, a more flexible approach to reviewing assessments with departments and regulators, and informal consultations. These actions contributed to an improvement in fit for purpose performance by departments and regulators, from 69% in 2015-16 to 76% in 2016-17.

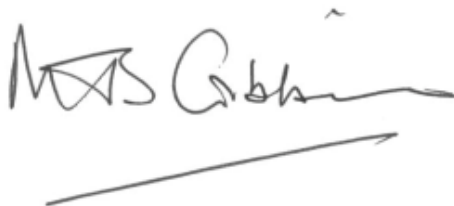
Throughout 2016/17 the RPC has provided international leadership on regulatory scrutiny; we currently chair *RegWatchEurope*, a group of like-minded independent scrutiny bodies from across Europe. The network collaborates with the OECD and the European Commission, including the EU Regulatory Scrutiny Board, to improve regulation throughout Europe.

RegWatchEurope has recently published an independent feasibility study on regulatory target setting at EU level.

Recent events have moved the better regulation agenda into a different context, with growing public debate about the role of regulation in our society. We in the RPC are keen to apply our experience and expertise to help develop the Government's approach, and especially in widening the focus of regulatory impact assessments and of our scrutiny to cover impacts beyond business and civil society organisations. Based on our experiences during the last parliament, we will press for thorough, timely scrutiny of all the most significant measures and a proportionate approach to smaller measures; high-quality, system-level post-implementation review, which feeds actual experience of regulation back into the policy-making process; and full assessment and scrutiny of wider societal impacts and risks as well as costs and benefits to business and civil society.

We look forward to the challenges posed by the regulatory consequences of leaving the EU. We take the view that independent scrutiny of the evidence base for regulatory change is at least as important now as it ever has been. I am especially glad that business and civil society organisations continue to support us and that our opinions provide them with confidence in the quality of appraisal presented by departments.

Finally, I would like to thank members of the committee and the secretariat for their extremely hard work in delivering and maintaining high quality scrutiny during a period of much-increased workload. I firmly believe that, within the current framework, the work of the RPC has contributed to a better evidence base for policy making.



Michael Gibbons CBE

## 1 Introduction

### 1.1 Background

#### *History*

- The RPC was established in 2009, and initially scrutinised a selection of published impact assessments for proposed regulations; from 2010 we were given the remit to scrutinise all regulatory provisions with an impact on business or civil society, at the point of Cabinet clearance. In 2010, we were also asked to scrutinise departments' accounting for the Government's One-in, One-out policy.
- We became an advisory non-departmental public body sponsored by the then Department for Business, Innovation and Skills in 2012.
- In 2015, we were appointed as the independent verification body for the statutory business impact target. We were also among the founder members of RegWatchEurope, a like-minded group of independent regulatory scrutiny bodies from across Europe.
- In 2015-16, our scrutiny of contributions to the business impact target was extended from regulations enacted by Government departments to include relevant activities of regulators. We also contributed to the National Audit Office's review of the better regulation system. In 2016 we took on the rotating chair of RegWatchEurope, which had by then grown to seven members.

#### *Purpose*

- The purpose of the RPC is to provide independent, expert advice on the quality of analysis and evidence used by departments in their assessments of the impacts of regulatory interventions, and to quality-assure regulators' assessments of the impacts of changes in their regulatory activity. The resulting transparency of appraisal and accuracy of measurement are essential parts of the better regulation system, which provide stakeholders with confidence that the estimated costs and benefits of regulatory change are based on sound evidence and methodology.



### *Statutory requirements*

- The Small Business, Enterprise and Employment Act 2015<sup>1</sup> made it a statutory requirement for Government to set a business impact target, for the life of each parliament. The Government that took office in 2015 set a target of reducing the net direct cost of regulation to business by £10 billion over the course of the five year parliament.

### *Our responsibilities*

- As the appointed independent verification body we verified the estimate of the net direct cost to business and civil society organisations for each provision that contributed towards the Government’s target of reducing the burden on business and civil society over the 2015-17 parliament.
- Based on the quality of the evidence presented, the RPC rates these assessments as either fit for purpose (‘green-rated’) or not fit for purpose (receiving an ‘initial review notice’ or a ‘red-rated’ opinion). Any assessment raising red-rated issues must be improved before publication. Moreover, the Government normally require that red-rated issues are resolved before they are agreed collectively.
- We have a legal requirement to verify that departmental non-qualifying regulatory provisions<sup>2</sup> (NQRPs), which do not contribute to the target, are properly excluded, in order to ensure that the Government’s regulatory activity is fully and transparently presented. On an administrative basis we also verify the regulators’ summaries of NQRPs.
- We have always had a responsibility to provide independent scrutiny of the *overall* quality of evidence presented by departments in support of their decisions – going beyond the business impact target to comment on the assessment of all impacts across society, though we regret that we cannot ‘red-rate’ on this basis. We assess the quality of the analysis and evidence in Government submissions in line with economic principles, including those set out in the HMT Green Book, and in accordance with the Government’s better regulation framework.

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<sup>1</sup> [http://www.legislation.gov.uk/ukpga/2015/26/pdfs/ukpga\\_20150026\\_en.pdf](http://www.legislation.gov.uk/ukpga/2015/26/pdfs/ukpga_20150026_en.pdf)

<sup>2</sup> Non-qualifying regulatory provisions are defined at <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-03/HCWS574/>

- Since 2011, departments have been required to conduct post-implementation reviews of certain classes of policies. It was intended that the RPC should play a crucial role in the scrutiny of these post-implementation reviews. Our expectation is that all regulations with significant impacts should be subject to review as part of a good evidence-based policy making process.

## 1.2 Vision

Our vision has two core elements:

1. **To provide ministers with independent, high-quality advice** on the evidence supporting proposals for regulatory changes affecting businesses and voluntary and community bodies.
2. **To provide business and the public with confidence** that the Government's claims on reducing the burden of regulation are robust and credible, through verifying all the components of meeting the business impact target.

The two elements are complementary. Stakeholders gain confidence as a result of independent, high quality scrutiny of Government claims and evidence and ministers are provided with advice on the quality of the evidence in the impact assessments on which they base their decisions.

A key part of the RPC's independent approach is its insistence that its work must be public and transparent. We commit to continuing to provide a transparent and public account of our scrutiny work, including through the publication of opinions and a statement of verification of all assessments accounted for under the business impact target. We also publish, once each year, a report on the quality of departmental analysis.

## 1.3 Priorities

The core elements of our work remain to:

- provide independent, expert advice on the quality of analysis and evidence used by departments and regulators in their assessments of the impacts of regulatory interventions on business, on civil society organisations and on society as a whole;
- check that there is clear evidence supporting regulatory change and proper consideration of alternative options;
- ensure that departments assess the evidence of the impacts on small business rigorously and give serious consideration to exemptions and/or mitigations; and
- publish our opinions and be fully transparent as to our conclusions.

Following the June 2016 referendum, the Government have begun the process of taking the UK out of the EU. We stand ready to scrutinise the evidence supporting Government decisions concerning consequent regulatory changes and - then - the most suitable regulatory framework for the UK outside the EU.

## 2 Achievements 2016 - 2017

### 2.1 Casework

*What does the RPC scrutinise?*

The RPC reviews

- Impact assessments (IA): a full description and assessment of the impacts of regulation on society. These are submitted to the RPC at consultation and final stages.
- Equivalent annual net direct cost to business validations (EANDCB): assessments of the net direct regulatory costs to businesses and civil society organisations. This is measured by the equivalent annual net direct cost to business.
- Non-qualifying regulatory provision summaries (NQRP): the RPC confirms statements stating that regulations do not qualify for the business impact target
- Post-implementation review (PIR): assessments of whether interventions are still working, still required or require amendment. They must be provided for policies that contain a review clause or an equivalent administrative commitment to review. PIRs are not required for non-legislative measures.

#### *(i) Casework statistics*

- We issued 324 opinions during the 2016-17 financial year. This compares with 256 opinions in 2015-16. Of these, 231 were submissions from departments and 93 were submissions from regulators; the figures below combine departments' and regulators' submissions, but it is important to note that the requirements placed on regulators by the better regulation system are less stringent than those placed on departments.
- The RPC commits to replying to at least 90% of submissions within the first 30 working days. We exceeded this target in 2016-17, with 98.8% of cases receiving a response within this period. We also slightly increased the percentage of cases where scrutiny was completed within this period and slightly reduced our average scrutiny time.

Table 2.1 Submissions for financial years

	2016-17 financial year	2015-16 financial year*
<b>No. of submissions</b>	324	256
<b>Average time for RPC scrutiny (days)</b>	20.1	20.4
<b>% on time</b>	98.8%	96.7%
<b>% fit for purpose</b>	75.9%	69%

\*The 2015-16 corporate report published July 2016 covers a period longer than the financial year 2015-16. This report compares financial year figures.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/538414/RPC\\_Corporate\\_report\\_15-16\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/538414/RPC_Corporate_report_15-16_FINAL.pdf)

Fig 2.1 Different case types scrutinised by the RPC

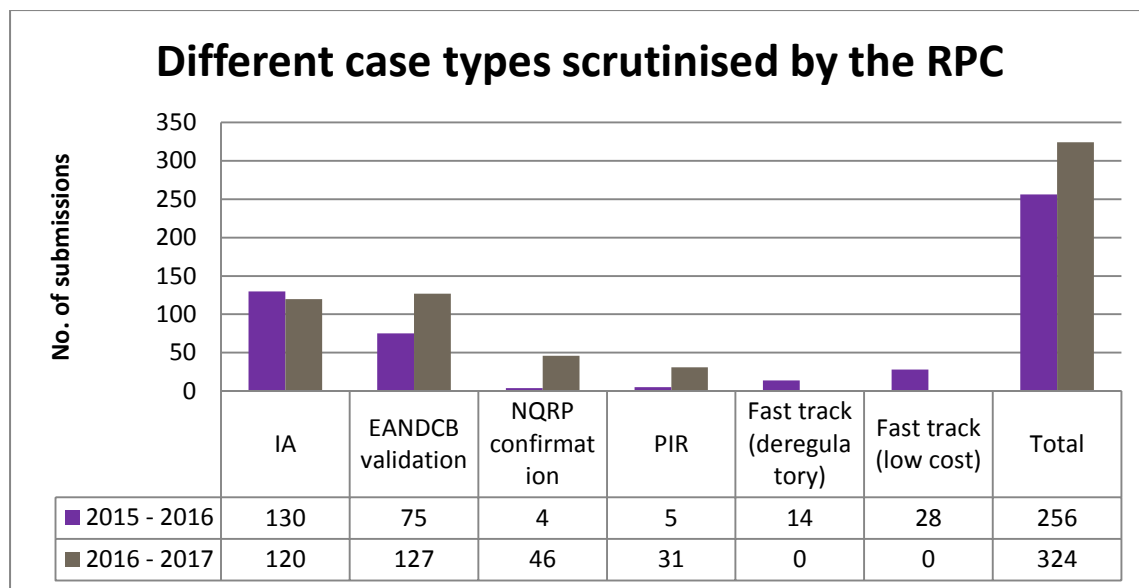
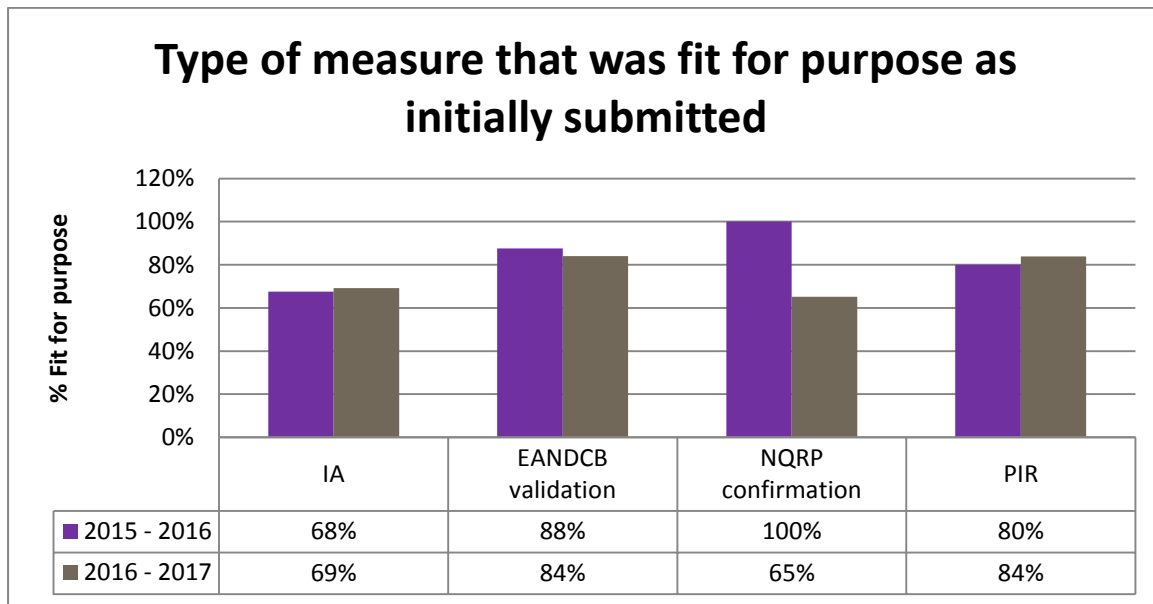


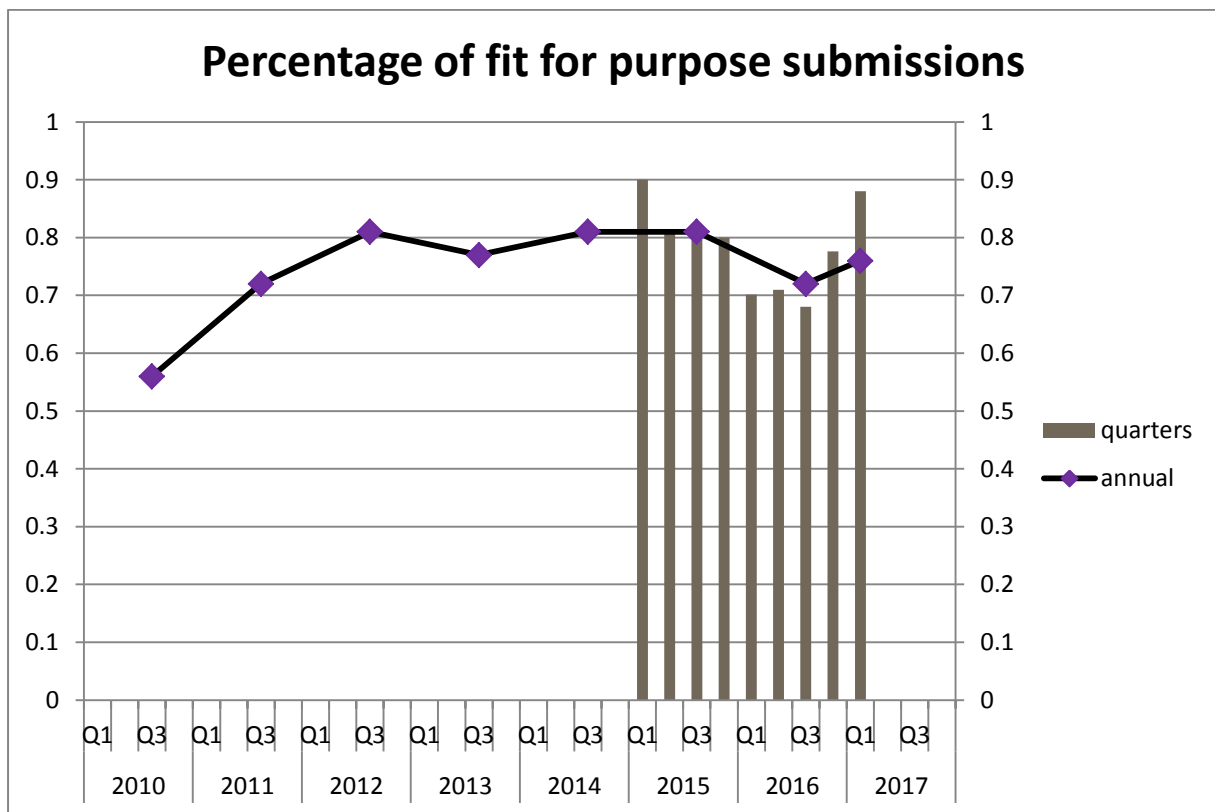
Fig. 2.2 Percentage of each type of measure that was fit for purpose as initially submitted



#### *Overall fit for purpose performance*

Only 12% of submissions in the first quarter of 2017 were not fit for purpose (as originally submitted). This is a significant improvement on the previous quarter, when 22% of opinions were red-rated. The overall fitness for purpose performance improved for two consecutive quarters at the end of the 2016-17 financial period.

Fig. 2.3 Percentage of fit for purpose submissions



*ii) Measuring our effect on the accuracy of departments' estimates.*

One important aspect of the RPC's scrutiny of final stage impact assessments is to ensure the accuracy of the estimated direct impact on business, as measured by the equivalent annual net direct cost to business (EANDCB).

Departments initially estimated the impacts on business (in EANDCB terms) as £713 million. Taking both upward and downward adjustments into account, RPC scrutiny has increased the accuracy of these estimates by £45 million in gross terms, or 6% of the initial estimates. A summary of the changes is set out in Table 2.4 below.

*Validated EANDCB – for financial year 2016-17 (Q2 2016 – Q1 2017)*

The RPC is responsible for validating the EANDCB presented in each final stage IA it receives. To accelerate the resolution of any red-rated issues when concerns emerge early in the scrutiny process, the RPC introduced, in early 2016, a revised process for highlighting concerns via issue of an initial review notice (IRN). The analytical requirements for a fit for purpose submission have not changed, and most assessments that receive an IRN are normally improved



and subsequently rated as fit for purpose. In this financial year 81 assessments were issued with an IRN and only 4 of them subsequently were issued with a not fit for purpose opinion. Through this process, the RPC improves the accuracy of the business impact target (BIT) account. More importantly, it improves the quality of evidence and analysis presented in the broadest possible sense: for every case where RPC scrutiny has changed the BIT score there are many more where departments have improved the quality of appraisal without altering the EANDCB. During this financial year, 49 opinions were improved without changing the BIT figure.

The tables below set out the difference that the RPC has made to the BIT account. This is presented in terms of:

- measures that qualify for the BIT and those that do not;
- the type of impact on business (total difference to net costly measures vs. total difference to net beneficial measures); and
- the absolute size of the RPC's impact on the BIT account.

The tables below provide a breakdown of initial and validated EANDCB figures for the period Q2 2016 – Q1 2017.

*Table 2.2 QRP Net Impact*

QRP ALL (£, million)	Initial EANDCB	RPC validated EANDCB	Difference
Q2 2016	21	15	-6
Q3 2016	-602	-609	-7
Q4 2016	-199	-189	10
Q1 2017	67	71	4
Total	-713	-712	1

Table 2.3 NQRP Net Impact

NQRP - All (£, million)	Initial EANDCB	RPC validated EANDCB	Difference
Q2 2016	-1393	-1114	279
Q3 2016	19	-18	-37
Q4 2016	0	1	1
Q1 2017	375	299	-76
Total	-999	-832	167

Table 2.4 Absolute Impact

Quarter (£, million)	RPC impact (QRP, lower cost, higher benefit)	RPC impact (QRP, higher cost, lower benefit)	Absolute RPC impact
Q2 2016	-14	8	22
Q3 2016	-8	1	10
Q4 2016	0	10	10
Q1 2017	-1	4	5
Total	-23	22	45 <sup>3</sup>

A key message derived from the tables above is that RPC scrutiny has made far larger corrections to the EANDCB of non-qualifying measures than it has for qualifying measures. The largest such change occurred in Q2 2016 as shown in Table 2.3; this reflects corrections we identified to the Teaching Excellence Framework NQRP assessment.

<sup>3</sup> Due to rounding it might not be possible to derive this value from the data in the tables above

## 2.2 Setting clear standards and building capability across Whitehall

### *(i) Impact assessments - fit for purpose*

In determining whether our continued efforts to build capability across Whitehall are having an impact, a useful metric is the quality of evidence supporting regulatory proposals, as measured by the number of initial submissions receiving a fit for purpose rating.

In 2016-17, 72.3% of submissions from departments (an improvement on 69% in 2015-16) and 88.2% of submissions from regulators received an initial fit for purpose rating. This results in a combined department and regulator initial fit for purpose rating of 75.9%. Overall, however, there has been a decline in the percentage of fit for purpose assessments in the last two years compared to 2012–2015, when the percentage of fit for purpose opinions consistently averaged around 80%. Indeed, there were some quarters during that period when the percentage of fit for purpose ratings exceeded 80%. This overall decline remains a cause for concern, especially as the lowest fitness for purpose scores are seen for impact assessments, at 68% in 2015-16 and 69% in 2016-17.

There has been an encouraging improvement from some departments. Notable among these are HMT and DCLG, which have increased their engagement with the process and substantially improved their relative ranking. It remains the case that those departments who have least engagement with the framework and process tend to have lower relative markings.

The Department for Exiting the EU and the Department for International Trade have begun to engage with us this year; we were pleased to receive the impact assessment for the *'European Union (Withdrawal) Bill<sup>4</sup>'* ahead of its introduction to Parliament and we are developing our approach to the unique challenges posed by the assessment and scrutiny of EU exit and trade-related measures.

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<sup>4</sup> <https://www.gov.uk/government/publications/the-repeal-bill>

*(ii) Departmental feedback*

We conduct a quarterly survey of departments that have submitted cases.<sup>5</sup>

The summary table below shows the aggregate response to these surveys in 2016-17 compared with 2015-16.

*Table 2.5 Departmental feedback*

Period	Number of responses	Satisfaction	Clarity of opinion	Clarity of process	Methodology
2015 - 2016	133	7.1	77%	83%	85%
2016 - 2017	132	6.9	84%	81%	87%

*Table 2.6 Quarterly departmental feedback for the financial year 2016-17*

Quarter	Number of responses	Satisfaction	Clarity of opinion	Clarity of process	Methodology
Q1 2017	30	6.3	78%	78%	78%
Q4 2016	32	6.8	77%	83%	93%
Q3 2016	34	7.5	91%	91%	85%
Q2 2016	36	7.1	90%	71%	90%
Aggregate	132	6.9	84%	81%	87%

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<sup>5</sup>The survey was introduced in the beginning of the 2014-15 financial year (Q2/2014).

### *Key messages*

- Respondents' (departments and regulators) overall satisfaction with the RPC process has fallen to the lowest level since the start of the 2015-17 parliament. The most recent survey (Q1 2017) shows that respondents rate their experience at 6.3 on a ten-point scale. This is lower than the average for the whole period.
- The proportions of positive and negative comments have varied over the period but recently have shifted in favour of negative comments.
- The majority of all positive comments (52%) were related to our engagement (e.g. informal pre-submission meetings, the initial review notice process, etc.). Respondents underscore the importance of flexibility and responsiveness and their comments point out that face-to-face meeting are particularly helpful.
- The most common complaints concerned the length of the process and the overall burden the system places on policy teams (especially in relation to small measures).

We are working with the Better Regulation Executive to improve the proportionality of the better regulation framework as a whole and to create a system which concentrates on early scrutiny of significant measures. This is especially important in the context of EU exit, which is of great concern to departments and to us, and where early, focused scrutiny could help to streamline the policy process.

### *The RPC's responses so far*

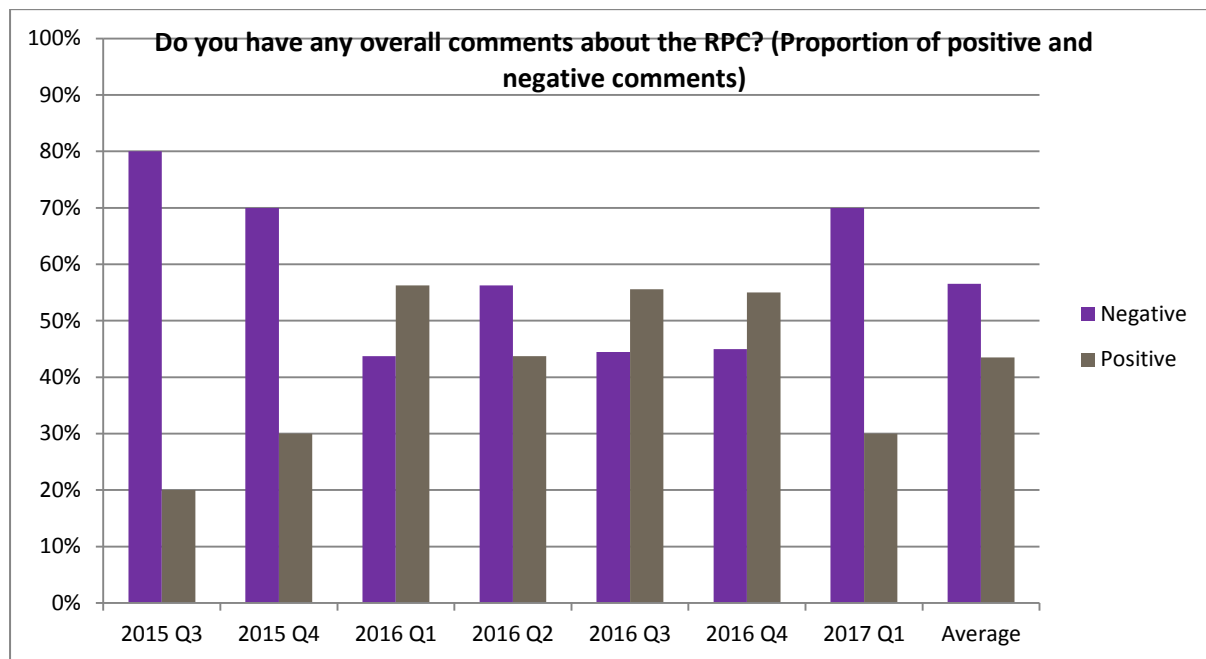
- Throughout this year we have engaged more actively with both departments and regulators, and have pressed for early engagement over the specifics of cases.
- We have produced proportionality guidance to address concerns over the work involved in appraising smaller measures; this was published in March 2017.
- We have introduced new secretariat and committee review processes to ensure more efficient handling of cases.

### *Suggestions for future action*

- **Burdens on departments** – we have been working with Government to focus scrutiny on the highest impact measures. We want to work with Government to explore a more proportionate system.

- **Performance times** – we will continue to identify ways to decrease the time it takes the secretariat to process cases; we will also continue to encourage departments to identify urgent cases for priority scrutiny.
- **More transparency about the progress of cases through the scrutiny process** – we will introduce a new system to notify departments as cases pass through the different stages of review.
- **Promote proportionality guidance** – it's not clear whether departments and regulators have been using our proportionality guidance to best effect. We shall seek to raise awareness and use of the guidance more effectively in our engagement with them.
- **Examples** - the RPC will provide annotated examples of submissions likely to be red-rated e.g. those with unjustified assumptions, together with suggestions as to how such IAs could be improved and what would be required to achieve a fit for purpose rating in relation to specific areas. We will also provide good practice examples of IAs containing well justified assumptions, to further aid departments in future assessments.
- We will work with the Better Regulation Executive to improve our guidance and support on framework and process issues, which seem to have been a particular cause of departmental concern.

Fig. 2.4: Graph 1 Proportion of positive and negative comments



*(iii) Action to build capability across Whitehall*

Through continued dialogue with departments, we have been able to set clear standards and promote good practice to assist in building capability across Whitehall. To assist the delivery of improved capability we have established and promoted our Whitehall web portal - a one-stop shop to which departmental better regulation units, policy teams and regulators can refer. The portal contains information on the processes the RPC follows, scrutiny standards we apply, links to supporting documents, presentations and methodology updates, and revisions to our case histories document. We continue to enhance our case histories document with new cases as they develop, to act as a reference point for departments which are dealing with complicated methodological issues or unusual cases and where an earlier precedent might have been set.

During the year, we have added to the RPC portal new individual sections of case histories, guidance on proportionate analysis for primary legislation stage impact assessments and on rationale and options; and, in December, we published a new full volume of case histories. In March 2017 we added a new case histories section on proportionality, which was published alongside a separate RPC guidance document for departments on the same subject.

The RPC has undertaken a number of other activities to help departments.

- Secretariat staff now meet departmental better regulation units (BRUs) and senior analysts on at least a quarterly basis to discuss departmental performance and other issues.
- Our analysts deliver training, such as the Government Economic Service IA training, and run workshops for economists and BRUs.
- We have disseminated methodological decisions that set new precedents on how cases are assessed.

### **2.3 Better regulation framework**

#### *Advice on the new framework and methodology*

While we do not comment on policy as part of our scrutiny process, we do work with our sponsor department (Department for Business, Energy and Industrial Strategy) to improve better regulation policy and process. Our close engagement with the better regulation framework allows us to comment on what is working well, and we offer our observations to ministers and others, making suggestions for improvement.

In particular, this year the RPC has developed principles for accounting for time-limited measures (e.g. the Energy Company Obligation scheme) within the BIT. These were instrumental in developing new guidance on this issue. The RPC has also worked closely with the Better Regulation Executive in producing streamlined framework requirements relating to Competition and Markets Authority measures aimed at addressing adverse effects on competition, and on developing appropriate approaches to ensuring robust and proportionate scrutiny of measures arising from the UK's decision to leave the EU.



### *Wider Impacts*

We hope that the Government's approach of encouraging (rather than requiring) departments to improve their assessment of the wider impacts<sup>6</sup> of significant measures and to plan effectively for monitoring and evaluation will have a positive impact. We note, however, that this approach has in the past proved less effective at altering departmental behaviour than the stronger incentive of a formal validation of fitness for purpose.

Following the tragic events at Grenfell Tower, it is important to ensure that Government's analysis of proposed changes to regulation takes **all** significant impacts into account. We therefore consider that quality assurance of the evidence base for changes, whether regulatory or deregulatory, is necessary and that wider impacts and risks on society should be scrutinised, as well as those relating to business costs and benefits. The RPC considers that the ability to Red rate on this basis would be a significant improvement on the process.

### *Small and micro business assessment (SaMBA)*

For significant regulatory measures coming into force after March 2014, there has been a requirement for departments to include a SaMBA in the impact assessment (IA). Departments must assess whether there are likely to be disproportionate impacts on smaller businesses, with the default expectation that such businesses should be exempt from regulation. Where departments feel that policy objectives could not be achieved with this exemption, the IA needs to justify this conclusion and discuss potential mitigating actions and activities.

- Out of 82 provisions that required a SaMBA only two had analysis that was not fit for purpose.
- A relatively small proportion of these cases included business exemptions:
  - eight cases included a full exemption; and
  - partial exemption was offered in three cases

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<sup>6</sup> Wider impacts include both societal impacts and indirect impacts on business.

- The policy objective was the most frequent reason for not offering an exemption of any kind. Out of 42 cases without exemptions 18 (39%) stated that the aim of the policy would not be met if small businesses were excluded.
- In six cases (14%) the lack of exclusion was justified by the beneficial impacts of the policy on small and micro businesses.
- Eight cases (19%) stated that small and micro business would not be disproportionately affected and therefore exclusion would not be necessary.

### *Options and alternatives*

To provide robust support to policy-making, IAs should consider a relevant range of alternative interventions in addition to the (mandatory) ‘do nothing’ approach and the preferred option.

- Non-regulatory alternatives were discussed or mentioned in 42% of consultation stage IAs; they were deemed viable in 30% of cases.
- On average, consultation stage IAs considered 3.4 options.
- Out of 43 consultation stage cases:
  - 10 had two options; and
  - 26 had three or more options.
- If options are discussed in IAs then in most cases they are also monetised.

### *Post-implementation reviews*

A post-implementation review (PIR<sup>7</sup>) provides an opportunity to understand what worked well and what could be improved. The findings of a PIR should shed light on whether a regulation is still working, still required and still appropriate and thus support a decision to scrap, renew, replace or amend it. This should take account of a range of factors, for example whether the original problem still requires Government intervention, or the extent to which

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<sup>7</sup> Policies that contain a review clause, or an equivalent administrative commitment to carry out a review. PIRs are not required for non-legislative measures.

the benefits of amendment or change would outweigh the costs (including transitional costs).

- **31 PIRs in total** have been processed by the RPC for this financial period
- **77.4% (24) of the processed cases resulted in renewal of the measures;** of the rest, 5 resulted in amended legislation and 1 each in repealed and replaced legislation.

We remain concerned that the most significant measures from the last parliament (for example those relating to pensions) are not among those for which PIR is required, and that we have not so far seen PIRs for most of these significant measures. High-quality post-implementation monitoring and evaluation is vital to ensure that regulation adapts to changing circumstances, attains its objectives and does not contribute to burdens by outliving its usefulness. Good PIRs can also make a valuable contribution to improving policy making processes.

## **2.4 Transparency**

We strive to make continuous improvements in the transparency of our work as well as the system in which we operate, resulting in a common understanding of our role, across all stakeholders.

In keeping with our desire to maintain a high standard of transparency, we have published as many opinions as possible<sup>8</sup>, as well as a report collating information on the measures that came in force May 2016 – December 2016. We publish similar reports every six months, alongside an annual list of verified measures that contribute towards the business impact target.

To meet our transparency objectives, we have:

- increased media awareness of our role, as a result of highlighting the publication of our opinions; and
- encouraged greater use of our work by parliamentarians.

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<sup>8</sup> These are published when the relevant impact assessment has been published.

## **2.5 Engaging with stakeholders and European counterparts**

We are committed to engaging with a broad range of external stakeholders to ensure they develop an understanding of our role and to ensure that we take their views into account.

Through the reporting year we have continued to hold regular productive meetings with major organisations representing business (including the Confederation of British Industry, the Institute of Directors, the Federation of Small Businesses, Engineers Employers Federation and the British Chambers of Commerce) and civil society organisations (e.g. the Trades Union Congress and Which?). Since the inclusion of regulators within the business impact target the RPC has increasingly engaged in dialogue with them (e.g. the Financial Conduct Authority and the Competition and Markets Authority), to hear first-hand their experiences of being brought into the scope of the business impact target. Representing the RPC, members have individually maintained contacts with specific business sectors through regular engagements with Regulatory Delivery Panel meetings and the Whitehall and Industry Group (WIG). We have also improved engagement with standards and accreditation bodies, for example the British Standards Institute and the United Kingdom Accreditation Service to deepen our understanding of alternatives to regulation and to assist us in testing departments' consideration of such options.

We value the strong level of support we receive from stakeholders, particularly from the business groups and the TUC, and commend it to ministers.

We continue to exchange information and share best practice with a wide range of international partners, including Israel, Norway, Portugal, South Korea, and Slovenia, all of which we have worked directly with this year. We welcome especially our interactions with like-minded colleagues in RegWatchEurope, and are delighted that RWE has recently supported an independent study, carried out by Andrea Renda of the Centre for European

Policy Studies, "Introducing EU Reduction Targets on Regulatory Costs: A Feasibility Study"<sup>9</sup>. The study concludes that:

- there is no need for extensive data collection before the target is set and target-setting can improve data collection;
- an overall target is more effective than sector specific targets; and
- an overall reduction target for administrative burdens and compliance costs across the EU is achievable.

It also proposes a set of concrete steps towards setting an overall target in the medium term.

Our continued engagement with a wide range of stakeholders is welcome. This is demonstrated in continued public support for our work, and positive reaction to our reports as well as a high level of attendance at our events.

As the regulatory framework continues to evolve and develop, the role of independent scrutiny becomes even more important for stakeholders, enhancing the credibility of the Government's regulatory framework because its evidence and analysis have been independently verified. This is especially the case in a rapidly-changing context, and as the UK leaves the EU and takes more direct control of its own regulatory activity.

Continued dialogue with stakeholders, both internal and external, ensures that the RPC continues to raise awareness of its role and responsibilities, increasing the understanding of the systems and the role the RPC plays in Government's regulatory reform agenda. Links with our stakeholders will need to be maintained and strengthened, particularly as the UK leaves the EU.

## **2.6 Conclusions**

During the 2016-17 reporting year, we have:

- delivered against our statutory commitments to verify the Government's assessments against the business impact target of qualifying regulatory provisions from both departments and regulators, and our

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<sup>9</sup> <https://www.ceps.eu/publications/introducing-eu-reduction-targets-regulatory-costs-feasibility-study>

- administrative commitment to verify individual non-qualifying measures from departments and lists of non-qualifying measures from regulators;
- improved our performance times for scrutiny of impact assessments, including a number of high-profile assessments delivered to especially challenging timescales;
  - delivered on the commitments in our business plan for this year, with the exception of business round tables, which have been replaced by more frequent individual meetings and extended engagement with civil society stakeholders – a particular focus for us this year;
  - replaced regular guest blogs with occasional blogs from the Chairman;
  - drawn particular attention to our case histories work (which is well-regarded internationally), the launch of the initial review notice system, our development of specific guidance on proportionality for regulators, and our detailed analysis of departments' performance published in February;
  - delivered, in addition to our planned work:
    - a strong collaboration with the EC's Regulatory Scrutiny Board including sharing of best practice and a significant contribution to their highly successful conference; and
    - increased cooperation with the OECD;
  - improved the analysis presented in 81 impact assessments, adjusted Government's estimates of impacts on business by a total of 6%, and its estimates of the costs and benefits of non-qualifying regulatory provisions by 17%;
  - worked with departments to improve their assessments of overall societal impacts of regulation and of the impacts on small businesses, and seen some encouraging signs that assessments are improving;
  - engaged with stakeholders, both nationally and internationally, in support of the better regulation agenda, and in particular to ensure that independent scrutiny of the evidence underpinning political decision-making is used in our national political discourse and undertaken internationally. In this context, we are especially pleased that, this year:
    - we have extended our network of contacts in Parliament and in civil society more broadly;

- RegWatchEurope is expanding both in terms of its membership and its influence; and
- RegWatchEurope has recently commissioned an influential report on the setting of regulatory targets at the European level.

### *Next steps*

During the next year, we plan to:

- complete the reporting cycle for the 2015-17 parliament;
- continue our administrative role, providing quality assurance of the analysis underpinning ministers' and regulators' decisions;
- carry out the required scrutiny efficiently and thoroughly, if appointed as the independent verification body for this parliament;
- improve our approach to transparency, by linking our opinions more visibly to the relevant legislations; and
- continue our engagement in Europe, and our work as Chair of RegWatchEurope, and deepen our engagement with the OECD.

We have seen a worrying decline in departments' perceptions of our case-handling, and will put in place measures to reverse that decline, including:

- routine feedback to departments on the progress of their cases; and
- improved support and guidance specifically on process and on the better regulation framework rules, once the framework for the parliament is in place.

Finally, next year the RPC will aim to work closely with Government on developing the business impact target and associated framework for the new parliament; based on our work during the 2015-17 parliament we would especially recommend:

- more emphasis on the importance of wider societal impacts and scrutiny of the quality of overall appraisal, including the ability to Red rate on this basis;
- a more transparent and more proportionate system for regulatory appraisal, which has fewer exclusions but focuses on the most significant measures at an early stage – this is especially important in the context of exiting the EU;

- a more proportionate and more consistent approach to monitoring and evaluation, which focuses on the most significant measures and ensures that monitoring and evaluation is planned into the design of regulation;
- a consultative and thorough approach to establishing the metric and methodology for the next parliament, which results in a simple, clear and robust system for ensuring that regulatory choices are informed by appropriate, proportionate evidence.



### 3 Budget

	Budget 2016/17	Outturn 2016/17	Budget 2017/18
<b>Pay costs</b>	£820,600	£828,021	£824, 823
<b>Honorarium payments</b>	£118,000	£126,792	£118,000
<b>Office and travel costs</b>	£24,400	Office stationery: £ 3,208 Travel costs: £ 14,119	Office stationery: £ £3,500 Travel costs: £ 9,800
<b>Total admin costs</b>	£963,000	£935,974	£960,323
<b>Programme costs</b>	£35,000	£36,482	£45,000

The pay costs are the salaries of the civil servants in the RPC secretariat. The honorarium payments are the payments made to committee members in respect of the service they provide.

The honorarium outturn exceeded its budget for 2016-17 as a result of an additional payment made to committee members for their services in dealing with a sudden, sharp increase in workload. Some of the increased work done by the committee was carried over to 2017-18.

The programme costs refer to expenditure on specific programmes to support the work of the RPC such as improving the database and funding research projects.

## 4 Personnel and committee members

The Committee consist of eight members and is supported by a secretariat comprised of (currently) 15 staff with a mix of analytical, policy, administrative personnel and the head of the secretariat. The secretariat's allocated headcount is 15 staff in total.

### Committee members



**Michael Gibbons CBE**  
**Chairman**



**Jonathan Cave**



**Alexander Ehmann**



**Nicole Kar**



**Jeremy Mayhew**



**Martin Traynor OBE**



**Sarah Veale CBE**



**Ken Warwick**



