

Corporate reports 2016

Including:

RPC 2015-2020 Corporate Plan

2015-2016 Performance Report

2016-2017 Business Plan

CORPORATE REPORTS
MAY 2015 TO MAY 2016

Contents

Foreword from Chairman, Michael Gibbons, CBE.

1. Introduction

- 1.1. Background
- 1.2. Priorities
- 1.3. Achievements against our 2015-2016 business plan

2. Corporate plan 2015

- 2.1. History, purpose and responsibilities of the RPC
- 2.2. Vision
- 2.3. Objectives 2015 to 2020 – Incorporating our 2016 -2017 plan

3. Achievements 2015 – 2016

- 3.1. Casework
- 3.2. Setting clear standards and building capability across Whitehall
- 3.3. Better Regulation framework
- 3.4. Transparency
- 3.5. Engaging with stakeholders and European partners
- 3.6. Conclusions

4. Budget

5. Personnel

Foreword from Chairman, Michael Gibbons, CBE.



The coming into force of the Small Business, Enterprise and Employment (SBE) Act¹ in 2015 has meant our work in the 2015-2016 reporting year has been dominated by delivering our new statutory responsibilities under the SBE Act 2015.

The Act has put on a statutory basis one aspect of our existing work - that of validating the direct impacts of legislation on businesses and voluntary and community bodies. In July we were very pleased to be appointed as the independent verification body (IVB), under the Act, with Ministers asking us to: continue our long-standing role of scrutinising the evidence base for all new legislative proposals that impose a cost burden on business; checking that there is a clear evidence base for introducing new regulations; determining that alternatives to regulation have been properly considered; and, ensuring that the government assesses the impacts on small business before regulating.

In addition, this year's Enterprise Act² has also given us significant new responsibilities, including validating the impacts of the actions of independent regulators on businesses and voluntary and community bodies, as the coverage of the business impact target (BIT)³ has been expanded to include them.

Ministers agreed and announced the scope and metrics of the target, which introduced a number of exclusions, most of these as a result of the expanded scope of the target to cover independent regulators. However, there were other notable exclusions including introduction of the national living wage, which the RPC has validated as costing business over £800 million⁴ in its first year.

¹ <http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted>

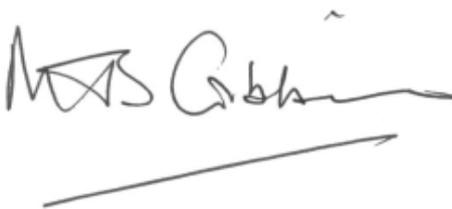
² <http://www.legislation.gov.uk/ukpga/2016/12/contents/enacted/data.htm>

³ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-03/HCWS57>

⁴ Only the annual net cost to business of the NLW (£821m) has been validated by the RPC, as the role of the RPC does not include the validation of the impacts of tax or National Insurance changes that are potential benefits

The RPC welcomes the agreement from the BIS Secretary of State, Sajid Javid, that, following the requirement on regulators to complete assessments for qualifying and non-qualifying regulatory provisions, the RPC should verify that those listed as non-qualifying are indeed so. This will provide additional transparency and credibility, as regulators become more familiar with the framework.

The RPC has continued to work to embed its independent role, while streamlining our activities to ensure we operate as efficiently as possible. We have sought to ensure that impact assessments continue to meet better regulation principles and remain fit for purpose. This report explains the changes, along with our five-year plan, and our priorities for 2016-2017.



Michael Gibbons CBE

1 Introduction

1.1 Background

During the last parliament:

- we validated the regulatory burden on business, and voluntary and community bodies, on measures within the scope of the one-in, one-out (OIOO) and one-in, two out (OITO) policy, confirming a reduction of £2.2 billion per.

This Parliament:

- the Small Business, Enterprise and Employment (SBEE) Act 2015 made it a statutory requirement for successive governments to set a business impact target (BIT), for the life of the parliament, with the new government setting a target of reducing the regulatory costs on business by an additional £10 billion;
- we have been appointed as the independent verification body (IVB) to verify performance against the target; and
- we have also been asked to continue to verify the impacts of non-qualifying regulatory provisions, including those that are not part of the target, to ensure the full regulatory picture is presented.

1.2 Priorities

During this parliament, the core element of our work remains to continue our long-standing role of:

- undertaking our statutory duty to provide independent, expert advice on the quality of analysis and evidence used by departments and regulators in their assessments of the economic impact on business from regulatory interventions;
- checking that there is a clear case for introducing new regulations;
- determining that alternatives have been properly considered;
- ensuring that departments assess rigorously the evidence of the impacts on small business and give serious consideration to exemptions and/or mitigations; and
- publishing our opinions and being fully transparent with our conclusions.

1.3 Achievements against our 2015-2016 business plan

Our achievements for the reporting year have been:

- A. Scrutinising departmental regulatory proposals in line with the revised government framework, and in line with agreed turnaround times and quality standards:**

- issued 261 opinions during 2015-2016 compared to 498 in 2014-2015:
 - this reduction is likely to have come about following the changes ministers made to the fast-track process, whereby departments now undertake their own assessment of whether a measure conforms to fast-track requirements, resulting in the RPC ceasing to scrutinise regulatory triage assessments from September 2015 onwards; and
 - the change in government contributed to a reduction in the number of cases going through the system as policy decisions slowed in the period in the run-up to an election, and, immediately after, as the new administration beds in.
- First time fit for purpose submissions received from departments fell marginally from 78% in 2014-15 to 77% in 2015-16.
 - we believe this should be considered in the context of departments getting to grips with the new framework. 77% of first time fit for purpose submissions still, however, marks a significant improvement when compared with 56% first time fit for purpose submissions achieved at the beginning of the parliament in 2010.
- In this reporting year we responded to 97% of cases subject to full scrutiny within our turnaround target of 30 days; and all fast track cases within 10 days.
- We adjusted government estimates of impacts on business by £168 million (in gross annual terms) - 8% of the total impacts on business from regulatory changes in the first year of this parliament.

B. Ensuring that the new framework meets better regulation principles, including provision of a reasonable representation of the impacts on businesses and voluntary and community bodies, giving departments an incentive to remove outdated or costly regulatory burdens, and remaining focussed on the most important measures:

- introduced further efficiencies across our own processes, for example, introducing an initial review notice (IRN) - an initial review of a red opinion. This has resulted in more rapid resolution of red-rated issues, with such cases turned around by the RPC in up to 20 working days sooner than previously.

- introduced a smarter case prioritisation system so that simple cases do not get held up by more complex ones. Early indications are that this has reduced the turnaround times for simpler cases by up to 10 days (on average).

C. Continuing to build Whitehall capability as well as that of regulators who will now be brought within the scope of the business impact target:

- continued dialogue with departments has enabled us to set clear standards and promote good practice to assist in building capability across Whitehall. We have since extended our engagement to include regulators.
- results from our quarterly survey of departments show an improvement in our overall satisfaction rating – increasing from 6.4 out of 10 in 2014-15 to 7.1 out of 10 in 2015-16.
- perceived clarity of our processes has improved from 76% in 2014-15 to 83% in 2015-16.

D. Increasing transparency of the better regulation system, including a clear account of the measures that comprise the business impact target, and timely publication of our opinions:

- published 261 opinions in this reporting year.
- achieved press commentary on several, including claims management and gender pay gap. Many have been referenced in Parliamentary debates, for example during the passage of the Trade Union and Enterprise Bills.

E. Extending our dialogue and engagement with external stakeholders, including with our counterparts across the EU:

- held regular productive meetings with external stakeholders, including the main business representative organisations, for example, the Confederation of British Industry (CBI) and the Federation of Small Businesses (FSB); voluntary and community bodies, including the Trades Union Congress (TUC) and the National Council for Voluntary Organisations; organisations including the Office for Budget Responsibility and the Office for Tax Simplification; and increasingly engaging in dialogue with independent regulators.
- improved our engagement with Parliament, including with the Regulatory Reform Select Committee, the Chairman of the Lords EU Committee.

These areas of focus build on the five-year objectives that make up our corporate plan, and will be further developed in our priorities for 2016-2017.

2. Corporate plan 2015 - 2020

2.1. History, purpose and responsibilities of the RPC

Against the backdrop of current government priorities and in light of the outcome of the comprehensive spending review, the Regulatory Policy Committee's (RPC's) corporate plan for the period 2015-2020 comprises our longer term vision and objectives over the next five years.

The RPC was established in 2009. In 2012, we became an advisory non-departmental public body sponsored by the Department for Business, Innovation and Skills. We comprise a chairman and seven independent members, supported by a secretariat of policy officials and economists who provide analytical and corporate support.

The purpose of the RPC is to provide independent, expert advice on the quality of analysis and evidence used by departments and regulators in their assessments of economic impact on business and voluntary and community bodies, from regulatory interventions. The resulting transparency of appraisal and accuracy of measurement are an essential part of the better regulation system, and provide stakeholders with confidence that the costs and benefits from regulatory change have been independently verified.

The RPC is responsible for confirming whether or not regulatory provisions qualify for inclusion in the business impact target (BIT).

The RPC is required to verify the estimate of the net cost for each provision towards achieving the government's target of reducing the burden on business by £10 billion over this parliament. The RPC has also been asked to verify the estimate of the net cost for non-qualifying provisions, those which do not contribute towards the target.

2.2 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; and
2. **to provide businesses 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 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 impact assessments on which they base their decisions.

A key part of the RPC's independence is that its work is 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 made under the business impact target.

2.3 Objectives 2015 to 2020 – incorporating our 2016 to 2017 Business plan

The RPC has identified five core objectives for this parliamentary term. Delivery of our objectives will be subject to the relevant resources being made available. Resourcing will need to be kept under review given the additional workload anticipated, especially following the inclusion of regulators within the business impact target.

Objective 2015 to 2020	Activities during 2016 to 2017
<p>1. To operate a clear, consistent, proportionate and timely system for scrutinising cases.</p> <p><i>Resulting in:</i></p> <ul style="list-style-type: none"> • First responses to 90% of proposals within 30 working days. • Successful operation of the new streamlined framework. • Departments overall satisfaction with the RPC remaining at a high level. 	<p>(i) Casework – the RPC will be:</p> <ul style="list-style-type: none"> • scrutinising all large legislative changes⁵ introduced in the second session of this parliament, including checking the evidence supporting regulatory proposals and that the impacts on small and micro businesses have been considered. • verifying regulatory proposals, both qualifying and non-qualifying, for legislative and regulatory changes with a cost to business. • scrutinising post-implementation reviews submitted by Departments on appropriate measures that have been in force for five years. <p>(ii) Streamlining – the RPC will be:</p> <ul style="list-style-type: none"> • making recommendations to ministers, as appropriate, on areas for streamlining of the system. • reviewing our own internal processes to identify areas for streamlining or simplification, taking account of quarterly survey feedback. • introducing and embedding the initial review notice system and continuing to monitor its effectiveness.

⁵ Measures with a gross cost of greater than £1 million in any given year

Objective 2015 to 2020**Activities during 2016 to 2017**

2. To contribute to the development of a stronger culture of continuous improvement, to enhance the capability and quality of evidence and analysis, across Whitehall and Regulators.*Resulting in:*

- Departments and regulators have a clear understanding of RPC application of the methodology.
- Departments and regulators demonstrate a common understanding with the RPC and offer positive feedback.
- The quality of regulatory impact assessments improves.
- RPC demonstrating it has responded to feedback from the quarterly surveys of departments and regulators.

(i) Departments – the RPC will be:

- publishing, by summer 2016, the second version of case histories⁶ targeted at departments, regularly updating and enhancing this publication as issues arise.
- undertaking six monthly reviews of departmental performance with the aim of identifying areas for improvement.
- providing regular updates and workshops (as appropriate), for departments and regulators on complex aspects of methodology.
- focusing specialised Whitehall capability work towards the lowest performing departments.

(ii) Regulators – the RPC will be:

- publishing guidance, by spring 2016, on RPC processes for regulators.
- publishing, by Autumn 2016, a chapter of case histories specifically targeted at regulators.
- publishing an updated statement of what departments and regulators can expect when working with us.
- extending our quarterly survey to independent regulators.
- continuing senior level engagement between selected regulators and the Committee chair and members, and between selected regulators and members of the secretariat.

⁶ An extended analytical guidance document covering methodological issues

Objective 2015 to 2020

Activities during 2016 to 2017

3. As the independent verification body, provide a transparent, published list of all regulatory provisions.

Resulting in:

- Fulfilling our statutory duty to validate all the measures included in the annual business impact target report.
- Providing insight into, and improving understanding of, the regulatory landscape.

4. Continued dialogue with a wide range of stakeholders.

Resulting in:

- Their developing a greater understanding of and confidence in, the regulatory system and the role the RPC plays in it.

The RPC will be:

- providing a transparent and public description of our scrutiny work, including large regulatory measures introduced this parliament.
- measuring and reporting differences made to estimates of the impact of regulatory change on business.
- collecting quality data and information on proposals scrutinised and drawing analysis from this to feed into the publication of regular (six monthly) “regulatory insight” reports. These will include commentary on wider themes that emerge from our scrutiny, such as impacts on small and micro businesses.
- regularly publishing our opinions – on a quarterly basis for final stage opinions, and monthly for consultation stage opinions - where the associated regulatory impact assessments or legislation have already been published. We will actively share published opinions with our stakeholders.

The RPC will be:

- holding one or two roundtables with businesses and voluntary and community bodies, to coincide with publication of our regulatory overview reports, so that we can share information and discuss the regulatory landscape.
- raising our profile with interested parliamentarians as well as Select Committees – Regulatory Reform; Lords EU Committee; BIS Select Committee.

Objective 2015 to 2020	Activities during 2016 to 2017
<ul style="list-style-type: none"> Increased supporting public commentary about our work, from stakeholders. Increased coverage in debates, press and wider public commentary of reference to, and use of, our published opinions. 	<ul style="list-style-type: none"> achieving guest blogs (one per quarter) hosted by stakeholders on our work. delivering op-eds on our work, in particular focusing on evidence based policy making. increasing our twitter activity with a view to building our following and raising awareness of our work.
<p>5. Discuss with other independent bodies, how to encourage better regulatory impact assessments, scrutiny and evidence based regulation at EU level, through the sharing of knowledge and best practice.</p> <p><i>Resulting in:</i></p> <ul style="list-style-type: none"> Greater collaboration between RWE and the Regulatory Scrutiny Board. Increased membership of RWE. 	<ul style="list-style-type: none"> developing a renewed mission statement and ways of working for the RegWatch Europe (RWE) Network, including through six-monthly board meetings. encouraging other Member States to appoint independent scrutiny bodies. embedding Norway and Finland as members of the RegWatch Europe network. engaging annually with Frans Timmermans, First Vice-President of the European Commission, and with the Regulatory Scrutiny Board (RSB)⁷; undertaking information exchange and best practice sharing visits with RegWatch members.

⁷ ec.europa.eu/smart-regulation/impact/iab/members_en.htm

3. Achievements 2015 - 2016

3.1 Casework

What does the RPC scrutinise?

The RPC reviews

- Regulatory Impact Assessments (RIAs): a full description of the impacts of the regulation on society. These are submitted to the RPC at: consultation stage and final stage (subject to full scrutiny within 30 days).
- EANDCB validation: an impact assessment with a focus on the regulation's cost to business. This is measured by the equivalent annual net direct cost to business (EANDCB), which is validated by the RPC (subject to full scrutiny within 30 days).
- Regulatory Triage Assessment⁸ (RTAs): a statement that provides evidence that a regulation will have low costs to business or will be deregulatory; thus qualifying for the fast track (subject to fast track scrutiny within 10 days).
- Non-Qualifying Regulatory Provision (NQRP): confirmation – a statement that shows that the regulation does not qualify for the business impact target and is low cost (subject to full scrutiny within 30 days).
- Post-Implementation Review (PIR): a statement that reviews domestic regulations implemented (subject to full scrutiny within 30 days).

(i) High-profile cases falling in the 2015-2016 period⁹.

The two largest regulatory changes for business and voluntary and community bodies that the RPC has scrutinised in the reporting period, relate to the regulation of the labour market and both are non-qualifying for the business impact target. They are, the introduction of the first stage of the national living wage (NLW), a non-qualifying regulatory provision with a first year direct cost of business of £821 million, mostly in the form of higher wage costs; and the £665 million annual cost imposed by the uprating of the national minimum wage in 2015. The NLW is excluded from the business impact target, as a specific exclusion applied this parliament.

⁸ Following a decision by Ministers, which meant Departments made their own assessment on whether a measure qualified for the fast-track system or not, the RPC no longer reviews RTAs. This took effect from September 2015 onwards. However, the RPC does still verify figures at final stage.

⁹ <https://www.gov.uk/government/publications/cost-and-benefits-of-regulatory-proposals-may-2015-to-february-2016>

For changes that directly benefit business, the most significant measures scrutinised by the RPC include: the plastic carrier bags 5p charge (£203 million each year), and speeding up cheque payments (£100 million each year). Both of these changes were legislative changes from the last parliament but which will come into force during this parliament. While the change to cheque payments is deregulatory, the plastic bags charge is new regulation that results in a direct benefit to business. Businesses will benefit through additional revenue from consumers and reducing costs associated with carrier bags. We note that businesses are expected to pass the additional revenue to charities, and therefore, in practice, a large part of the validated benefits will accrue to charities.

Two of the more significant domestic regulatory measures impose moderately large costs on business, and are qualifying regulatory provisions. Both involve banning sales or advertising of harmful substances – £48 million each year from requiring standardised tobacco packaging, and £26 million each year from banning the sale of psychoactive substances. The government legislated for standardised tobacco packaging in the previous parliament, although the regulations did not come into force until May 2016.

(ii) Casework statistics

- We issued 261 opinions during the 2015-2016 period, relating to the scrutiny of 167 distinct regulatory proposals. This compares with 498 in 2014-2015.
- The RPC commits to replying to at least 90% of submissions within the first 30 working days for cases that require full scrutiny and within the first 10 days for fast track cases.
- The RPC achieved these targets in 2015-2016, with 97% of cases receiving responses on time.

	2015-16 financial year	2014-15 financial year
No. of submissions	261	498
Average time for RPC scrutiny* (days)	20.4	21.9
% on time	96.7%	91.1%

*Excludes cases that were not subject to full scrutiny

iii) Measuring our effect on the accuracy of department's estimate.

One important aspect of the RPCs final stage scrutiny of regulatory impact assessments (RIAs) is to ensure the accuracy of the estimated impact on business. The government's measure of this is the equivalent annual net direct cost to business (EANDCB)¹⁰.

In the reporting year, the RPC scrutinised 149 final stage cases. Departments initially estimated the impacts on business of these measures as £1,905 million covering the impacts of policies that benefitted business and of those that were costly to business. RPC scrutiny increased the accuracy of these estimates by £168 million in gross terms (i.e. it is the total absolute difference we have made as a percentage of the total absolute EANDCB initially submitted to us), or 8% of the initial estimates.

The majority of this adjustment comes from increasing the estimated cost to business in cases that are already costly to business. For example, approximately £105 million of the changes made to the estimate by the RPC result from our scrutiny of the national minimum wage and a measure on the ban on assignments of invoice contract clauses.

3.2 Setting clear standards and building capability across Whitehall

(i) Impact Assessments - fit for purpose

In terms of 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 2015-2016, 77% received an initial fit for purpose rating. This compares with 78% in 2014-2015. We believe this should be seen in the context of departments getting to grips with the new framework. 77% of first time fit for purpose submissions still, however, marks a significant improvement when compared with 56% first time fit for purpose submissions achieved at the beginning of the parliament in 2010.

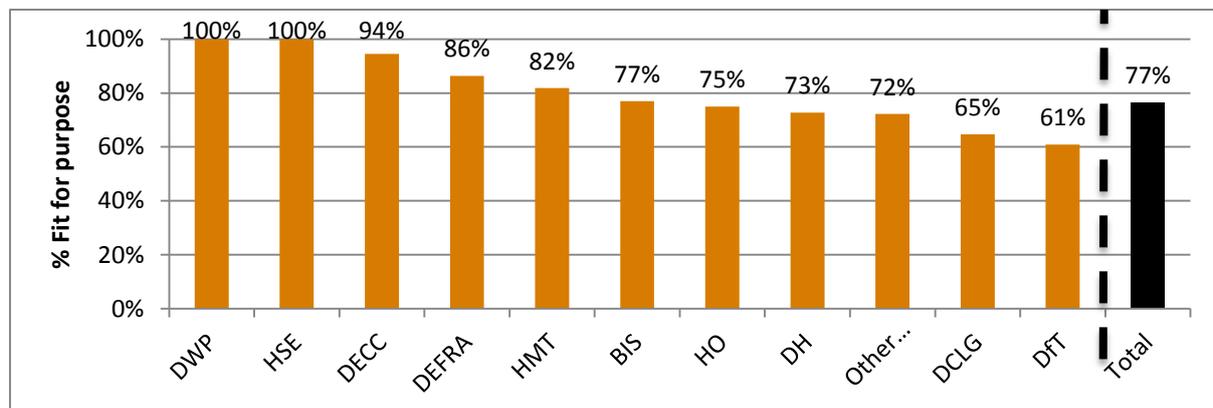
Overall, the departmental rankings are not hugely different from those in previous years, however, there have been some large changes in the

¹⁰ Equivalent Annual Net Direct Cost to Business

performance of individual Departments. For example, HSE and DEFRA remain at the top end of the rankings.

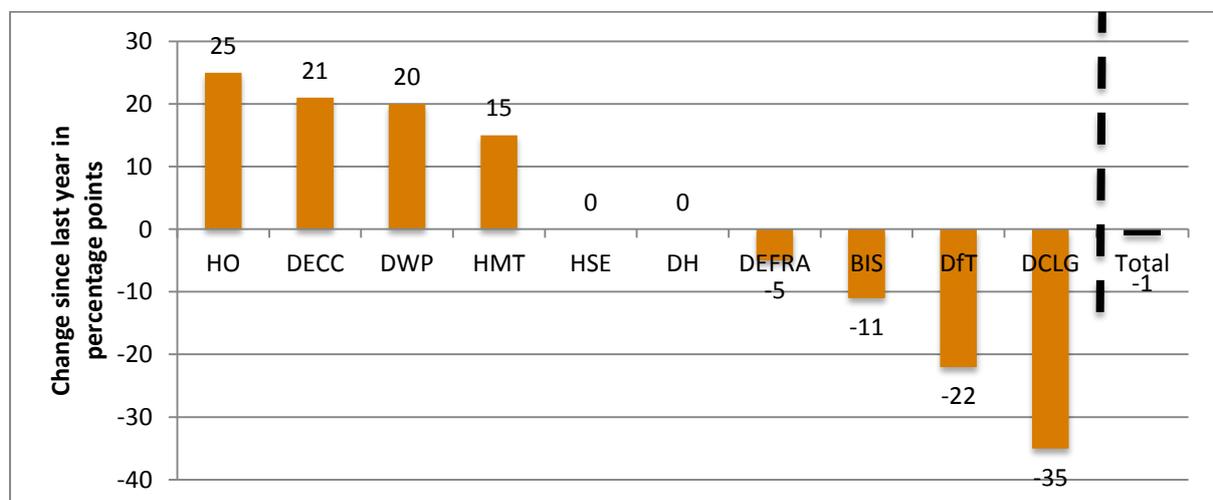
There has been an encouraging improvement from some departments, including DECC and HO, who have increased their engagement with the process and the relative ranking is much improved. DfT and DCLG's performance has declined from previous years, and this will be something we will work with them on, with a view to addressing in future. The case remains that those departments who have least engagement with the framework and process, for example Cabinet Office, FCO and the MoD, are among the weaker performers and tend to have lower relative markings.

Percentage of each Department's measures that were fit for purpose, as initially submitted



**combines results from all departments with no more than 5 submissions each this year.*

Change in percentage points of each Department's measures that were fit for purpose, as initially submitted, since 2014



(ii) Departmental feedback

We conduct a quarterly survey of departments who have submitted cases.¹¹

The summary table below shows the aggregated response to these surveys in 2015-2016 as compared with 2014-2015.

Period		Number of Responses	Satisfaction	Clarity of Opinion	Clarity of Process	Methodology
2014 2015	-	154	6.4	87%	75%	83%
2015 2016	-	133	7.1	77%	83%	85%

- The overall rating of the RPC by survey respondents has improved this reporting year with an overall rating of 7.1 out of 10 in 2015-2016, compared to 6.4 out of 10 in 2014-2015.
- Agreement with the RPCs interpretation of methodology has remained similar to last year.
- Clarity of process has improved from 76% last year to 83% this year. The continued improvement in this area is likely to reflect the work that the RPC has undertaken in terms of simplifying our processes and ensuring that accurate information is available on our portal.
- One area where we have seen a slight reduction in our performance is that of clarity of opinions.
- We continue to strive to make improvements to all our processes, including that of the clarity of our opinions, and hope to see this score increase to at least the 2014-15 level.

(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 delivering of improved capability we have promoted and achieved widespread use by departments of the Whitehall web portal, a one-stop shop for departmental better regulation units, policy teams and regulators to refer to. 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 the case histories

¹¹The survey was introduced in the beginning of the last financial year (Q2/2014).

document. We continue to enhance our case histories document with new cases as they develop, to act as a reference point for departments who are dealing with complicated methodological issues or unusual cases and where an earlier precedent might have been set.

3.3 Better Regulation Framework

(i) Advice on the new framework and methodology

While we do not comment on policy, we work with our sponsor Department – Business, Innovation and Skills (BIS), and in particular the Better Regulation Executive (BRE), in commenting on the underlying process for the operation of the new framework. Our close engagement with the framework allows us to comment on what is working well, and we continue to work with the BRE on the implementation of the framework, offering observations to Ministers, and making suggestions for improvement.

For example, the RPC has published its analytical advice¹² to ministers on deregulation and the implementation of the SBEE Act 2015¹³. In that paper we recommended the widening of the scope of the business impact target given nearly half of the approximate 1,000 laws enacted during the previous parliament were outside the scope of the government’s one-in, one/two-out rules. We also observed that departments did not always consider regulation as a last resort, only properly assessing non-regulatory options in a handful of cases, as well as not assessing any impacts of regulation to society as a whole in a significant number of cases.

We believe there continues to be a need for the RPC to present a transparent and accurate record of the impacts on business of government’s regulatory measures – whether or not they count towards the business impact target. This is crucial in ensuring stakeholders can reach a considered assessment of the deregulatory achievements of the government. We therefore welcome the government’s continuing commitment that the RPC validates all qualifying, as well as all significant non-qualifying, regulatory provisions, including, for example measures implementing EU and international obligations. This will provide additional transparency and credibility, as regulators become more familiar with the framework. We shall regularly publish our opinions as well as any wider commentary on our scrutiny findings, on a regular basis.

¹² <https://www.gov.uk/government/publications/costs-and-benefits-of-new-regulation-regulatory-policy-committee-opinions-since-may-2015/costs-and-benefits-of-new-regulation>

¹³ <http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted>

(ii) Streamlining the framework

At the same time as encouraging changes to the system to improve transparency, we have also sought to enhance efficiency to our own systems and processes. We have introduced an initial review notice (IRN), a process whereby Departments receive the RPCs 'initial review' of their regulatory impact assessment (RIA) at an early state of scrutiny, where issues have been identified with the analysis.

Initial review notices

The IRN process was first piloted in May 2015, and following positive feedback from departments, was made a substantive part of our process in April 2016. Prior to the introduction of the IRN, where issues in a RIA were identified, the RPC would issue a red opinion within 30 working days. The receiving policy team would then need to amend and resubmit their RIA to the RPC, effectively re-starting the process and the 30 working day deadline. As a result, any concerns could lead to a RIA remaining with the RPC for up to 60 days in total, potentially causing significant delays to the policy.

Now, once the IRN is issued to the department, the RPC scrutiny clock is paused until the department submits a revised RIA. In re-submitting a RIA following receipt of an IRN, the RPC then produces a full opinion within the remainder of its deadline, which increases (from 30) to 45 days where an IRN has been issued.

The time taken to receive an initial opinion (or review) and a subsequent opinion, after issues have been raised, has come down from:

- A maximum of 60 days to a maximum of 45 days
- An average of 43 days to an average of 25 days

We will continue to keep the IRN process under review, in particular the impact on turnaround times, as well as seeking departments' feedback on how the IRN process works for them.

Following a ministerial decision that departments should make their own assessment of eligibility for the fast-track, the RPC no longer requires regulatory triage assessment's (RTAs) - these set out the rationale for deciding whether a measure is eligible for the fast track, to be submitted to the RPC.

Removing the need to prepare an RTA saves time for departments by reducing the waiting time for confirmation from the RPC. The RPC does, however, retain a role in verifying the figures at final stage. We are monitoring the impact of this change and have already observed that in some cases the lack of a Small and Micro Business Assessment, which is not required for fast track measures, is questionable, and we continue to monitor this and will comment on the outcome in due course.

3.4 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 261 opinions, as well as a report collating information on the measures scrutinised to date that have, or are expected to, come into force during this parliament¹⁴. We expect to publish similar reports every 6 months, alongside our annual public list of verified measures that contribute towards the business impact target.

In achieving our priority around transparency, we have:

- published 261 opinions at quarterly intervals (Dec 2015; March 2016); Consultation stage (Feb 2016),
- published all opinions from the last parliament to coincide with publication of our update report (March 2016),
- increased media awareness of our role, as a result of highlighting the publication of our opinions and attracting good coverage of a number of these including gender pay gap and claims management; and
- attracted wider public commentary of our work by Parliamentarians, for example during the TU Bill¹⁵ and Enterprise Bill¹⁶ debates.

¹⁴ <https://www.gov.uk/government/publications/cost-and-benefits-of-regulatory-proposals-may-2015-to-february-2016>

¹⁵ <https://www.gov.uk/government/publications/trade-union-bill-impact-assessment>

¹⁶ <http://www.legislation.gov.uk/ukpga/2016/12/contents/enacted/data.htm>

3.5 Engaging with stakeholders and European counterparts

We pride ourselves on our engagement with European counterparts and a broad range of external stakeholders, to ensure they develop an understanding of our role.

We continue to hold regular productive meetings, including with the main business representative organisations, for example the Confederation of British Industry (CBI) and the Federation of Small Businesses (FSB); from across the voluntary and community bodies including the Trades Union Congress (TUC) and increasingly engaging in dialogue with Regulators and the UK Regulators Network who are being brought into the scope of the business impact target. We have also improved engagement with Parliament, for example the Regulatory Reform Select Committee and the Chair of the Lords EU Committee.

We have taken an active and leading role within the RegWatchEurope Network, working closely with our like-minded, independent sister organisations from across Europe to influence EU better regulation efforts. RegWatchEurope has met with First Vice President of the EU Commission, Frans Timmermans, to discuss EU better regulation, and seeks to engage with him on an annual basis.

In support of information exchange and the sharing of best practice, we have hosted exchange visits this year with the German and Dutch RegWatch Europe members, the Nationaler Normenkontrollrat and Actal respectively. We welcome the recent announcements from Finland and Norway on the establishment of their independent Councils to review regulatory impact assessments for their respective governments' proposals.

We have actively engaged with the OECD, giving presentations on the work of the RPC as well as attending their conferences in the capacity as economic experts. The UK's wider impact on stakeholder engagement; impact assessment; and ex post evaluation in respect of regulation, were reviewed in the OECD's first "Regulatory Policy Outlook" report¹⁷, published on 28 October 2015. This report ranked the UK as only one of four countries to achieve above average ratings across all the three categories. We hope the RPC can continue to support the UK ranking in future years.

¹⁷ <http://www.oecd.org/regreform/regulatoryreforminoecdcountriesreportsbysubject.htm>

3.6 Conclusions

- The RPC continues to provide high quality analysis and improve the accuracy of the Governments' regulatory account. This year the RPC has improved the accuracy of Department's estimates of the impact of their proposed policies on business by 9%.
- The RPC welcomes the agreement from the BIS Secretary of State, Sajid Javid, that, following the requirement on regulators to complete assessments for qualifying and non-qualifying regulatory provisions, the RPC should verify that those listed as non-qualifying are indeed so. This should provide additional transparency and credibility.
- Given that one of the largest costs on business validated by us so far is that of the national living wage - a £821 million direct cost to business in the first year, is a non-qualifying regulatory provision and thus will not score against the business impact target, it is all the more important for the RPC to play a role in ensuring all significant costs to business, whether qualifying or not, are transparent. The RPC notes that this measure was a specific exclusion from the business impact target.
- Measures outside the scope of the business impact target in general impose net costs on business. None of the measures so far confirmed (in the reporting period covered in this report), as non-qualifying regulatory provisions have been validated as having a direct net benefit to business.
- The effect of the changes to the framework will only become clear over the coming year, and in order for the RPC to carry out its work professionally, we will need to remain sufficiently resourced.

4. Budget

The increase in the workload caused by bringing activities of regulators into scope of the business impact target, along with work on post implementation reviews will, to some extent, have to be offset by reductions in other areas for the RPC to be able to deliver on its budget.

	Budget 2015/16	Outturn 2015/16	Budget 2016/17
Pay costs	£845,000	£840,189	£820,600
Honorarium payments	£118,000	£118,000	£118,000
Office and travel costs	£14,728	£13,166	£24,400
Total admin costs	£977,928	£971,355	£963,000
Programme costs	£35,000	£14,000	£35,000

5. Personnel

The Committee consists of eight members and is supported by a secretariat comprised of (currently) 13 staff: six analytical staff, five policy leads, an administrator and the head of the secretariat. Our 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