

Extension of the business impact target to regulators

Department for Business, Innovation and Skills

RPC rating: validated

Description of proposal

The Small Business, Enterprise and Employment Act 2015 (SBEE Act) requires government to measure and report on the economic impacts on business of legislation. These impacts will be used to measure the success of government in achieving the business impact target (BIT). The proposal identifies the statutory and non-statutory regulators to be covered by the assessment and reporting requirements.

Regulators will be required to have monetised costs and benefits to business verified by the RPC for regulatory actions that are defined as ‘qualifying regulatory provisions’ for the purposes of the SBEE Act. They will also be required to produce and publish a summary of all ‘non-qualifying regulatory provisions’, which are regulatory activities exempt from scoring towards the BIT.

Impacts of proposal

The proposal will bring 54 statutory regulators, in addition to the 15 non-statutory regulators, within scope of the BIT requirements. The figures in the IA cover the expected number of assessments to be completed by all 69 regulators. The use of the counterfactual of the BIT regime not applying to any regulators is discussed further below.

Ongoing costs

The Department sought views from all regulators on the expected volume of assessments. Based on 33 responses to a questionnaire sent to all regulators, the Department uses a computed an average to account for the different response rates by different size regulators (weighted by size of each regulator’s workforce) of 6.5 assessments each year that regulators will submit to have their impacts verified for the business impact target. Based on the quality of impact assessments submitted to the RPC by government departments during the previous Parliament the Department estimates that around 50% of submissions will not be sufficiently robust as first submitted. Including initial submissions and resubmissions, the Department concludes that around 674 assessments will be prepared and submitted by all

regulators each year. Each submission is estimated to take an average of five days of analytic staff time to complete, costing on average £330 per day (based on regulators' responses regarding the type of analyst involved and including non-wage labour uplift). On this basis, developing assessments for qualifying regulatory provisions is expected to cost regulators in aggregate around £1.1 million each year. This figure is expected to be slightly higher in the first year on the grounds that one regulator reported that they expect the first year (covering the retrospective application to 2015/16) to involve an atypically high volume of work. The Department also assumes that, over the course of the appraisal period, the quality of submissions would match that of departments with the proportion requiring resubmission falling to around 20% by the fourth year.

Producing the summary list of non-qualifying regulatory provisions is expected to take an average of ten days staff time per regulator. This is based on discussions with regulators when developing the reporting requirements. Using the same daily wage rate, this would give an annual cost of just over £0.2 million each year.

One-off costs (familiarisation and training)

When responding to the survey, regulators reported that they expect to spend between eight and 68 days in total for familiarisation and training. The weighted average is around 22 days. Using the same daily wage rate, this entails a one-off cost of £0.5 million.

Costs to business

The estimates above describe the cost to regulators. Previous IAs, for example in relation to the appointment of small business appeals champions, found that around 50% of the total cost of regulators' activities could potentially be recovered from business with the balance met by government. The Department therefore expects 50% of the above figures to fall on business. For business-funded regulators, this is appropriate as they will either recoup costs through fee increases, or will no longer be able to pass on the opportunity cost savings of efficiencies made elsewhere. The aggregate annual cost of the proposal is expected to be just under £2 million in the first year (including familiarisation), falling linearly to around £1 million by the fourth year and afterwards. Half of this is considered to be a cost to business.

The RPC verifies the estimated equivalent annual net cost to business (EANCB) of £0.6 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The IA includes sufficient information to enable the verification of the expected cost to business of extending the requirements of the BIT to regulators. The Department has responded to the comments in the fit for purpose rated opinion for the primary legislation IA. In particular, the IA now provides information on how regulators have been consulted to estimate the volume of submissions and publication of the Government's definitions of exclusions from qualifying regulatory provisions addresses RPC concerns relating to the types of activities in scope. The IA also includes further information in relation to the implementation of the requirements. In particular, the IA comments on how the process is designed to preserve regulators' independence and acknowledges the potential for a net increase in burdens placed on the independent verification body (the RPC).

The IA refers to 50% of the costs to regulators being recovered from business. This is based on previous assessments and surveys of regulators about the proportion of activity that could be subject to cost recovery. The Department should consider whether it is possible to map where cost recovery is expected to occur against those regulators estimated volumes of assessments. This would help provide a more robust indication of the likely distribution of costs across regulators. However, on the basis of the available information it would appear that the potential effect of the EANDCB is unlikely to be material.

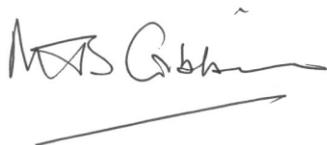
The title of the IA currently refers to extending the BIT to statutory regulators. However, the analysis covers the extension of the BIT to all regulators, including the non-statutory regulators. The cost of extending the BIT to non-statutory regulators arises from powers in the SBEE Act that were themselves not scored for the purposes of the BIT. Including those costs in this IA provides a more accurate assessment of the overall proposal to extend the BIT to regulators and would avoid a potential gap in the BIT account. As such, the Department may want to consider amending the title of the IA to reflect the assessment uses the correct counterfactual of the BIT not applying to any regulators.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANCB)	£0.6 million
Business net present value	-£5.4 million
Societal net present value	-£10.7 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANCB – RPC validated ¹	£0.6 million
Business Impact Target (BIT) Score ¹	£3.0 million
Small and micro business assessment	Not required (fast track low-cost regulation)



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.