

Attendees

Chairman

Michael Gibbons

Committee Members

Jonathan Cave

Alex Ehmann

Jeremy Mayhew

Martin Traynor

Sarah Veale

Ken Warwick

Nicole Kar (Via Teleconference)

RPC Secretariat

Head of Secretariat (HoS)

Deputy Head of Secretariat (DHoS)

Better Regulation Executive (BRE) officials

Departing Director of BRE

Acting Director of BRE

HR official

Comms Advisor

1. Matters arising

Minutes of February Committee meeting

1. Minutes of the February meeting were agreed.

Matters arising

2. Declarations of conflicts of interests - The Chairman informed the committee that he had resigned from the Sargas Power Yorkshire Ltd Board and therefore as a consequence set in motion his resignation as Chairman of the Carbon Capture Storage Association Board. No other members declared any new changes to conflicts of interest.

Draft Quarterly ministerial Letter

3. The Quarterly Ministerial Letter to the Deregulation Minister at Annex 2 was circulated to the committee for information and comments. The letter is the quarterly report to the Minister as agreed with him when the Chairman met the Minister in January. The committee were broadly content with the letter. A few suggestions were made that it should strengthen the points on SAMBAs, and that comparisons between regulators and Departments should not be made.

Methodology Sub Group

4. The committee discussed the role and terms of reference of the Methodology Sub Group. All committee members were entitled to attend the MSG, but not all attended. It was agreed that the Sub Group's decisions are reported to the main committee and usually endorsed without further discussion. The committee were asked to consider the draft modus operandi or "terms of reference" at Annex 1 of the paper. A revised modus operandi/TOR would be circulated to the committee once further comments from the committee have been received on 31 March.
5. The committee considered a note which had been submitted to the Methodology Sub-group (MSG) on future proofing regulations. These cases involved measures that were introduced on the basis that a market or activity will develop in the future. Secretariat was asked to incorporate the sub-group's comments in a revised version of the note, and check with BRE how non-monetised EANDCBs are presented in the BIT report. The Committee were concerned at the possible link between this issue and the proposed changes to the Framework, noting that an

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increase in this type of regulation, where quantitative appraisal is more difficult, could result in significant measures being assessed as low impact. They argued that it should be for Departments to show that measures were clearly low-impact and not just unquantified, if they were not to submit them for early-stage scrutiny.

6. A Ministry of Justice case on the appropriate discount rate for use in calculating insurance settlements where victims had been compensated for life-changing accidents had been considered by the MSG Secretariat to continue to engage on 'discount rate 2', which is a consultation on a new way of deciding on the personal injury discount rate, in particular on any elements that may be regulatory provisions.

Outgoing Director of the BRE

7. The departing director of BRE bade farewell to the committee saying that the committee had come a long way since it was established back in 2011. There was still concern about dips in Departmental performance although things have vastly improved. The committee had done a good job on standing firm on substance and maintaining its independence and integrity, but being flexible and pragmatic to allow the process to work effectively. The Chairman thanked the departing director stating that it was through his approach to the committee and in recognising its independence that he gave the committee credibility. He hoped the replacement director would have similar qualities and thanked him for all the service and support he had provided the RPC during his tenure. This was endorsed unanimously by the committee and Secretariat.

Acting Director of BRE

8. The Acting Director of BRE introduced himself to the committee. He described his remit as being to oversee BRE's deregulation/better regulation role whilst ensuring the delivery of an economy that works for all and supporting the growth agenda. He said he was keen to hear the views and priorities of the committee and how he could work with and support the committee in its work. The committee:
 - Expressed concern that the approach to improving the efficiency of regulatory scrutiny was being managed around the resourcing needs of Whitehall rather than the policy agenda of better regulation.
 - Expressed the need to invigorate relationship with stakeholders to ensure that their views were considered.
 - Departments saw the RPC as validating the numbers. The committee would prefer if it were to be seen as improving policy making in Whitehall.
 - Suggested that the focus on business impacts alone was too narrow. One committee member said that in economic terms the challenge of regulations could be seen as a constrained optimisation problem where the objective was to maximise NPV to society subject to a constraint on business cost. Both measures are relevant, but needed to be clear which was the objective and which the constraint. Business cost was being measured using EANDCB. NPV should ideally be measured as widely as possible, including costs and benefits to society as a whole and including "non-economic" costs and benefits as much as possible.
 - For all the weaknesses that exist in the system it was agreed that the system does have a clear focus and works. In making any efficiency-related changes to the system, it should not be diluted, but should be holistic and maintain its credibility.
9. The Acting Director thanked the committee for their contributions saying that he would take into consideration the issues raised.

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2. Replacement BRE Director

10. The Head of BEIS resourcing presented his paper on the recruitment campaign for a replacement BRE director which set out details of the sift panel and the timings of the process. In recognition of the close interdependencies between the RPC and the BRE, the Committee was invited to advise on any attributes the selection panel should consider at both the sift and interview stages in order to identify the best candidate for the role.
11. The committee commented on the attributes they would like the replacement to have:
 - Strong leadership skills (both internally and external facing).
 - Believer in independent scrutiny.
 - Committed to better regulation.
 - Build positive relationship.
 - Good understanding of the role of the RPC and recognition of its independence.
 - Strong analytical capabilities.
 - Understand and lead change management.
 - Credible relationship with stakeholders.
 - Private sector knowledge and experience would be desirable.
 - Good understanding of Whitehall and the way government operates.
 - Open mindedness.
 - Entrepreneurial approach.
12. The agenda item was concluded by the Head of BEIS resourcing saying that he would take these comments back to the sift panel for their consideration and would keep the committee informed of developments.

3. Quarterly Performance Update

13. The Secretariat presented the quarterly RPC performance update. The key messages were:
 - RPC had issued all opinions on time in the fourth quarter of 2016.
 - Departments' overall satisfaction with RPC had fallen slightly compared with the previous quarter (from 7.5 to 6.8 out of 10).
 - Clarity of opinions had fallen significantly from the previous quarter from 91% to 77%
 - The clarity of RPC process fell from 91% to 83%.
 - Agreement with RPC's methodology decisions increased by 8 percentage points from 85% in the previous quarter to 93%
 - The total of revisions the RPC had made in validating the BIT was £116 million of which £74 million were revisions upwards and £42 million were revisions downwards.
 - The main NQRP was Teaching Excellence Frameworks, which had a benefit of over £1 billion
 - It was noted that the worst performing departments had improved whilst the best performing departments had declined slightly or remained steady.
14. The session concluded with the committee asking whether anything can be done to improve the performance of the departments such as moving analysts around. The HoS said that we would get better departments to mentor the ones that were not doing so well. Also, in her view the

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problems related less to individual analysts (who move around fairly frequently in any case) and more to the Departmental cultures in which they were embedded.

4. Centre for European Policy Studies (CEPS) Feasibility Study on European Burden Reduction targets

15. The Committee member who had attended the CEPS conference presented an early draft of study on European Burden reduction targets (Annex 5). Actal had commissioned a study examining the feasibility of setting a burden reduction target at the EU level and setting out options for the form and implementation of such a target. The study was discussed by RWE members at the CEPS conference and the key messages were:

- The range of options should be more ambitious – looking at what was possible compared to what was currently being done.
- The focus should be on the quality of analysis rather than defining a very detailed methodology.
- It was not necessary to assess the stock of regulation to set targets; flow-based targets such as One In One Out had been successful.
- Options should be more explicitly tested against possible futures; and

16. The committee were invited to comment on the feasibility study so their views could be fed back at the RSB conference to be held on 20 March. One committee member felt that political factors had screened out a lot of options. Another committee member agreed with what was said about the not being necessary to review the stock of regulations and that it could be done on flows. The important issue was the setting of meaningful targets globally or by country. A further update would be provided to the committee following the meeting on the 20th March.

5. Updates of meetings Held with stakeholders

17. The Chairman gave an update on the following meetings had over the previous months:

- Annual catch up with the Federation of Small Businesses - 22 February
- Office of Tax Simplification – 28 February
- British Chamber of Commerce annual Conference
- EEF dinner – 22 February
- Institute of Directors - 28 February

The Chairman said that all the meetings went well and the organisations were supportive of the RPC.

5. A.O.B

18. There was no other business.