Regulatory Policy Committee

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How do we assess the impacts of law?

Seminar organised by the Icelandic Prime Minister´s Office, the Icelandic Ministry of Finance and Economy, and the Ministry of Industries and Innovation, in cooperation with the School of Central Government

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February 2020
Reykjavik, Iceland

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Why Better Regulation? (1)

- (1) **Regulations can become ineffective and unnecessary over time**. Complying with them costs businesses time and money, and can restrict economic growth.

- (2) **Policy makers** are more than often **driven by optimism bias** in estimating the impacts of regulation, and have a **bias towards government intervention (regulation)** – as opposed to no intervention.

- (3) While governments usually have a clear picture of the costs for enforcement, they usually **lack of an understanding for the administrative burden and compliance costs imposed on businesses**.

Why Better Regulation? (2)

Better Regulation policies design and enforce

quality control mechanisms for policy-making

that review, improve or replace government regulation

to ensure that regulation is

more effective, fairer, better targeted and less costly to businesses.

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Objectives of Better Regulation (1)

- (1) to **control the number of new regulations** by operating reduction targets for regulation affecting business and society (UK Business Impact Target, OIXO rules);
- (2) to **keep regulatory burdens** on business, citizens and public administrations **to a minimum**;
- (3) to **assess the impacts (costs and benefits) & effectiveness** of government regulations;
- (4) to **reduce the overall costs of regulation** on business generally & reduce the negative impact of regulation on small and micro businesses in particular;
- (5) to ensure regulation is based on **robust evidence and appropriate economic analysis**;

Objectives of Better Regulation (2)

- (6) **promote alternatives** to regulation.
- (7) to ensure decision-making is **open and transparent**;
- (8) to **allow citizens and stakeholders to contribute** throughout the policy-making process;
- (9) to **improve enforcement** of government regulations;

Small Business, Enterprise & Employment Act 2015

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Under the SBEE Act 2015, Government is required to:

Within the first year of the new Parliament

- (1) Establish a **Business Impact Target (BIT)** for the whole of the Parliament;
- (2) Publish a decision on **which categories of regulatory provisions will count towards** the Business Impact Target;
- (3) Publish **details of the metric** that will be used to calculate and measure business impacts;

Before the target, scope and metric is published

- (4) **Appoint an Independent Verification Body** to validate impacts on business from measures counting towards the Business Impact Target;

Annually – within one month of each reporting period ending

- (5) **Publish a report after each reporting period setting out (amongst other things) the progress** Government is making towards achieving its Business Impact Target.

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UK Better Regulation institutions

Reducing Regulation Cabinet sub-Committee (RRC)

Ministerial committee makes final decisions on agreeing new regulations that affect business. Chaired by the BEIS Secretary of State.

Better Regulation Executive (BRE)

Sets the regulatory Framework rules.

Works with departments to implement Better Regulation principles.

Advises Better Regulation Ministers.

UK Government Departments

Must prepare impact assessments setting out cost of new regulation on business and get validated by RPC.

Must clear all new regulation with RRC.

Must follow better regulation rules, including around budgets.

Better Regulation Ministers

Board Level Champions

Better Regulation Units (BRUs)

Regulatory Policy Committee (RPC)

Provides an independent assessment of the cost of new regulation on business.

Scrutinises departmental impact assessments to ensure fit for purpose.

UK Better Regulation guidance

- In order to ensure that consideration of the impact on business are taken into account in policy development the UK has developed a **Better Regulation Framework**;

- **The UK Better Regulation Framework …**

  (1) translates the **Government's principles of regulation** into a set of rules;

  (2) **defines the key institutions** in the UK better regulation landscape;

  (3) **sets out the responsibilities, rights and duties** of each institution;

  (4) describes the **interdependencies and processes** that connect them;

  (5) sets out the **role, calculation and review of the UK Business Impact Target (BIT)**

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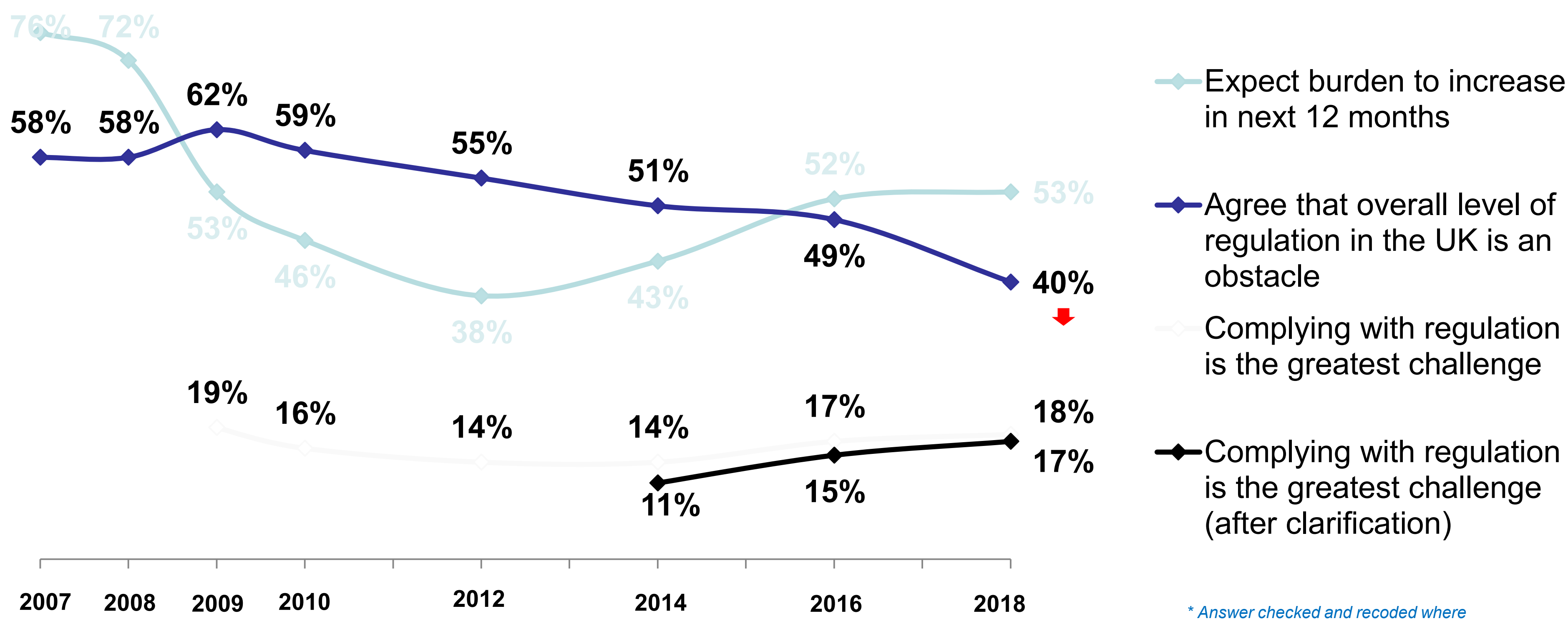
Perceptions of Compliance & Burden from the Business Perception Survey 2018 results



** Answer checked and recoded where necessary (to exclude tax administration)*

Base: All respondents
2007 (1,000), 2008 (1,000), 2009 (1,000), 2010 (2,000), 2012 (2,294), 2014 (2,203), 2016 (2.000), 2018 (2,001)

While just over half of firms expect the overall level of regulation to increase in the next year, fewer agree that it is an obstacle to their business's success

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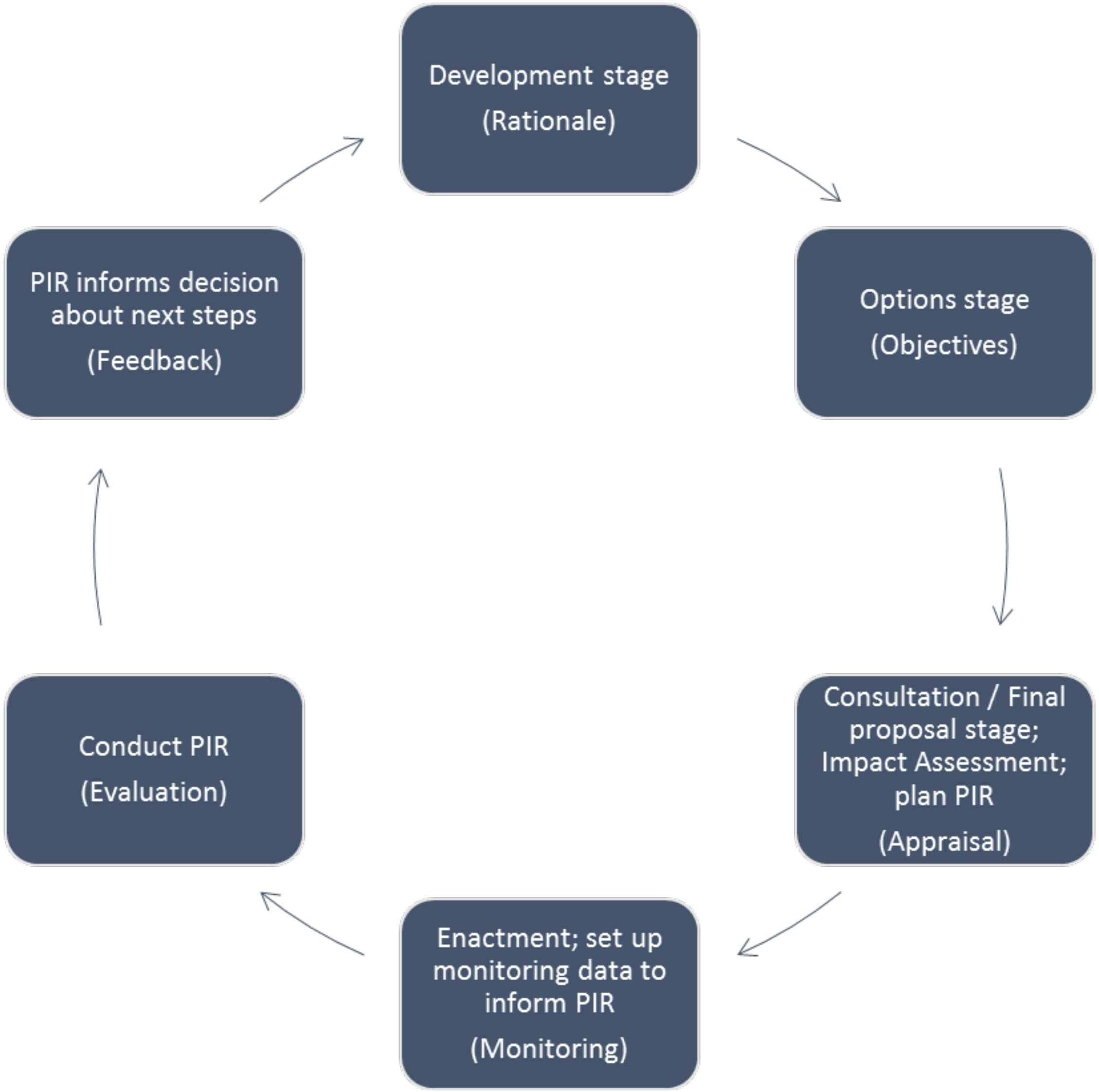
The Rationale for Regulatory Impact Assessments in the UK (RIA) (1)

- (1) An **Impact Assessment** (a) **summarises the rationale** for government intervention, (b) the **policy options considered** and (c) the expected **costs and benefits**.

- (2) An Impact Assessment **should be used as both**
  I. a **continuous process to help think through the reasons** for government intervention
  II. a **tool to be used to help develop policy**

- (3) Ensures that **all policies follow the ROAMEF cycle:**

The ROAMEF cycle



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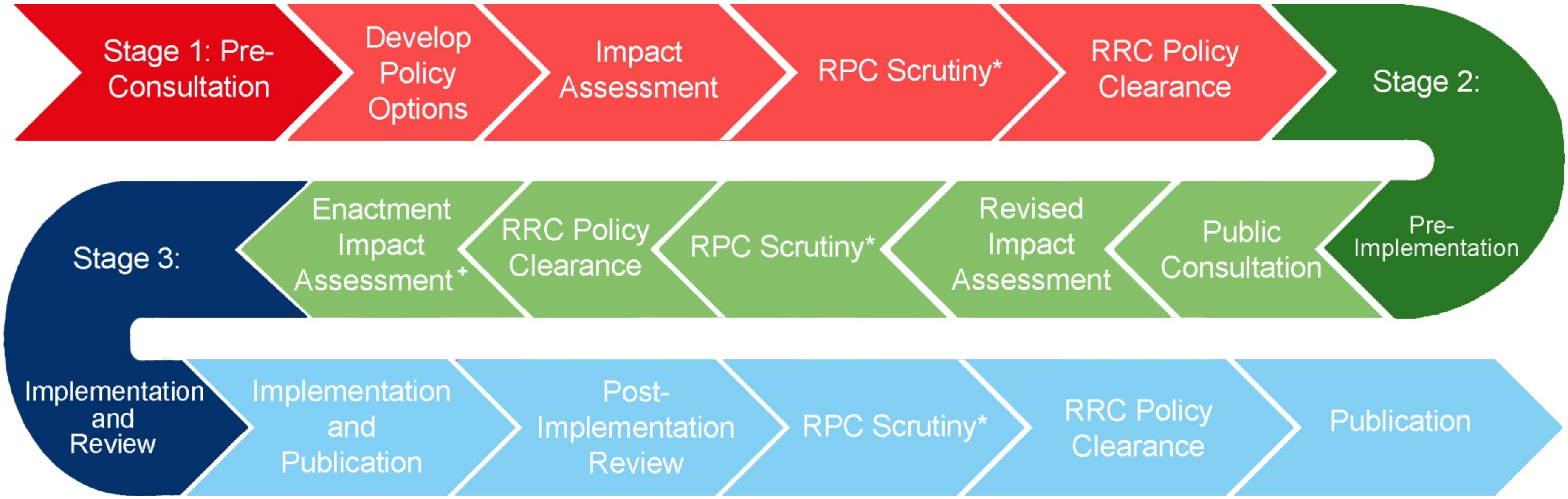
When do we do Impact Assessments?



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Ex-post evaluations

(Post Implementation Reviews) (2)

The PIR process seeks to establish whether and to what extent:

- **(1)** the regulation has achieved its **original objectives**;
- **(2)** the objective and the rationale are **still relevant**;
- **(3)** the regulation is **still the best option** for achieving those objectives;
- **(4)** the regulation **can be improved** to reduce the burden on business and society

Evaluation remains a challenge as some departments don't see ex-post evaluations as an opportunity to improve regulation.

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Evolution of regulatory Scrutiny in the UK

The Regulatory Policy Committee (RPC)
is the independent regulatory scrutiny body in the United Kingdom.

Our evolution over the last 10 years:

- Established in 2009 – **scrutinising selected RIA only**;
- Since 2010: we've held the **remit that we still hold today**;
- Since 2012: **advisory non-departmental body** – sponsored by the Department for Business, Innovation and Skills (BIS, today: BEIS)
- Since 2015: appointed for the first time as **Independent Verification Body** for the Government's **Business Impact Target (BIT)**
- In 2015-16: our **scrutiny was extended** to cover the activities of regulators in relation to the BIT *as well as* the regulations enacted by Government departments.

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What we do (1)

- **(1) We provide independent scrutiny of RIAs and ex-post reviews** (‘Post Implementation Reviews’/ PIRs) **for new *and* amended legislation that affect business and society in the UK**.

We scrutinise RIAs and ex-post evaluations on:

- The quality of the analysis and evidence;
- The robustness of the EANDCB figure;
- The Small and Micro Business Assessment (SaMBA);
- Issues concerning trade and innovation.

… and issue *opinions* that present our findings respectively.

What we do (3)

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- **(2) We report progress towards the Business Impact Target** (set for each Parliament by the UK Government) **as the Independent Verification Body**;
    - By verifying the assessment of impacts of qualifying measures;
    - By confirming the classification of non-qualifying regulatory provisions.
- **(3) We develop methodology for regulatory scrutiny** specifically for each type of regulation;
- **(4) We advise and train government departments** on best regulatory practice;

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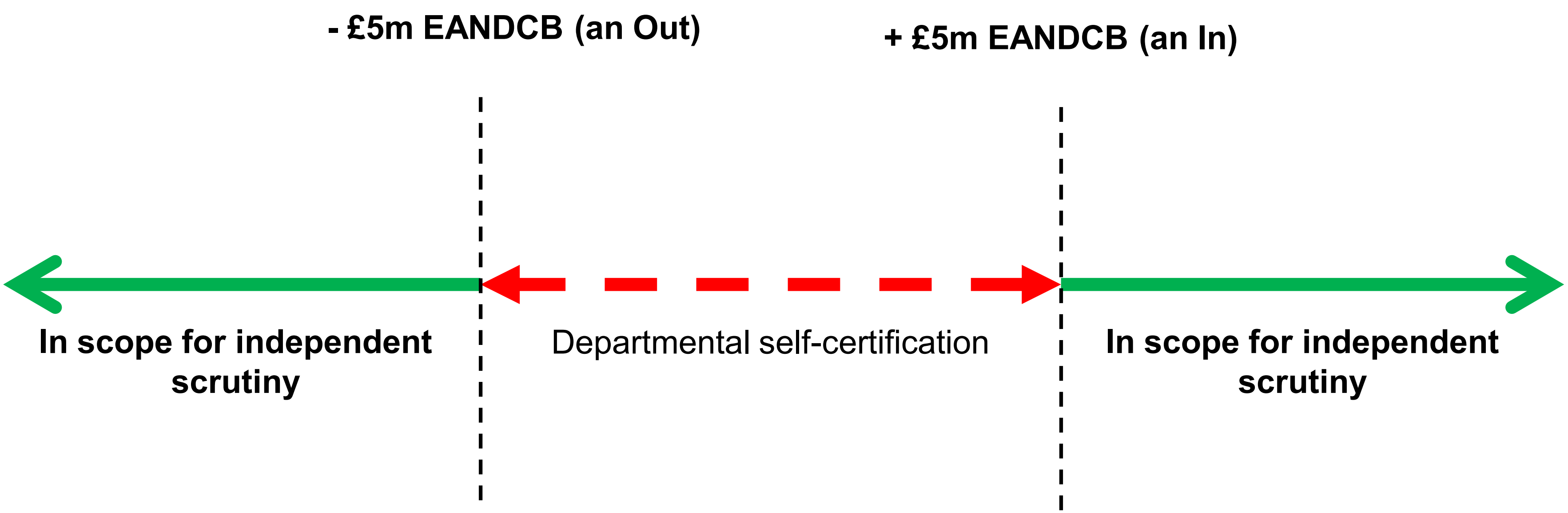
Threshold for external (RPC) scrutiny of +/- £5m EANDCB (2)



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Green and Red-rated opinions

An opinion is rated as:

GREEN:

… when the RIA is **'fit for purpose'.** There are no major concerns, but we highlight **issues where the RIA should / could be improved** to deliver greater clarity or to aid understanding.

RED:

… when the RIA is ***not*** **'fit for purpose'**. There are major concerns over the quality of the analysis and evidence used and the overall quality of the RIA that ***must*** **be addressed, and the RIA resubmitted for RPC scrutiny**.

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Reasons for red-rating (1)

Criteria that lead to a red-rated RIA:
(do not need to apply all at once)

- (1) **No clear rationale** and explanation for the regulation;
- (2) An **inaccurate calculation of the EANDCB** (annual direct cost to business);
- (3) **Missing or insufficient cost-benefit analysis**;
- (4) **Insufficient evidence** to support presented calculations;
- (5) **No indication how businesses will familiarise** themselves with the regulations;

Reasons for red-rating (2)

Criteria that lead to a red-rated RIA:
(do not need to apply all at once)

- (6) No or only an **insufficient small and micro business assessment**;
- (7) **Incorrect** indication of **indirect impacts vs direct impacts**;
- (8) **Inappropriate appraisal period and base year** that result in incorrect calculations.

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The RPC as independent body (1)

The RPC is an *independent* non-departmental body:

- (1) the Committee **is independent in its internal organisation and decision-making;**
- (2) All **members are external individuals** selected for fixed-term, renewable mandates;
- (3) They are **not subject to ministerial or other political instructions**, but free in the decisions they take and opinions they have.

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The RPC as independent body (2)

However, we receive substantial support from the UK Government:

- **Staff in the RPC secretariat are civil servants**, employed by the Department for Business, Energy and Industrial Strategy (BEIS)
- The **Committee's budget is allocated annually** by the UK Government, and includes costs for staff, IT, premises, materials, travel etc.

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This **combination** of

operational independence *and*

organisational dependence on government resources ensures the RPC’s **effectiveness and long-term ability to operate.**

However, the **dual structure of a Committee and Secretariat, without a formal legal basis, requires high-level political backing and support for Better Regulation** generally, and regulatory scrutiny in particular

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How do we and others measure our effectiveness?

- **(1) Improvement of evidence**
  - Improvement in quality of impact assessments over time (ca. 50% in 2010 to 80+% in 2018;
- **(2) Improvement of outcomes**
  - Measuring decrease in compliance costs over time (adjustments to Business Impact Targets, e.g. £585m in 2010-15 Parliament);
- **(3) Use of our opinions by key stakeholders**
  - For example by Members of Parliament, ministers and external stakeholders.

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More about Better Regulation and independent regulatory scrutiny in the UK:

The better regulation framework:

www.gov.uk/government/publications/better-regulation-framework

The RPC:

www.gov.uk/government/organisations/regulatory-policy-committee

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