



**Professor David Parker**

Regulatory Policy Committee

**Independent Scrutiny in the UK  
The Regulatory Policy Committee**

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Oslo

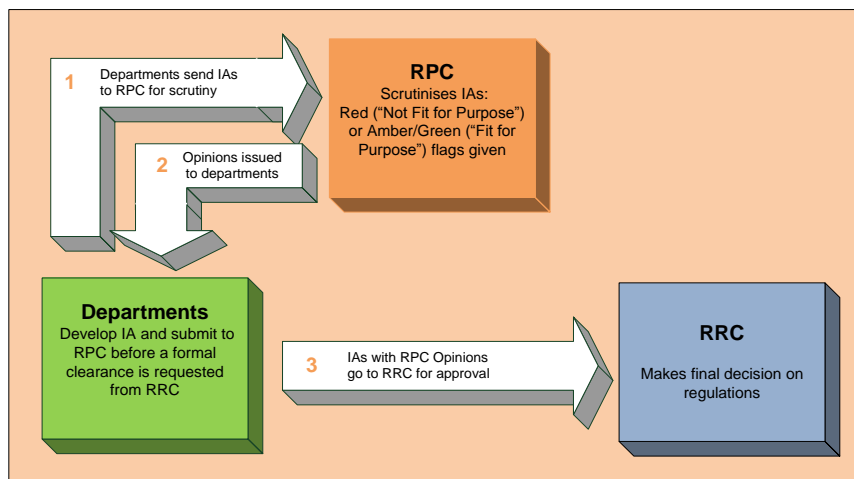
**The Regulatory Policy Committee (RPC)**

- An independent advisory body providing external, real time scrutiny on the quality of evidence and analysis for government regulatory proposals whether domestic, European or international in origin.
- Eight Committee members including two economists
- Committee appointed by open public process
  - independent of government
  - work on a part-time basis
- Opinions agreed through continuous correspondence
- We do not comment on policy
- Supported by a Secretariat of 15 civil servants
  - Policy officials and economists

## Key elements of the RPC Mandate

- **Contribute to a cultural change in the Government's approach to regulation**, and support better and smarter regulation, through improving the use of evidence and analysis in regulatory policy-making
- In delivering this objective, the RPC will:
  - **provide expert, independent, and impartial advice on the quality of analysis and evidence** supporting new regulatory and deregulatory proposals
  - **scrutinise and comment on the analysis supporting calculations relating to Equivalent Annual Net Cost to Business**, where a regulation is within the scope of the One-in, One-out rule
  - **provide their opinion on the above aspects to the Minister responsible for policy proposals and the Minister for Better Regulation** in advance of policy decisions, clearly stating whether the Committee considers that the analysis provided in support of regulatory proposals is fit for purpose, and
- The RPC is mindful of respecting **the prerogative of Ministers in setting policy objectives and deciding between policy options**

## The Role of the RPC in the Clearance of Major (over £1m) Regulatory Proposals



## ‘RAG’ Ratings

- All Opinions have included a Red, Amber or Green flag;
  - **RED:** The IA is ‘Not Fit for Purpose’. Major concerns over the quality of the evidence and analysis and overall quality of the IA that **must/need to** be addressed.
  - **AMBER:** The IA will be ‘Fit for Purpose’, provided the department addresses the points set out in the opinion. The RPC will set out areas of concern with the IA which **should** be resolved so as to improve its contribution to the final decision made. (Only used at consultation stage)
  - **GREEN:** The IA is ‘Fit for Purpose’. No significant concerns or some minor issues where the IA that **could** be improved to deliver greater clarity or to aid understanding
- Ministers have said that any IA receiving a RED Opinion must be amended and resubmitted to the RPC for a new ‘Fit for Purpose’ Opinion prior to submission to RRC

## Our responsibilities for ‘One-IN, One-OUT’ / ‘One-IN, Two-OUT’ (OIOO / OITO)

- OIOO / OITO tracks the net cost to business and civil society organisations
- Ministers have agreed all net costs for OIOO /OITO must be verified by the RPC
- Validating the issue of scope and the direction of regulatory proposal – an ‘IN’ or an ‘OUT’
- Validating that the size of the ‘IN’ or ‘OUT’ being claimed is robust and in accordance with the One-in, Two-out (OITO) Methodology e.g. direct costs / benefits only

## Common Issues Raised in Opinions

- Basis of assumptions and supporting evidence unclear
- Full explanation of how the Equivalent Annual Net Cost to Business (EANCB) has been estimated not provided
- RPC comments prior to consultation not taken into account
- Overlap between policies needing to be explained more clearly
- Familiarisation and transitional costs not included
- Assessment of impact of proposal on small and micro businesses not satisfactory

## Our Seven Recommendations

- Identified as integral steps in producing a high quality IA
  1. Don't presume regulation is the answer
  2. Take time and effort to consider all options (NB. at consultation stage)
  3. Make sure you have substantive evidence
  4. Produce reliable estimates of the costs and benefits
  5. Assess non-monetary impacts thoroughly
  6. Explain and present results clearly
  7. Understand the real cost to business of regulation
- Aimed at strengthening the quality of analysis and use of evidence in the policy-making process

## Overall Departmental Performance - January to June 2014

	Number (Jan - June 2014)	Fit for purpose (Jan - June 2014)	Fit for purpose -2013	Difference
Department for Work and Pensions	7	100%	90%	10%
Department for Environment, Food and Rural Affairs	33	94%	64%	30%
Department for Business, Innovation and Skills	39	90%	79%	11%
Department for Transport	31	90%	87%	3%
Health and Safety Executive	7	86%	91%	-5%
Department for Communities and Local Government	13	85%	72%	13%
Department of Health	13	85%	72%	13%
Department of Energy and Climate Change	12	75%	90%	-15%
Ministry of Justice	10	70%	89%	-19%
Home Office	11	64%	74%	-10%
Department for Culture, Media and Sport	8	63%	67%	-5%
Department for Education	8	63%	50%	13%
Other departments*	10	60%	100%	-40%
HM Treasury	8	38%	75%	-38%
<b>Grand Total</b>	<b>204</b>	<b>80%</b>	<b>77%</b>	<b>3%</b>

\* 'Other Departments' includes the data from departments with fewer than five submissions during January - June. These include - the Food Standards Agency (4, 25% fit for purpose); Cabinet Office (3, 33% fit for purpose); Government Equalities Office (2, 100% fit for purpose); and Foreign and Commonwealth Office (1, 100% fit for purpose).

## RPC Achievements

- **Overall increase in the quality of impact assessment and analysis**
- **Of approximately 1,600 IAs submitted to the RPC for scrutiny, the UK Government has gone forward with policy proposals that received a red opinion on (only) 12 occasions**
- We estimated that our scrutiny has led to a difference between the net cost to business initially claimed by departments, and those finally published since 2010 is **approximately £500 million each year**
- **The role of the RPC has been expanded since it's formation in 2009 to include responsibilities for beneficial scrutiny in number of other areas**
- **The main business groups and a number of civil society organisations, including the Trades Union Congress (TUC), support the work of the RPC**
  - value in ensuring the Government brings forward only new regulation that is supported by **a robust evidence base**
  - keeping the Government accurate in its claims about the savings to business generated by **'One-in, One-out'** and **'One-in, Two-out'**

## Expansion of Remit

- **Challenger Businesses**
  - RPC to investigate where businesses, seeking to enter new markets or expand, are being unjustifiably hampered by outdated rules, regulations and behaviours, and to report publicly
- **Small and Micro Business Assessment**
  - RPC to provide as part of an opinion on IAs whether regulatory proposals meet the new SaMBA, which requires robust evidence that all possible steps have been taken to mitigate any disproportionate impact on small and micro businesses
- **Accountability for Regulator Impact**
  - July 2013 - Business and Enterprise Minister announced that non-economic regulators planning a significant change in policy or practice (including operational or enforcement) are expected to assess and quantify the impact of that change on business. If business representatives consider that a regulator's assessment substantially mis-states the likely impact, and they cannot reach agreement with the regulator, they may ask the RPC to review the regulator's assessment.

## RPC EU Activity RegWatchEurope

- In addition to the RPC, there are four other independent scrutiny bodies across the EU
  - **Netherlands (Dutch Advisory Board on Regulatory Burden, ACTAL)**
  - **Germany (National Regulatory Control Agency, NKR)**
  - **Sweden (Swedish Better Regulation Council, Regelrådet )**
  - **Czech Republic (Regulatory Impact Assessment Board, RIAB)**
- Work collaboratively as “**RegWatchEurope**” to influence the European Institutions – keen to see a single independent scrutiny body at the European level.
- Welcome steps taken in Iceland and Norway to establish independent scrutiny bodies.
- In France, the *'Conseil de la Simplification'* published its report containing 50 simplification measures - the first recommendation establishes a panel of 7 independent experts:

*"The impact on businesses of any change in regulations or legislation will be quantified by independent experts, [or] representatives of the business community, and each new cost will be offset by a reduction at least equivalent to it."*

(Implementation date – 1 January 2015)

## Conclusions: Potential Benefits of Independent Scrutiny

- Presents stronger challenge to Ministers
  - need for strong Ministerial support at the top
- Most effective means to
  - improve impact assessment quality,
  - achieve culture change in departments, and
  - counter risk of regulatory bias
- Enhances credibility of Government achievements by verification
- Involves external expertise e.g. on impact assessments, practical regulatory experience
- More likely to make issues transparent to stakeholders
- Can help facilitate discussion within Government and Parliament

## Contact Details

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