

# United Kingdom: Regulatory Framework

## *Introduction*

Thank you for inviting me to testify this afternoon.

My name is Graham Turnock and I am the Chief Executive Officer of the Better Regulation Executive – or BRE as we know it – which is part of the Department for Business, Innovation and Skills.

The BRE's role is essentially to set the framework of the UK Government's regulatory reform agenda. Reducing unnecessary regulation and cutting red tape is one of its core priorities and Prime Minister Cameron's stated aim is for his Government to be, and I quote, "the first in modern history to leave office having reduced the overall burden of regulation".

Although the UK has performed consistently well in the indicators captured by *Doing Business* — the country's overall rank was in the top 10 of the *Doing Business Report 2011* — the new Government believes there is more that can be done to relieve business from burdensome regulation.

The Government has taken a number of steps since coming to power early in 2010. These have included:

- One-in, One-out;
- The Red Tape Challenge;
- Tackling EU legislation;
- Regulatory Enforcement;

## ***One-in, One-out***

We have introduced the One-in, One-out rule, which focuses on the flow of regulation. One-in, One-out requires Government departments to assess the net cost to business of complying with any proposed regulation (‘termed as an ‘IN’). These calculations are validated by an independent advisory committee which we established at the end of 2009 – this is the Regulatory Policy Committee, or RPC – and it is charged with providing independent challenge on the evidence and analysis, presented in Impact Assessment, supporting new regulatory proposals. The Committee consists of six experts on regulation from different backgrounds and scrutinises Impact Assessments for these proposals from departments. If the Committee provides a negative opinion, or Red – then the proposal is not allowed to proceed.

To inform business of upcoming regulation and to show progress against the One-in, One-out rule, we publish the *Statement of New Regulation*. Published twice a year, the focus is on domestic regulation, providing an overview of total Ins, Outs, and Zero cost measures. The first Statement of Regulation, or SNR – was published in April of this year and we recently published the second SNR in September. So far we have seen a significant increase in the number of deregulatory measures, with a majority of departments being able to live within the One-in, One-out rule.

<b>Position: January to December 2011</b>	
<b><i>Volume</i></b>	
INs	19
OUTs	33
Zero net cost	37
<b><i>Annual regulatory cost to business (millions)</i></b>	
INs	£338.35
OUTs	-£3,381.63
<b>Net</b>	<b>-£3,243.28</b>

### ***Moratorium on micro-businesses***

On 1 April 2011 the Government also introduced a three-year moratorium on new domestic regulation affecting micro-businesses – these have fewer than 10 employees and account for 50% of total employment – as well as genuine start-ups. The exemption is designed to give them breathing space from the constant flow of new domestic regulations and requirements leaving them to get on with doing business.

Any breaches of the moratorium – in exceptional circumstances and only supported by a compelling argument – will require Cabinet-level approval and sign-off by the Economic Affairs Committee, chaired by the Chancellor of the Exchequer.

### ***The Red Tape Challenge***

On 7 April, we also launched an initiative to scrutinise the stock of regulations. The Red Tape Challenge is a comprehensive thematic review of all regulations affecting business, voluntary organizations and individuals which aims to identify regulations that could be removed, simplified or done in a different way. We will publish all regulations in scope of the programme on a public website ([www.redtapechallenge.cabinetoffice.gov.uk](http://www.redtapechallenge.cabinetoffice.gov.uk)), and invite the business community and the public to provide practical suggestions for improvement. The process presumes that, if there are no good reasons for retaining them, burdensome regulations will be removed from the statute book.

The purpose of this exercise is to open government up to the public, allowing them to comment on a wide range of regulations which affect them. To this end, we run three week-long sector campaigns so business only needs to respond during their sectors. So far we have received over 26,000 comments and 12 themes have been in the spotlight. Following the completion of

the first two themes, Retail and Hospitality, Food and Drink, we have announced plans to remove or simplify 220 of the 378 regulations reviewed.

### ***Tackling EU legislation***

We are also taking steps to reduce the cost to UK business from EU legislation. For a start, the One-in, One-out rule reviews any instances of 'gold-plating' – if proposals go beyond the minimum required by the EU legislation, this would count as an In under the One-in, One-out rule.

This complements our work on engaging earlier in the Brussels policy process, taking strong cross-Government negotiating lines; and working to end so-called 'gold-plating of EU legislation so that when European rules are transposed into UK law it is done without putting UK-based business at a competitive disadvantage to companies in other EU Member States.

### ***Transforming Regulatory Enforcement***

Reforming the way in which regulations are enforced is as important as reducing the flow and stock of regulations. We are working with regulators to end the tick-box approach to regulation, seeking out the best way of securing effective compliance without creating unintended consequences. Business groups have given us the clear message that they want to see a culture change amongst regulators, with greater understanding of how business operates, and a more consistent approach to enforcement so that compliant business do not lose out at the expense of rogue business.

We have already started to reform some of the most disproportionate enforcement systems and have commissioned a number of independent external reviews to examine specific areas in detail. An example is Lord Young's reform on how health and safety law is implemented and

on ways for Government, regulators and business to reduce heavy-handed enforcement of regulation in the agriculture and food-processing sectors.

### ***Conclusion***

Tackling the regulatory burden is at the top of the Government's agenda. The system we have introduced is designed to free the potential of UK business to concentrate on growing their business, creating jobs and driving forward our economic recovery.

In essence, our work is about ensuring policy-makers think more creatively about whether the traditional 'command and control' approach to regulation (and many of its sometimes unintended consequences) is the most effective way to achieve desired policy outcomes.

Against the backdrop of a rapidly changing global economy, we are asking colleagues whether a combination of various non-regulatory policy instruments can be more effective in achieving a particular policy objective at lower cost and with lower levels of coercion.

**Better Regulation Executive**  
**Department for Business, Innovation & Skills, UK**

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