



National Audit Office

The Administrative Burdens Reduction Programme, 2008

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 944 Session 2007-2008 | 8 October 2008

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LONDON: The Stationery Office
£14.35

Ordered by the
House of Commons
to be printed on 6 October 2008

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

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26 September 2008

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SUMMARY

1 Through the Administrative Burdens Reduction Programme (the Programme), the Government aims to reduce the administrative burden imposed by regulations on private and third sectors by 25 per cent by 2010. The Programme aims to reduce the cost to business of complying with the administrative activities required by regulation, for example by allowing companies to send out information to shareholders by email rather than insisting that it must be sent in writing. The Programme only considers administrative costs – often paperwork – and does not seek to change the protections and benefits offered by regulations. It forms a key part of the Government’s wider approach to simplifying regulation,

which also looks to reduce policy burdens on the private and third sectors and reduce unnecessary regulation in the public sector.

2 The Better Regulation Executive (BRE) co-ordinates delivery of the Programme across departments and regulators, as part of a broader agenda of reform to improve the regulatory environment and provide the best possible conditions for business success. Appendix 1 sets out the Programme’s place within the regulatory reform agenda. **Figure 1** shows how this report relates to other National Audit Office examinations of regulatory reform.

3 The Programme encompasses 19 departments and public bodies across central government. As a taxing authority, HM Revenue and Customs (HMRC) is not part of the whole of government Programme but they share the aim of reducing the administrative burdens imposed by regulations, have been set separate targets by the Chancellor and report progress against them through the Budget cycle.

4 In July 2007 we published an initial report on the Programme, including the equivalent work of HMRC. We examined the role of the BRE and four departments which are responsible for 75 per cent of the total administrative burden: the Department for Business, Enterprise and Regulatory Reform (BERR); the Department for Communities and Local Government (CLG); the Health and Safety Executive (HSE); and HMRC.

5 We have now examined the first full year of implementation to review progress in delivering the Programme, assess the achievements of departments and highlight good practice. Our report sets out:

- the reductions in administrative burdens claimed by departments as at December 2007 and progress towards achieving the 2010 targets (Part 1);
- departments' efforts to deliver benefits for businesses (Part 2); and
- the BRE's role as programme manager in delivering the Programme (Part 3).

The scope and methodology of our examination is set out in Appendix 2.

Value for Money conclusion

6 In 2007 departments had implemented over 150 initiatives to reduce the administrative burdens of complying with regulation and projected that they would achieve the 25 per cent reduction target by 2010. The Programme and its associated targets have raised the profile of regulatory reform within departments, creating stronger incentives to deliver and leading departments both to achieve more from existing initiatives and identify new measures. About three-quarters of the delivered savings that were claimed in 2007 were the result of projects identified before the Programme commenced, after taking into account the strengthening effects on projects of the Programme, while the remainder were from new projects that departments have identified since the introduction of the Programme. The reported savings should, though, be treated with caution because they are indicative estimates of the actual savings.

7 In early 2008, businesses reported a small positive shift between 2007 and 2008 in perceptions about regulation, including the Government's objective that most regulation is fair and proportionate, and in their feelings towards administrative aspects of regulation. Many, nonetheless, felt that the time taken to comply with regulation had increased over the preceding 12 months and hardly any felt that it had reduced. It has not been possible to find evidence of the impact on the productivity of the economy. The uncertainty over the impact for businesses and the lack of information on the full cost of the Programme mean that it is not yet possible to determine the value for money achieved by the Programme.

1 How this report relates to other National Audit Office reports on regulatory reform

The Regulatory Reform Agenda

Has four main components

Simplify and modernise existing regulation

Change attitudes and approaches to regulation to become more risk based

Improve the design of new regulations and how they are communicated

Work across Europe to improve the quality of European regulation

The National Audit Office has examined specific initiatives in all four areas

In 2007 we published *Reducing the Cost of Complying with Regulations: The Delivery of the Administrative Burdens Reduction Programme, 2007*. (HC 615, 2006-07)

Reviews of the implementation of the Hampton Report were published in March 2008. In July 2008 the NAO also published *Regulatory quality: How regulators are implementing the Hampton vision*.

Since 2004 we have reported annually on the impact assessment process

In 2005 we published *Lost in Translation? Responding to the challenges of European law* (HC 26, 2005-06)

Progress in implementing the Programme is examined in this report

Source: National Audit Office

Key findings

Reported savings

8 There were wide variations between departments in the level of claimed savings. In December 2007 19 departments reported that they had implemented some 150 projects and reduced net annual administrative burdens by an estimated £800 million, six per cent of their baselines. Three departments – CLG, the Department of Health and the Department for Innovation, Universities and Skills – accounted for almost £500 million of this total. In addition, in March 2008 HMRC reported reductions in the cost of complying with tax requirements of nearly £400 million.

9 Departments projected that in total they would achieve the 25 per cent net reduction target by 2010. But they will need to manage the risk of not achieving their target by monitoring the rate of introduction of new regulations and delivering identified reductions within the specified timeframe.

10 The reported reductions in administrative burdens should be treated with caution. The imprecision inherent in the original measurement methodology means that the estimates of administrative burdens are indicative in nature due to the small sample sizes used. The calculations of claimed reductions are estimates of savings, rather than an accurate absolute measure. Attempting to carry out a statistically representative assessment would have been more expensive and difficult to achieve. While the BRE has always acknowledged the indicative nature of the measurement exercise, it could have done more to make this clear when it reported achievements in December 2007.

11 The reductions claimed were not calculated on a consistent basis and were subject to only limited independent validation. Departments used different approaches to estimating the value of savings, including variations in:

- the detail of calculations and the extent to which businesses were asked to verify them;
- the treatment of common issues, such as the expected take-up of revised requirements; and
- procedures to monitor and challenge claimed savings.

12 The BRE is promoting greater consistency in estimating savings. The BRE has strengthened arrangements for validating claimed reductions in 2008. For example, from April 2008 it will require departments to use a common database to estimate savings and provide an audit trail of reductions, and plans to check high value claims. HMRC has an equivalent database that fulfils the same purpose.

13 The Programme is intended to encourage departments to increase the impact of simplification measures already identified and to identify new simplification measures. In our four focus departments, initiatives started before the introduction of the Programme represented about 78 per cent of the delivered savings that were claimed in 2007, after taking into account the widening of some initiatives, added impetus and resource, and advancement in departments' existing work programmes stimulated by the Programme. In these departments, around one third of savings forecast by 2010 result from new initiatives that departments have identified since the introduction of the Programme.

14 Departments have made positive steps to improve the regulatory environment. The Programme has provided a greater focus and priority on reducing administrative burdens within wider departmental policy reviews. For example, CLG's review of the Housing Act has delivered approximately £120 million of reductions in administrative burdens. It has also hastened work and encouraged a greater focus on reducing administrative burdens. For example; BERR brought forward work to revise employment legislation. The existence of the Programme provides a stronger lever to hold policy teams to account for improving the regulatory environment.

Achieving benefits for business

15 Departments are implementing the Programme in a constructive and pragmatic way. Some initiatives are delivering benefits for businesses. Departments have:

- focused on reducing administrative burdens in the high cost areas;
- begun to tackle the issues that matter most to businesses, including the revision and consolidation of legislation, which accounted for approximately one third of initiatives to reduce administrative burdens; and
- addressed other aspects of complying with regulations that businesses find frustrating and considered the scope for wider improvements in the regulatory environment.

16 Business perceptions around government's approach to regulation have improved. Our survey showed that businesses were more positive in 2008 about regulation than in 2007 but continued improvement will be needed to confirm that this is evidence of the Programme's impact on business. Perceptions have shown small but statistically significant improvement for six of seven indicators and more businesses agreed rather than disagreed that the 'purpose of regulation was clear' and 'most regulation is fair and proportionate'. However, over half of businesses disagreed that it was 'easy to comply' with regulations and around two thirds did not believe that 'government understands business well enough to regulate' or 'consults well before new regulation is introduced'. Our survey also showed small but statistically significant reductions in the proportion of businesses who felt that the administrative activities involved with complying with regulation were a burden, although the overall proportion finding them burdensome remained high.

17 Businesses have not noticed the burden of regulation reducing. In our survey, just 1 per cent of businesses said that complying with regulation had become less time consuming in 2007, 40 per cent said it had become more time consuming and 57 per cent said it had stayed about the same. This may reflect continuing changes to, and increases in, the total cost of regulation affecting business, as distinct from the specifically administrative aspect of regulation that the Programme is seeking to reduce.

18 Communication with businesses has not been sufficiently targeted. The BRE has reported the aggregate savings and departments' Simplification Plans contain specific examples of simplification measures that are being introduced. Departments have established communication strategies for some simplification measures and there is on-going dialogue with key stakeholders, but practice has varied. There have been limited attempts to tailor communication on specific initiatives to those most affected by the changes. From February 2008, the BRE strengthened its Communications Team to lead a cross-government communications drive.

The BRE's management of the Programme

19 Departments have incurred costs in delivering and reporting the results of the Programme, but these have not been recorded. Departments could not separately identify the specific costs of the Programme because work to reduce administrative burdens has been increasingly incorporated into policy development processes.

20 The BRE has provided technical support and challenge to departments on the development of their Simplification Plans, but departments wanted more. The BRE also reviewed some claimed reductions. The BRE's technical knowledge was, however, vested in a small team which was stretched to provide technical advice to departments on the calculation of claims.

21 The BRE and departments are using claimed savings as the headline measure of the achievements of the Programme. The limitations of the measurement methodology mean, however, that it may over or under report the impact of departments' initiatives. Departments are also using the Programme to deliver wider improvements in the regulatory environment, such as reducing policy costs and burdens impacting on the public sector, which are not captured in the savings in administrative costs.

22 The wider impact of the Programme is unproven. The Better Regulation Taskforce's original aspiration was that the Programme would contribute to a £16 billion increase in GDP. There is an ongoing academic debate about the link between regulation, administrative burden reductions and productivity growth. In March 2008, BERR presented academic analysis suggesting that reducing administrative burdens by 25 per cent could increase GDP by up to 0.9 per cent (equivalent to £11 billion a year at current GDP levels).

Recommendations

23 We reviewed the extent to which the BRE and departments had implemented the recommendations from our 2007 Report. We found work had been undertaken to address the recommendations, at least in part. Details are in Appendix 3. Our recommendations this year are intended to focus efforts on implementing the Programme in a way that offers the best chance of success and minimises the implementation costs.

a **The reported net £800 million reduction in administrative burdens is only an indicative estimate of the savings.** The BRE and departments should be careful in presenting the estimated savings as the headline measure of the success of the Programme. When reporting savings in 2008 and beyond, they should:

- clearly and consistently present reported savings as indicative estimates;
- use consistent methods across departments when estimating savings; and
- validate all high value claims; validation should involve representatives from business or business organisations to test bigger claims.

b **Departments have implemented over 150 projects to reduce administrative burdens but our survey showed that few businesses are aware that government is seeking to reduce administrative burdens and 40 per cent of businesses said that complying with regulations had become more time consuming.** The BRE and departments should:

- make better use of partnerships with trade bodies to identify changes that businesses consider will improve the regulatory environment; and
- communicate the nature of specific changes to target audiences using appropriate information channels.

c **Departmental costs of implementing the Programme remain unrecorded.** Systematic cost measurement is the basis of sound programme management and is essential to establish value for money. The BRE should estimate the likely costs and management capacity associated with the introduction of new regulatory reform initiatives and consider whether these will impact on the ability of departments to deliver this Programme.

d **The Programme has the potential to deliver benefits to business but the impact of different approaches have not yet been systematically evaluated and good practice has not been shared amongst departments.** The BRE should:

- review whether the cost of new regulations is putting the net 25 per cent target at risk;
- disseminate good practice across departments by holding more frequent workshops on successful reductions and treatment of technical issues; and
- set out how and when it intends to evaluate the impact of the Programme and measure its success.

PART ONE

Reducing burdens and estimating the savings

1.1 This part of our report:

- provides an overview of the Programme;
- presents the reductions in administrative burdens claimed at December 2007 and forecasted for delivery by 2010; and
- examines departments' approaches to estimating the savings achieved.

The Administrative Burdens Reduction Programme

1.2 In 2005 the Government introduced the Administrative Burdens Reduction Programme (the Programme) to reduce the administrative burdens of complying with regulation. It focuses on reducing the costs to business of carrying out the administrative activities that they would not undertake in the absence of regulation, but that they have to undertake in order to comply. For example; the Companies Act 2006 has allowed 1.2 million companies to send information to shareholders by email, rather than by hard copy resulting in administrative savings related to printing and postage. The Programme does not consider the wider costs of complying with regulation and does not seek to change the protections and benefits offered by regulations. Further explanation and an example is provided in **Figure 2**.

1.3 In 2005-06 departments mapped existing legislation and estimated the administrative burden of complying. External consultants were contracted to use the Standard Cost Model methodology to measure the cost to businesses of providing information to government to demonstrate that they are complying with a given regulation. The administrative burden of complying with regulations in the UK was estimated at

just under £20 billion at May 2005. Most departments have committed to reducing administrative burdens by 25 per cent. HMRC has set its own targets and has committed to reduce the cost of complying with tax forms and returns by 10 per cent, and reduce the cost to compliant businesses of complying with audit and inspection by 15 per cent by 2010-11.

Reductions in administrative burdens claimed at December 2007

1.4 Departments produce annual Simplification Plans giving an update on progress made in reducing the burdens on business and to track their progress against the Programme's targets. In December 2007, the Better Regulation Executive (BRE) published a report *Delivering Simplification Plans: A Summary* which outlined the achievements across departments (**Figure 3 overleaf**).

2 Administrative burdens

Administrative burdens are the costs to business of carrying out administrative activities in order to comply with regulations that impose information obligations. Specifically, the Programme seeks to reduce the cost of providing information to Government to demonstrate how businesses are complying. This also includes all legal obligations that Government puts on business to supply information to third parties, including shareholders and customers.

The Programme focuses on reducing the administrative cost of complying with regulations, and not the wider costs imposed by the objective of the regulation itself. This is illustrated by the requirement for landlords to service gas boilers. The Programme seeks to reduce the time taken to submit forms certifying that the boiler has been checked, and does not seek to consider the actual costs of servicing the boiler.

Source: National Audit Office

1.5 The BRE announced that departments had implemented over 150 measures to reduce administrative burdens on businesses and claimed that these had delivered aggregate net annual savings worth over £800 million a year. This amount represented a 6 per cent reduction against the baseline costs. Including these savings, departments had identified over 700 simplification measures which, if delivered, they estimated would yield net savings in administrative burdens by the end of the Programme in 2010 worth £3.5 billion a year.

1.6 When they produced their first Simplification Plans in December 2006, departments and regulators committed to reducing administrative burdens by 25 per cent by 2010. Figure 2 shows the value of net reductions reported by each department in December 2007 and **Figure 4** shows progress made towards the target in percentage terms:

- two departments claimed to have already achieved their target and a further four departments have achieved 15 per cent or over;
- seven of the 19 departments and regulators had reported reductions of less than 5 per cent of their baseline;

3 Progress towards the net administrative burdens reduction target of 25 per cent, reported in December 2007 (excluding HMRC)

Department/Agency/Regulator ¹	Projected reduction by 2010		Net annual savings claimed to date	
	£ million	% of baseline	£ million	% of baseline
Department for Business, Enterprise and Regulatory Reform (BERR)	1049	25	57	1
Cabinet Office (CO)	5	32	0	0
Charity Commission (CC)	11	23	8	15
Communities and Local Government (CLG)	685	28	220	9
Department for Children, Schools and Families (DCSF)	54	26	0	0
Department for Culture, Media and Sport (DCMS)	108	31	99	29
Department for Environment, Food and Rural Affairs (DEFRA)	155	29	52	10
Department for Transport (DfT)	165	29	60	10
Department of Health (DH)	322	27	155	13
Department for Innovation, Universities and Skills (DIUS)	176	32	122	22
Department for Work and Pensions (DWP)	129	27	67	14
Food Standards Agency (FSA)	22	24	17	19
Forestry Commission (FC)	<1	27	<1	27
Government Equalities Office (GEO)	3	56	0	0
HM Treasury (HMT)	115	72	-11	-7
Home Office (HO)	21	25	4	5
Health and Safety Executive (HSE)	455	22	62	3
Ministry of Justice (MoJ)	70	19	15	4
Office for National Statistics (ONS)	8	19	6	15
Adjustment for new food and feed regulations	-69		-114	
Cross Government Total	3485	26	819	6

Source: *Delivering simplification plans: a summary, Better Regulation Executive, December 2007*

NOTE

¹ On 28 June 2007 the Prime Minister announced the creation of three new departments, the Department of Business, Enterprise and Regulatory Reform (BERR), the Department for Innovation, Universities and Skills (DIUS) and the Department for Children, Schools and Families (DCSF) – replacing the former Department of Trade and Industry (DTI) and Department for Education and Skills (DfES). Figures shown reflect this change.

- the Treasury had achieved no reduction – the cost of complying with its regulations had increased by 7 per cent; and
- between them, three departments – CLG, Department of Health, and DIUS – had reported almost £500 million of the claimed reductions, over 60 per cent of the aggregate saving.

1.7 HMRC's target areas were selected due to the burden they impose on business - the cost of complying with forms and returns was estimated at £3.4 billion, some two thirds of HMRC's total burden; and audits and inspections, while making up only a small part of the baseline, impose a significant impact on business operations for those selected for inspection. In March 2008 HMRC announced its second year results.¹ It reported changes estimated to save business:

- £186 million when completing tax forms and returns, a reduction of nearly 6 per cent, against its target of 10 per cent; and
- £43 million from complying with audits and inspections, which was the same as in 2007, and represents a 31 per cent saving against the baseline.

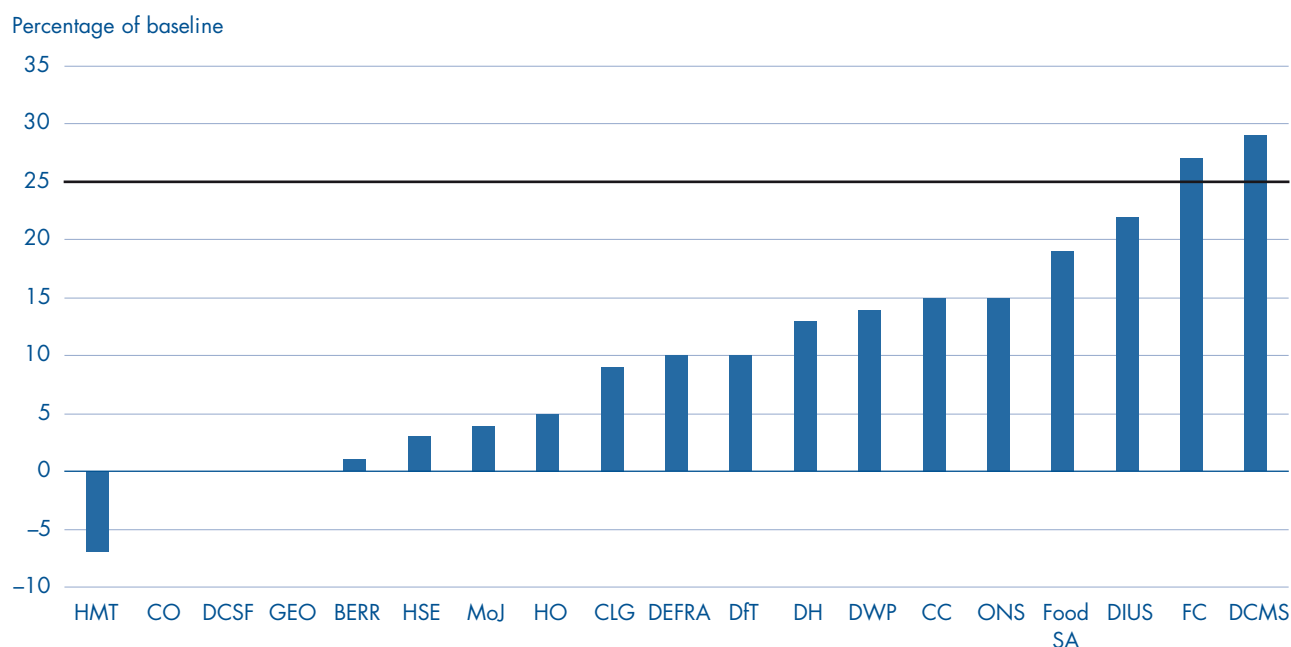
1.8 In 2008 HMRC announced three new performance measures to evaluate its success of reducing the burden of audits and inspections and to further encourage and drive the right behaviour in its interactions with customers (see Appendix 3). HMRC reported that it had also delivered savings of £163 million in relation to wider administrative burdens in complying with tax legislation, for which no targets had been set.

1.9 Departments' claimed net savings were made up of gross savings of £1,200 million, offset by new burdens of £400 million. Of the gross savings, some £520 million were achieved through six measures, 43 per cent of the total gross reductions reported in December 2007 (**Figure 5 overleaf**).

The additionality of the Programme

1.10 The Programme is intended to increase the impact of departments' simplification activities in two ways: by encouraging departments to increase the impact of simplification measures already identified, for example by widening their scope or giving them greater priority; and by prompting departments to identify new simplification measures in addition to those already identified.

4 Estimated savings in administrative burden reductions reported at December 2007 as a percentage of baseline (excluding HMRC)



Source: National Audit Office analysis of BRE summary document

¹ In March 2008 HMRC published: *Delivering a new relationship with business: Progress on HMRC's plans to improve the SME customer experience*.

5 Measures with an annual gross administrative saving of over £50 million (excluding HMRC)

Department	Measure	Annual administrative saving
CLG	Reduced burden for some landlords of houses in multiple occupation (HMOs) – Section XI of the Housing Act was repealed and replaced by a licensing scheme for HMOs. Although the individual burden on those affected is higher, the new scheme is better targeted and affects significantly fewer HMO managers.	£120 million
DIUS	Weights and measures (Packaged Goods) Regulations 1986 – Consolidates five sets of regulations into one, creating a simpler regime and greater freedom over the measuring equipment used in a number of sectors and reduces information obligations as a result.	£119 million
DCMS	Licensing Act 2003 – Realisation of the benefits of simplification of licensing regime following measurement exercise. The new regime has delivered savings of £97.2m compared with the old requirements.	£97 million
BERR	Facilitation of electronic communication – The Companies Act 2006 has allowed 1.2 million companies to send information to shareholders by email, rather than hard copy. Print and postage costs expected to reduce by £100 – £400,000 per mailing company.	£66 million
CLG	New Competent Persons Scheme for Electrical Work – 1.2 million pieces of electrical work a year are now certified by ‘competent persons’ rather than having to go through building control inspection, saving around £110 per check.	£65 million
CLG	Fire Safety Regulatory Reform Order – Created single risk-based fire safety scheme for any buildings that the public might visit. The reform removed 79 overlapping fire safety regimes. In future relevant premises will have only one Authority to deal with in England and Wales.	£53 million
Total		£520 million

Source: National Audit Office analysis of Simplification Plans

1.11 We found that the majority of the £800 million reduction claimed at December 2007 had been delivered by measures that were identified before the start of the Programme. **Figure 6** shows that the large majority of savings reported by CLG, BERR and HSE in 2007 were due to initiatives which had already been identified before the Programme began. This partly reflects the long lead time required to identify and implement new projects and, where appropriate, to find space in the legislative programme. However, the savings for these initiatives have been enhanced by the Programme. Measures identified before the introduction of the Programme have been widened, given added impetus and resource, or brought forward in departments’ work programme. In many cases, these projects may not have been given the same high priority in the absence of the Programme.

1.12 In addition, the Programme has resulted in new simplification measures being identified. In these three departments, around one third of savings forecast by 2010 result from new initiatives that departments have identified since the introduction of the Programme.

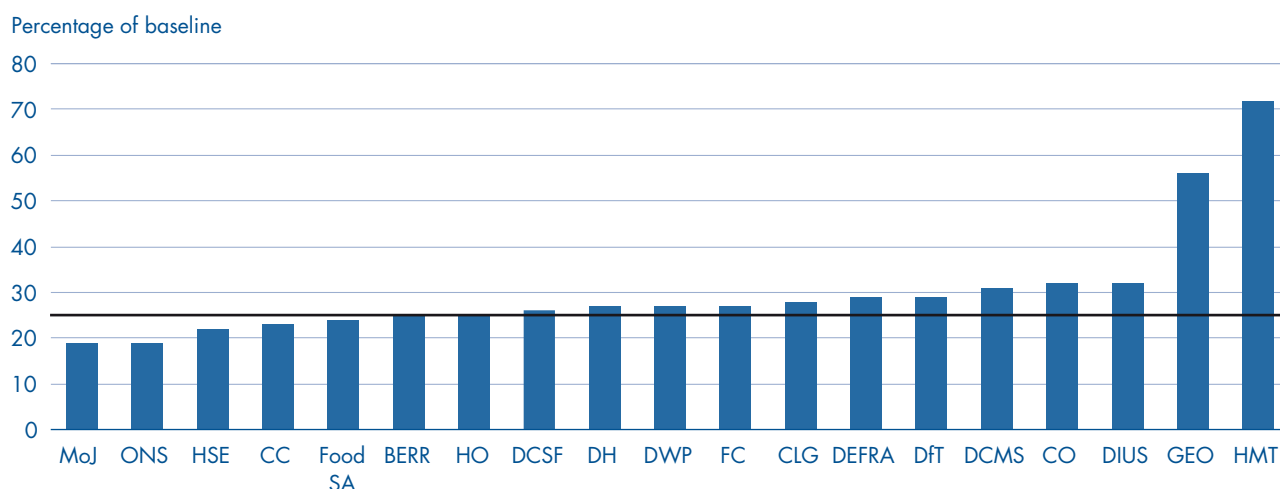
6 Measures identified prior to the commencement of the Programme

Department	Percentage of gross savings as reported in 2007, achieved as a result of initiatives identified prior to the commencement of the Programme
CLG	100
BERR	97
HSE	83

Source: National Audit Office analysis of simplification plans and interviews

1.13 For HMRC all of the measures announced in the Budget 2007 paper were already in progress before the targets were introduced. The measures announced at Budget 2008 are new and have been identified as a result of HMRC’s programme to reduce administrative burdens. Overall, 78 per cent of the reductions delivered by HMRC to March 2008 were in progress before the targets were announced. But HMRC has identified a range of other new initiatives which it is working on as part of its administrative burden programme, some of which will deliver after the end of the target period.

7 Projected net reductions to be delivered by 2010 (excluding HMRC)



Source: National Audit Office analysis of simplification plans

Projected savings by 2010

1.14 Figure 7 shows the percentage reduction in administrative burdens that departments predicted in December 2007 they would deliver by 2010.

- All but five departments have identified projects which they predicted would result in net savings above the 25 per cent target, and the lowest was 19 per cent (Ministry of Justice).
- Two departments, the Government Equality Office and the Treasury, predicted net reductions of 56 per cent and 72 per cent by 2010.

1.15 Departments were subject to significant pressure to meet the 25 per cent target. Their ability to identify savings which contribute to the target has been an important focus of the interactions with the BRE and the Panel for Regulatory Accountability. The external pressure to meet the target resulted in an intensive focus on the numbers and much effort has been devoted to meeting the targets with the risk that business priorities for reducing burdens become a secondary consideration. Although departments have established procedures to challenge claimed savings (paragraph 1.25) they, and the BRE, need to guard against this risk and the emphasis on the target needs to be considered in the wider context of the Programme. The BRE emphasised the importance of meeting the 25 per cent reduction target to mitigate against the risks to Programme delivery.

1.16 There are also some potential risks to achieving the target in 2010:

- **The pace of progress.** December 2007 was two fifths through the duration of the programme. At that point Departments had reported net burden reductions of 6 per cent against their target of 25 per cent – only about a quarter of the final target. This is consistent with countries such as Denmark and Netherlands who are ahead of the UK in the delivery of similar programmes. Departments will, therefore, have to deliver identified reductions to the projected timetable.
- **Impact of new regulations.** Departments' forecast net reductions by 2010 of £3.5 billion were made up of gross savings of £4,100 million, offset by new burdens of £600 million (Figure 8 overleaf). However, regulations introduced up to 2007 have already imposed £400 million of the forecast new burdens, some two thirds of the expected total to 2010. In addition, some departmental Simplification Plans contained details of proposed new regulations that have not yet been costed and are, therefore, excluded from the forecast increase in the cost of new regulations. The rate of introduction of new regulations will therefore need to reduce significantly in the next three years or departments will need to identify additional gross savings if they are to achieve the target.

8 Net annual reductions in administrative burdens (excluding HMRC)

	Forecast reduction to 2010 £ million	Claimed reductions in 2007 £ million
Gross savings	4,100	1,200
New burdens	600	400
Net reduction	3,500	800

Source: National Audit Office analysis of simplification plans

The measurement of administrative burdens and savings

The limitations of the original measurement methodology

1.17 The success of the Programme is measured primarily by departments' progress in reducing administrative burdens and achieving their targets. The Standard Cost Model methodology was used to measure the administrative burdens facing business when complying with regulations. Our 2007 Report concluded that calculations of administrative burdens were estimates and must be treated with caution as they were not statistically reliable. Attempting to carry out a statistically representative assessment would have been time consuming, more expensive and difficult to achieve due to the variation of business processes.

1.18 When calculating savings, small differences in estimates of the time saved at the individual business level may have a large impact on the total estimated reduction when savings are multiplied across the population of businesses. The BRE and departments should, therefore, present estimates of achieved reductions with explanations of the savings and their limitations. While the BRE has acknowledged the indicative nature of the measurement exercise, it has not been consistent in similarly qualifying the reported savings.

Departments' approaches to measuring claimed reductions

1.19 We reviewed how seven departments, responsible for some 80 per cent of the burden, had calculated their reductions in administrative burdens. We focused on BERR, HMRC, CLG and HSE, but also examined claims made by DEFRA, the Department for Transport (DfT) and Department of Health (DH) to provide a broader overview of the consistency of approach across departments. We reviewed 25 claims which covered £590 million of reductions.

1.20 Departments had adopted different methods for calculating reductions, and had treated common issues differently:

- The approach to calculation differed. Some departments, such as BERR, broke costs down within a regulation. BERR considered the cost of complying with individual information obligations for each regulation and estimated the time saved under each obligation. Other departments, such as HSE, did not disaggregate the data to this extent and estimated the level of savings for each regulation as a whole. As a result of the differences in the measurement exercises, HMRC has been able to specify a cost for each data requirement within the information obligations, broken down by different administrative activities.
- There were variations in the level of supporting evidence and the extent to which departments tested the claimed savings. A large number of claimed reductions were based on estimates of the amount of time saved as a result of the revised requirements. Departments adopted a range of methods to test their assumptions, from using informed estimates by in-house analysts to engaging with stakeholders to test and verify the level of saving.
- Some claimed reductions were based on the assumption that all businesses would take advantage of the revised or amended obligations. This approach is consistent with the original measurement exercise but there is no guarantee that businesses will be aware of the revisions. Differences in assumptions on the level of compliance can make big differences to the claimed reduction.
- In some cases, departments claimed reductions at the time of implementing the initiative, regardless of whether businesses will yet have benefited from the change – in one case claiming the reduction before the measure had even received Parliamentary approval. In other cases, departments have deferred claiming the savings until they are more confident that businesses are benefiting.

1.21 There is no single right or wrong way of estimating the reductions in administrative burdens but consistency is important for reporting the aggregate level of savings. Departments have adopted methods that they consider to be the most appropriate in their own specific context and have made estimates of likely savings. The variation in approach between departments does not mean that individual claims are incorrect. They may under or over estimate the actual saving to business.

1.22 It is, however, difficult to add up 150 diverse measures to reduce administrative burdens, which have been calculated using different methods and based on differing assumptions, to provide a reliable and accurate measure of the reduction in administrative burdens in the UK. There is a risk that claiming unreliable aggregate reductions could undermine the credibility of the Programme and increase business scepticism towards the achievements. Departments could use the estimates to score progress towards targets, so to incentivise and hold policy teams to account for reducing burdens. But departments and the BRE need also to do more to validate high value claims.

Ensuring claimed reductions are robust

1.23 There is an established structure to facilitate the delivery of regulatory reform, in which departments, the BRE and the Panel for Regulatory Accountability each have a role in overseeing the implementation of the Programme (**Figure 9**). We reviewed the role of each body.

Departmental validation of claims

1.24 Each department has a Better Regulation Unit (BRU) to support staff in implementing the Programme and act as the main point of liaison with the BRE. The BRUs have worked with policy teams and departmental economists to calculate reductions, although to a varying extent across departments. Economists and analysts have a greater involvement on the larger or more complex claims. BRUs have estimated potential savings using a combination of approaches, including research previously conducted, reported performance data and professional judgements.

9 Roles and Responsibilities

Coordination

The Better Regulation Executive:

- The BRE is project manager and coordinator for the measurement exercise that involved Government departments and their agencies, excluding HMRC.
- The BRE offers support and guidance to departments and works with them to ensure that the intended reductions in administrative burdens on business are delivered by 2010.

Implementation

Departments:

Primary responsibility for delivery. Each department has:

- A **Better Regulation Minister** who is accountable for the wider better regulation agenda.
- A **Better Regulation Board-Level Champion**, to promote to board members the wider better regulation agenda.
- A **Better Regulation Unit (BRU)** supporting policy teams in delivering reductions in administrative burdens and the wider better regulation agenda. The BRUs act as the liaison point for the BRE and have responsibility for working with policy teams to identify and implement measures to reduce administrative burdens by 2010.

Scrutiny

The Panel for Regulatory Accountability:

- The PRA is a Cabinet Sub-Committee, chaired by the Chief Secretary to the Treasury, which was set up to ensure that proposals which imposed a significant regulatory burden on business, the public sector or the third sector were considered collectively.
- Provides scrutiny of departmental simplification plans and major policy proposals which are likely to impose a cost of over £20 million per annum or disproportionately impact a particular sector.

Source: National Audit Office

1.25 Departments have also developed internal procedures to challenge claimed savings and monitor progress in implementing the Programme. For example:

- HMRC has established a Challenge Panel, comprising senior executives from HMRC and the Treasury, along with the external chair of the Administrative Burdens Advisory Board, to monitor achievements of individual teams and progress against its targets. The Panel tracks individual measures from initial conception to implementation, including the analysis of likely impact. It is also concerned with the risks of individual measures and their impact on wider customer benefits.
- HSE has established a Better Regulation Oversight Group which provides the senior management committee with updates on progress on the better regulation agenda. The Group has a particular interest in the delivery of the Programme and is briefed on the timings and risks associated with particular measures, and the challenge facing HSE in meeting its target.

1.26 There are a number of examples where departments have asked external stakeholders to validate their claimed reductions, although this practice has not been widespread. In most cases industry groups and trade bodies were asked to comment on the December 2007 Simplification Plans. Where they were involved, they told us that their input into the second round of Plans was less than the previous year and often they felt they were asked to provide ‘rubber stamp’ approval of the claims rather than a real independent validation or challenge.

The Better Regulation Executive’s oversight of departmental claims

1.27 The BRE’s account managers have worked with the departments’ BRUs to help identify areas for reform and to monitor progress in meeting targets. They have provided a challenge to departments but have not systematically validated the calculation of claimed reductions. The level of BRE involvement in challenging the validity of the claimed savings has also varied. For example, the BRE challenged and made changes to departments with large claimed reductions, such as BERR, while other departments were subject to less scrutiny. The BRE told us that their account managers vary their focus depending on each department’s strengths and weaknesses, concentrating on the areas where they can add the most value or have the biggest impact. Where account managers were confident and had evidence of the robustness of the reductions within the Simplification Plans, they would use a light touch approach.

1.28 The BRE monitored departments’ progress in reducing burdens during 2007 and tracked the new burdens identified by departments. The implementation of initiatives was monitored centrally and followed up by account managers where necessary. In publishing government’s progress in December 2007, the BRE relied upon data provided by departments and information presented in Simplification Plans after approval from the Panel for Regulatory Accountability.

1.29 In August 2007 the BRE also introduced two systems to model the administrative burden of new regulations and to provide the official audit trail of calculations since the Programme commenced (see Figure 24). The use of these systems was not made compulsory by the BRE until April 2008, however, and departments took some time to adjust to the new systems. Their use was limited in the run up to publication of the 2007 reductions.

Independent scrutiny of the Programme

1.30 The Better Regulation Commission provided an independent challenge on the better regulation agenda and undertook scrutiny of the 2006 Simplification Plans. The Better Regulation Commission was dissolved in 2007 and has been replaced by the Risk and Regulation Advisory Council, which will play a different role. The Commission’s role of independently examining Simplification Plans has not been replaced.

1.31 The Panel for Regulatory Accountability (PRA), which is responsible for keeping the burden of regulation to a minimum, played an active role in approving Simplification Plans. The PRA’s oversight focused on progress towards the reduction target; risks associated with delivery; the quality of quantification on some claims; and presentation of key messages in the Simplification Plans. The PRA did not routinely examine the validity of every claim.

1.32 Our assessment is that while departments can provide assurance on their calculations, the arrangements for independent validation of claimed reductions are inadequate, particularly given the emphasis placed on reporting aggregate savings achieved for business. The lack of independent scrutiny further reduces the reliability of the claimed savings announced by the BRE in December 2007. A greater involvement of business organisations in the validation of reductions would help to provide more confidence that the claimed figures reflect the experience of businesses.

PART TWO

Benefits for business

2.1 The real test of the Programme's success is whether it delivers genuine and noticeable benefits for businesses. This part of our report therefore:

- examines the potential impact of measures to reduce the administrative burdens of complying with regulation;
- considers how departments are using the Programme to produce wider benefits for businesses; and
- reviews the ways in which departments are communicating with businesses.

The benefits of reducing administrative burdens

2.2 In December 2007 departments had implemented some 150 projects to reduce administrative burdens. The changes covered all aspects of government intervention including employment law, health and safety, and planning. Departments have collected feedback from business which shows that specific projects to reduce administrative burdens have improved the regulatory environment and brought them positive benefit. Examples are shown in **Figure 10**.

2.3 Departmental initiatives range from large measures affecting every business in the UK to smaller, sector specific measures. As well as this variation in reach, measures include a wide variety of initiatives such as making forms simpler, creating exemptions from regulatory requirements, abolishing regulations, and consolidating laws. Many initiatives to reduce administrative burdens form part of a wider review of legislation.

2.4 In February 2008 we asked 2,000 businesses about their experience of complying with regulation. Appendix 2 outlines this survey, which expanded on an earlier survey reported in our 2007 Report on the Programme. Appendix 4 gives the detailed results of the survey. In conducting the survey, we recognised that no survey of this kind will find it easy to isolate business views about the administrative component of regulation. For example, when commenting

on the time it takes to comply with regulations, businesses may not distinguish the administrative elements of regulations from the overall cost imposed by regulations, and their perceptions on the ease of complying may also be influenced more generally by the regulations themselves rather than just the administrative component. We therefore asked businesses a range of questions about their experience of regulation to provide greater insight into the reasons for their views.

10 Examples of simplification measures which have received positive feedback from business

CLG's e-planning

Commencing in 2006, CLG implemented a rolling programme to deliver electronic capability and increased consistency in the planning system. This included enabling and encouraging the submission of electronic planning applications and the introduction of a standard planning application form. Annual administrative savings at October 2007 were estimated at **£7.2 million**.

The evolution of the system has been welcomed by those who use the planning system. Benefits have been achieved through the implementation of e-planning across all sectors, which has received positive feedback from users.

Source: CLG 2007 Simplification Plan

HSE's Sensible Risk Management project

The Sensible Risk Management project was initiated in 2006 to increase compliance with risk management requirements and raise standards of health and safety in the workplace by making advice and guidance more accessible and easier to understand. The project focuses business attention more on practical risk management and less on documentation for its own sake. The new approach will reduce the amount of paperwork businesses produce and HSE estimates the initiative will reduce the costs of compliance by up to a third. Annual administrative savings at November 2007 were estimated at **£29 million**.

Feedback from industry has been positive, and shows that the changes have improved understanding of the requirements of risk assessment and reduced the time taken to comply.

Source: HSE 2007 Simplification Plan

2.5 The survey showed that:

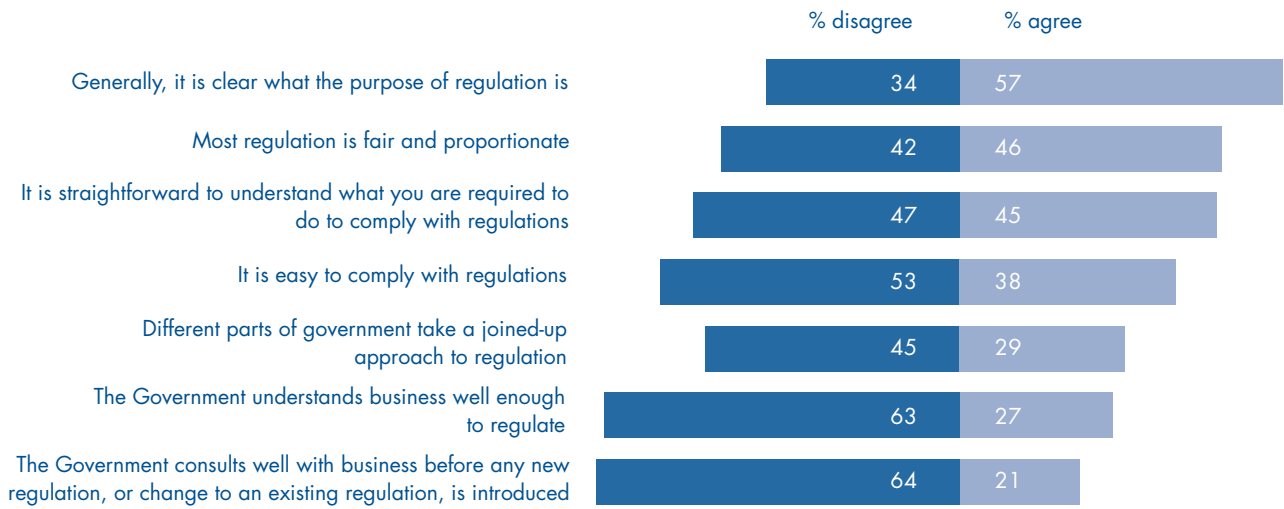
On business views about government’s approach to regulating

2.6 More businesses agreed than disagreed that ‘the purpose of regulation is generally clear’ and that ‘most regulation is fair and proportionate’ (Figure 11).

Responses to other questions showed that most businesses had negative perceptions about government’s approach to regulating, with most concern being over how well government understands and consults with business. But there has been a small but statistically significant positive shift between 2007 and 2008 in perceptions about regulation for six of the seven indicators (Figure 12).

11 Business’ perception of Government’s approach to regulating

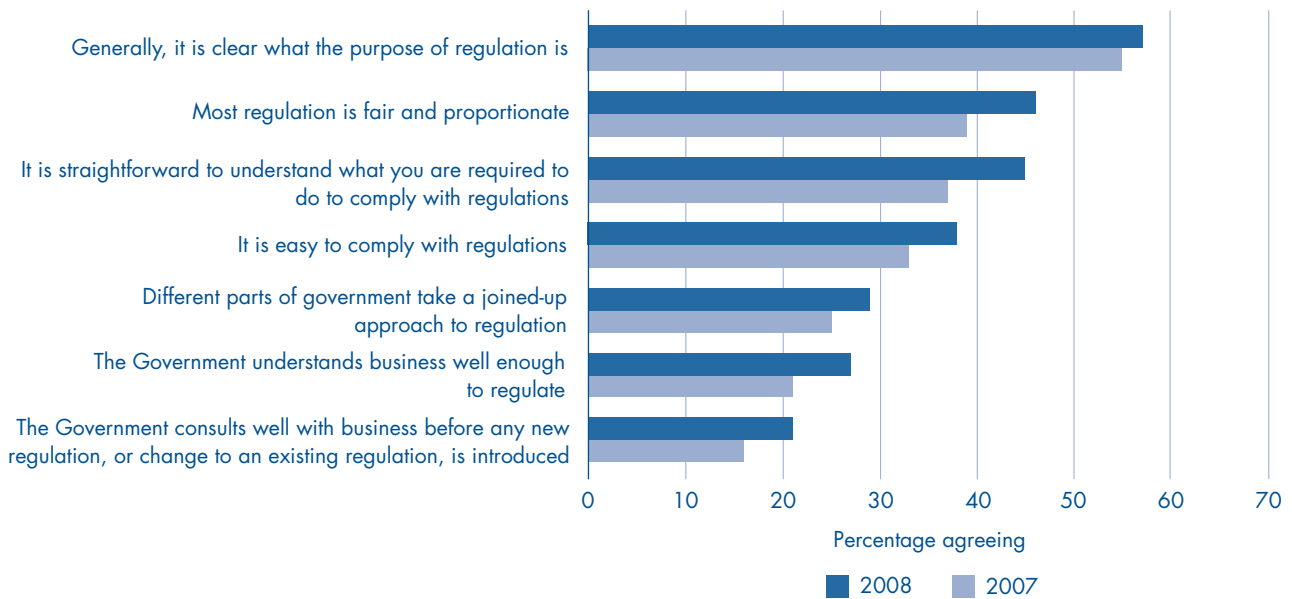
Do you agree or disagree with the following statements about the Government’s approach to regulating in this area?



Source: National Audit Office/Ipsos MORI business survey

12 Business’ perception of Government’s approach to regulating – 2008 compared with 2007

Do you agree or disagree with the following statements about the Government’s approach to regulating in this area?



Source: National Audit Office/Ipsos MORI business survey

On the burden of administrative activities involved with complying with regulation

2.7 Most businesses agreed that such activities were a burden (Figure 13), but there was a small but statistically significant reduction between 2007 and 2008 across all eight indicators (Figure 14).

13 Aspects of complying with regulations that businesses find burdensome

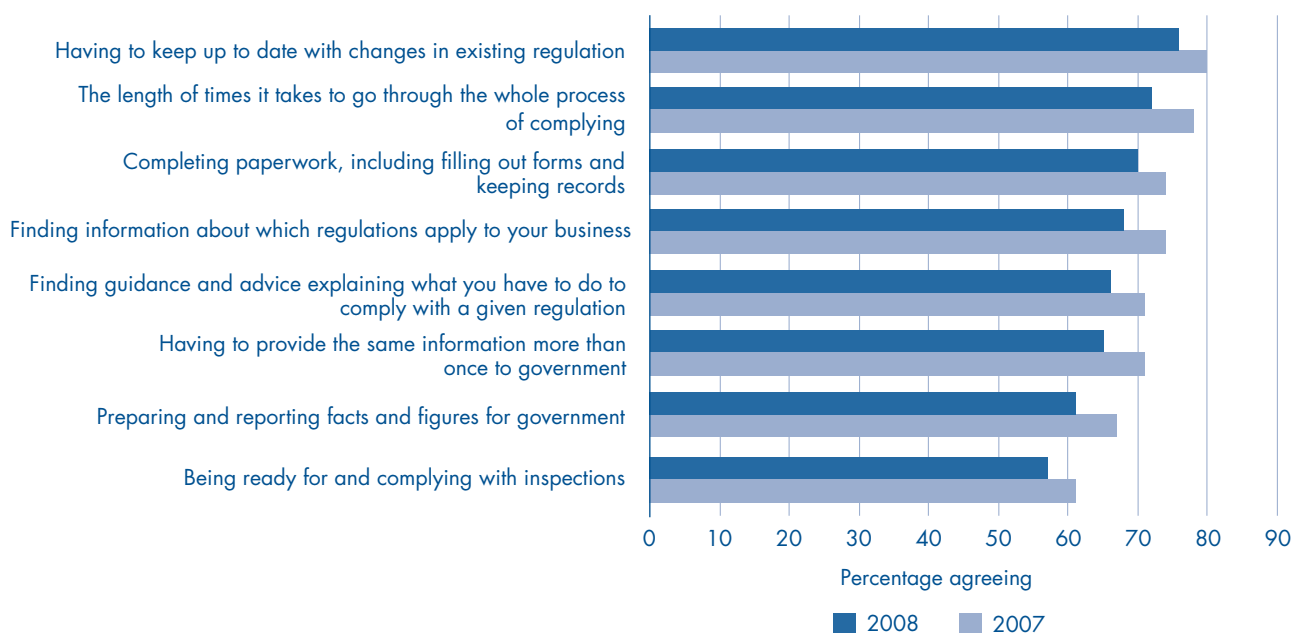
Do you agree or disagree that the following administrative activities are a burden when complying with regulation?



Source: National Audit Office/Ipsos MORI survey

14 Perceptions of the burden of administrative activities – 2008 compared with 2007

Do you agree or disagree that the following administrative activities are a burden when complying with regulation?



Source: National Audit Office/Ipsos MORI business survey

On whether complying with regulation had become easier and less time consuming over the past year

2.8 Only two per cent of businesses stated that it had become easier to comply with regulation over the past 12 months, 30 per cent stated that it had become more difficult, and 66 per cent stated that it had stayed about the same (Figure 15). One per cent of businesses stated that complying with regulation had become less time-consuming while 40 per cent stated that it took longer and 57 per cent stated that it had stayed about the same (Figure 16).

2.9 The small positive move in the perception of regulation and views on administrative activities (Figure 12 and Figure 14) may be evidence of the Programme having an impact on businesses, but continued improvement will be needed to confirm this. The finding that, in contrast, a large proportion of businesses feel that complying has become more difficult or time consuming (Figure 15 and Figure 16) may reflect continuing changes to, and increases in, regulation affecting businesses. In August 2008 the Government issued for consultation proposals to introduce

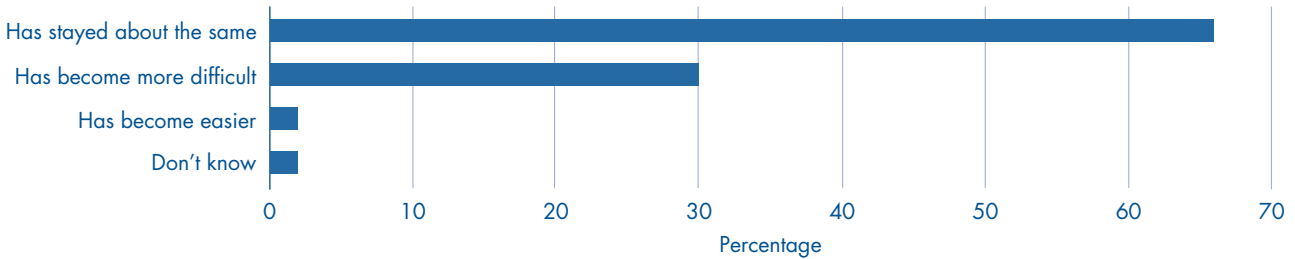
a system of regulatory budgets to make explicit the costs and benefits of new regulations and to help manage the costs imposed on businesses. BERR also has lead responsibility for other performance measures, including the PSA target to deliver the conditions for business success in the UK (paragraph 3.17).

2.10 There are a number of reasons why the positive move in the indicators around perception and administrative activities may at this stage be small. For example:

- The Administration Burdens Reduction Programme is still at an early stage of delivery and the short time since implementation may mean that businesses have not yet been required to comply with the revised requirements. Businesses may also be unaware of changes to regulations.
- The actual financial benefit for individual businesses may be small. As at December 2007, the average potential saving per business – as a result of all departmental initiatives – was approximately £300 a year.

15 Business views on the ease of complying with regulation

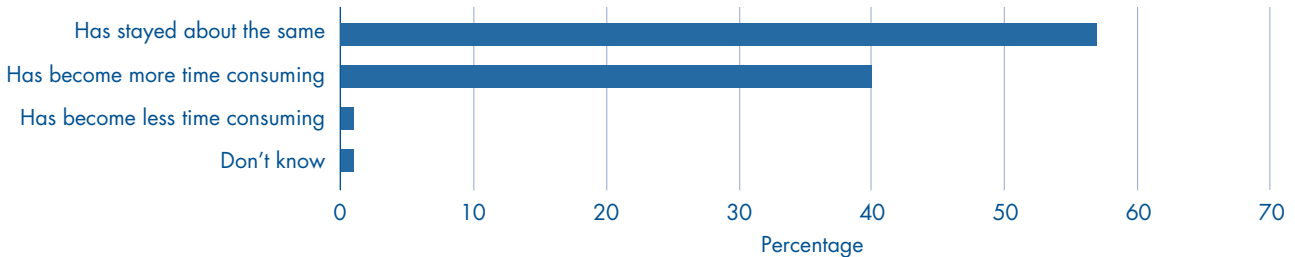
In the course of your business operations of the the last twelve months, has complying with regulation become easier, more difficult or stayed about the same?



Source: National Audit Office/Ipsos MORI survey, 2008

16 Business views on the time taken to comply with regulation

And, in the course of your business operations over the last 12 months, has complying with regulation become less time consuming, more time consuming or stayed about the same?



Source: National Audit Office/Ipsos MORI survey, 2008

- Measures may have a significant impact but only apply to a few businesses. For example the CLG measure on Satellite Dishes, which revises the planning regulations on antennas that can be situated external to a building, results in a useful saving of approximately £700 a year for the individual business concerned, but the number of businesses likely to be affected is estimated at only some 750.
- Simplifying or repealing old or obsolete regulations that businesses do not comply with, or that are not enforced, will enable departments to claim a reduction in administrative burdens but will not provide a noticeable benefit for businesses.
- The administrative cost of complying with regulations can be a relatively small element of the total burden of regulation. Business perceptions may, therefore, be influenced more by the other costs imposed by the regulation rather than the administrative costs.

2.11 In 2007 we reported that experience in the Netherlands showed that reductions achieved by the Dutch Government in its administrative burdens reduction exercise had not been noticed in full by businesses, indicating that businesses in the Netherlands had similar experiences to those in the UK.² The Dutch Government has subsequently revised its approach and now focuses more broadly on both administrative burdens and policy costs. Specific objectives will be formulated for individual laws by a problem oriented commission which includes business representatives. Belgium has also revised its approach to reducing the burden of regulation on business (Figure 17). In the UK, the Programme is one element of a much wider agenda of regulatory reform which also includes the use of impact assessments and effective regulatory enforcement.

Delivering wider benefits for business

2.12 Our survey also showed that businesses believed the most burdensome aspects of complying with regulation were: having to keep up to date with changes in regulations; the length of time it takes to go through the process of complying; and completing paperwork, including filling out forms and keeping records (Figure 13). So reducing administrative burdens is important, but businesses also find other aspects of complying with regulations equally or more burdensome. These results are broadly consistent with the findings of our 2007 survey, although 'completing paperwork' is ranked marginally higher this year in comparison with other burdens (Appendix 4).

2.13 All departments have used the Programme to tackle the other aspects of complying with regulations that business finds burdensome, and have not focused exclusively on administrative burdens. In line with a recommendation from our 2007 Report, departments have considered the scope for wider improvements in the business environment. Of the 280 simplification measures implemented to date, over half have focused exclusively on reducing administrative burdens, while the remainder have sought also to address wider irritation factors of complying with regulations. There are a number of examples of planned measures that will have little impact in terms of administrative burdens but will have a significant impact for business in terms of the costs associated with actually complying with regulation. **Figure 18 overleaf** provides examples of the measures that departments have introduced to simplify and modernise regulations.

17 International Comparisons

The Netherlands

In 2007, the Dutch Government made efforts to improve its approach to reducing administrative burdens. A new zero-based measurement was commenced in January 2008. To perform this measurement, the Dutch Government significantly revised the methodology used to measure administrative costs. The new Standard Cost Model measures the administrative burden both quantitatively and qualitatively. In addition, the assumptions made have been modified to better reflect actual business experience. The Dutch government will also conduct surveys of specific sectors, annoyance factors, or in areas of legislation. The surveys are qualitative in nature and designed to point to issues of public interest and single out which areas need attention in minimising the administrative burdens for business.

Source: The Regulatory Reform Group (2007), Action Plan

Belgium

After setting a 25 per cent target in 1998, the Belgian Government concluded in 2003 that the quantitative targets were inappropriate 'due to the difficulties in calculating the starting point and accurately measuring the administrative and regulatory burdens. The Prime Minister set performance goals such as permitting a new firm to be set up in only three days.' Starting in July 2003, the Belgian Government began to focus its efforts on 12 Strategic Works – a mix of structural and individual projects. The commitment is more results oriented than the previous 25 per cent target and is built around deliverables for each Minister within specific time schedules. Evaluation of success is undertaken by a large scale business survey every two years. The 2007 survey indicates that the burden has been reduced by one percentage point over 2000, down to 2.44 per cent of GDP.

Source: www.simplification.be

² Algemene Rekenkamer (2006) *Reducing the Administrative Burdens on Business*.

Departmental approaches to communicating with business

2.14 In our 2007 Report we highlighted the importance of developing a thorough understanding of business concerns and improving communications with businesses, and recommended:

To identify the measures that are likely to make a real difference, departments should seek to work more directly with businesses and consider any useful qualitative information collected in the measurement exercises;

and that:

The BRE and departments need to improve how they communicate with businesses. [They] should extend, where practical, the use of Common Commencement Dates... and consider forming better links with trade and sector organisations.

We therefore evaluated how departments were implementing these recommendations.

The identification of burden reduction measures

2.15 The four main departments in our examination – BERR, CLG, HSE and HMRC – have all focused on reducing administrative burdens in areas of highest cost. In many cases, departments were already conducting wide-ranging reviews of the existing legislation and BRUs were able to consider administrative burdens as part of those exercises, as in these examples:

- BERR has focused on reducing burdens and simplifying legislation in Company Law, Employment Law and Consumer Law. These three areas are responsible for the greatest burdens imposed by the department.
- CLG has focused on reducing burdens associated with Planning Law, which imposes the department's largest burden.

2.16 In our 2008 survey we asked businesses to indicate the simplification measures they thought to be most important in reducing the burden of regulation. They ranked all measures as important, with the most important being the simplification of complex rules; improved access to information that spells out which regulations apply; and provision of guidance explaining how to comply with a given regulation (see Appendix 4 for details). Departments have initiated a number of projects to address these areas including the Code of Practice on Guidance on Regulation, which was published in July 2008, and the Anderson Review on how to give small business greater certainty around guidance.

2.17 In 2007 the measures most regularly used by departments to reduce burdens were the amendment of existing regulations; the simplification of, or reduction in, existing procedures; and the introduction of online tools (**Figure 19**). Over 40 per cent of projects involved the amendment of existing legislation, most often involving the consolidation of legislation, which is consistent with the top priority expressed by businesses.

18 Examples of measures which have delivered benefits in addition to the claimed reduction in administrative burdens

The Better Regulation of Over the Counter Medicines Initiatives (BROMI) – Department of Health

BROMI was set up to reduce regulatory burdens in relation to Over the Counter medicines but has since broadened its scope to include the manufacturers and generic medicines sectors. BROMI has a risk-based approach to lifting the regulatory burdens of medicines regulations through simplification of the processes needed for compliance.

Administrative burdens savings, estimated at **£12 million**, were realised from BROMI changes by increasing the length of time companies have to change name following merger. There were, however, significant additional non-administrative savings that resulted from the pharmaceutical sector benefiting substantially from BROMI with a reduction in the time taken to reach market for new products. The savings are estimated at approximately **£100 million** for Over the Counter medicines and manufacturers and suppliers alone.

Source: Department of Health – Simplification Plan

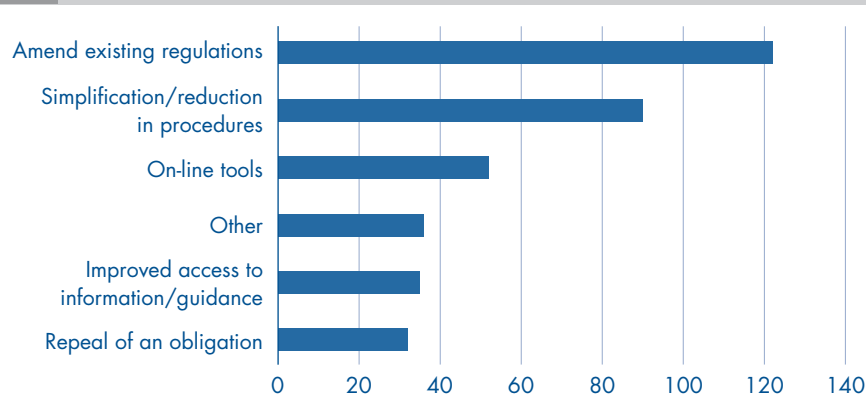
Construction (Design and Management) Regulations 2007 – HSE

The revised Construction (Design and Management) Regulations came into force in April 2007. They consolidated four sets of regulations into one and restructured, simplified and clarified the Regulations. Key industry stakeholders expressed strong support for the new regulations.

The saving in administrative burdens, estimated at **£3.6 million**, were a result of clarifying and simplifying the requirements relating to notification and management of health and safety during construction jobs. Specific measures included a simplified trigger for formal appointments of the Principal Contractor, Construction Design and Management Co-ordinator, and preparation of the health and safety plan and file. The measure also delivered significant non-administrative savings achieved through consolidation and restructuring, and by simplifying a number of the processes previously required; e.g. assessment of contractors' competence. These savings are estimated at approximately **£160 million**.

Source: HSE 2007 Simplification Plan

19 Types of simplification measures used to reduce administrative burdens



Source: 2007 Simplification Plans

NOTES

Amend existing regulations – changes to policy, including revision and consolidation of legislation, that lead to a reduction in administrative costs.

Simplification/reduction in procedures – changes to administrative procedures that reduce costs, for example reductions in the number/ size of forms, reductions in number of inspections.

On-line tools – the use of web based tools for companies, for example on-line payment and registration

Improved access to information and guidance – manuals and/or web based

Repeal of an obligation – complete removal of an information obligation

Other – could not classify

2.18 We recommended last year that departments should seek to work more directly with businesses. All four of our focus departments have engaged with business groups and stakeholders to identify simplification measures. HMRC's Administrative Burdens Advisory Board is an example of good practice (Figure 20).

2.19 Business organisations were positive about the commitment of government to make a difference and reduce the burden of complying with regulations. Our Advisory Network members stated that departments had consulted them on individual measures (paragraph 1.26), but they were concerned that they were not engaged early enough to really make an impact on proposed measures, and were being asked to provide approval rather than suggest ideas for improvement. Developing closer contacts with business would help departments identify the type of measures that would have the most impact.

Communicating changes to business

2.20 Without adequate and effective communication of simplification measures they have implemented, the savings claimed by departments are unlikely to be realised, as businesses may continue to comply with the previous regulations or abolished information obligations. Better communication would both help departments reduce the burden of complying with regulations and improve business perceptions, since knowing what is required to comply with regulation is a significant frustration for business (Figure 13).

20 Administrative Burdens Advisory Board – HMRC

The role of the Administrative Burdens Advisory Board is to help HMRC prioritise issues within its administrative burden programme to ensure that those areas that matter most to businesses are being tackled. As well as meeting its numerical targets, HMRC is committed to making a noticeable difference to businesses experience of the tax system. The Advisory Board say this is a key test of success. The Advisory Board brings a sharp external focus to HMRC's work and provides feedback, advice and guidance. It also has an important challenge function and acts as a trusted sounding board for testing out new ideas.

Advisory Board members have been drawn from the business community and have experience of dealing with the tax system as either a business taxpayer, an intermediary or a representative. There is also a Treasury presence to ensure that the views and concerns of the group are fed back to the tax policy teams.

Source: HMRC

2.21 Our survey of business suggests a lack of awareness of simplification initiatives (**Figure 21**). As was the case last year, some 12 per cent of businesses were aware that the Government had measured the administrative costs of regulation and had set targets for reducing them. Some 17 per cent of businesses were aware that they could make suggestions for improvements to regulations through government websites. The BRE decided that instead of focusing communication efforts on awareness of the Programme, it would instead focus on reporting the results, including specific initiatives that departments had delivered.

2.22 Our focus departments have established communication strategies for the launch of their simplification measures, and for some individual projects. BERR, for example, liaises with industry organisations and has attempted to reach larger numbers of small businesses through seminars with intermediary bodies. HSE has introduced a *Myth of the Month* campaign, an initiative which aims to tackle common health and safety myths on bureaucratic requirements which do not actually exist. Departments have continued to expand the use of Common Commencement Dates to communicate changes in regulatory requirements.

2.23 Our survey asked businesses about the sources they used to find information and guidance about regulations. Over half (**Figure 22**) paid external agents and/or used their trade association. Businesses went less often to departmental websites, the Business Link website or made direct contact with departments. Of those that used government sources, the large majority found them useful, with the Business Link website considered the most helpful. We also found a correlation between businesses' awareness of government initiatives and the use of Business Link and departmental websites. Businesses using departments' websites were the most informed while those using agents were the least informed.

2.24 There were marked differences in the sources used between businesses of different sizes. Use of departmental websites was the preferred source of information for large businesses (77 per cent) while small and medium sized businesses were more likely to use external agents. Departments need to be aware of the different way businesses obtain information, and that they may need to use a variety of different channels of communication to reach all businesses.

2.25 In February 2008, the BRE strengthened its Communication Team to enhance its capacity to lead a cross-government communication drive ahead of the publication of the 2008 Simplification Plans. The Government is also implementing a number of initiatives to improve its communications with business. For example, the introduction of a code of practice for policy officials aims to ensure that guidance on new regulations is designed with input from business in order to make it easier to understand, more accessible and available before the regulation is introduced.

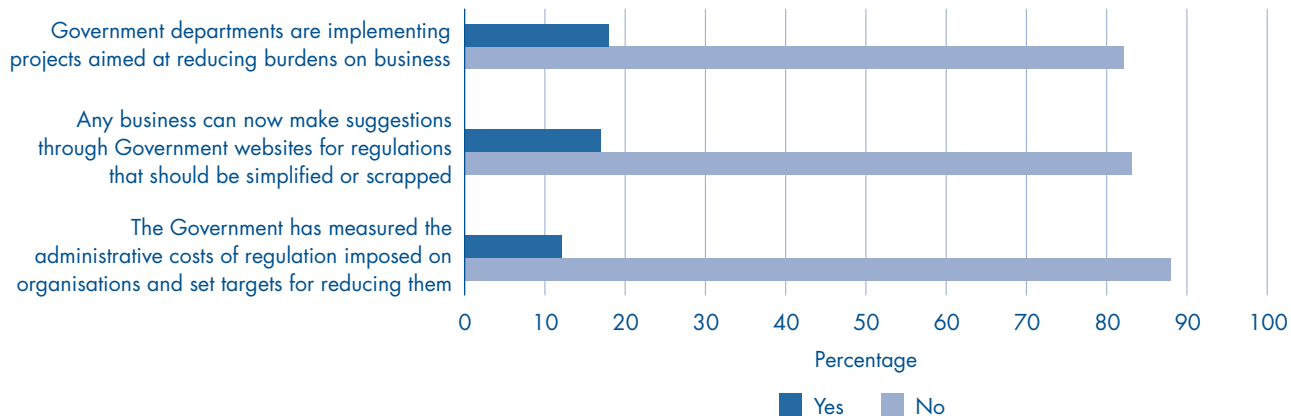
Departmental approaches to evaluating impacts

2.26 Departments have recognised the need for evaluation and have plans to assess the impact of their simplification measures, particularly in the context of wider programme reviews. At this stage, departments had undertaken few evaluations due to the relatively short time since many of the measures were implemented and the need to allow measures to bed down. The plans of each of our four focus departments were:

- CLG has introduced a programme which allows its BRU to track evaluations.
- HMRC will evaluate its simplification measures as part of its existing Compliance Cost Review programme.
- BERR has developed evaluation plans for its two biggest areas of simplification, the Companies Act and the Employment Law review. Initial evaluations of its e-communications measures have already been undertaken.
- HSE has undertaken an initial evaluation of one of its simplification measures, and has planned evaluations for the majority of its simplification measures.

21 Business awareness of the Programme

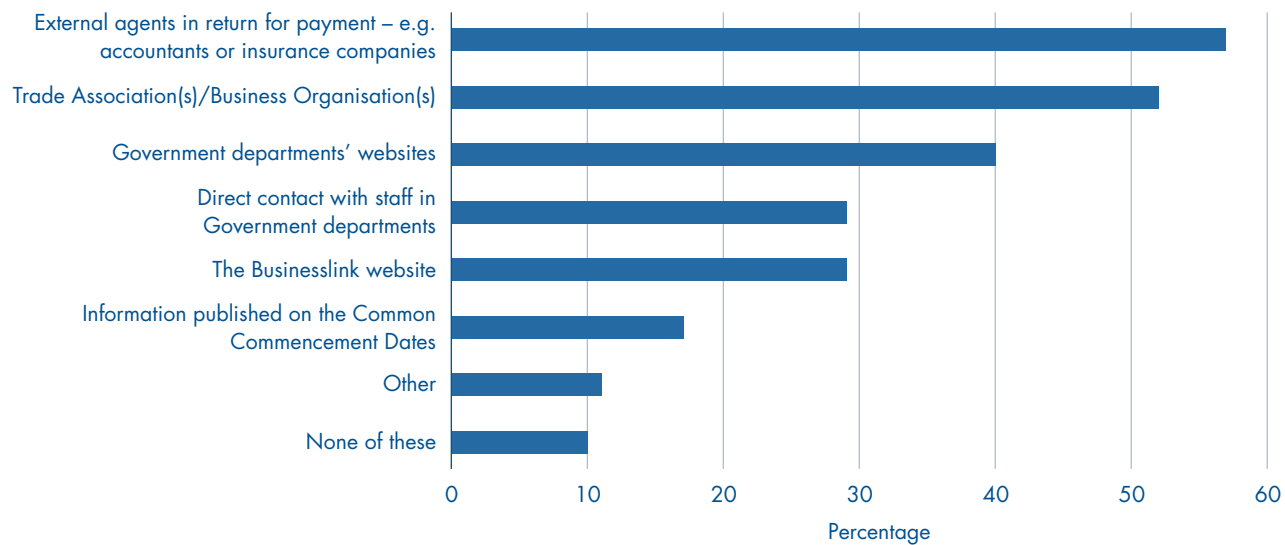
Are you aware of any of the following initiatives by government to try and improve regulation and reduce the current burdens on business?



Source: National Audit Office/Ipsos MORI survey

22 Sources used by businesses to find information about regulations

Did you use any of the following to find information and guidance about Planning/Tax/Health and Safety/Employment/Company law regulation?



Source: National Audit Office/Ipsos MORI survey

PART THREE

The management of the Programme

3.1 The Better Regulation Executive (BRE) leads and coordinates the delivery of the regulatory reform agenda in the UK. Its aims are to work with departments and regulators to:

- improve the design of new regulations and how they are communicated;
- simplify and modernise existing regulations; and
- change attitudes and approaches to regulation to become more risk-based.

This part examines the BRE's performance in project managing the delivery of the Programme, in particular:

- the management of the costs associated with the Programme;
- its role in monitoring departments' progress, including providing tools and assistance to ensure a consistent approach to delivery; and
- the progress made in determining a suitable method of evaluating the success of the Programme.

Costs of delivery

3.2 In 2005, the Better Regulation Task Force estimated that implementing its *Less is More* report would cost £35 million.³ The BRE accepted the recommendations of the report in full and introduced the Programme.

3.3 Systematic cost recording and reporting is the basis of sound project management and is necessary for assessing the value for money of the Programme. In 2007 we reported that the direct consultancy costs associated with the initial measurement exercise were £18 million, but highlighted that staff costs incurred by departments in the measurement phase were not recorded. In July 2008, the BRE provided a breakdown of costs associated with the set up and central coordination of the Programme (**Figure 23**).

3.4 One year into the implementation of the Programme, we found that departments have not systematically recorded their costs associated with the Programme. Departments cited the difficulty in making a distinction

23 Central costs of implementing the Programme

	Proposed budget – <i>Less is More</i>	Actual spend
Measurement exercise	c.£15 million	c.£18 million
IT systems and training	c.£20 million (£4 million pa over 5 years)	c.£120,000 – IT systems c.£115,000 – Departmental training
Ongoing BRE staff costs		c.£10.5 million (calculated using budget estimates of £2.4 million per year for 2008/09 and 2009/10)
Total	c.£35 million	c.£28.7 million

Source: Better Regulation Executive

3 Better Regulation Taskforce, *Less is More*, March 2005.

between work directly related to the Programme and wider work on better regulation or policy development as the major reason for the lack of recording and reporting. The *Less is More* report assumed that departmental costs would be met by reprioritisation. Departments were able to give examples of additional funds that have been allocated for specific simplification projects. For example BERR used the Programme to spend an additional £35 million on revising guidance on employment legislation.

The BRE's role in coordinating departmental progress

3.5 The BRE has a continuing commitment to 'support and challenge departments to improve the regulatory environment in the UK, including on the Administrative Burdens Reduction Programme'.⁴ It works with departments to ensure progress towards the administrative burdens targets and encourage consistency across government. In our 2007 report, we recommended that:

The BRE should maintain its coordinating role until May 2010. This will involve working with departments to encourage consistency in approaches and maintaining an impetus to delivery. The BRE should also provide a forum to encourage collaboration and learning between departments and, where appropriate, joint initiatives.

Encouraging consistency in calculating savings

3.6 The BRE has provided tools, guidance and support to help departments deliver the Programme and measure progress. Departments were involved in the development of these tools to make sure they were fit for purpose. In May 2007 the BRE issued guidance to departments on how to calculate reductions and produce Simplification Plans. In August 2007 it added a database and an administrative burdens calculator (**Figure 24**), and online training in the application of the Standard Cost Model methodology to new regulations and reductions. It also offered individual sessions and workshops to help departments, although take-up varied. However, compulsory use of the calculator was delayed until April 2008, some four months after the publication of the first year's savings. Departments therefore undertook the calculation of 2007 reductions without the requirement to undertake any training or use the tools issued by the BRE.

3.7 Departments have been able to seek guidance from the BRE. The coordination of the Programme and the publication of Simplification Plans has been managed by a small team within the BRE. This team was supplemented by account managers during the preparation of the Simplification Plans, but departments told us that they felt that the small size of the central BRE team, which was the centre of expertise on the original measurement exercise and the methodology for calculating claimed reductions, meant that there was not enough technical support and guidance from the BRE on the approach to calculating claimed reductions, including the treatment of technical issues.

Monitoring performance and maintaining an impetus to delivery

3.8 The BRE has adopted a system of account managers to shadow departments and provide support, advice and challenge on their approach to regulating. The account managers engage on a range of initiatives across the regulatory reform agenda, including plans to simplify requirements and to introduce new regulations. They work with departments to identify areas for reform; monitor progress against reduction targets; and maintain focus on the delivery of the Programme. BRE account managers also meet departments' BRUs regularly to review progress made towards their net reduction targets and to discuss their wider regulatory reform programmes.

24 The BRE's Administrative Burdens Reduction Tools

Administrative Burdens Database – The Administrative Burdens Database is the successor to the initial baseline database. This new database has been designed to improve the ability to access the information gathered during the Administrative Burdens Measurement Exercise conducted by PwC.

Administrative Burdens Calculator – The Administrative Burdens Calculator is a web-based tool which can be used by departments to model the administrative burden of new regulations or the impact of simplification measures.

Source: Better Regulation Executive

4 HM Government, Memorandum to the House of Commons Public Accounts Committee, February 2008.

Facilitating collaboration and learning between departments

3.9 Aside from its activities on the Programme, the BRE is involved in early stage policy development within departments. It participates in formal programme boards and on a case-by-case basis for high cost or high profile policies. Departments told us that this type of involvement was a valuable contribution and that an increased level of participation from the BRE would be welcomed.

3.10 There have been quarterly meetings with the BRUs in which the BRE looked at delivery of the Programme and how to record changes in administrative burdens. Departments told us that they felt the meetings have focused on progress towards the target and provided a forum for the BRE to disseminate information, rather than to share best practice.

3.11 The BRE held a workshop in February 2008 which discussed lessons learned from two departments in calculating administrative burdens. Departments would, however, have welcomed more opportunities to discuss approaches and lessons learned and to encourage further sharing of good practice. The BRE has sought to address this and in June 2008 held a workshop to learn lessons from the use of the burden reduction tools.

Evaluating success

Assessing the Programme's impact

3.12 The original argument of the *Less is More* Report was that reducing administrative burdens would enable businesses to redeploy these 'saved' resources more productively in running the business, which would contribute to faster productivity growth. The Better Regulation Task Force estimated that, on this basis, the Programme could deliver an estimated £16 billion increase in GDP. In our 2007 report it was too early to attempt to evaluate the impact of the Programme on the overall productivity of the economy, and we therefore recommended:

The BRE should prioritise and encourage cross-government work to explore the link between the level of regulation and productivity. It should also consider how the overall impact of the Programme on UK businesses' productivity will be assessed.

3.13 In 2007, BERR commissioned independent research to investigate the impact of regulation on the productivity of UK businesses and the economy. The research aimed to investigate the impact of regulation on growth and global competitiveness, but did not consider the impact of administrative burdens. The research will not, therefore, provide information on how to determine the success of the Programme. The results of this research are yet to be published, although initial findings were presented in a conference in January 2008.

3.14 There is an ongoing economic debate around the link between the level of regulation and productivity growth and, as a subset of this, whether reducing administrative burdens will increase GDP. In March 2008, BERR and the Treasury stated 'the Government's initiative to set a target to reduce administrative burdens by 25 per cent by 2010 could increase GDP by 0.9 per cent' (equivalent to £11 billion a year at current GDP levels).⁵

3.15 This estimate was based on research into the potential benefit both from direct time savings and spillover effects (such as increased investment and more time to innovate)⁶. By their nature, there are risks associated with such estimates, including uncertainties around the assumptions made about the direct time saving to business from reducing administrative burdens; the size of spillover effects; and the extent to which workers released by administrative reductions could be fully re-employed into productive activities. The BRE told us that it believes the actual increase to GDP as a result of reductions to administrative burdens is likely to be greater than 0.4 per cent and potentially 0.9 per cent of GDP.

Assessing the impact of the wider regulatory reform agenda

3.16 The BRE's headline measure of the success of the Programme is the progress towards the 25 per cent reduction target for 2010. In our 2007 report we recommended:

Departments should supplement their estimates of reductions in administrative burdens with a broader suite of indicators to evaluate non-quantifiable improvements in the regulatory environment.

⁵ HM Treasury, BERR: Enterprise: unlocking the UK's talent.

⁶ The Lisbon Strategy – An estimation of the economic impact of reaching five Lisbon targets; G.M.M Gelauf and A.M Lejour.

3.17 So far, the BRE has not used broader measures specifically in relation to the Programme, although it does use perceptions indicators to measure progress in delivering the broader regulatory reform agenda. BERR has the lead responsibility for three Public Service Agreements, one of which is to deliver the conditions for business success in the UK (see Appendix 1). To monitor and report progress, BERR has identified two high-level performance indicators which focus on regulatory reform, one which is specifically focused on the Programme's 25 per cent target and the other measures the benefits and costs of new regulations.

3.18 The Government uses seven measures to monitor progress on the wider regulatory reform agenda, which form part of BERR's Departmental Strategic Objectives. One such objective is to 'ensure that all departments and agencies deliver better regulation for the private, public and third sectors' (see Appendix 1). The delivery of the Programme contributes to the success of the wider regulatory reform agenda. Business perceptions have been identified as a key measure of success. BERR uses NAO measurements on the proportion of businesses that believe that 'most regulation is fair and proportionate' in five policy areas – employment law, tax law, health and safety, planning law and company law' (Figures 11 and 12).

APPENDIX ONE

The broader regulatory reform agenda

In March 2008 BERR and the Treasury published *Enterprise: unlocking the UK's talent*. The strategy paper set out the Government's renewed enterprise vision to make the UK the most enterprising economy in the world and the best place to start and grow a new business. This appendix summarises the BERR/Treasury paper and provides detail on the Government's forward enterprise vision and the regulatory reform agenda.

The Government's enterprise vision

The strategy is part of BERR's delivery plan for its Public Service Agreement (PSA) targets, which are to:

- raise the productivity of the UK economy;
- deliver the conditions for business success in the UK; and
- improve the economic performance of all regions and reduce the gap in economic growth rates between regions.

Enterprise is one of the drivers of productivity. The Government has conducted research into the challenges of encouraging enterprise and identified five 'enablers' on which it will focus attention over the coming years. The enablers are: (i) developing a **culture** where talent can flourish; (ii) ensuring individuals and businesses are able to develop the best possible **knowledge and skills**; (iii) access to finance; (iv) creating an **appropriate regulatory framework**; and (v) promoting **business innovation**.

Improving the regulatory framework is, therefore, a central element of the Government's strategy. It states that this will involve a "renewed focus on regulatory burdens, recognising that unnecessary or over complex regulation can stifle enterprise and have a disproportionate impact on small firms".

The role of regulation

Regulation can play a vital role in ensuring the efficient functioning of markets. Good regulation can correct market failures, underpin competition, protect workers and consumers and promote enterprise.

The Government has identified the regulatory framework as one of the drivers of productivity growth. For example, the strategy paper states that "getting the type and level of individual regulation and the regulatory framework right is essential for strong productivity growth". The Government has, therefore, committed to delivering a regulatory framework that encourages and enables enterprise activity.

Regulation also imposes costs. Some costs can be significant, but even low cost activities can be irritants for businesses because of the process required to comply with the regulation. In addition to the administrative costs of complying, new or changes to regulation; complexity; or inadequate guidance can all have an adverse impact on businesses. The National Audit Office's 2008 survey showed that 58 per cent of businesses considered the level of regulation to be an obstacle to their success. 62 per cent also considered that complying with regulation was their key challenge.

The regulatory reform agenda

The regulatory reform agenda fits within the first PSA target to deliver conditions for business success in the UK. The Better Regulation Executive (BRE) is responsible for the delivery of the regulatory reform agenda. Working with and through others, the BRE's aims are:

- to work with departments to improve the design of new regulations and how they are communicated;
- to work with departments and regulators to simplify and modernise existing regulations; and

- to work with regulators (including local authorities) and departments to change attitudes and approaches to regulation to become more risk-based.

The BRE has a broad ranging programme to achieve these objectives. **Figure 25** sets out the BRE's approach against the three UK-focused objectives. In summary, the BRE's approach comprises a mix of:

- initiatives to improve existing regulatory processes – for example, it has revised the impact assessment process to strengthen the challenge of new regulations;
- work programmes, such as the Administrative Burdens Reduction Programme, to reduce the burden of complying with regulations; and
- enhanced legislative support to strengthen departments' ability to de-regulate.

Regulatory Reform Performance Measures

In October 2007 the Government published a new set of cross-government priorities and Public Service Agreements (PSAs). These will be the key priorities for the government from April 2008 until March 2011. The new framework also requires departments to develop a set of Departmental Strategic Objectives (DSOs), which will also last until 2011.

Regulatory reform has been embedded in a number of performance measures, including the PSA target to deliver the conditions for business success in the UK. There are two indicators:

- the total benefit : cost of new regulations – an annual indicator is to be published from 2008-09 based on published final impact assessments; and
- the percentage by which administrative burdens are reduced across government (excluding HMRC) – this indicator directly covers the Programme.

25 The Regulatory Reform Delivery Programme – systems reform

	Working with departments and regulators to simplify and modernise existing regulations	Working with departments to improve the design of new regulations and how they are communicated	Working with regulators (including local authorities) and departments to change attitudes and approaches to regulation to become more risk-based
Domestic	<p>Administrative Burdens Reduction Programme</p> <p>Better Regulation website: www.betterregulation.gov.uk</p> <p>Programme for reducing data requests on front-line public sector workers</p>	<p>Embedding Impact Assessment</p> <p>Review of Consultation Policy</p> <p>Commitment to publish total costs of new regulations from April 2008</p> <p>Code of Practice for government guidance</p> <p>Improved communications around new regulations introduced on Common Commencement Dates</p> <p>Regulatory Budgets</p>	<p>Mergers of national regulators/ inspectorates</p> <p>Reviews of independent regulators</p> <p>Regulators Compliance Code</p> <p>Statutory Duty on regulators to address burdens</p> <p>Clarifying regulatory priorities for local authorities</p> <p>Establishing the Local Better Regulation Office</p>
EU	<p>25 per cent EU Administrative Burdens Reduction target</p> <p>Publication of Simplification Plans</p> <p>Davidson Review for reducing burdens in stock of EU legislation</p>	<p>Ongoing work to improve Impact Assessment in the EU</p>	<p>Building on relationships with other member states, the EU Commission and EU Parliament to promote overall improvements in European regulatory reform</p>

Source: Better Regulation Executive

BERR also has seven DSOs, one of which is to “ensure that all government departments and agencies deliver better regulation for the private, public and third sectors”. The indicators cover the broad range of regulatory reform initiatives and include:

- administrative burdens reduction across 19 government departments, consisting of a 25 per cent net reduction for the majority of departments by 2010.
- Proportion of businesses (and voluntary sector organisations) who believe that “most regulation is fair and proportionate” in five policy areas – employment law, tax law, health and safety, planning law and company law.
- Flow of regulation: benefit/cost ratio of regulations coming forward over time.
- Performance of local authority regulatory services as measured by the national indicator.
- Overall UK performance in the World Bank “Doing business” survey and OECD surveys of the policy environment.
- Proportion of bureaucracy which the public sector front line believes to be unnecessary. Includes 30 per cent cross-government target to reduce burdens on front line public sector staff.

The Administrative Burdens Reduction Programme

A vital component of the Government’s strategy to simplify and modernise existing regulations is the Administrative Burdens Reduction Programme (the Programme). It aims to reduce the administrative burden of complying with regulations by 25 per cent by 2010. To achieve this, each department produces an annual simplification plan to summarise their actions to reduce regulatory burdens and achieve their targets. In March 2008 the Government stated that achieving this target could increase GDP by 0.9 per cent.

APPENDIX TWO

Scope and methodology

This report evaluates the value for money of the Programme to reduce the administrative burdens on business of complying with regulation. This is the second report with the objective of reporting to Parliament on if, and how, the Programme is:

- delivering against its targets for reducing administrative burdens on business by 2010; and
- achieving, as a result of delivering these commitments, a real difference to UK businesses in the form of higher levels of innovation and improved productivity.

As with last year's report, we focused primarily on the four departments whose regulation imposes the largest administrative burdens: Communities and Local Government (CLG), the Department for Business, Enterprise and Regulatory Reform (BERR), HM Revenue and Customs (HMRC) and the Health and Safety Executive (HSE). In addition, this year we also examined the work being undertaken by a further three departments: Department for Transport (DfT), Department for Environment, Food and Rural Affairs (DEFRA) and the Department of Health (DH). These departments also reported large claimed savings in 2007 and their inclusion in this year's report was intended to give a broader coverage of the implementation of the Programme across government.

The real test of the Administrative Burdens Reduction Programme is the extent to which it delivers meaningful improvements for business. To evaluate the success of the Programme we are tracking perceptions of regulatory burdens by conducting an annual survey of businesses – the Business' Perceptions of Regulation survey. The survey measures the impact of government initiatives to make complying with regulation less burdensome for business.

The findings and conclusions presented in this year's report are based on:

- interviews with the Better Regulation Executive (BRE) and officials who work in the BRE's cross government team, as well as the account manager who is responsible for day-to-day liaison with departments' Better Regulation Units;
- analysis of departments' simplification plans and the subsequent summary document produced by the BRE;
- consultation with an Advisory Network of business organisations; and
- the results from the 2008 National Audit Office 'Business' Perceptions of Regulation' survey.

Interviews with the BRE and Departments

To gain knowledge of the processes and structures put in place to reduce the administrative burdens and, to understand how claimed savings in administrative burdens are calculated across government, interviews were carried out with the following:

- the BRE cross-cutting team. This team is responsible for the coordination and delivery of the Programme across government;
- the BRE account managers for the four focus departments and the BRE's communications team;
- the Communities and Local Government Better Regulation Unit;
- the Department for Business, Enterprise and Regulatory Reform Better Regulation Team;
- the HM Revenue and Customs Better Regulation and Policy Team, (including the Challenge Panel secretariat), economist and analysis section; and
- the Health and Safety Executive Better Regulation Unit.

Analysis of Simplification Plans and other documentation associated with the delivery of the Programme

We analysed key documentation relating to the delivery of the Administrative Burdens Reduction Programme. This documentation included:

- 19 simplification plans including:
 - the Communities and Local Government 2007 Simplification Plan;
 - the Department for Business, Enterprise and Regulatory Reform 2007 Simplification Plan; and
 - the Health and Safety Executive's 2007 Simplification Plan.
- the HM Revenue and Customs 'Delivering a new Relationship with Business: Progress on HMRC's plans to improve the SME customer experience' published in March 2008
- Audit trails and individual evidence for a selection of simplification measures implemented until December 2007;
 - We examined between three and four simplification measures for each of our focus departments as well as the Department of Health, DEFRA and Department for Transport. In total the simplification measures examined represent approximately 50 per cent of the total savings claimed in 2007.
 - The simplification measures examined were selected to provide coverage of large value claims as well as a cross section of calculation methodologies used by departments.
 - The study team did not undertake a detailed assessment of all of the 288 claimed reductions or a representative sample as the report does not seek to present a judgement of the accuracy of the claims examined. The imprecision of the initial baseline measurement and the accepted view that the baseline numbers only provide an indication of the size of the burden imposed rather than an absolute value means that this type of analysis would not have been valuable. The report does, however, examine the consistency of measurement across departments and the BRE's approach to presenting the aggregate claims.

- Departmental records of internal challenge panels and advisory group meetings;
- Examples of departments liaison with stakeholders and communication plans;
- The BRE's Administrative Burdens tracking spreadsheets;
- BRE guidance issued to departments

Advisory Network of Business Organisations

Our Advisory Network of business organisations works as a sounding board for testing our approach to examining the value for money and outcomes of the Administrative Burdens Reduction Programme. It also advises us on the wider business community's view of government initiatives to reduce administrative burdens and of what really matters to business in terms of a better and more 'business-friendly' regulatory environment. We have consulted the Advisory Network members individually and also conducted a roundtable discussion session to which all members were invited. This session was used for in-depth analysis of the emerging results from the Business' Perceptions of Regulation survey. The Advisory Network members are:

- The Association of Chartered Certified Accountants (ACCA)
- The British Retail Consortium (BRC)
- The Confederation of British Industry (CBI)
- The Corporation of London
- The Institute of Chartered Accountants in England and Wales (ICAEW)
- The Institute of Directors (IoD)

Business Perceptions of Regulation survey

To determine whether the Programme is achieving real impacts for businesses over time, we have designed a survey to identify businesses' perceptions of regulation and the administrative burdens imposed on them by regulation. The survey is being carried out annually and is intended to track if, and how, businesses' experience of regulation changes as a result of government initiatives to reduce the cost to business of complying with regulation.

Our questionnaire, used for the telephone interviews, is divided into four main sections covering:

- businesses' general opinion and perceptions of regulation;
- those aspects of complying with regulation that businesses find burdensome;
- businesses' awareness of the Administrative Burdens Reduction Programme; and
- Government initiatives which would bring real benefits.

The questionnaire retained the majority of questions from last year's survey and includes four additional questions aimed at testing the changes in perceptions, if any, of specific simplification initiatives.

Main stage

The main stage of the survey was carried out between January and March 2008. A sample of named senior manager contacts was obtained by Ipsos MORI from their approved sampling supplier. All contacts were sent an advance letter prior to fieldwork, providing further information about the research and an opportunity to supply an alternative contact name or number if required, or to remove the company from the sample. Following the advance letters, 8,320 contacts were issued to the Ipsos MORI Telephone Centre, giving a ratio of 4:1 to achieve 2,000 interviews.

Sample

The sample size of 2,000 matched last year's sample size. Results are statistically significant to within +/- 3 percentage points at the 95 per cent confidence level. As in 2007, quotas were set by industry sector and size of business to account for variations in response rates between different types of business.

Figure 26 shows the sample profile for both 2008 and 2007 – i.e. the number and percentage of interviews achieved in 2008 and 2007 in each of the sub-groups.

26 Sample Profile

	Number 2008	Number 2007
	N	N
Total	2,000	2,000
Area of Law		
Employment Law	409	411
Tax Law	433	405
Health & Safety Law	641	480
Company Law	306	377
Planning Law	211	327
Sector		
Agriculture	127	122
Construction	130	159
Finance	102	101
Hotel/catering	94	111
Manufacturing	124	130
Property/business	394	402
Public administration	236	212
Retail/distribution	329	321
Transport	111	112
Other	353	330
Business Size		
Small (1–49 employees)	1514	1470
Medium (50–249 employees)	232	291
Large (250+ employees)	246	232
Length of time business has been in existence		
Less than a year	56	25
1–3 years	90	123
4–5 years	60	159
6–20 years	637	813
More than 20 years	1157	872

Source: Ipsos MORI

Response rate

Figure 27 shows the unadjusted response rate for the telephone fieldwork. We have also included the 2007 response rate for comparison.

Data have been weighted by company size and sector due to the stratification of the sample. Weights were applied to reflect the profile of British-based companies. Where percentages in the charts or tables in the report do not always add up to 100 per cent, it is due to multiple answers, computer rounding and/or the exclusion of neutral, don't know or not stated responses. In addition, where percentages in the charts vary by one percentage point from those in the text, this too is simply due to computer rounding.

In Part 2 of the report, reference is made to 'net' figures. This represents the balance of opinion on attitudinal questions and provides a useful means of comparing the data for a number of variables. In the case of a 'net agree' figure, this represents the percentage of respondents who agree with a particular issue, less the percentage who disagree with it. For example, if 33 per cent of respondents agree that it is easy to comply with regulations and 54 per cent disagree, the 'net agree' figure is -21 percentage points.

27 Response Rate

Mainstage	2007	2008
Total sample	8,325	9,813
Total sample used	7,769	8,320
Achieved interviews	2,000	2,000
Unadjusted response rate	26%	24%
Adjusted response rate	34%	30%
Eligible sample:		
Achieved interviews	2,000	2,000
Respondent refusal	1,637	2,580
Other refusal	530	763
No response	1,626	1,000
Interview terminated	127	154
Not available during fieldwork	N/A	177
Total eligible sample	5,920	6,674
Ineligible sample:		
Incorrect/unobtainable telephone number	992	1,166
Company/Respondent moved	110	58
Company no longer in business	194	170
Unable to respond on area(s) of law	517	194
Other ineligible	36	58
Total ineligible sample	1,849	1,646
Not needed – fieldwork end/target achieved	556	1,493

Source: Ipsos MORI

APPENDIX THREE

Progress against the National Audit Office's recommendations

2007 Recommendations

For Departments

- (a) **To identify the measures that are likely to make a real difference, departments should seek to work more directly with businesses and consider any useful qualitative information collected in the measurement exercises.** Developing a thorough understanding of business concerns is the key to delivering real impacts for business.
- (b) **Departments need to ensure that they have robust internal processes in place to deliver projects to reduce regulatory burdens in the main areas of legislation.** In the short-term, departments should use project management techniques to manage discrete projects and ensure that central Better Regulation teams are empowered to coordinate departmental progress and prioritise delivery. In the longer-term, departments should integrate the consideration of the costs, as well as the benefits, of regulation into departmental decision-making in a more systematic way.
- (c) **Departments should supplement their estimates of reductions in administrative burdens with a broader suite of indicators to evaluate non-quantifiable improvements in the regulatory environment.** Departments should develop a series of indicators to evaluate the impact of their initiatives to address non-quantified 'irritation factors' and improve the wider business environment. This might, if practical, include a mix of internal measures and external indicators that capture business perspectives and actions, including segmentation between different sizes, sectors and ages of businesses.

Progress made by BRE and Departments

Departments are making progress against this recommendation and are using the Programme to deliver wider benefits to businesses (2.13). Departments are also engaging with business to identify areas of burden and there are examples of good practice. Business organisations told us that more work could be done to develop a thorough understanding of business concerns (2.15 – 2.19).

Departments have introduced processes to monitor progress of the various simplification initiatives; this is generally done within the BRU (1.25).

Departments are also making progress in implementing the consideration of costs and benefits into departmental decision making as part of their wider efforts to implement the new impact assessment guidance and the wider Regulatory Reform agenda. This progress is welcomed but there is room for further improvement to fully integrate regulatory considerations into departmental decision making.

HMRC has developed supplementary ways of measuring its success of reducing the burden of audits and inspections (1.8):

- for small and medium-sized businesses: a 15 per cent reduction in the time spent auditing and inspecting businesses found to owe HMRC less than £1,000;
- for small and medium-sized businesses: a business perception survey will seek feedback on recent audit or inspections;
- for larger businesses: a reduction in the number of businesses subject to enquiry; and
- for larger businesses: a reduction in the number of 18 month or older open issues.

The Government has also developed a series of business perception indicators to measure progress in implementing the broader regulatory reform agenda.

2007 Recommendations continued

For the Better Regulation Executive

- (d) **The BRE should prioritise and encourage cross-government work to explore the link between the level of regulation and productivity.** It should also consider how the overall impact of the Administrative Burdens Reduction Programme on UK businesses' productivity will be assessed.
- (e) **The BRE should maintain its coordinating role until May 2010.** This will involve working with departments to encourage consistency in approaches and maintaining an impetus to delivery. The BRE should also provide a forum to encourage collaboration and learning between departments and, where appropriate, joint initiatives.
- (f) **The BRE should build on the work already done by the DTI and develop a methodology for assessing the total cumulative cost to business of regulation, as recommended by the *Less is More* report.** This would make it possible to assess how large a percentage of the total cost is made up of administrative burdens and the likely impact of reduction in administrative burdens. The BRE should use this information to evaluate whether the costs involved in identifying and delivering reductions are delivering worthwhile outcomes and benefits.

For the BRE and departments

- (g) **The BRE and departments need to improve how they communicate with businesses.**
- Businesses need information about changes to the regulatory environment. The BRE and the departments directly involved in implementing the *Less is More* recommendations¹, should, where practical, extend the use of Common Commencement Dates to include changes as a result of the Administrative Burdens Reduction Programme, as well as new regulation.
 - The BRE and departments should continue to use and improve existing arrangements for communicating with business. They should also consider forming better links with trade and sector organisations and how to use established fora to communicate directly with businesses.

Progress made by BRE and Departments continued

BERR sponsored research has been undertaken. The focus of the research was, however, mainly on link between regulation and productivity not specifically administrative burdens. The BRE are yet to determine how the Programme's impact on productivity, and its overall success will be assessed (3.13–3.18).

BRE have maintained their coordinating role, however resources allocated are limited and greater involvement and assistance would be welcomed by departments. The BRE should encourage more collaboration and learning between departments (3.5–3.11).

The BRE has considered the practicalities of assessing the total cumulative cost to business of regulation and decided not to proceed with a full scale measurement exercise.

The Government has, however, announced in the HM Treasury, BERR: *Enterprise: unlocking the UK's talent* to consult on the introduction of regulatory budgets that would set out the cost of new regulations that can be introduced in a given period of time, as recommended in the BRTF's *Regulation – Less is More* report (2.9).

The Government has also announced it will publish an annual benefit-cost ratio of new regulations based upon final Impact Assessments (Appendix One).

Departments are using Common Commencement dates to introduce the simplification measures implemented as part of the Programme (2.22).

Departments have introduced strategies to communicate the simplification measures with businesses and the BRE has strengthened its Communications Team. The National Audit Office survey highlighted, however, that there is a continued lack of awareness of Government initiatives to improve regulation and reduce the burdens on business. Departments and the BRE should continue to develop strategies to improve their communication with business and should consider the results from the survey. (2.20–2.25).

NOTE

¹ This excludes HMRC whose administrative burdens changes go through the Budget and Finance Bill process.

APPENDIX FOUR

Survey results

This appendix provides the results of the National Audit Office/Ipsos MORI 2008 business perception survey. It shows the topline results and is based on 2,000 interviews conducted by telephone across businesses in Great Britain.

Fieldwork was conducted between 14th January and 27th February 2008 and further details on the methodology used for the survey can be found in the Appendix 1 of this report. The following points will assist the reader in interpreting the results presented in this appendix.

- An asterisk (*) denotes a finding of less than 0.5% but greater than zero.
- Where figures do not add up to 100% this is due to computer rounding, the exclusion of don't know or refused categories or multiple responses.
- Where bases are less than 30, unweighted numbers (N) are given rather than percentages.
- Data are based on all respondents unless stated otherwise.
- Respondents' answers are based on their understanding of the issues as they are presented in the questionnaire. No extra stimulus materials were used in obtaining these answers.
- Respondents were asked to respond with specific reference to one of five areas of regulation – planning, tax, health & safety, employment or company law.

Q1 Standard Industrial Classification

	2008 %	2007 %
Agriculture	4	4
Construction	9	9
Finance	2	2
Hotel/Catering	6	6
Manufacturing	7	7
Property/Business	21	21
Public Administration	12	12
Retail/Distribution	17	17
Transport	4	4
Other	18	18

Q2 As far as you know, roughly how many people are there in the organisation you work for? Please include anyone who works for the organisation, even if they work in a different location or plant to you.

	2008 %	2007 %
1 – 4	51	50
5 – 9	22	21
10 – 19	11	13
20 – 49	11	11
50 – 99	1	2
100 – 249	2	1
250 – 999	1	1
1,000+	*	*
Don't know	*	*
Refused	*	*

Q3 Are you self employed i.e. do you work for yourself without employees or are you the sole director of a company with no other employees?

BASE: All answering before question was changed: (188)

	2008 %	2007 %
Yes, self employed with no employees	36	n/a
Yes, sole director of a company with no other employees	8	n/a
No	47	n/a
Other	10	n/a

Q3a Are you self employed?

BASE: All with 1–4 employees in their company after question was changed: (631)

	2008 %	2007 %
Yes	85	n/a
No	15	n/a

Q3b Is your organisation run by someone who is self-employed or someone who is a sole director?

BASE: All who aren't self employed at Q3a: (92)

	2008 %	2007 %
Yes – by someone self-employed	18	n/a
Yes – by a sole director	34	n/a
No	43	n/a
Other	2	n/a
Don't know	3	n/a

Q4 Roughly how long has your business been in existence?

	2008 %	2007 %
Less than a year	4	2
1–3 years	6	7
4–5 years	4	10
6–20 years	37	44
More than 20 years	50	37
Don't know	–	*

Q5 What is your specific job title?

	2008 %	2007 %
Owner/Partner	49	n/a
Managing Director	15	n/a
Manager of premises/branch	6	n/a
Company Secretary	3	n/a
Finance Director/Manager	2	n/a
Practice Manager	2	n/a
Director [unspecified]	2	n/a
Senior Director	1	n/a
Barber/Hairdresser	1	n/a
Secretary	1	n/a

Q6 Does your business help other businesses comply with regulation – for example as might be the case with an accountancy firm?

	2008 %	2007 %
Yes	21	n/a
No	78	n/a
Don't know	1	n/a

Q7 How often does your job involve tasks associated with complying with Planning/ Tax/Health and Safety/Employment /Company Law regulation?

	2008 %	2007 %
Daily	32	n/a
Weekly	13	n/a
Monthly	12	n/a
Quarterly	10	n/a
Yearly	12	n/a
Less often	16	n/a
Don't know	5	n/a

Section 1 – Business' Perception of the Burden of Regulation

Q8 Do you agree or disagree with the following statements about the government's approach to regulating in this area? Is that strongly (dis)agree or tend to (dis)agree?							
	%	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
Generally, it is clear what the purpose of regulation is	2008	13	44	6	20	14	3
	2007	12	43	7	20	15	3
It is straightforward to understand what you are required to do to comply with regulations	2008	12	33	6	25	22	2
	2007	9	28	7	28	25	3
It is easy to comply with regulations	2008	8	30	7	28	25	2
	2007	6	27	10	29	26	2
Most regulation is fair and proportionate	2008	7	39	10	23	19	3
	2007	5	34	10	25	21	4
The Government understands business well enough to regulate	2008	4	23	8	25	38	2
	2007	3	18	8	29	39	3
The Government consults well with business before any new regulation, or change to an existing regulation, is introduced	2008	4	17	6	25	39	9
	2007	3	13	8	29	39	7
Different parts of government take a joined-up approach to regulation	2008	5	24	11	23	22	15
	2007	5	20	13	22	24	15
Q9 Do you agree or disagree with the following statements about how regulation currently impacts on your business? Is that strongly (dis)agree or tend to (dis)agree?							
	%	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
The overall level of regulation in the UK is an obstacle to your business' success	2008	31	27	8	24	8	2
	2007	32	26	9	24	6	2
Compared to other issues, such as the level of tax, competition, or recruiting good staff, complying with regulation is a key challenge for your business at the moment	2008	29	33	7	22	7	2
	2007	30	31	9	20	7	3

Section 2 – Identifying which aspects of regulation businesses find burdensome

Q10 And still responding with specific reference to complying with Planning/Tax/Health and Safety/Employment/Company Law regulation...do you agree or disagree that the following administrative activities are a burden when complying with regulation? Is that strongly (dis)agree or tend to (dis)agree?

		Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
The length of time it takes to go through the whole process of complying	2008	37	35	7	15	4	3
	2007	42	36	7	10	3	3
Finding information about which regulations apply to your business	2008	32	36	7	18	4	2
	2007	40	34	7	14	3	2
Finding guidance and advice explaining what you have to do to comply with a given regulation	2008	27	39	6	21	5	2
	2007	34	37	7	16	4	3
Preparing and reporting facts and figures for government	2008	29	32	9	18	6	6
	2007	33	34	10	15	4	4
Completing paperwork, including filling out forms and keeping records	2008	37	33	6	17	6	2
	2007	39	35	7	14	4	2
Having to provide the same information more than once to Government	2008	37	28	8	17	6	4
	2007	44	27	8	13	5	3
Being ready for and complying with inspections	2008	23	34	11	22	6	4
	2007	25	36	11	20	4	5
Having to keep up to date with changes in existing regulation	2008	37	39	5	14	4	1
	2007	41	39	5	11	3	2

Q11 You said you agree that more than one of these activities are a burden. Which one in particular would you say is a burden when complying with regulation?

NB: These results include all 2000 responses. Where a respondent only agreed to one statement at Q10, this answer has been brought forward into this table. Where they agreed to none, this result is also brought forward as seen below.

	2008 %	2007 %
Completing paperwork, including filling out forms and keeping records	18	n/a
Having to keep up to date with changes in existing regulation	16	n/a
Finding information about which regulations apply to your business	14	n/a
Having to provide the same information more than once to government	12	n/a
The length of time it takes to go through the whole process of complying	11	n/a
Finding guidance and advice explaining what you have to do to comply with a given regulation	9	n/a
Preparing and reporting facts and figures for government	6	n/a
Being ready for and complying with inspections	3	n/a
Not agreeing with any statements	7	n/a
Don't know	5	n/a

Section 3 – Business' perception of the Administrative Reduction Burden Programme

Q12 In the next 12 months, do you think that the burdens on business resulting from regulation will decrease, stay the same or increase?

	2008 %	2007 %
Decrease	2	3
Stay the same	22	16
Increase	72	76
Don't know	4	5

Q13 Are you aware of any of the following initiatives by government to try and improve regulation and reduce the current burdens on business?

		Yes %	No %
The government has measured the administrative costs of regulation imposed on organisations and set targets for reducing them	2008	12	88
	2007	12	88
Government departments are implementing projects aimed at reducing burdens on business	2008	18	82
	2007	n/a	n/a
Any business can now make suggestions through government websites for regulations that should be simplified or scrapped	2008	17	83
	2007	n/a	n/a

Q14 Do you use any of the following to find information and guidance about Planning/Tax/Health and Safety/Employment/Company Law regulation?

	2008 %	2007 %
External agents in return for payment – e.g. accountants or insurance companies	57	n/a
Trade Association(s)/Business Organisation(s)	52	n/a
Government departments' websites	40	n/a
The Businesslink website	29	n/a
Direct contact with staff in government departments	29	n/a
Information published on the Common Commencement Dates	17	n/a
Other	11	n/a
None of these	10	n/a
Don't know	*	n/a

Q15a How useful do you find the Businesslink website as a source of information and guidance?

BASE: All who mentioned the Businesslink website at Q14: (606)

	2008 %	2007 %
Very useful	26	n/a
Fairly useful	60	n/a
Not very useful	10	n/a
Not at all useful	2	n/a
Don't know	2	n/a

Q15b How useful do you find government departments' websites as a source of information and guidance?

BASE: All who mentioned government departments' websites at Q14: (945)

	2008 %	2007 %
Very useful	19	n/a
Fairly useful	62	n/a
Not very useful	14	n/a
Not at all useful	3	n/a
Don't know	2	n/a

Q15c How useful do you find direct contact with staff in government departments as a source of information and guidance?

BASE: All who mentioned direct contact at Q14: (631)

	2008 %	2007 %
Very useful	27	n/a
Fairly useful	49	n/a
Not very useful	17	n/a
Not at all useful	5	n/a
Don't know	2	n/a

Q15d How useful do you find information published on the Common Commencement Dates as a source of information and guidance?

BASE: All who mentioned information published on the CCD's at Q14: (393)

	2008 %	2007 %
Very useful	18	n/a
Fairly useful	58	n/a
Not very useful	18	n/a
Not at all useful	3	n/a
Don't know	3	n/a

Section 4 – Type of departmental initiatives that would deliver meaningful impacts

Q16 Can you tell me how important, if at all, the following measures would be in making it less of a burden for your business to comply with regulation? Please answer on a scale of 1 to 10, where 1 is not at all important and 10 is very important.

Ratings have been grouped below as “not very important”, “fairly important” and “very important”. Please refer to the full set of tables for a detailed breakdown of the ratings.

		Not very important 1–3	Fairly important 4–7	Very important 8–10	Mean
Simplification of complex rules	2008	3	19	78	8.49
	2007	3	16	81	8.63
Improved access to information that spells out in clear and simple language which regulations apply to your business	2008	3	22	75	8.34
	2007	3	17	80	8.58
Provision of guidance that sets out in clear and simple language what your business has to do to comply with a given regulation	2008	3	22	75	8.34
	2007	3	19	78	8.51
Improvement to and more use of online tools such as electronic forms and information	2008	14	44	42	6.53
	2007	12	40	48	6.81
Higher levels of stability and less frequent changes to regulations	2008	4	31	65	7.88
	2007	3	26	71	8.13
Consultation with business before any change to regulation takes place or new regulation is made	2008	5	27	69	8.03
	2007	4	24	73	8.20
Ensuring that you do not have to provide the same information more than once to government	2008	4	23	73	8.19
	2007	3	21	76	8.39
Provision of background information that explains what the purpose of a given regulation is	2008	7	43	50	7.10
	2007	5	43	54	7.38
Improving regulators’ and inspectors’ understanding of business	2008	5	31	64	7.86
	2007	4	27	69	8.08

Q17 In the course of your business operations over the last twelve months, has complying with regulation become easier, more difficult or stayed about the same?

	2008 %	2007 %
Has become easier	2	n/a
Has become more difficult	30	n/a
Has stayed about the same	66	n/a
Don’t know	2	n/a

Q18 And, in the course of your business operations over the last twelve months, has complying with regulation become less time consuming, more time consuming or stayed about the same?

	2008 %	2007 %
Has become less time consuming	1	n/a
Has become more time consuming	40	n/a
Has stayed about the same	57	n/a
Don’t know	1	n/a

Q19 Can you describe any specific changes you have made to your business operations as a result of changes to government regulations? Please be as specific as possible.

Top ten responses:

	2008 %	2007 %
Changes have been made due to Health & Safety Regulations	9	n/a
Increase in paperwork/bureaucracy	7	n/a
Problems caused due to the new Smoking Ban Regulations	7	n/a
Changes have been made due to Employment Law	6	n/a
Employed more/more experienced staff	5	n/a
Increase in costs/expenses	4	n/a
Provide more/increased training	3	n/a
More time consuming/everything takes longer	3	n/a
Increased risk assessments	3	n/a
Changes being made due to Disabled Access Regulations	2	n/a
None/nothing/no changes	27	n/a
Don't know	8	n/a

Q20 How confident are you that the government will succeed in reducing regulatory burdens on business and deliver real benefits for your business?

	2008 %	2007 %
Very confident	1	1
Fairly confident	14	13
Not very confident	42	41
Not at all confident	42	44
Don't know	1	1