



National Audit Office

# The Administrative Burdens Reduction Programme, 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)

**Progress in implementing the Programme is examined in this report**

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)

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.