



National Audit Office
Business Perceptions Survey 2010
Report by FDS International
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Conducted on behalf of the National Audit Office and the Local Better Regulation Office



a Munro group company

Disclaimer

This research findings report forms part of the deliverables for a project undertaken by FDS International who were commissioned on behalf of the National Audit Office and the Local Better Regulation Office.

The views in this report are the authors' own and do not necessarily reflect those of the NAO or the LBRO.

Contents

Introduction..... 1

Key Findings..... 3

Section 1: The overall burden of regulation 6

Section 2: Perceptions of the regulatory environment..... 12

Section 3: Aspects of regulation that businesses find burdensome 18

Section 4: What businesses want 23

Section 5: Dealing with regulation..... 30

Section 6: Originator of regulatory burden 38

Introduction

Since 2005, the government has sought to reduce the cost to businesses of complying with the administrative activities required by regulations. Through the Administrative Burdens Reduction Programme, the Government set a target of reducing the annual administrative burdens imposed on private and third sectors by a net 25 per cent by 2010. This Programme, started in 2005, was part of the then Government's wider approach to simplifying regulation, and was part of the broader agenda to improve the regulatory environment and provide the best possible conditions for business success.

The Better Regulation Executive (BRE) is responsible for implementing the regulation agenda at the Department for Business Innovation and Skills, and works across government to improve the way new laws and regulations are created. As at December 2009, Departments reported to have made net annual savings of £2.9 billion for business.

The new coalition Government has committed to continue to improve the conditions for business success. A new action plan has been announced to bring an end to the excessive regulation that is stifling business growth. Business perceptions of regulation therefore remain important to the new Government.

The National Audit Office (NAO) has previously published three annual surveys of businesses' perceptions in 2007, 2008 and 2009 as part of the evaluation of the Administrative Burdens Reduction Programme¹. The survey for 2010 continues seeking to identify businesses' perception of regulation, and to gauge whether they have experienced changes in the administrative burdens placed on them as a result of the government's initiatives.

For this year, it was decided to carry out the survey alongside the Local Better Regulation Office (LBRO) in order to share results and strengthen the analysis, and also to save procurement costs for the public purse. The LBRO is a non-departmental body created under the Regulatory Enforcement and Sanctions Act 2008 with the aim of improving the effectiveness of local regulations on businesses, and they play a key role in supporting the BRE. The LBRO has conducted research in 2008 with businesses to understand views on local regulation and ease of compliance².

The research conducted by FDS International in March 2010 will contribute directly to review of the Administrative Burdens Reduction Programme and regulatory reform in general, addressing the needs of both the NAO and the LBRO. Specifically for the NAO, the objectives of this research were to:-

- track business opinion against baseline findings from 2007, and measure change in business perception of the regulation burden from 2007, 2008 and 2009
- examine the impact of the Administrative Burdens Reduction Programme on businesses according to size and sector.

Research objectives have been met through the completion of 2,000 interviews conducted over the telephone using Computer Assisted Telephone Interviewing (CATI). Full details of sampling and methodology can be found in the Appendices.

¹ http://www.nao.org.uk/publications/0809/complying_with_regulation.aspx

² <http://www.lbpro.org.uk/docs/survey-of-business-perceptions.pdf>

The majority of this report details the findings among 1,000 businesses selected for the NAO survey throughout the UK in relation to their overall opinion of administrative burdens, and also their views concentrating on one specific area of law.

When answering most of the questionnaire, businesses were asked to give their opinion based on an allocated area of law, in line with the previous surveys. All businesses were asked to consider the burdens of one specific area of national law, chosen from the following list:-

- Company Law
- Employment Law
- Health and Safety Law
- Planning Law
- Tax Law.

The remaining 1,000 interviews conducted dealt mainly with the burdens of local regulation, and are therefore covered in LBRO's analysis and reporting. However, when able to combine data, results are given from all 2,000 businesses, making it possible to analyse the sub groups to a greater degree.

The Local Better Regulation Office has produced a separate report which evaluates businesses' perceptions to locally enforced regulations and includes comparisons to the information shown below. For full details see <http://www.lbro.org.uk>.

Key Findings

The overall burden of regulation

Regulation is still seen as a problem for businesses. The proportion of businesses feeling that the overall level of regulation is an obstacle to their success remains at the same level as last year, with 62% believing so. There has also been little change in opinion of the overall *ease* of complying with regulation since 2009, with 29% continuing to believe that it has become more difficult since the previous year.

Whilst there has been no observed change in the difficulty or amount of time spent on complying with regulation over the past two years, the proportion of businesses feeling that there is too much regulation has actually increased since 2009, from 46% to 52%. In addition, only 1% of businesses feel that regulation has become less difficult or less time consuming than previously. However, the proportion of businesses in 2010 finding complying with regulation to be the most challenging aspect to running a business has fallen significantly compared to 2009 research, with only 15% now believing this to be the case.

Compliance with regulation is the third most challenging aspect of running a business, behind attracting and retaining customers, and the level of taxes imposed. The largest of companies, those with more than 250 employees, are significantly more likely to see compliance as the biggest burden to running a business, with 25% believing so.

Over the past four years there has been a continued fall in the proportion of businesses feeling that the burden of national regulation will increase in the 12 months following research (with only 46% now believing so), however there is a sharp increase this year in the number of businesses unable to predict how regulation will change (up from 6% to 17%) due to a number of factors, including the general election³.

Perceptions of the regulatory environment

A number of factors were identified that can drive the perceptions of regulations. When focussing on a specific area of law, more than half of businesses agreed that *'Generally, it is clear what the purpose of regulation is'* – a significant rise in the proportion doing so compared to the 2009 survey, with 58% now believing this to be the case.

Just under half of businesses (47%) also agree that *'It is straightforward to understand what you are required to do to comply with regulations'* and that *'Most regulation is fair and proportionate'* (45%).

However, only 1 in 3 businesses (29%) believe that the Government understands business well enough to regulate, and less than 1 in 4 (23%) feel the Government consults well with business before any new regulation, or change to existing regulation is introduced.

By specific area of law, businesses generally view Health and Safety compliance more positively, with significantly more agreeing with a number of the positive statements listed. No specific area of law surveyed is perceived as being any more burdensome than the average.

³ Interviews were conducted between 3 March and 26 April 2010. The UK general election was held on 6 May 2010.

Three in five businesses (63%) feel well informed about the specific areas of law that affect them, similar to the 2009 survey, however this differs by the exact nature of each area of law. Businesses are significantly more likely to feel well informed about Health and Safety Law perhaps leading to the more positive attitude towards compliance, and significantly less likely to feel informed about Planning Law.

Aspects of regulation that businesses find burdensome

Between 2007 and 2009, there was a noted decline in the proportion of businesses feeling that various aspects associated with complying with regulation were burdensome, however in 2010 the fall has arrested, with most burdens staying at similar levels to the previous year. For all aspects of compliance, at least 50% of business found that they were a burden to their business.

Changes to existing regulation, or the introduction of new regulations, were seen as particularly burdensome, along with the overall time taken to comply and having to provide information more than once to government. There is little difference in perceived burden by area of law with one exception; businesses complying with Employment Law were significantly more likely to feel that three aspects relating to change in regulation were more burdensome.

When asked whether the specific aspects of complying with regulation have become more time consuming over the past 12 months, the responses were at a similar level to the 2009 survey. Two in five businesses (38%) stated that *keeping up to date with new regulations* is more time consuming than a year ago. Other areas of compliance seen to be increasingly time consuming include *completing the required paperwork for compliance*, *updating policy when regulation is changed*, and other issues surrounding keeping up to date with changes.

What businesses want

When asked to choose between *certainty*, *flexibility*, and *simplicity* as the most important aspect of regulation to businesses, there is no strong consensus overall. There is however a number of differences observed by business sector, with the finance and property/business sectors seeing *certainty* as most important. The agriculture and manufacturing sectors on the other hand see *flexibility* as most important.

The apparent need for *certainty* in regulation is strongly linked to the perceived difficulty of complying with sector-specific regulation. For example, the two sectors in most need of *certainty* in compliance (finance and property/business services) are also significantly more likely to find complying with their sector-specific regulation difficult.

Reasons why businesses find sector-specific compliance difficult varies by business sector, as would be expected, for example:-

- the financial sector are significantly more likely to believe there are too many regulations
- the property or business services sectors believe their regulation is too complicated or unclear

Larger businesses are also significantly more likely to find sector-specific compliance difficult to comply with (with 51% claiming so), often relating to the number of regulations required to comply with. Businesses with over 50 staff are also significantly more likely to place *certainty* as the most important aspect of compliance (with 63% claiming so), presumably due to the apparent greater difficulty experienced in complying with regulation among this group.

Dealing with regulation

The size of a business dictates the burdens placed on them for complying with regulation, and affects the way these organisations adapt to cope with their burdens.

As may be expected, larger companies are significantly more likely to employ staff for the specific purpose of complying with regulation, which is likely to be the reason why these organisations are significantly more likely to feel well informed about the regulations that affect them (with 82% of those employing more than 50 members of staff feeling well informed).

To help with the burden of regulation, seven out of ten businesses (71%) claim to have used some form of external guidance, such as accountants (particularly in relation to Tax Law or Company Law), or other sources of information, such as trade associations and local councils. Local councils are particularly involved in relation to Health and Safety Law and Planning Law, rather than aspects such as Tax Law.

Reasons for seeking external guidance differ by area of law, but often relate to a need for assurance. To comply with Tax Law, businesses often seek external guidance due to a lack of internal resource, whilst for Planning Law it is frequently done for independent advice. Businesses are significantly more likely to seek advice in relation to Employment Law due to an alleged lack of clarity in the existing requirement.

Despite overall concerns around regulation, only one in ten businesses have contacted an official body with suggestions on how to improve the regulatory regime, although this rises within sectors that have a stronger opinion of how they would like to comply with regulation, or those with dedicated members of staff to deal with compliance. Larger businesses are also significantly more likely to put forward a suggestion to an official body on how the regulatory regime could be improved, again presumably due to having dedicated staff (which increases the likelihood of making contact with bodies).

Originator of regulatory burden

On balance, businesses perceive nationally enforced regulation (such as company, employment and tax law) to be the larger burden compared to locally enforced regulation (such as fire safety, licensing and food safety), with more than twice as many businesses opting for national regulation; 57% of businesses feel nationally enforced regulation carries the bigger burden, compared to 27% believing to be locally enforced regulation.

By sector, all industries see nationally enforced regulation as having the greatest burden, although this is more pronounced in the finance, property and construction sectors (with 76%, 76% and 65% of businesses seeing national enforced regulation as a greater burden respectively).

Andrew Powell
Research Manager

July 2010

Section 1: The overall burden of regulation

Background

A number of factors can affect the burdens placed on running a business, of which complying with regulation plays some part. This section of the report outlines the following issues:-

- how the perceived burden of compliance with regulation compares to other burdens businesses face
- whether the overall level of regulation is seen to be an obstacle, and whether the Government has got this level right
- whether the perceived burden has changed over the last 12 months, and what is anticipated for the next 12 months

Summary

The proportion of businesses seeing complying with regulation as the most challenging aspect of running a business is down compared to 2009, with only 15% believing so; now only the third biggest burden to businesses.

Businesses in the agriculture or financial sectors are most likely to see regulation as the biggest burden to them (with around four in ten doing so). The largest companies (those with more than 250 employees) are also most likely to see compliance as the biggest burden, with 25% believing so, although this is still less important than attracting and retaining customers.

Despite signs of a positive attitude towards regulation in general, businesses' perception of whether the overall level of regulation in the UK is an obstacle to their success stays at a similar level to 2009, with 62% believing so (however, this proportion has increased significantly compared to 2007). The proportion of businesses feeling that there is too much regulation has increased since 2009, from 46% to 52%.

There is no significant change in the proportion of businesses feeling that the overall time spent complying with regulation has become more time consuming compared to 12 months ago, nor is there any change in the proportion believing that it has become more difficult (with 40% and 29% believing so respectively). However, in both cases only 1% of businesses feel that regulation has become less difficult or less time consuming than previously.

While there are few positives noted from the last 12 months, the views about the future are more mixed. There has been a steady decrease in businesses feeling that regulation will increase in the coming 12 months, and for the first time less than half of businesses believe so. However, there has been a sharp rise in the number of businesses unable to predict how burdens will change over the next 12 months, likely to be linked to the fieldwork's proximity to the 2010 general election.

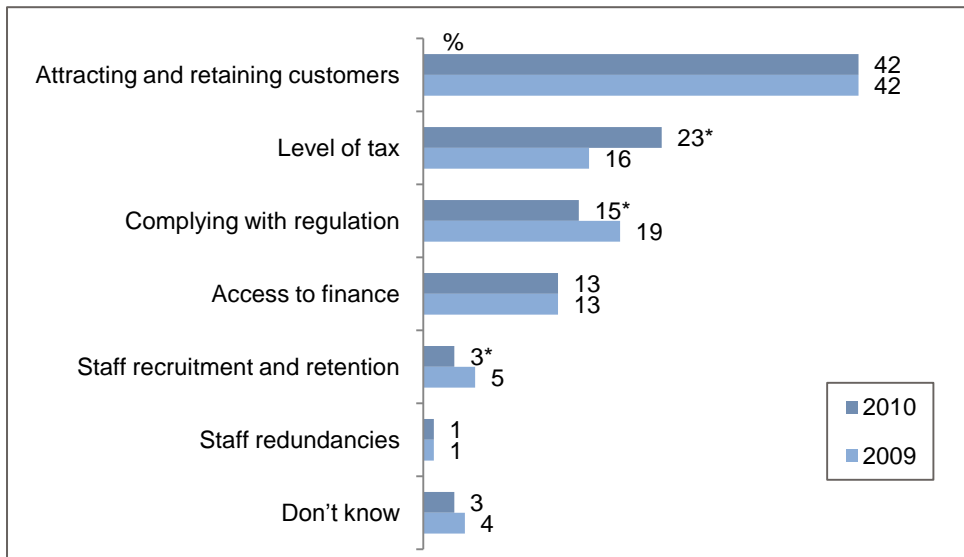
Detailed findings

The most challenging aspects of running a businesses

The most challenging aspect of running a business continues to be attracting and retaining customers, cited by two in five businesses (42%). In the 2010 survey, there has been a significant increase in the proportion of businesses claiming that the levels of tax they face is most challenging (up from 16% to 23%), with a corresponding fall in the number believing it to be complying with regulation, where only one in six (15%) now see this as most challenging, down from a fifth (19%).

There has also been a significant fall in the proportion of businesses feeling staff recruitment and retention is the most challenging aspect (potentially due to reduced levels of recruitment during the economic downturn), although this is mentioned by much smaller numbers.

Chart 1.1: Views on the most challenging aspect of running a business (Base: All 1,000)



*Significant difference compared to 2009

Equally, businesses operating in the agricultural or financial sectors are significantly more likely to see complying with regulation as being the biggest challenge (with 42% and 36% respectively choosing this option).

The size of a business also affects opinion of the greatest challenge, with sole traders significantly more likely than others to see attracting and retaining customers as the biggest challenge (56%), whilst those with fewer than 10 employees are also significantly more likely than larger businesses to see levels of tax as the biggest challenge.

The largest of businesses (those with more than 250 employees) are significantly more likely to see complying with regulation, and staff recruitment and retention as being the biggest challenge (with 25% and 14% claiming so), though still below attracting and retaining customers.

Specific laws businesses may need to comply with

All businesses were randomly assigned one of five areas of law, which they were asked to consider when answering some specific burden-related questions in this research. If the respondent felt unable to answer about their assigned law, they were given the option of the other four laws, until they felt comfortable to answer. The sampling methodology is detailed in further depth in Appendix A, whilst the questionnaire is in Appendix C.

Interviews were split evenly between the five areas of law, with approximately 200 businesses answering for each, with the five areas of law as follows:-

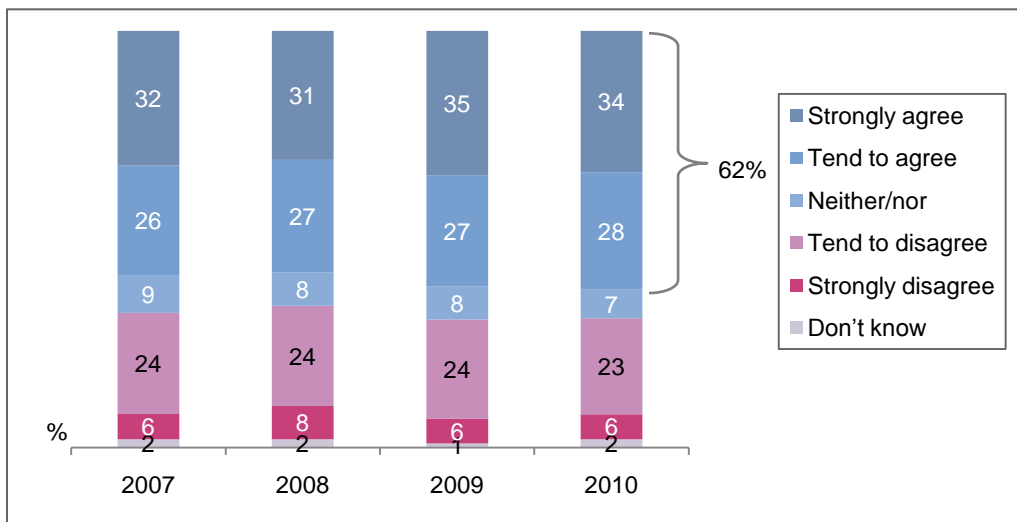
- Company Law
- Employment Law
- Health and Safety Law
- Planning Law
- Tax Law.

At numerous points in the report, when businesses are concentrating on a specific area of law, it relates to the specific burdens of one of these five.

Whether the overall level of regulation in the UK is an obstacle

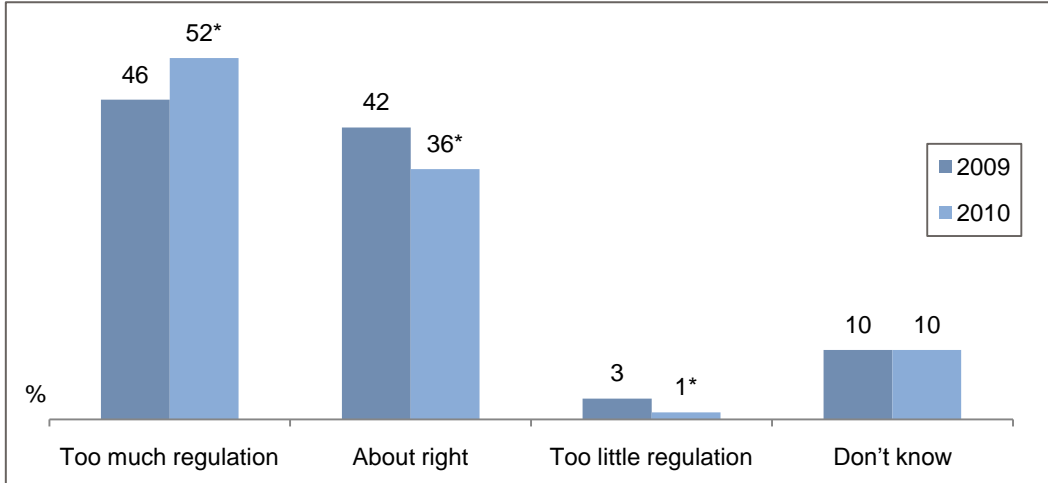
The proportion of businesses agreeing that the overall level of regulation is an obstacle to their success remains at the same level as previous years, with a little over three in five (62%) believing so. Businesses in the agricultural or retail/distribution sectors are significantly more likely to *strongly agree* (with 48% and 40% doing so).

Chart 1.2: Businesses’ perception of whether the overall level of regulation in the UK is an obstacle to their success
(Base: All 1,000)



There has been a significant increase in the proportion of businesses feeling that the Government has too much regulation however; now with over half believe so, and the proportion believing that the Government has got it 'about right' falls significantly from 42% to 36%.

Chart 1.3: Businesses' perception of whether the Government has balanced the cost of complying with regulation against protecting people and the environment from harm (Base: All 1,000)

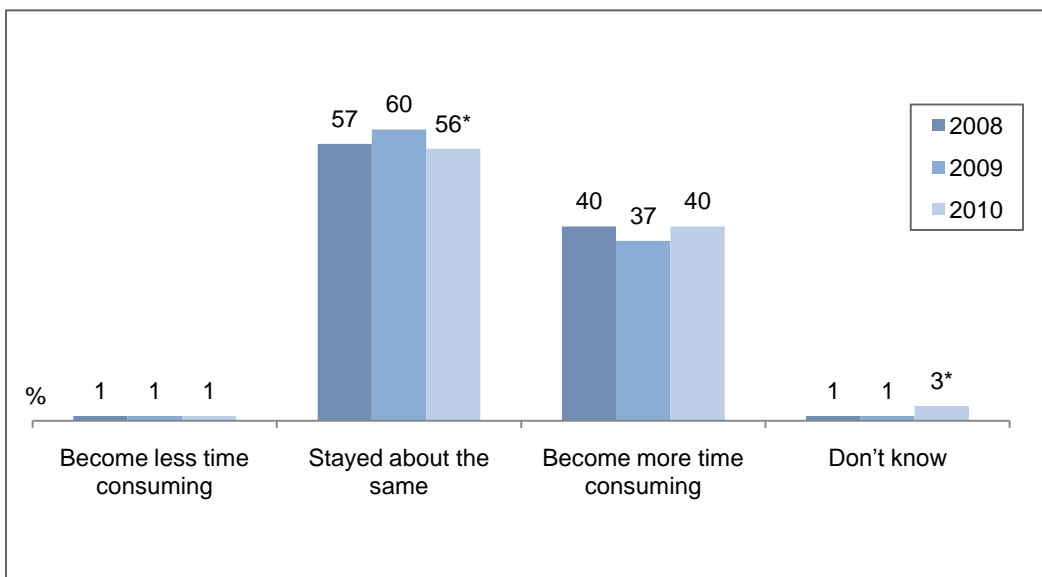


*Significant difference compared to 2009

Time spent complying with regulation

There is a significant fall in the proportion of businesses feeling that the overall time spent complying with regulation over the previous 12 months had stayed 'about the same', although this was not countered with a significant rise in those finding it more time consuming. Whilst the proportion unable to answer has increased significantly, it is still a very small proportion.

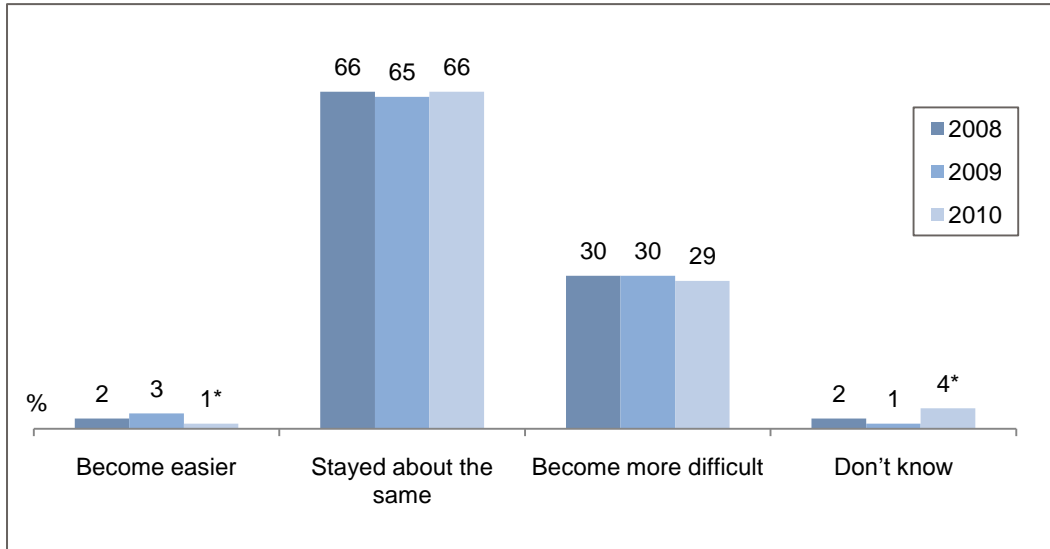
Chart 1.4: Change in overall time spent complying with regulation over past 12 months (Base: All 1,000)



*Significant difference compared to 2009

There has been no year-on-year change in opinion that the overall ease of complying with regulation had got any more difficult (although again, there was a significant rise in those unable to comment, albeit in small numbers).

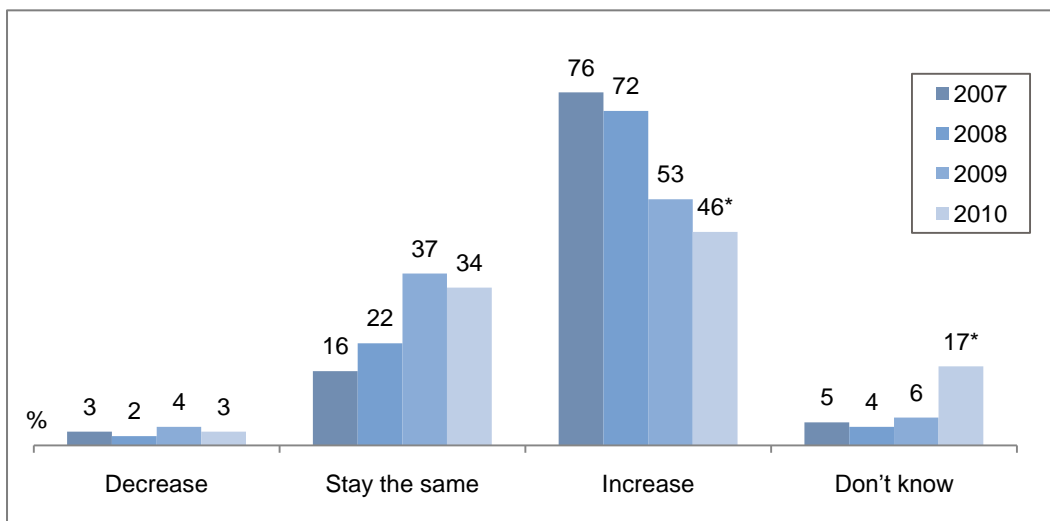
Chart 1.5: Change in overall ease of complying with regulation over past 12 months (Base: All 1,000)



*Significant difference compared to 2009

There is a continued trend in the reduction of businesses feeling they there will be an increase in the burden of national regulation over the 12 months following the research; now fewer than half of businesses believe so. There is however a significant rise in those unable to comment, presumably due to the proximity to a general election (fieldwork was completed two weeks before the 2010 general election).

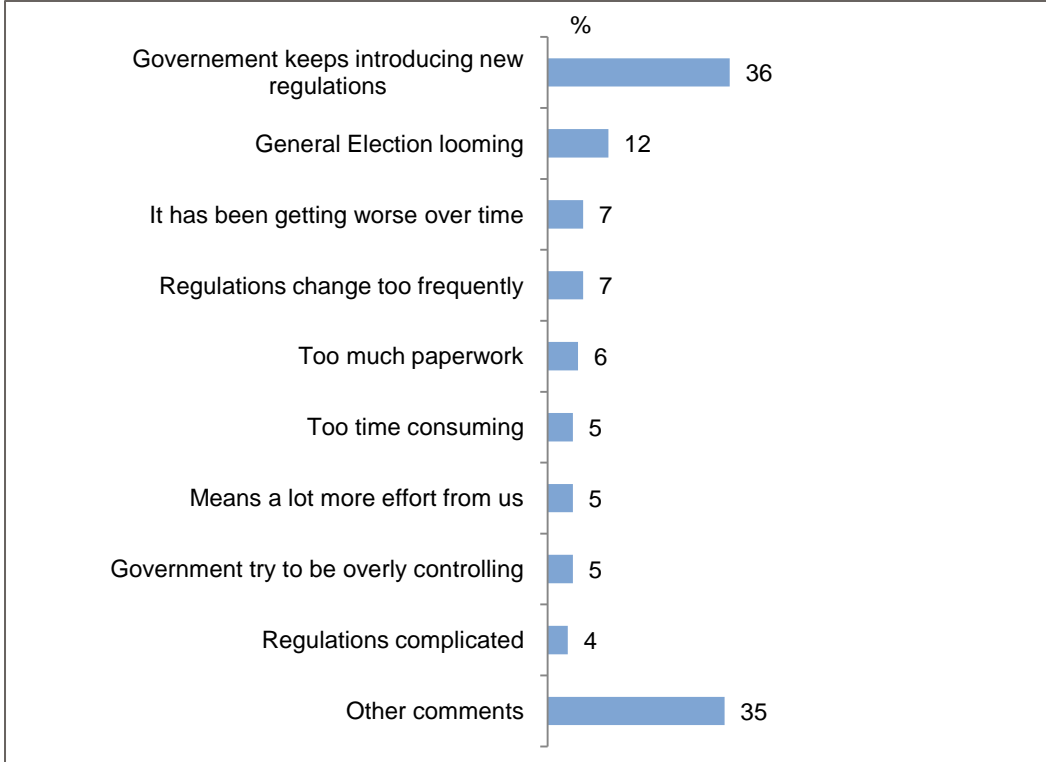
Chart 1.6: Change in burden of national regulation in the next 12 months (Base: All 1,000)



*Significant difference compared to 2009

A third of businesses expecting the burden from national regulation to increase in the coming 12 months believe so due to an anticipated increase in the number of new regulations, a further 12% expected the forthcoming election to bring about further regulatory burdens. Other concerns relate to changes in existing regulation, and issues surrounding the administrative burdens increasing.

Chart 1.7: Reasons for expecting burden from national regulation to increase
 (Base: All 471 expecting burden from national regulation to increase in next 12 months)



Section 2: Perceptions of the regulatory environment

Background

This section of the report looks at businesses' general attitude towards regulation and how it affects their operation. In particular it looks at perceptions of the regulatory environment, including the government's approach towards regulation. It also examines how informed businesses feel about the regulations that affect them.

Summary

From a list of seven statements relating to the government's approach to regulation, businesses are most likely to agree with three:-

- *'Generally, it is clear what the purpose of regulation'* (with 58% agreeing)
- *'It is straightforward to understand what you are required to do to comply with regulations'* (47% agreeing)
- *'Most regulation is fair and proportionate'* (45% agreeing)

Since 2007, agreement with all statements has typically increased between 2007 and 2008, although with few changes observed in recent years.

However, only one in three businesses (29%) believe that the Government understands business well enough to regulate, and less than one in four (23%) feel the Government consults well with business before any new regulation, or change to existing regulation is introduced.

There is little change in the number of businesses that feel well informed about the specific regulation that affects them, with most (63%) feeling *very informed* or *fairly informed*.

The proportion of businesses feeling well informed about specific regulation increases with company size (observed among those employing more than 50 staff and also those employing more than 250 staff), as it does among those employing specific members of staff to deal with compliance.

There are also differences observed in how well informed businesses are by the areas of law they comply with; those answering on complying with Health and Safety Law feel the most well informed (with 77% believing so), whilst only half of businesses complying with Planning Law feel well informed.

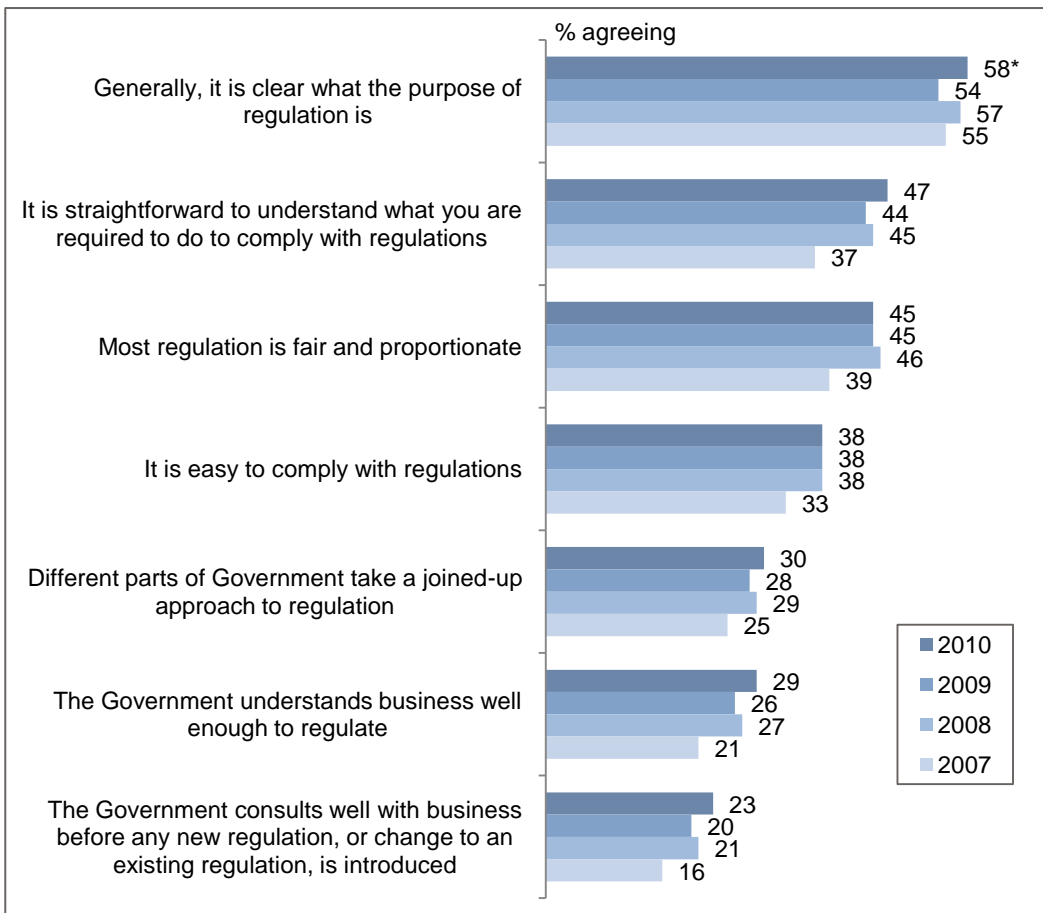
Detailed findings

The Government’s approach to regulation

Businesses’ perception of the Government’s approach to regulation mirrors that of previous years’ research, with over half agreeing that ‘Generally, it is clear what the purpose of regulation is’, although the proportion has risen significantly compared to 2009 (from 54% to 58%).

Other areas of strong agreement in 2010 are that ‘It is straightforward to understand what you are required to do to comply with regulations’ and that ‘Most regulation is fair and proportionate’.

Chart 2.1: Businesses’ perception of Government’s approach to regulation (Base: All 1,000)



*Significant difference compared to 2009

When comparing results over the course of all four years of research, agreement with most statements has increased since 2007, however this increase was observed predominantly in the second year of research, suggesting that few significant improvements have been observed by businesses since 2008.

Indeed, all statements listed, with the exception of ‘Generally, it is clear what the purpose of regulation is’ witnessed a significantly increase in the proportions agreeing in 2008, with no further significant differences observed in 2009 or 2010.

There are a number of differences in opinion by industry sector, most notably:-

- the property and business services sector are significantly less likely to agree that *'It is straightforward to understand what you are required to do to comply with regulations'* and *'It is easy to comply with regulations'*
- businesses operating in the finance industry, along with those in property and business services, and also retail and distribution, were significantly less likely to agree that *'Most regulation is fair and proportionate'*
- the hotels and catering industry is the least likely to agree that *'The Government understands business well enough to regulate'*
- businesses involved in retail and distribution are least likely to agree that *'The Government consults well with business before any new regulation, or change to an existing regulation, is introduced'*
- the public administration sector is most likely to agree that *'The Government understands business well enough to regulate'* as well as *'The Government consults well with business before any new regulation, or change to an existing regulation, is introduced'*.

Well-established organisations (those operating for more than 20 years) are significantly less likely to agree that *'It is easy to comply with regulations'*, with only 30% agreeing so. These businesses are also most likely to *disagree* that *'Most regulation is fair and proportionate'*.

On the other hand, businesses that have been in operation for five years or less are significantly more likely to agree that *'The Government consults well with business before any new regulation, or change to an existing regulation, is introduced'*, although at only 30% agreement, this is still minority opinion.

When breaking down opinion of the Government’s approach to regulation by each specific area of law surveyed, businesses are typically more positive about complying with aspects of Health and Safety Law. This is evident by significantly more businesses agreeing that:-

- generally, it is clear what the purpose of regulation is
- it is easy to comply with regulations
- the Government understands business well enough to regulate.

As can be seen in table 2.2, no areas of law attract significantly fewer levels of agreement by each statement when compared to the total, meaning that no law is perceived as being any ‘worse’ than the average.

Table 2.2: Businesses’ perception of Government’s approach to regulating with each specific law (% agreeing)
Base: All (in brackets)

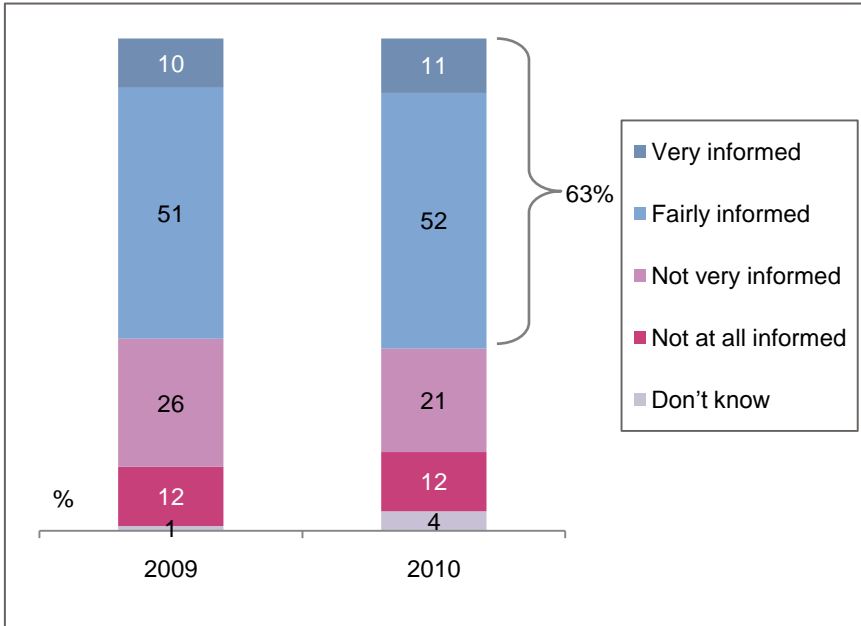
	Total (1,000)	Company Law (201)	Employment Law (201)	Health and Safety Law (205)	Planning Law (191)	Tax Law (202)
Generally, it is clear what the purpose of regulation is	58%	58%	55%	66%*	55%	55%
It is straightforward to understand what you are required to do to comply with regulations	47%	43%	49%	54%	47%	42%
Most regulation is fair and proportionate	45%	49%	41%	51%	48%	38%
It is easy to comply with regulations	38%	37%	34%	47%*	37%	35%
Different parts of government take a joined-up approach to regulation	30%	25%	30%	34%	31%	29%
The Government understands business well enough to regulate	29%	29%	32%	36%*	25%	22%
The Government consults well with business before any new regulation, or change to an existing regulation, is introduced	23%	23%	26%	26%	26%	17%

**Significantly different from Total
 Blue figures significantly higher than Total*

How informed do businesses feel

Overall, many businesses feel well informed about their specific area of law surveyed, with more than three in five (63%) feeling *very* or *fairly well informed*. This is at very similar levels to the 2009 study, however there is a significant fall in proportions seeing themselves as *not very informed* in 2010 (down from 26% to 21%), and a corresponding rise in those unable to comment.

Chart 2.3: How informed businesses are about the specific regulations that affect them (Base: All 1,000)



**Significant difference compared to 2009*

Larger businesses are significantly more likely to feel well informed about the laws that affect their businesses, with 82% of those employing more than 50 members of staff feeling well informed, compared to only 63% of those employing fewer than 50 employees (and only 58% of sole traders).

Businesses that employ specific members of staff to deal with complying with regulation (which are typically larger organisations) are also significantly more likely to feel well informed, with 72% believing so.

By area of law, businesses answering on complying with Health and Safety Law were significantly more likely to feel well informed compared to the total, with 77% claiming so. Conversely, businesses responding on complying with Planning Law were significantly *less* likely to be well informed, with only 50% believing so (and 43% claiming to be ill informed). Businesses discussing Tax Law were significantly more likely to be unable to comment.

Table 2.4: How informed businesses are about each specific regulation that affects them						
Base: All (in brackets)						
	Total (1,000)	Company Law (201)	Employment Law (201)	Health and Safety Law (205)	Planning Law (191)	Tax Law (202)
Net: informed	63%	63%	58%	77%*	50%*	65%
Very informed	11%	5%*	12%	22%*	5%*	10%
Fairly informed	52%	58%	46%	55%	45%	54%
Not very informed	21%	23%	28%	14%*	19%	21%
Not at all informed	12%	15%	11%	9%	24%*	5%*
Net: not informed	33%	37%	39%	23%*	43%*	26%
Don't know	4%	<1%*	3%	<1%*	6%	9%*

*Significantly different from Total

Blue figures significantly higher than Total, red figures significantly lower than Total

Section 3: Aspects of regulation that businesses find burdensome

Background

This section measures which aspects of regulation businesses find burdensome, and tracks the results since 2007 to measure how each burden has increased or decreased over time. It also measures whether certain burdens are more prevalent when complying with specific areas of law, or among certain sub-groups of business (such as size of company or industry), and whether these activities have become more or less time consuming over the last 12 months.

Summary

Many businesses agreed that there were a number of different aspects of complying with regulation that could be seen to be a burden, with two-thirds believing that at least five of the 11 listed aspects are a specific burden to them.

The most commonly perceived burdens in 2010 were:-

- having to keep up to date with changes in existing regulation
- the length of time it takes to go through the whole process of complying
- having to provide the same information more than once to Government

Between 2007 and 2009, the proportion of businesses feeling that various aspects of compliance were burdensome declined significantly in most cases, however in 2010 the levels stay at very similar levels to 2009 (although with one increase). Whilst these different aspects of compliance are seen to be less of a burden than in the past, more than half of businesses still believe them to be burdensome.

There is little difference in perceived burden by area of law with one exception; businesses complying with Employment Law were significantly more likely to feel that three aspects were burdensome. In all three cases, these aspects of administrative burden relate to keeping up to date with any changes in regulation, or the introduction of new regulations.

The proportion of organisations feeling that aspects of complying with regulation has become more time consuming over the past 12 months stays at a similar level to the 2009 survey, with up to 38% of businesses feeling some aspects (such as keeping up to date with new regulations) are becoming more time consuming. In line with the overall perceptions of regulation in Section 1, the proportion of businesses feeling that the various activities had become less time consuming was low.

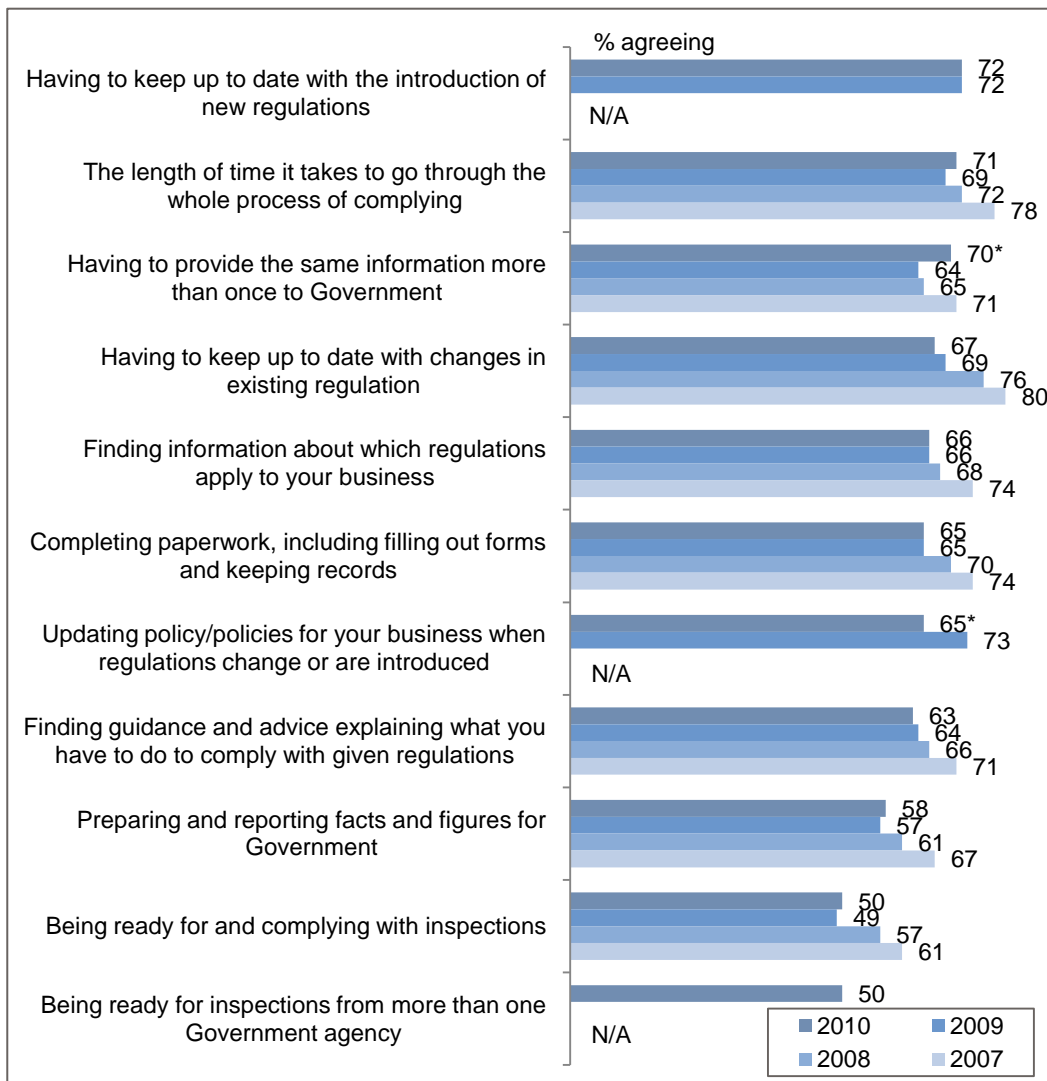
Detailed findings

All aspects of complying with regulation are perceived to be burdensome by at least 50% of businesses. The aspects found most burdensome relate to the change in the regulatory environment, particularly with introduction of new regulations but also with change to existing regulations.

In 2009, an apparent trend was observed that a variety of possible burdens of complying with regulation were decreasing. In 2010 however, these burdens stay at similar levels to the previous year in most cases, with two exceptions:-

- the proportion feeling that they are having to provide the same information more than once to Government increases significantly, from 64% to 70%
- the proportion agreeing that there is a burden in updating the policies for their business when regulations change or are introduced falls from 73% to 65%.

Chart 3.1: Aspects of complying with regulations that businesses find burdensome (Base: All 1,000)



*Significant difference compared to 2009

Across the eight measures that were surveyed in all four years of research, the trend towards a decrease in the proportions of businesses agreeing that each aspect is burdensome is reflected in a number of ways, although in many cases the decline appears to have stabilised in 2009 and 2010, and in one case (highlighted above) the proportions agreeing have actually risen in 2010.

The full breakdown of trends are as follows:-

- Five aspects see a significant fall in each year in the proportions agreeing between 2007 and 2008, and 2008 and 2009, however with no change in 2010
 - the length of time it takes to go through the whole process of complying
 - having to keep up to date with changes in existing regulation
 - completing paperwork, including filling out forms and keeping records
 - being ready for and complying with inspections
 - being ready for inspections from more than one Government agency

- Two aspects see a significant fall between 2007 and 2008, however with no change between 2008 and 2009, and 2009 and 2010
 - finding information about which regulations apply to your business
 - finding guidance and advice explaining what you have to do to comply with given regulations

- One aspect sees a significant fall between 2007 and 2008, however with no change between 2008 and 2009, and a significant *rise* between 2009 and 2010
 - having to provide the same information more than once to Government

When looking at specific compliance burdens by area of law, significantly more businesses feel complying with Employment Law is a burden in three areas:-

- having to keep up to date with the introduction of new regulations
- having to keep up to date with changes in existing regulation
- updating policy/policies for your business when regulations change or are introduced.

Businesses are significantly less likely to agree that ‘Being ready for inspections from more than one Government agency’ is a burden in relation to Planning Law.

Table 3.2: Aspects of complying with regulations that businesses find burdensome by each specific law (% agreeing) Base: All (in brackets)						
	Total (1,000)	Company Law (201)	Employment Law (201)	Health and Safety Law (205)	Planning Law (191)	Tax Law (202)
Having to keep up to date with the introduction of new regulations	72%	72%	81%*	75%	69%	65%
The length of time it takes to go through the whole process of complying	71%	74%	73%	70%	67%	70%
Having to provide the same information more than once to Government	70%	67%	75%	68%	66%	72%
Having to keep up to date with changes in existing regulation	67%	66%	76%*	66%	61%	66%
Finding information about which regulations apply to your business	66%	65%	72%	66%	60%	67%
Completing paperwork, including filling out forms and keeping records	65%	64%	67%	67%	64%	64%
Updating policy/policies for your business when regulations change or are introduced	65%	64%	77%*	60%	69%	58%
Finding guidance and advice explaining what you have to do to comply with given regulations	63%	57%	65%	65%	57%	67%
Preparing and reporting facts and figures for Government	58%	59%	66%	55%	53%	57%
Being ready for and complying with inspections	50%	48%	55%	45%	51%	50%
Being ready for inspections from more than one Government agency	50%	46%	57%	52%	40%*	55%

*Significantly different from Total

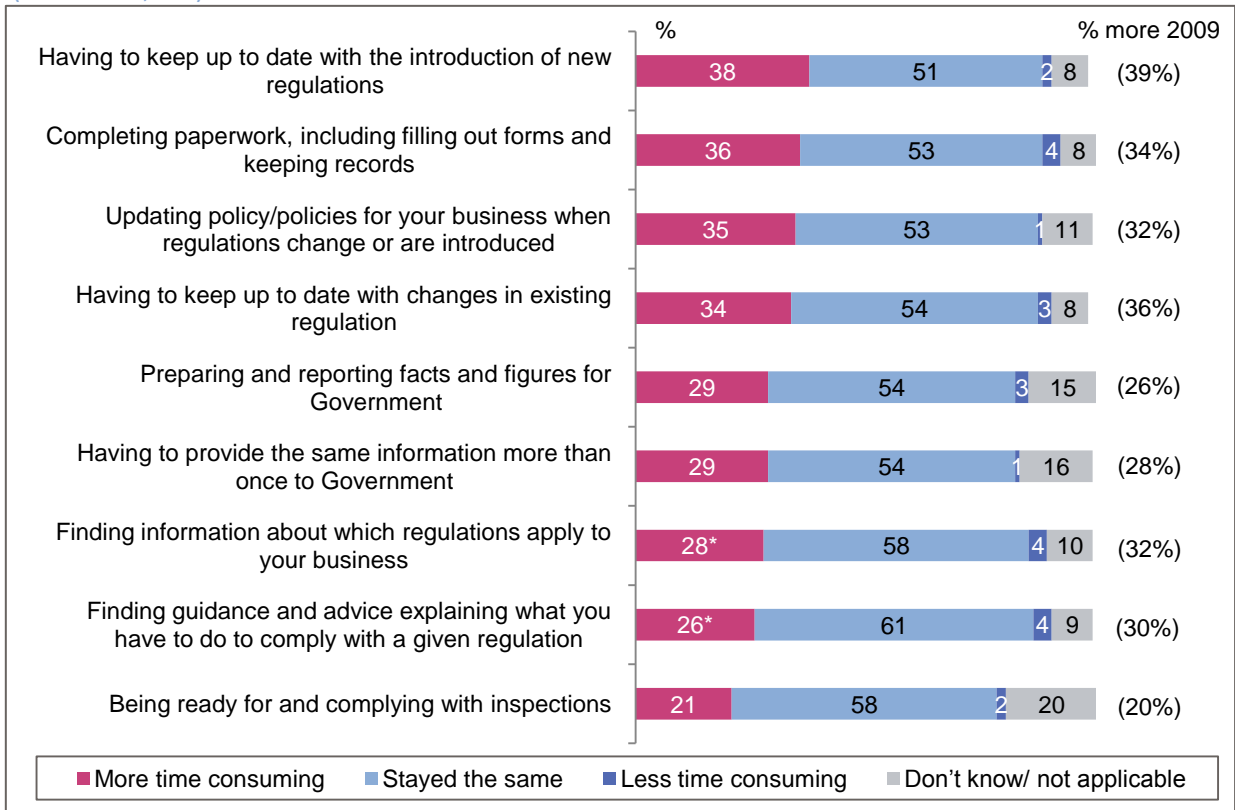
Blue figures significantly higher than Total, red figures significantly lower than Total

Change in regulation over the past 12 months

The proportion of organisations feeling that aspects of complying with regulation has become more time consuming over the past 12 months stays at a similar level to the 2009 survey. The aspect of regulation seen to be becoming most time consuming is *‘Having to keep up to date with the introduction of new regulation’*, with almost two in five businesses feeling this is now more time consuming compared to a year ago. Three other aspects were seen to be more time consuming by at least a third of businesses:-

- completing paperwork, including filling out forms and keeping records
- updating policy/policies for your business when regulations change or are introduced
- having to keep up to date with changes in existing regulation.

Chart 3.3: Change in time spent on aspects of complying with regulation over past 12 months
(Base: All 1,000)



**Significant difference compared to 2009*

It has been noted in Chart 3.1 that fewer businesses (or at least similar levels of businesses as last year) now see aspects of complying with regulation as a burden, however the proportions of businesses feeling they are spending more time on complying with these same aspects stays at the same levels of previous years.

The reason for this apparent contradiction is likely to be due to the fact that significantly more businesses feel that each aspect is a burden, than think that time spent on aspects of complying has increased (for example, whilst almost two in five business feel that *having to keep up to date with the introduction of new regulations* has got more time consuming over the past 12 months, it is because 72% identify it as a burden in the first place).

Section 4: What businesses want

Background

This section covers the views of all 2,000 businesses surveyed, both for the NAO and LBRO aspects of the survey. Across this audience it is possible to see how different sub groups place the importance of three possible factors that may make complying with regulation easier:-

- having certainty that they are compliant
- it being easy to comply with
- having flexibility on how they can choose to comply

This section also covers the perceived ease or difficulty of different industry sectors' specific areas of compliance, and how this relates to the way they prefer to comply.

Summary

The need for certainty in regulation is strongly correlated with the perceived difficulty of complying with sector-specific regulation.

There is little to differentiate the greatest factor to businesses when complying with regulation in general, however, by sub group, a number of differences are observed:-

- Businesses operating in the finance or property/business services sectors are significantly more likely to place *certainty* as most important (with over half of financial businesses doing so)
- The agricultural sector is significantly more likely to see *flexibility* as most important

The need for business sectors to require increased *certainty* when complying with regulation is reflected by both the finance and property/business services sectors being significantly more likely to find their sector-specific compliance difficult, although for different reasons:-

- the financial sector are significantly more likely to believe there are too many regulations
- the property or business services sector believe their regulation is too complicated or unclear

Larger businesses (over 50 staff) are significantly more likely to place *certainty* as the most important aspect of compliance, and significantly less likely to see *flexibility* as most important.

Larger businesses are also significantly more likely to find their regulation difficult to comply with, although this tends to relate to the number of regulations they have to deal with, as smaller businesses do not feel that they have as many to comply with.

Detailed findings

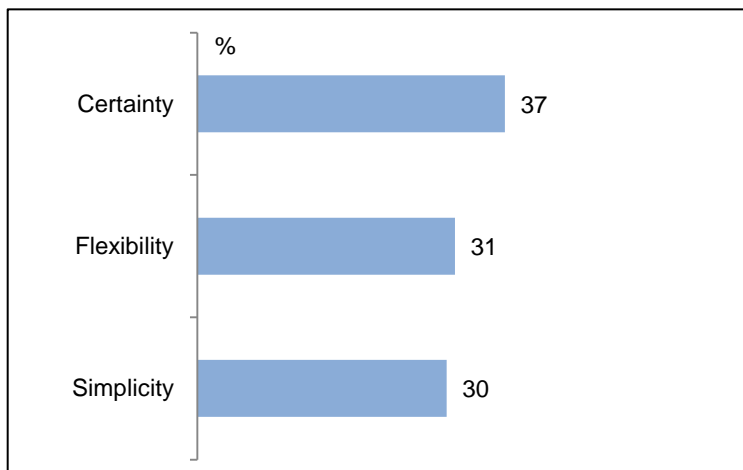
All 2,000 respondents were asked a number of more general questions relating to regulatory burdens, allowing for greater levels of statistical reliability by sub-group.

When asked to choose the most important aspect of regulation to businesses, three options were given to decide from:-

- having flexibility in how businesses choose to comply with regulation
- it being simple to comply with regulation
- having certainty that businesses are compliant.

Across all respondents there was no clear leader as to the most important aspect, with a little under two-in-five businesses (37%) believed that having certainty that they are compliant was the most important aspect to them, with equal numbers opting for the other options.

Chart 4.1: Most important aspects covering regulation concerning regulation in general (Base: All 2,000)



Importance of each aspect varies significantly by business size however; companies with 50 or more staff are significantly more likely to deem *certainty* as most important aspect, and significantly less likely to choose *flexibility*.

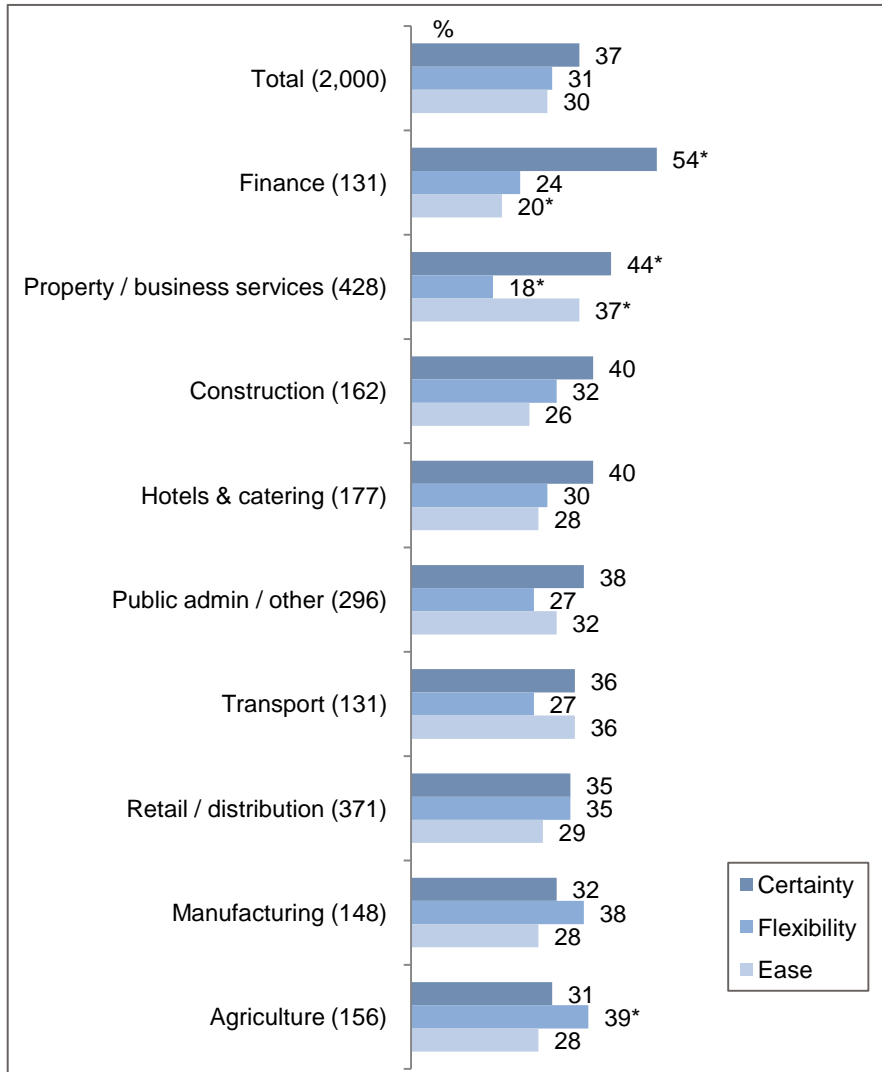
Table 4.2: Most important aspects covering regulation concerning regulation in general by company size				
Base: All (in brackets)				
	Total (2,000)	1 - 49 staff (1,648)	50 - 249 staff (173)	250+ staff (175)
Certainty	37%	37%	59%*	65%*
Flexibility	31%	31%	15%*	14%*
Simplicity	30%	30%	25%	21%
Don't know	2%	2%	1%	0%

*Significantly different from Total

Blue figures significantly higher than Total, red figures significantly lower than Total

By business sector, a variety of differences are also observed (highlighted in Chart 4.3). For example, businesses in the financial sector were significantly more likely to deem *certainty* as most important, with over half doing so. The agricultural sector, on the other hand, were significantly more likely to see *flexibility* as most important.

Chart 4.3: Most important aspects covering regulation concerning regulation in general by business sector
(Base: All 2,000)

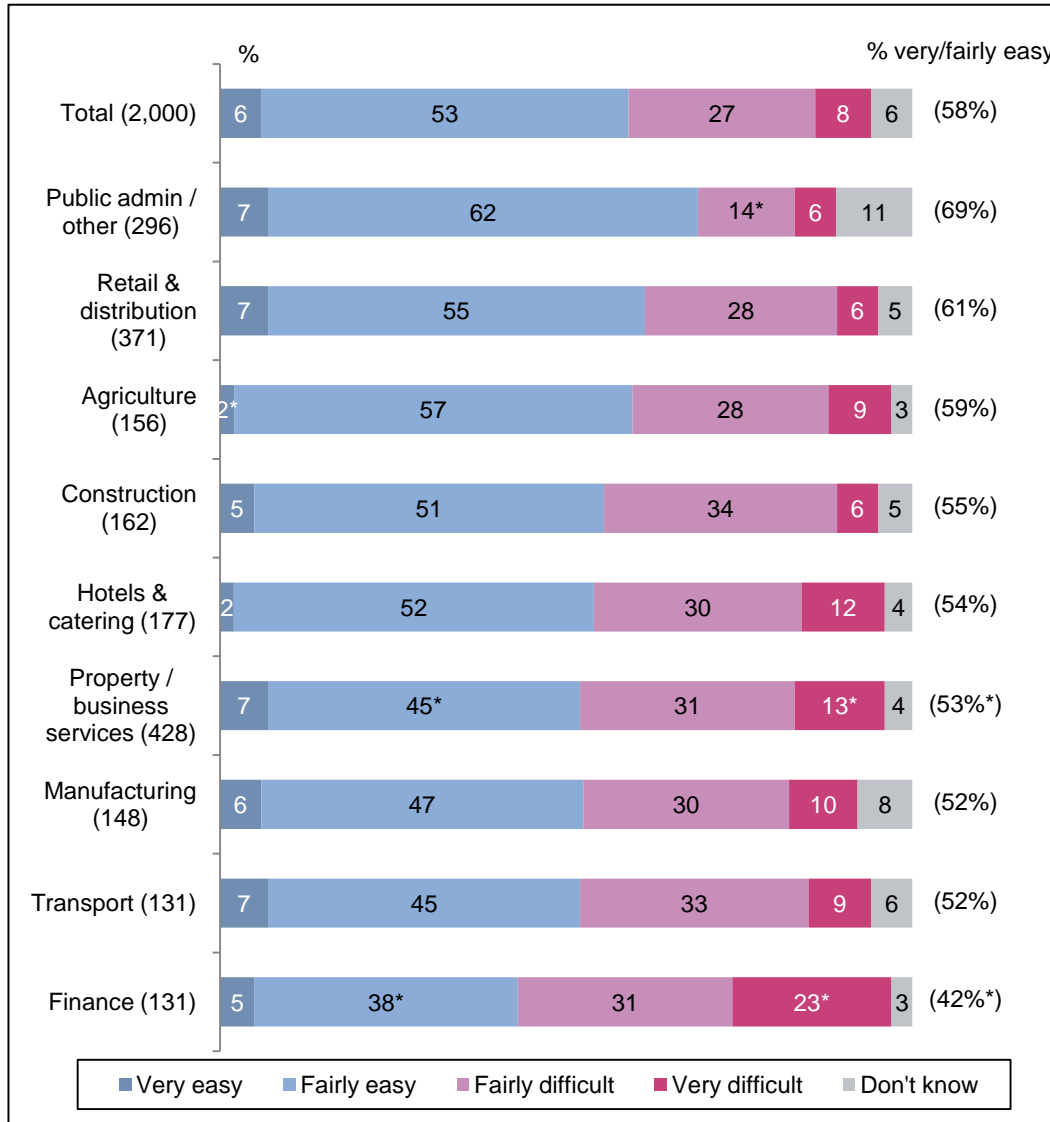


*Significantly different from Total

Ease of compliance with sector-specific regulation

When considering regulations specific to each business sector, the ease of compliance differs greatly, with seven out of ten organisations in the public administration sector (69%) finding their sector-specific compliance *easy*, compared to only 42% of businesses in the finance industry.

Chart 4.4: Ease of complying with regulation relevant to specific business sectors
(Base: All)



**Significantly different from Total*

Larger businesses are significantly less likely to find sector-specific compliance easy; 59% of those with fewer than 50 employees (and 63% of sole traders) feel that compliance is *easy*, compared to only 48% of those employ 50 or more staff.

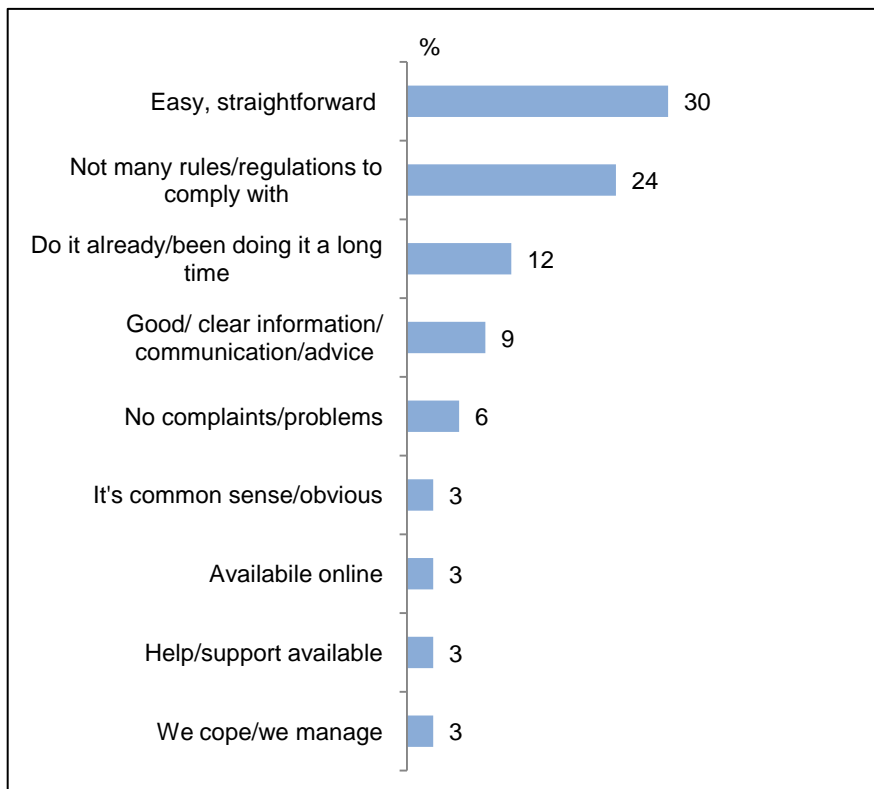
Reasons for finding sector-specific compliance easy

Among businesses finding sector-specific compliance easy, almost a third (30%) believe it is due to current regulation being easy and straightforward, whilst a quarter (24%) feel there are not many specific rules they need to comply with. A little over one in ten (12%) have had experience of compliance over a number of years, and therefore know what to expect.

Smaller businesses are significantly more likely to feel that there are not many rules for them to comply with (with 30% of sole traders and 25% of businesses employing less and 10 members of staff believing so).

By industry sector, there are few differences compared to the total. However, those in the property or business services sectors are significantly more likely to believe they have few regulations, with 33% claiming so.

Chart 4.5: Reasons for considering regulation specific to their business sector easy to comply with (Base: All 1,090 finding regulation specific to their sector easy to comply with)



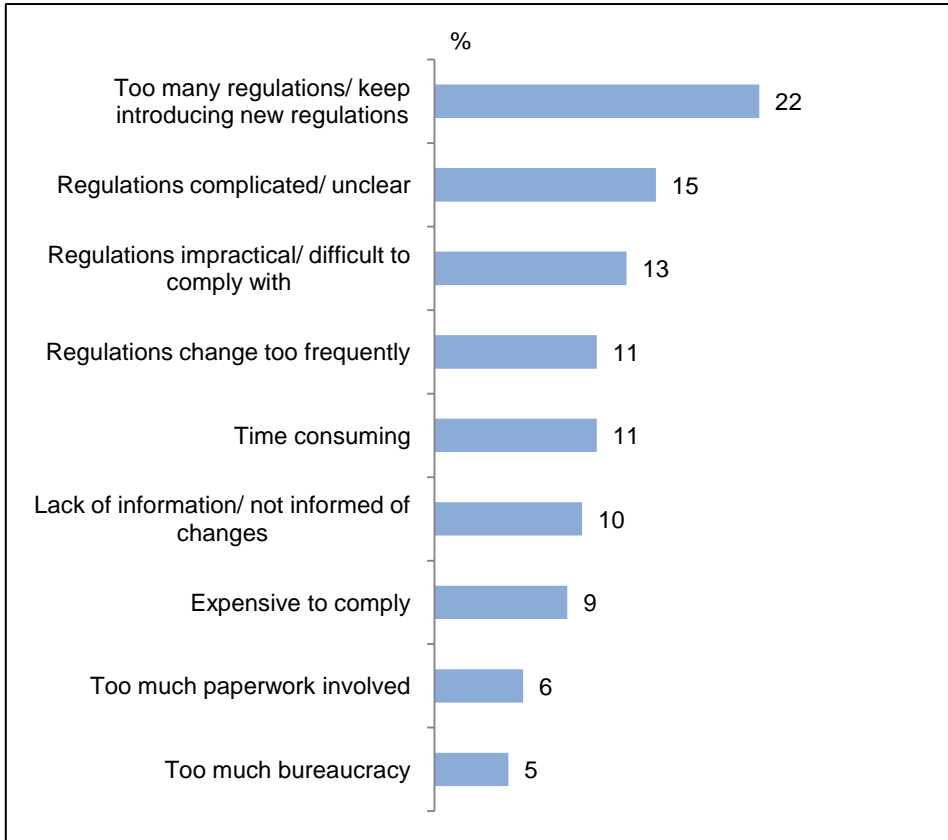
Other issues mentioned by less than 3% of respondents

Businesses with fewer than 250 employees are significantly more likely to believe it is due to compliance being straightforward, whilst those with fewer than 50 employees are also significantly more likely to believe they have fewer regulations to comply with.

Reasons for finding sector-specific compliance difficult

More than one in five businesses (22%) finding their sector-specific regulation difficult to comply with believe it is due to the current number of regulations in existence, and the continued increase in the number required. A further 15% find the regulation complicated or unclear to understand, and 13% find them impractical. Other reasons given include the fact that regulations can change too frequently, that they are time consuming, and that businesses are not given enough information about them.

Chart 4.6: Reasons for considering regulation specific to their business sector difficult to comply with (Base: All 836 finding regulation specific to their sector difficult to comply with)



Other issues mentioned by less than 5% of respondents

By business sector, a number of significant differences in opinion are observed:-

- businesses operating in the financial sector are significantly more likely to believe there are too many regulations, with 44% of those businesses finding compliance difficult claiming so
- one in five businesses (20%) operating in the property or business services sector believe their regulation is too complicated or unclear
- the manufacturing sector is significantly more likely to believe their regulations are impractical, or difficult to comply with, with 24% believing so.

Businesses employing more than 250 staff are also significantly more likely to believe that their regulations are impractical, with 22% believing so.

Many of the reasons given by businesses for why they believe regulations are difficult to comply with relate to the changes to regulation (for example the 22% feel that new regulations keep being introduced, and 11% feel they change too quickly). This supports the concerns highlighted in Section 2 and Section 3 earlier, that keeping up to date with the introduction of new regulation, or changes to existing regulation are two of the biggest burdens to businesses.

Section 5: Dealing with regulation

Background

This section identifies what businesses use to help them comply with regulation. In particular it examines:-

- Staff employed to deal with specific regulations
- the sources of assistance used (both internal and external), and why they are used
- whether any attempt has been made to improve the regulatory regime affecting their business

Summary

Few businesses employ staff specifically to deal with the area of law in the survey, and in the majority of cases, just a single member of staff was employed. Larger companies are significantly more likely to employ staff for the specific purpose of complying with regulation.

To help with the burden of regulation, seven out of ten businesses (71%) claim to have used some form of external guidance, such as accountants (particularly in relation to Tax Law or Company Law), or other sources of information, such as trade associations and local councils. Local councils are particularly involved in relation to Health and Safety Law and Planning Law, rather than aspects such as Tax Law.

Primary reasons for using external help are to provide assurance, although some businesses want independent advice (particularly for Planning Law) or state that they do not have enough time (especially for complying with Tax Law).

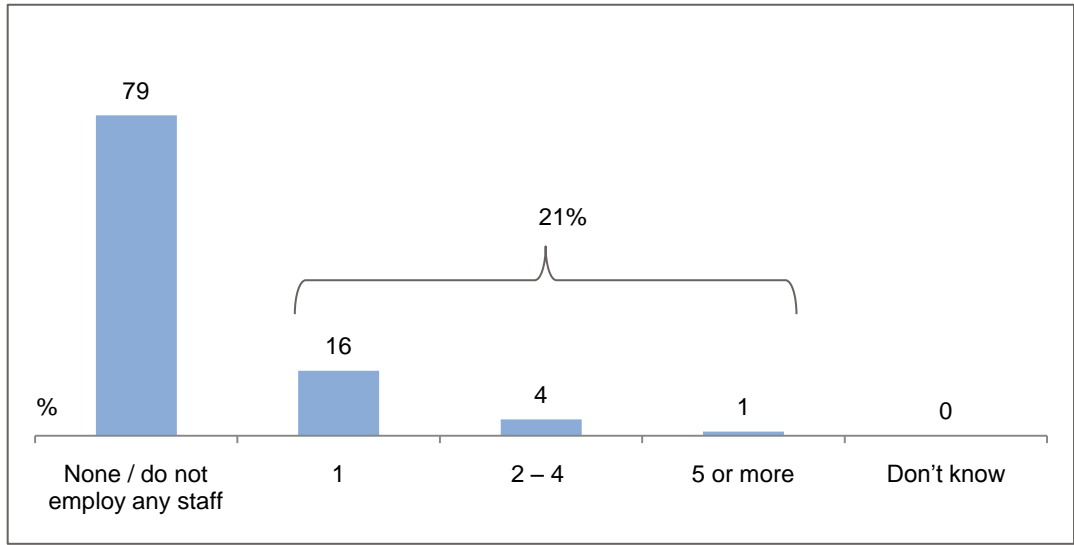
Only one in ten businesses have made contact with an official body or organisation to make a suggestion on how the regulatory regime could be improved, however this is linked to those sectors having stronger views of how they would like to comply with regulation, namely the finance, property/business services and agricultural sectors. Larger businesses are also significantly more likely to put forward a suggestion to an official body on how the regulatory regime could be improved.

Detailed findings

Staff employed to deal with administrative burden

Few businesses (only one in five) employ staff specifically to deal with the area of law in the survey, and in the majority of cases, just a single member of staff was employed. The breakdown of businesses employing staff specifically for compliance reflects the population sampled, whereby 83% were small businesses, in line with the UK business profile.

Chart 5.1: Number of staff employed specifically to deal with specific area of law
(Base: All 1,000)



As may be expected, larger companies are significantly more likely to employ staff for the specific purpose of complying with regulation; more than seven in ten businesses with over 50 employees (71%) claim this to be the case, compared to 20% of those employing less than 50 staff (and 18% employing less than 10 staff).

There were no significant differences in the proportion of businesses employing at least one member of staff specifically to deal with compliance by area of law surveyed. However, in order to comply with Health and Safety Law, businesses were significantly more likely to employ just one member of staff compared to the average, whilst in order to comply with Planning Law, one in ten businesses employ at least two members of staff specifically for this role.

Table 5.2: Number of staff employed specifically to deal with each specific law Base: All (in brackets)						
	Total (1,000)	Company Law (201)	Employment Law (201)	Health and Safety Law (205)	Planning Law (191)	Tax Law (202)
None / do not employ any staff	79%	85%	77%	72%	80%	79%
1	16%	11%	15%	25%*	9%*	19%
2 – 4	4%	3%	5%	2%	8%*	2%
5 or more	1%	<1%	2%	0%	2%	<1%
Don't know	<1%	0%	1%	0%	1%	1%

**Significantly different from Total*

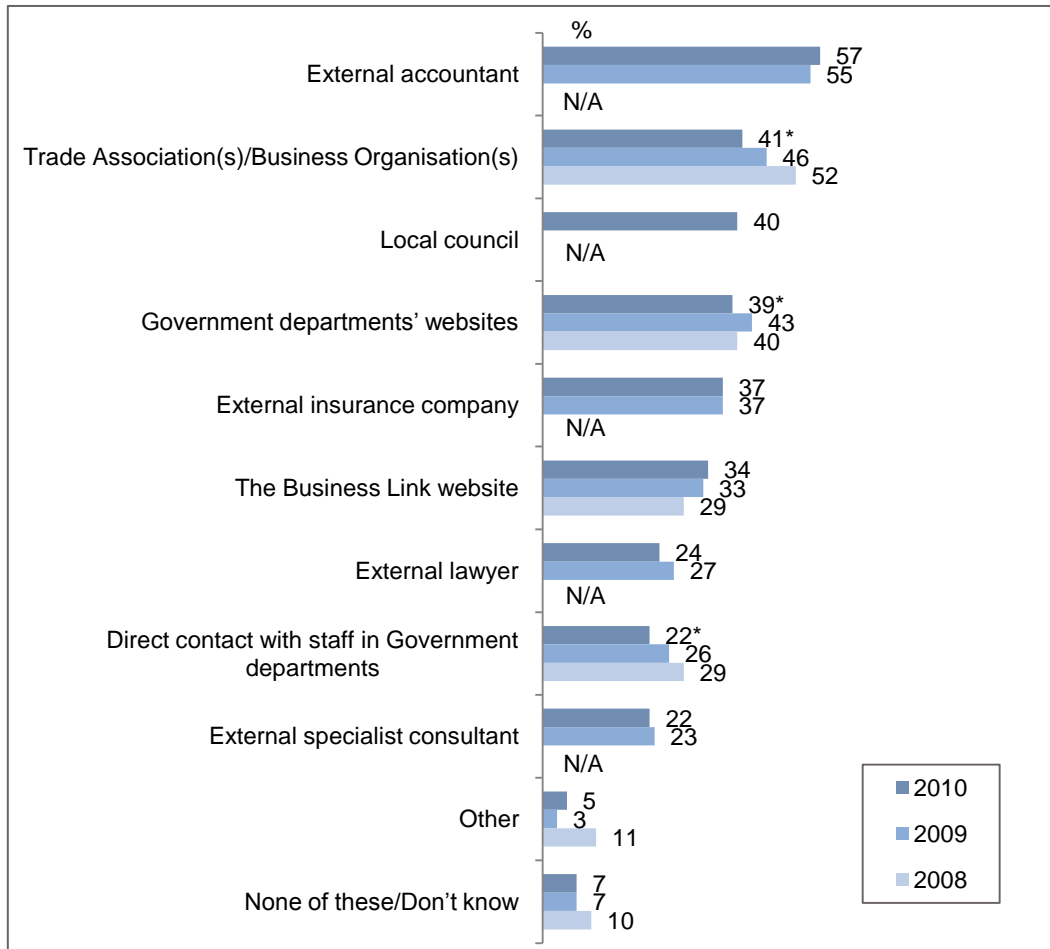
Blue figures significantly higher than Total, red figures significantly lower than Total

By industry sector, businesses in manufacturing and transport are significantly more likely to employ at least one member of staff to deal with the area of law surveyed, with 33% of businesses in the transport industry, and 41% of those in the manufacturing industry doing so.

Assistance in complying

A variety of both internal and external sources of information are used by businesses to help with complying with regulation. Overall, seven out of ten businesses claim to use some form of external help or guidance to comply with regulation, with over half claiming to use the services of an accountant, and two in five using trade associations or their local council. Levels of usage of different sources reflect the 2009 survey, although this year significantly fewer businesses claim to consult trade associations, Government websites and Government departments.

Chart 5.3: Sources used to help with complying with specific laws
(Base: All 1,000)



*Significant difference compared to 2009

Company size plays a significant role in determining whether a business seeks external assistance with complying; larger businesses (those with 50 or more employees) are significantly *more* likely to seek external help with complying, with 88% doing so (compared to only 71% of smaller businesses and 62% of sole traders).

The increased use of external assistance among larger businesses is likely to be due to increased requirements for certainty in their compliance, evident in their increased likelihood of employing staff specifically for the purpose of complying with regulation (highlighted in Section 1), and greater likelihood of preferring certainty in complying with regulation, rather than flexibility or simplicity (highlighted later in this report, in Section 5).

Table 5.4 details the sources used by businesses when complying with specific areas of law. In order to comply with Tax Law, businesses are significantly more likely to seek the help from an external organisation, whilst when complying with Health and Safety Law and Planning Law, businesses are significantly *less* likely to use external help.

Table 5.4: Sources used to help with complying with specific laws						
Base: All (in brackets)						
	Total (1,000)	Company Law (201)	Employment Law (201)	Health and Safety Law (205)	Planning Law (191)	Tax Law (202)
Net: external source	71%	75%	74%	61%*	60%*	83%*
External accountant	57%	66%*	60%	34%*	41%*	80%*
Trade Association(s)/Business Organisation(s)	41%	46%	42%	37%	35%	44%
Local council	40%	34%	31%	58%*	70%*	12%*
Government departments' websites	39%	44%	54%*	32%	31%	34%
External insurance company	37%	43%	30%	48%*	32%	31%
The Business Link website	34%	45%*	38%	36%	28%	25%*
External lawyer	24%	30%	27%	17%	27%	20%
Direct contact with staff in Government departments	22%	22%	23%	18%	27%	23%
External specialist consultant	22%	17%	28%	22%	28%	16%
Other	5%	8%	12%	5%	2%	6%
None of these/Don't know	7%	5%	9%	6%	16%*	2%

*Significantly different from Total

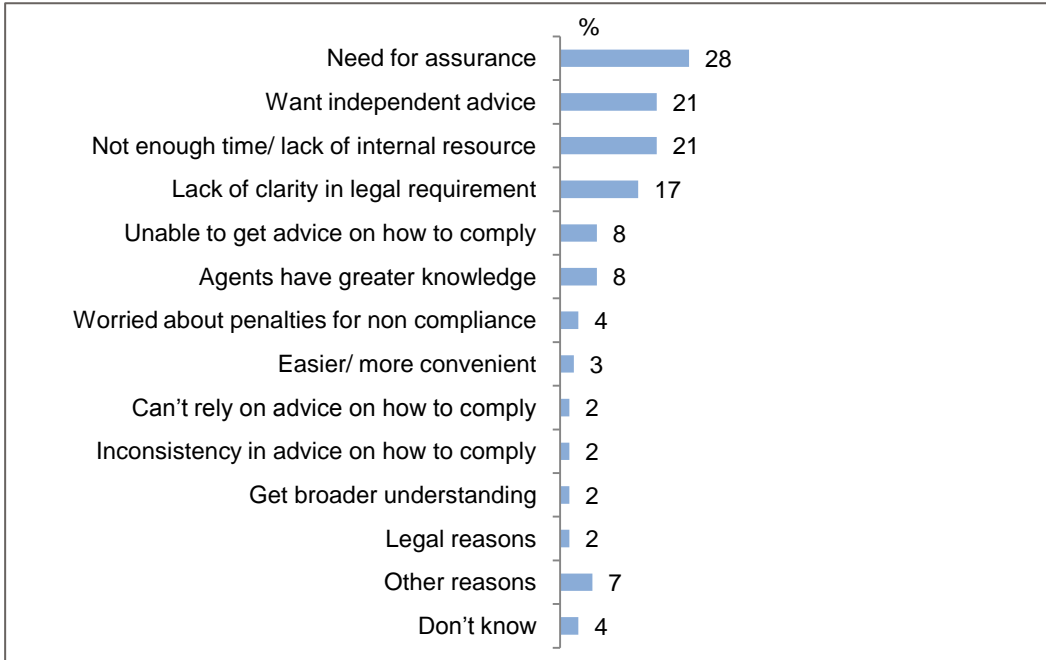
Blue figures significantly higher than Total, red figures significantly lower than Total

The nature of complying with different areas of law is reflected in the sources businesses use for each, for example:-

- when dealing with Tax Law, businesses are significantly more likely to use an accountant compared to complying with other laws
- businesses that need to comply with Health and Safety and/or Planning Law are significantly more likely to use their local councils as a source of help
- when complying with Health and Safety Law, businesses are significantly more likely to consult insurance companies
- businesses complying with Employment Law are significantly more likely to use Government departments' websites
- to comply with Company Law, businesses are significantly more likely to consult accountants and/or the Businesslink website.

A quarter of businesses that seek advice from an external agent to help with compliance do so for assurance, whilst one in five do not have time to do it themselves. Another fifth claim it is for independent advice, and one in six believe it is due to a lack of clarity in the existing requirements.

Chart 5.5: Reasons for businesses using external agent to help with compliance
(Base: All 749 using external help in compliance)



Reasons for using external assistance differs very little by industry sector, with the exception that the construction and finance industries are significantly more likely to claim they have a lack of time (with 40% and 43% believing so respectively).

Among the four most common reasons for consulting an external agent, complying with different areas of law result in varied responses. Businesses seeking assistance in relation to Tax Law compliance are significantly more likely to cite the reason to be a lack of time, whereas those needing help to comply with Planning Law are more likely to do so because they want independent advice. Businesses seeking help in relation to Employment Law compliance are significantly more likely to claim that there is a lack of clarity in the legal requirement.

Table 5.6: Reasons for businesses using external agent to help with compliance						
Base: All (in brackets)						
	Total (749)	Company Law (163)	Employment Law (159)	Health and Safety Law (130)	Planning Law (118)	Tax Law (179)
Need for assurance	28%	23%	26%	30%	24%	34%
Want independent advice	21%	19%	11%*	23%	45%*	16%
Not enough time/ lack of internal resource	21%	25%	16%	10%*	16%	32%*
Lack of clarity in legal requirement	17%	20%	28%*	21%	7%*	10%*

*Significantly different from Total

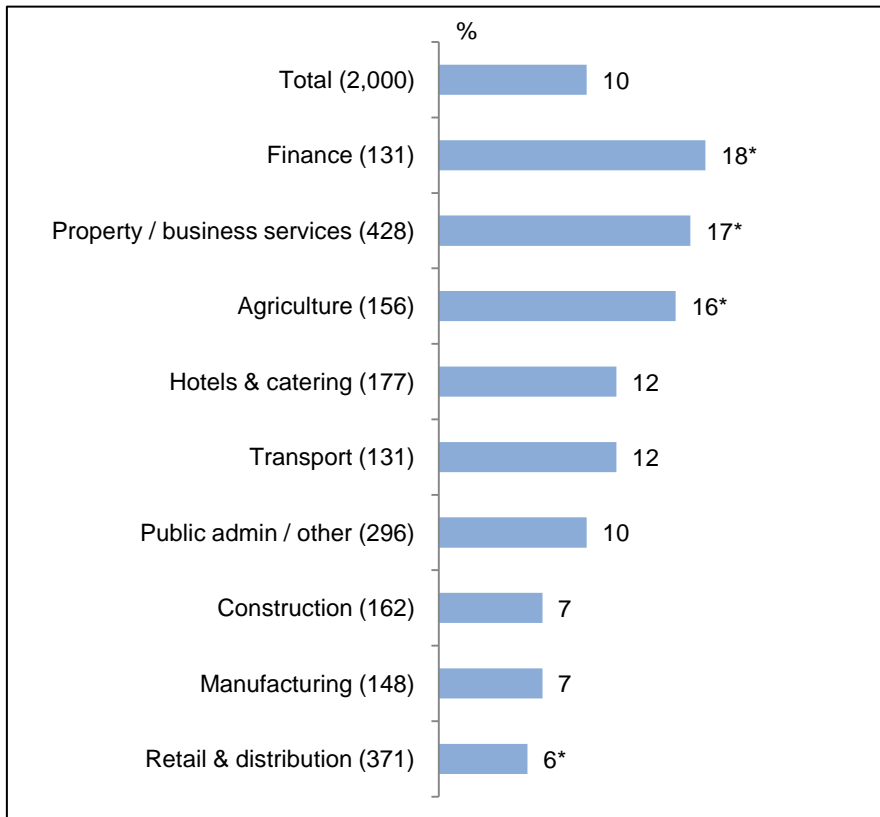
Blue figures significantly higher than Total, red figures significantly lower than Total

Improving the regulatory regime

Only one in ten businesses have made contact with an official body or organisation to make a suggestion on how the regulatory regime could be improved, ranging from just 6% of those in the retail and distribution sector, to 18% of those working in finance. Along with the finance sector, businesses operating in property and business services, and those in agriculture, are all significantly more likely to have made contact with suggested improvements.

Larger businesses are also significantly more likely to have put forward a suggestion, with 26% of those employing more than 50 staff having done so, compared to 10% of those employing less than 50 staff. This closely reflects the findings of Section 1, where larger businesses are significantly more likely to employ staff specifically for the purpose of complying with regulation (who in turn are significantly more likely to have made contact with an official body to make a suggestion).

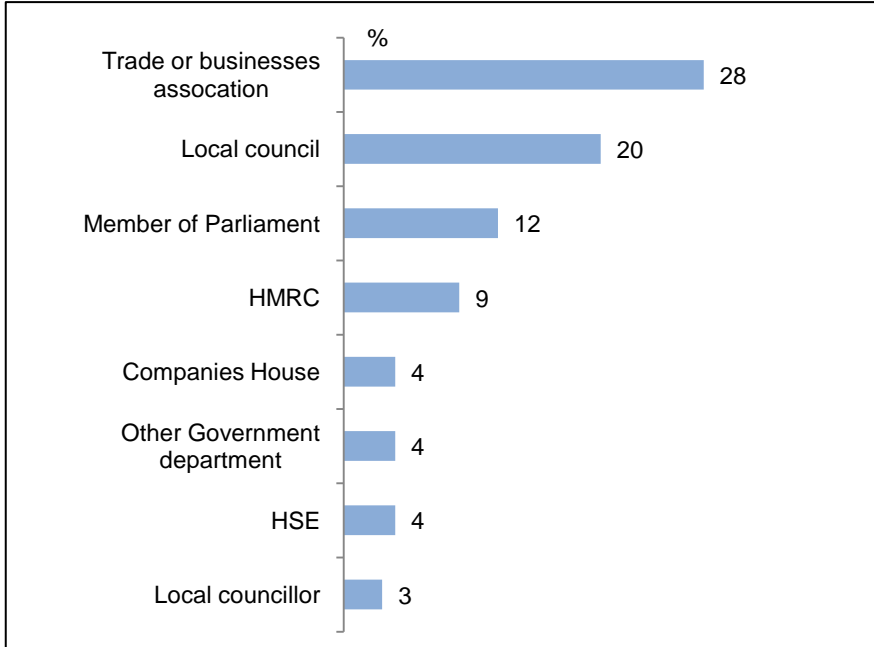
Chart 5.7: Ever made contact with an official body or organisation to make a suggestion on how the regulatory regime could be improved
(Base: All)



**Significantly different from Total*

Among businesses putting forward suggested improvements, a variety of bodies were contacted. A quarter of businesses (28%) did so through a trade or business association, whilst one in five contacted their local council. A further 12% went to an MP, and 9% contacted HMRC.

Chart 5.8: Who contacted to make a suggestion on how the regulatory regime could be improved (Base: All 312 making a suggestion to a body or organisation)



Other issues mentioned by less than 3% of respondents

Section 6: Originator of regulatory burden

Background

All 2,000 businesses were also asked to weigh up the balance of nationally enforced regulation, against locally enforced regulation.

Summary

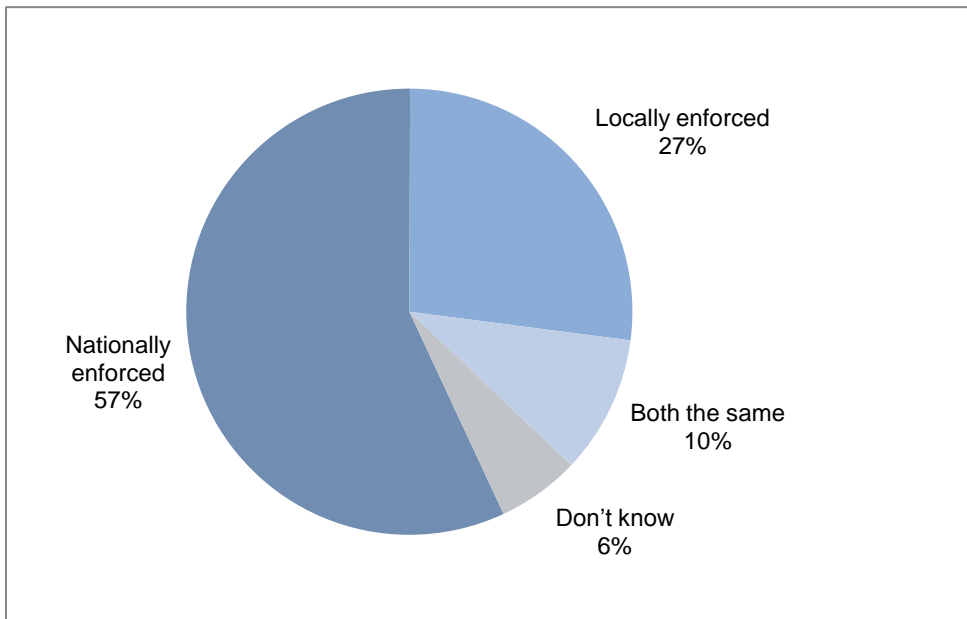
Overall, the majority of businesses feel that nationally enforced regulation holds the bigger burden, with 57% believing so. Whilst the businesses that took part in the LBRO version of this survey (and were predominantly surveyed on aspects of local regulation) were significantly more likely to see local regulation as the larger burden compared to the NAO sample, they still placed a greater weight on nationally enforced regulation overall.

By business sector, there was a wide range in the proportion of businesses placing a greater weight on nationally enforced regulation to locally enforced, however in all cases, nationally enforced regulation was seen by more businesses as the bigger burden.

Detailed findings

When given the choice, businesses are more likely to feel that nationally enforced regulation imposes the larger burden, with almost three-in-five (57%) believing so. Meanwhile, a little over a quarter (27%) believe locally enforced regulation carries the greater burden. One in ten believe both to be equal, and a further 6% felt unable to comment.

Chart 6.1: Perceptions of what imposes the larger burden of regulation – nationally or locally enforced regulation
(Base: All 2,000)



When comparing the opinion of the two different sample sets, those that were interviewed on behalf of the LBRO (and therefore predominantly interviewed with regard to local regulation) were significantly more likely to feel local regulation carried the bigger burden (or at least carried the same burden as national regulation). However, among the LBRO audience, there were still significantly more businesses finding national regulation the greater burden than local regulation.

Table 6.2: Breakdown of opinion of what imposes the larger burden of regulation – nationally or locally enforced regulation by sample type			
	Total (2,000)	NAO sample (1,000)	LBRO sample (1,000)
Nationally enforced	57%	62%*	51%*
Locally enforced	27%	23%*	32%*
Both the same	10%	7%*	12%*
Don't know	6%	7%	5%

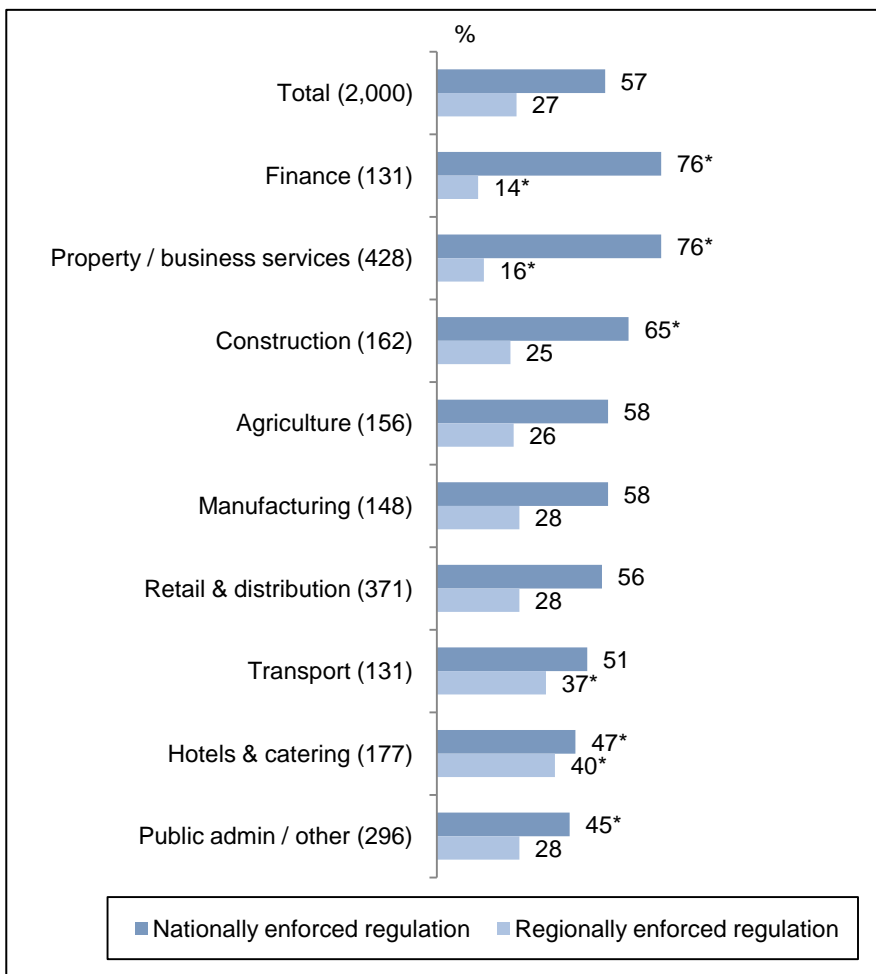
*Significantly different from Total

Blue figures significantly higher than Total, red figures significantly lower than Total

By sector, businesses operating in finance, property and business services, and construction industries are significantly more likely to believe nationally enforced regulation to be the larger burden. The transport sector, and businesses operating in the hotels and catering industry were significantly more likely than average to see local regulation as a bigger burden, however in both of these cases a greater number of businesses still felt nationally enforced regulation to be the bigger burden.

Businesses operating in the public administration sector were most likely to be unable to comment, with 14% doing so.

Chart 6.3: Perceptions of what imposes the larger burden of regulation – nationally or locally enforced regulation by industry (Base: All)



*Significantly different from Total