



National Audit Office

Department for Business, Innovation and Skills

Delivering regulatory reform

Methodology

FEBRUARY 2011

Study methods

1 This section outlines the research methods used in the course of our examination.

Study scope

2 The system of regulatory reform is delivered by departments but overseen by the Better Regulation Executive who sit within the Department for Business, Innovation and Skills. This report looks at the agenda of regulatory reform and its effect on business.

3 The objective of this report is to observe the experience of regulation from the perspective of business, to determine their key concerns and compare this to how the system of regulation is delivered by government. We have aimed to obtain this information by answering the following two questions:

- What do businesses find burdensome?
- Is the system set up to address the concerns of business?

Methodology

4 The following research methods were used during the course of this study:

- Synthesis of existing National Audit Office work
- File review of Better Regulation Executive's documentation
- Structured workshops
- Semi structured interviews
- Business case studies with 17 small and medium sized enterprises (SMEs)
- Economic analysis of regulation

Synthesis of existing National Audit Office work

5 We undertook a review of previous National Audit Office work containing analysis of elements of the regulatory reform agenda in order to bring together existing quantitative and qualitative evidence. We did this to develop an understanding of where the system was or was not working from previous report recommendations. As existing documentation already taken through the clearing process, we took the findings of these reports as accurate. For the purpose of this report, where our findings were indicative rather than definite, further cross-validation was performed with other research methods. Our work included analysis of the support we have given to the Public Accounts Committee and of the following key reports:

Impact Assessment Reports

- *Assessing the impact of proposed new policies*, HC 185 2010-11, 1 July 2010.
- *Delivering high quality impact assessments*, HC 128 2008-09, 30 January 2009.
- *Evaluation of regulatory impact assessments 2006-07*, HC 606 2006-07, 11 July 2007.
- *Evaluation of Regulatory Impact Assessments 2005-06*, HC 1305 2005-06, 28 June 2006.
- *Evaluation of Regulatory Impact Assessments Compendium Report 2004-05*, HC 341 2004-05, 17 March 2005.
- *Evaluation of Regulatory Impact Assessments Compendium Report 2003-04*, HC 358 2003-04, 4 March 2004.
- *Better Regulation: Making Good Use of Regulatory Impact Assessments 2001-02*, HC 329 2001-02, 15 November 2001.

Hampton Review

- *Regulatory quality: how regulators are implementing the Hampton vision*, 18 July 2008.

Administrative Burden Reports

- *NAO Business perceptions survey 2010*, FDS International, 15 July 2010.
- *Complying with regulation – business perceptions survey 2009*, HC 1028 2008-2009, 22 October 2009.
- *The Administrative Burdens Reduction Programme 2008*, HC 944 2007-08, 7 October 2008.
- *Reducing the cost of complying with regulations: The delivery of the Administrative Burdens Reduction Programme 2007*, HC 615, 2006-07, 25 July 2007.

File review of Better Regulation Executive's documentation

6 To gather evidence on how the Better Regulation Executive has managed the system of regulation we reviewed a range of external documentary evidence. We compared data from different sources to ensure consistency and clarity of findings.

7 We analysed published external documentation including reports commissioned for the Better Regulation Executive. We wanted to identify the strengths and weaknesses of the system, key drivers behind the development of new initiatives and to develop an understanding of how government is interacting with business.

8 To identify whether there is a clear strategy and whether this is aligned with National Audit Office work best practice guidance, we reviewed client internal documentation including strategy and operational plans and departmental documents such as risk registers and organisational charts.

9 We reviewed the results of the 'Your Freedom' exercise to identify those regulations which businesses perceive as unnecessary or burdensome. We analysed third party reviews, including the country overviews from the Organisation for Economic Co-operation and Development (OECD) to identify the strengths and weaknesses of the system. We also examined the Government's Forward Regulatory Programme and performed an analysis of the change and churn rates of legislation at the most recent Common Commencement Dates.

Structured Workshops

10 We conducted structured workshops to gain an understanding of attendees' thoughts on the successes and failures of the regulatory system. We wanted to understand their views on the lack of change in business perceptions and to identify what they perceived as common burdens for business. Workshops were held with:

- Better Regulation Units in departments
- Business representative organisations – Association of Chartered Certified Accountants, British Chambers of Commerce, Confederation of British Industry and Federation of Small Businesses

The workshops were facilitator led sessions focussing on specific questions but allowing attendees to generate ideas, which were recorded and analysed.

Semi Structured Interviews

11 To obtain and analyse evidence of their views on the management of the regulatory system, we held semi structured interviews with:

- staff from all levels of the Better Regulation Executive;
- board level champions from departments;
- policy staff from departments;
- the Regulatory Policy Committee;
- the Cabinet Office Behavioural Insight Team; and
- the Forum of Private Business.

The basis for the interview questions were findings we already had in place, meaning that some of the work here was to validate other methods.

Business case studies with 17 SMEs

12 The National Audit Office commissioned ORC International to undertake a sample of 17 case study interviews with small and medium sized businesses in order to assess the impact of all regulation on small business.

13 The business sectors from which we compiled our sample were:

- Construction
- Transport, Storage and Communication
- Manufacturing
- Retail and Wholesale
- Real Estate and Property
- Other Community, Social and Personal

The sectors chosen are the six largest SME sectors in the UK. The selected businesses from across the sectors included six micro businesses (defined as having fewer than 10 employees), nine small businesses (10 to 49 employees), and two medium sized businesses (50 to 250 employees). Businesses were sampled from across England.

14 Views were sought on the burden of regulation on business, the perceived benefits of regulation, compliance issues and business engagement with government. ORC International also undertook a mapping exercise which collated the totality of regulation on a particular business and the time spent dealing with it. On the maps businesses were asked to identify which regulations they considered they would not perform if the regulation did not exist and which regulations they would perform anyway. They were also asked to cost each regulation in terms of direct and indirect cost. Common themes from the case studies were identified to help us gain insights into the views of businesses on regulation.

Economic analysis of regulation

15 The National Audit Office commissioned PricewaterhouseCoopers (PwC) to undertake a literature review of the economic effect of regulation. This consisted of a review of academic work from the five years prior to 2010, since the inception of the previous Government's administrative burden reduction programme. PwC brought together the information into a report in which the following questions were considered:

- What is the total cost of regulation to the UK economy?
- What is the total impact on business?
- Where does the burden of regulation really lie?
- Who generates the burden of regulation on business?

From this we identified what is known from the empirical evidence contained in the literature and validated this against other evidence obtained from the business perspective before considering our findings.