

# NEW SIMPLIFICATION PROGRAMME 2010-2015

# METHODOLOGICAL FRAMEWORK

## CONTENTS

<b>Introduction</b> .....	<b>2</b>
<b>1. General Issues</b> .....	<b>2</b>
1.1 <i>Scope of the Programme</i> .....	2
1.2 <i>Definition of Business and Costs</i> .....	3
1.3 <i>Population</i> .....	3
1.4 <i>Compliance</i> .....	3
1.5 <i>Price Base</i> .....	3
1.6 <i>Wages</i> .....	3
1.7 <i>Scope of Simplification</i> .....	3
1.8 <i>Documenting Take-up</i> .....	4
<b>2. Policy Costs</b> .....	<b>5</b>
2.1 <i>Information Obligations (IOs) to 3rd Parties</i> .....	5
2.2 <i>Existing Policy Costs</i> .....	6
<b>3. Administrative Burdens</b> .....	<b>6</b>
3.1 <i>Existing Administrative Burdens</i> .....	6
<b>4. Duration of the Programme</b> .....	<b>6</b>



MAKING LIFE AS  
**SIMPLE**  
AS POSSIBLE

## Introduction

The objective of the 2010-2015 Simplification Programme is to deliver an overall reduction of £6.5 billion<sup>1</sup> in the annual costs to business of existing regulation, over the 5 year period. The 2010-2015 Programme introduces a number of important changes to the methodology used for the 2005-2010<sup>2</sup> Simplification Programme. This paper outlines the key elements of the 2010-2015 Methodology, highlighting where changes to the existing structure have been introduced. The purpose of this document is to describe the key methodological framework to allow departments to calculate the saving from reducing administrative (admin) burdens and policy costs to realise delivery of the new targets.

### 1. General Issues

A number of methodological calculations are common to the estimates of both the 2010-2015 admin burden and the policy cost reductions. These are set out below. With all calculations in the 2010-2015 Simplification Methodology, it will be imperative that departments set out the evidence and assumptions that underpin their costings to provide a clear audit trail allowing the reported savings to be externally validated.

Impact Assessments (IAs) are required for all UK Government interventions of a regulatory nature and government supported voluntary actions (e.g. Codes of Practice), in particular where the original proposal had an IA. They document the full costs and benefits of each potential measure and are developed with input from departmental economists. They are the main vehicle through which the results of analysis of individual simplification measures will be published.

#### 1.1 *Scope of the Programme*

The 2010-2015 Simplification Programme focuses on achieving meaningful simplifications that impact on business and the third sector<sup>3</sup>. Whilst reducing burdens on the public sector is equally important, this is not the focus of the Programme. Savings to public sector organisations are not score towards meeting the target.

The Government has set the simplification targets as a way of defining its level of ambition and to create a focus that drives the delivery of regulatory cost reductions to business. However, meeting the target is not an end in itself. So while measuring and tracking progress is essential, the Programme will focus on ensuring that the simplifications which are taken forward make a real practical difference to business and that the changes are communicated effectively so that businesses realise and recognise the benefits.

---

<sup>1</sup> A £5 billion gross reduction in policy costs and a £1.5 billion net reduction in administrative burdens.

<sup>2</sup> Administrative Burden Reduction Programme 2005-2010.

<sup>3</sup> For simplicity, when this paper uses the term “business”, it should be taken to refer to both business and the third sector.

## **1.2 Definition of Business and Costs**

For the purpose of the 2010-2015 Simplification Programme, business is defined as those whose output is sold through the market. Where a business sells to both private (individuals and organisations) and public entities (even if they are not the end recipient/user) then it is included in the definition e.g. pharmacists are included as they sell to both the public and private markets. However, where an entity predominantly provides a public service, it is not included e.g. GPs, prisons.

## **1.3 Population**

Departments should use the above definition when calculating the population affected by a simplification measure. Credibility of the Programme depends on departments using appropriate data, which external commentators can recognise as realistic, on the size of population affected by the simplification measure.

Where it is not clear if an entity should be included in the population, the Better Regulation Executive should be consulted for agreement.

## **1.4 Compliance**

When estimating the potential value of a simplification measure, departments should assume 100% current compliance (of the appropriate population) with the regulations to be simplified, unless there is material evidence to the contrary. Where this is the case, the best estimate should be used with data provided to support the compliance percentage.

## **1.5 Price Base**

2009 is the price base year for the 2010-2015 Programme for both policy costs and admin burdens. However, departments will use the most appropriate price base as set out in the IA (in constant prices). This data is then inflated / deflated to produce consistent data to measure delivery against the targets.

## **1.6 Wages**

Departments should use the most appropriate wage rates to estimate the simplification savings. These should be consistent with the price base used in the IA, and at rates which external commentators can recognise as realistic. As explained above, the estimated savings are then deflated / inflated to 2009 price level.

## **1.7 Scope of Simplification**

There are a number of general principles underpinning the simplification methodology:

- Simplification should have a real demonstrable benefit to the end user (business) and departments should ensure that by introducing simplification, the scope of the total burden will be reduced;

- Admin burden savings are scored net of new admin burdens (similar to the 2005-2010 Programme) i.e. all new administrative burdens introduced across the participating departments and regulators reduce the value of the simplifications achieved;
- Policy cost savings are scored on a gross basis across Government as a whole – i.e. the target does not constrain the Government from implementing essential new regulation. However, in calculating the value of a policy cost simplification, new burdens that arise as part of the same package of regulatory reform are netted off. Also, only permanent policy cost reductions are scored, not those pertaining to temporary policy suspensions;
- Policy cost savings are scored as the resource savings to business, irrespective of the scope for pass-through to consumer prices or others. The relevant policy cost savings are those to all business affected, such that any intra-business cost transfers, i.e. where some businesses gain from the simplification but others lose though increased costs, are netted off;
- Simplifications are measured in annually recurring costs;
- Admin and policy cost savings are scored without netting off one-off transitional costs or changes in the value of benefits arising from the simplification measure. However, any transitional costs and loss of benefits are taken into account when assessing the business case for a simplification, as set out in the Impact Assessment;
- Departments are required to work out the best estimate of business-as-usual (BAU) costs to measure the incremental (or marginal) costs saved from the simplification. In order to do this it will be important that departments consult appropriate firms or representative groups;
- Simplification measures are counted from their implementation date, rather than the point at which the legislation is introduced/enacted;
- Reporting against the targets is in 2009 prices. Departments estimate the savings at point of impact, using the most appropriate population;
- The EU sometimes sets out ‘simplifications’ which actually increase costs to UK businesses. These cannot be included in the 2010-2015 Programme as cost savings. Where an EU simplification reduces the costs to UK business, it is included in the savings target delivery, providing that the department can demonstrate that business has taken up the Simplification.

### **1.8 Documenting Take-up**

IAs are produced for each simplification measure (admin and or policy saving). Information on the expected take-up by businesses of a simplification measure are forecast in the IA. Departments are also expected to include in

the IA evidence on assumptions and estimates made in the simplification process.

The 2005-2010 Programme set up an External Validation Panel to validate the data included in setting out and reporting against simplification measures. The 2010-2015 Programme will also include independent validation processes. The details of these are yet to be finalised but departments should expect them to be at least as challenging as the 2005-2010 processes to assure reported savings.

The data used to track progress needs to be appropriate and defensible and the simplification process outcome focused i.e. seeking to maximise the business community's awareness and take-up of the simplification measures.

## 2. Policy Costs

The introduction of a policy costs reduction target is a key addition to the 2010-2015 Simplification Programme.<sup>4</sup> Policy costs are the compliance costs which result from fulfilling legislative requirements to meet government policy goals; when calculating these the following will be adhered to:

- Policy cost targets are given in gross figures and refer to costs-to-business only;
- Savings reducing the primary (or immediate) costs on business resulting from policy changes are counted. Departments are required to provide evidence to support the figures included;
- Secondary savings for businesses e.g. as a result of competition effects, innovation or market structure, are only included in the savings, where they are deemed to be material and significant;
- Policy costs are measured in annually recurring costs – transition costs are not included and a change in the value of benefits is not reflected in the value of the simplification. although the IA includes information on these elements;
- Changes in fees and charges e.g. for licences, are only included if they result from a change in the fee structure. Incremental changes to fees and charges within an established structure are not included.

### 2.1 Information Obligations (IOs) to 3rd Parties

Under the 2005-2010 Programme, Information Obligations to 3rd Parties are included as admin burdens. The Cross Whitehall Group on the Economics of Regulation has recommended an adjustment of this definition to bring the new targets in line with international standards, so that, going forward for the 2010-

---

<sup>4</sup> The target is a £5bn reduction in annual costs by March 2015.

2015 Simplification Programme, IOs to 3rd Parties might be treated as policy costs<sup>5</sup>.

## **2.2 Existing Policy Costs**

Simplification measures are only counted if they simplify a regulation which was in force at 31st March 2010. Any policy cost simplifications introduced as part of the Common Commencement Date (CCD) in April 2010 can therefore be counted against the gross target.

## **3. Administrative Burdens**

Admin burdens are a subset of administrative costs and result from the information obligations imposed on business through regulations, where the business would not choose to undertake the administrative activity in the absence of the legislation.

### **3.1 Existing Administrative Burdens**

The 2005-2010 Simplification Programme set out a cross-government baseline<sup>6</sup>, used to indicate the total cost to business of admin burdens. The cross-government baseline measurement exercise has not been repeated for the 2010-2015 Programme.

For the purpose of the 2010-2015 target, and in line with the approach set out above on policy costs, the starting point is the regulations in force at 31 March 2010. However, in order to manage the transition between the 2005-2010 and 2010-2015 targets and in line with section 4 below, new simplifications introduced in the April 2010 CCDs are out of scope of the 2010-2015 programme.

## **4. Duration of the Programme**

The 2005-2010 Simplification Programme runs from May 2005 to May 2010. To simplify reporting, the 2010-15 Programme is aligned to the Financial Year. It therefore runs from April 2010 to March 2015.

As the formal end date for the current admin burdens programme is May 2010 this streamlining results in a small overlap/transition between the two programmes. It is vital to be clear how this overlap is treated. The following will apply:

- Where an admin burden simplification measure has started to deliver before 1st April 2010, it is included in the 2005-10 programme;

---

<sup>5</sup> Such a change would require Ministerial agreement. The BRE will be putting options to Ministers on how to treat IOs to 3<sup>rd</sup> Parties, and the implications for the policy cost and admin burdens elements of the 2010-2015 Programme. Until we have a clear decision, IOs to 3<sup>rd</sup> Parties will continue to be treated as admin burdens.

<sup>6</sup> <http://www.berr.gov.uk/files/file35995.pdf>

- New admin burden simplification measures, other than those listed below are included in the 2010-15 Programme;
- Where a department takes specific action after May 2010 which increases or accelerates take up of an existing simplification measure, the additional savings are included in the 2010-2015 Programme;
- Where a department takes specific action in the period April to May 2010 that increases or accelerates take up of an existing simplification measure, it is dealt with on a case-by-case basis, taking into account the importance of delivering the 2005-2010 Programme target;
- Delivery on a number of previously identified admin burden simplifications is essential to secure the delivery of the 25% target for the 2005 -2010 Programme. The following measures have previously been promised by departments for delivery in the 2005-2010 Programme and therefore continue to score against this Programme:
  - BIS - Modernisation of insolvency
  - CLG - Killian-Pretty - Info Requirements
  - CLG - Killian-Pretty - Improved Permitted Developments
  - CLG - Planning for Nationally Significant Infrastructure
  - CLG - Housing Act 2004
  - CLG - Small Business Rate Relief
  - CLG - Development non-domestic renewable energy equip
  - CLG - Environmental Impact Regs
  - CLG - Reduced time limit appeals with enforcement notice
  - CLG - Self Certification Larger Combustion Devices
  - HSE - Gas Safety (Installation and Use) Regulations
  - HSE - Removal of Dock Forms
  - DfT - Electronic Insurance Certificates
  - DfT - Streaming HGV/Public Service VOL Regs
  - DfT - Radioactive Materials Packaging
  - DfT - VSOs
  - DEFRA - Nitrates Directive
  - DEFRA - Air Quality LAPCC
  - DEFRA - Wildlife - Streamlined Renewals
  - DEFRA - Butter for non-profits
  - DEFRA - Marketing Fresh Produce
  - MOJ - LSC's Reforms
  - MOJ - Land Registry
  - DCMS - Licensing - Electronic Applications
  - DCMS - Licensing - Interim Authority Notices
  - DCMS - Licensing - Policy Statements
  - DCSF - Early Years informing LA when a child leaves nursery
  - DH – Care Quality Commission

- CO - Charities Regs - Surveyor Reports
- FoodSA – Feed Hygiene
- FoodSA - Meat Product Regs
- ONS - Reducing the administrative burden of surveys on business

[Back to contents](#)