

New Economics Foundation (NEF) response to the Regulatory Reform Committee Inquiry

Summary:

NEF's key issues and recommendations:

1. The Better Regulation agenda has lost the plot and now creates significant social and environmental risks. Instead of focusing on applying its own principles of good regulation¹ the current approach aims only to reduce the 'volume'² of regulation and systematically undervalues social and environmental risks, costs and benefits.
2. Evidence based regulation is a key requisite for better outcomes for the economy, society, and the environment. No substantive evidence exists to support the underlying assumption that there is too much regulation in the UK.³
3. The One-In, Two-Out (OITO) rule is illogical (response to Q1 below) and inefficient. It should be immediately suspended and ultimately replaced with individual deliberation as to which existing and proposed regulations are beneficial to society as a whole, rather than just businesses.
4. Regulatory impact assessments routinely fail to fully account for the social and environmental impacts associated with regulatory measures as has been made clear from the Government's own research (see **Annex 1**). IAs repeatedly fail to account for non-monetised benefits of regulations, as with the recent series of IAs for the Marine Conservation Zone network, where benefits overall were not quantified.
5. The Regulatory Policy Committee (RPC) should ensure that social and environmental impacts are being adequately addressed – this will require the permanent inclusion of at least one-independent expert appointed to the RPC to advise on the extent to which these impacts have been adequately assessed. This should form part of all regulatory impact assessments scrutinised by the RPC and be a determinant of the RAG opinion given by the RPC. Additionally, there is no clarity as to how individuals are appointed to

¹ Better Regulation Task Force. (2003). *Principles of Good Regulation*.

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31616/11-671-one-in-one-out-methodology.pdf

³ Department for Environment, Food, and Rural Affairs. (2011). *Mainstreaming Sustainable Development*; HM Government. (2011). *The Natural Choice: Securing the Value of Nature*.

the RPC – another shortcoming in terms of transparency, as set out in the response to **Q1**, below.

6. The language around the Better Regulation agenda of ‘burdens’, ‘cost’ and ‘volume’ frame regulation as a negative, as unnecessary and cumbersome, while both theory and evidence suggest that regulations are a necessary mechanism to ensure societal benefits and to correct (somewhat) for endemic market failures. Such language is a serious block to making progress toward better regulation and reinforces the misguided and dangerous ‘less regulation’ agenda that currently dominates.

Answers to specific Questions

Q1. The objectives and effectiveness of the Better Regulation framework

The benefits of regulation: is it always a ‘burden’?

7. Regulations have many purposes including: weakening excessive market power, eliminating unequal access to information, creating a stable market environment, and protecting vulnerable stakeholders from unfair disadvantage. Regulation should, in all cases, be introduced with the intention of creating an overall benefit to society. However, in many cases there will be a redistributive effect such that certain stakeholders must incur some disadvantage in order to obtain a greater good (as judged by the democratically elected government). Therefore, while it may be accurate to describe regulations as ‘burdensome’ to certain stakeholders, this does not imply that they are undesirable, and it is not accurate to categorise regulations in general as ‘burdensome’, or even ‘costly’, overall. Where regulations are indeed detrimental to society as a whole, rather than just one group of stakeholders, they should certainly be reconsidered.
8. Given that any regulation should be introduced only on the expectation of a social benefit, any repeal of regulation should involve convincingly demonstrating the harm that society as a whole is incurring as a result. Any rule that restricts such case-by-case deliberation can be expected to be highly inefficient. One-In-Two-Out clearly impinges on this case-by-case consideration.

Is the UK excessively “burdened” by regulation?

9. The answer based on best available evidence is ‘no’. The emotive language of ‘burdens’ (where burden is defined as the direct cost of regulation to business and other regulated parties) is not borne out by any evidence.⁴ The evidence used to support this policy is based on subjective business perceptions, which the OECD has questioned as a reliable indicator.⁵ There is little change in business perceptions of the burden of regulation from previous years. It is worthy of note that regulatory compliance is still fairly low down the list in terms of challenges for business [in order of importance, key challenges are: attracting and retaining customers (45%); tax (17%); access to Finance (12%); and compliance with regulation (11%)].⁶
10. It is apparent, therefore, that even on the criterion of ‘burden’ to business (never mind ‘burden’ to society) the evidence against regulation is far from clear cut. Moreover, the exclusive focus on ‘business perceptions’ ignores the ‘perceptions’ of wider society, who tend to be more supportive of regulation⁷ - as the Red Tape Challenge (RTC) showed.

The illogic of One-In-Two-Out

The stated objectives of what was originally One-In-One-Out were to:

- “bear down on the cost and volume of regulation in the economy; and
 - ...encourage departments to implement regulation only as a last resort, having first considered the use of non-regulatory alternatives.”⁸
11. The wording of these objectives is clearly incomplete. The ‘cost’ referred to in the first objective cannot refer to net social costs since in this case there would be no “INs” (why would we implement regulation with net social costs?). Obviously, it refers to ‘business costs’. As argued above, regulations that incur costs to one group of stakeholders, such as businesses, may be ‘burdensome’ to that group yet are desirable to society overall. The OIOO procedure does not, therefore, necessarily work in the interest of society overall, whereas it does necessarily work in the interest of business.
12. It is clear, then, that One-In-One-Out imposes arbitrary and illogical constraints on the operation of a government with the mandate to protect the

⁴ Helm, D. (2006). Regulatory reform, capture, and the regulatory burden. *Oxford Review of Economic Policy*, 22(2), 169-185.

⁵ OECD. (2012). *Measuring Regulatory Performance: A Practitioner's Guide to Perception Surveys*. OECD Publishing.

⁶ Results of the annual **NAO 2014 Business Perceptions Survey** (published May 28th 2014)

⁷ Department for Business, Innovation and Skills. (2009). *Better Regulation, Better Benefits: Getting the Balance Right*.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31616/11-671-one-in-one-out-methodology.pdf

interests of all groups of society. It was worrying, therefore, when this procedure evolved to One-In-Two-Out in 2013 without a democratic mandate or public consultation.

13. To make this point more concrete, consider the following hypothetical example of a stock of existing regulation (A, B and C) and a proposed new regulation (D) along with their respective impacts on business and society as a whole.

Current Regulations		
	Net benefit to business	Net benefit to society
A	-20	60
B	-40	100
C	10	40
SUM	-50	200
Proposed Regulation		
	Net benefit to business	Net benefit to society
D	-20	50

14. Regulations should not generally be passed into law unless society is expected to be better off as a result, i.e. the net social benefit is positive. As such, in this example the net benefit to society is assumed to be always positive. This assumption of positive impact is relaxed in the paragraph below.
15. The constraint imposed by One-in, Two Out in the above example is such that in order to impose regulation D the government *must* repeal regulation B with the result that the net benefit to society falls from 200 to 150. While businesses gain (from -50 to -30), society as a whole loses out. These numbers are arbitrary and it will not necessarily be the case that social net benefits will decrease; however, it is clear that OITO immediately creates the conditions for such situations to occur. It is logically incomprehensible to allow changes in the stock of regulations based on net impacts on business rather

than net impacts on society, unless one admits that the purpose of such a procedure is not for the public benefit. Since it pays no heed to social costs, OITO flies in the face of the principles of cost-benefit analysis, the analytical framework through which it claims legitimacy. It is a further degree of illogic to require OITO to balance at the departmental level, which is still more restrictive.

16. Above, it is assumed that all existing regulations are beneficial to society overall. This may seem an unrealistic assumption: in a case where certain existing regulations actually have a negative net benefit to society (in which case, they were inaccurately appraised or real world conditions have changed unexpectedly) then repealing these regulations may be socially constructive. However, this *does not* justify the procedure of OITO. It is clearly not necessary to attach the repeal of these harmful regulations to the entry of new regulations – repealing them is advantageous regardless of any new regulations and OITO is therefore unnecessary in this respect.
17. It follows, therefore, that the OITO rule is both unnecessary to achieve gains to society overall, and may have perverse outcomes by forcing the repeal of socially advantageous regulations.

Why OITO is not, in fact ‘business friendly’

18. Responsible businesses often welcome regulation as a means to level the playing field against less scrupulous competitors and provide certainty. However, the crude numeric calculus of ‘one-in, two-out’ does not allow room for this perspective, and thus frequently fails even in its own objective of being ‘business-friendly’. Anecdotally, it appears that OITO has led to the scrapping of regulations which were popular among affected businesses or to the delaying or weakening of new regulations with strong support in the business community. An example of the latter might be mandatory greenhouse gas (GHG) emissions reporting, which was actively supported by business voices from the Confederation of British Industry to the Aldersgate Group, was favoured by institutional investors, and had been expected since 2008 under provisions of the Climate Change Act. It was widely recognised that clear and consistent reporting on GHG emissions could both catalyse direct efficiency savings at company level, and contribute to investors’ ability to understand and manage a significant investment risk. This is quite apart from the wider

benefits to the economy, society and the environment from tackling climate change, which are the central rationale for regulations in this area yet are given no weight in the OITO process. However, since all of these benefits are difficult to quantify, meeting the requirements of the then ‘one-in, one-out’ regime was far from straightforward: the measure took three and a half years for the Coalition Government to implement, prolonging uncertainty for business and delaying the benefits of its introduction.⁹

The anti-democratic nature of OITO and the RPC

- 19.** It cannot be denied that the process of OITO is designed to ensure that costs to business are minimised. Government representatives have been quite explicit about this (e.g. Michael Fallon sees the purpose of OITO to be ‘to get government off the backs of hard-working and hard-pressed businesses’¹⁰). Yet, businesses are not the only, or even the primary, stakeholders of regulation. As argued above, regulations have many purposes, including the imposition of statutory limits that protect certain groups or the general public from disadvantage or harm. In many cases regulation has objectives that are beyond or distinct from the simply economic. Such blatant privileging excludes, or at least relegates, the interests of other relevant stakeholders. The rationale for taking such a stance has never been properly clarified and seems hard to justify on either theoretical or pragmatic grounds.
- 20.** In some cases business interests and society’s interests may coincide, but this will not always be the case (such as in many areas of environmental or social policy) and such a judgement should be based on individual appraisal and not automatic rules such as OITO. Where business interests and society’s interests coincide this should be reflected in the Impact Assessment appraisal process.
- 21.** As noted in our response to Q1 below, the unbalanced and non-independent nature of the RPC creates a powerful institutional bias in favour of business. When this is coupled with the equally biased procedural rules that this body applies, in the form of OITO, it seems clear that there is an unprecedented advantage conferred on business interests with respect to public policy-making. We are concerned that these structural and procedural features

⁹ <http://www.aldersgategroup.org.uk/asset/download/866/1210%20AG%20GHG%20consultation%20response.pdf>

¹⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36833/12-p96c-fifth-statement-of-new-regulation.pdf

institute regulatory capture on the grandest scale.

22. OITO violates democratic principles by favouring the rights of certain groups of the citizenry over others. In order to ensure that regulation achieves its purpose of enhancing society as a whole, OITO should be immediately suspended and ultimately replaced with individual scrutiny. If regulations exist that are harmful to our society then we should reconsider them; but we should not need biased, illogical and arbitrary rules in order to make that happen.

The better regulation agenda is almost exclusively business and cost focused – this means we are missing out on massive potential benefits, particularly environmental.

- The benefits of environmental regulations in the UK have been estimated to be more than double the costs.
 - The benefits of biodiversity-related regulations have been estimated to be almost nine times the costs.¹¹
 - According to the Environment Agency (EA), the benefits to human health associated with reductions in air pollution since 2005, driven predominantly by regulation of industry, is estimated to be £634 million.¹²
- **The effectiveness of the Better Regulation Executive of the Department of Business, Innovation and Skills and the Better Regulation Units within Government departments.**

No comment.

- **The effectiveness of the Cabinet Office’s Reducing Regulation sub-Committee and the Regulatory Policy Committee of the Department of Business, Innovation and Skills.**
23. We are concerned that the Regulatory Policy Committee is presented as a neutral body of “independent experts” which exists to “improv[e] the evidence base for regulation”, but in practice is increasingly unbalanced in its remit, composition and recommendations.
24. The RPC describes its role as being to “provide an opinion on the quality of analysis and evidence presented in the IA”.¹³ However, since July 2012, the

¹¹ Department for Environment, Food and Rural Affairs. (2011). *The Costs and Benefits of Defra’s Regulatory Stock: Emerging Findings from Defra’s Regulation Assessment*.

¹² Environment Agency. (2014). *Regulating for People, the Environment and Growth*.

¹³ RPC website, <https://www.gov.uk/government/collections/green-and-amber-rated-impact-assessment-opinions>

RPC has been required to issue its opinion “*based simply on the accuracy of the department’s OITO figure.*”¹⁴ In other words, at the final stage (e.g. post-consultation stage), the rating given by the RPC is based solely on the assessment of net cost to business, rather than the overall quality of the IA as a whole.¹⁵

25. The RPC’s latest annual report refers to “improving the accuracy of estimates” and lists the “corrections” it has made to impact assessments. Of course, the figures in IAs are only *projections* of future costs and benefits, so the RPC is not really “correcting” a figure which can be shown to be objectively right or wrong, but providing an external opinion on a department’s best estimate. If the RPC is playing the role of a neutral auditor, one might not expect this ‘second opinion’ to deviate systematically from departments’ original estimates in one direction or the other: estimates would be corrected both downwards and upwards with almost equal regularity. In fact, according to the report, “in all but one case, RPC scrutiny [in 2013] resulted in a higher estimate of the costs to business or a lower estimate of the cost savings”. In no case did the RPC rule that a regulatory ‘in’ had been over-estimated, and in only one case did it rule that a regulatory ‘out’ had been under-estimated. This has led to a net increase of £44m in estimated regulatory costs to business in 2013, or £407m since 2011.¹⁶ No information is provided regarding regulatory benefit estimates or the extent to which scrutiny by the RPC has improved the accuracy of these estimates.

26. Of course, one might argue that government departments are likely to systematically under-estimate the costs of regulation and that the RPC exists to counter this bias by giving a business perspective. But the RPC is described as an independent, expert advisory body, not a stakeholder group with a remit to represent business. Nonetheless, its remit and recommendations suggest that the latter would be a more accurate characterisation. For instance, the RPC gave the ‘red light’ to a Defra IA on marine conservation zones (MCZs) in part on the basis that “it is not apparent why the industry assessment of additional annual cost of £2,909 million appears to have been discounted whereas the views of Natural England and

¹⁴ Gibbons, M., & Parker, D. (2013). New development: Recent changes to the UK’s regulatory process. *Public Money & Management*, 33(6), 453-457.

¹⁵ Department for Business, Innovation, and Skills (2013). *Better Regulation Framework Manual*.

¹⁶ Regulatory Policy Committee (2014). *Improving the Evidence Base for Regulation: Regulatory Policy Committee Scrutiny in 2013*. p12-13

JNCC appear to have been accepted”.¹⁷ The Joint Nature Conservation Committee is the government’s own expert advisory body on nature conservation. Given the clear incentive under OITO for business lobby groups to provide exaggerated cost estimates in order to ward off unwanted regulation, it is far from clear that the RPC’s stance in this case represents an objective “correction” of Defra’s estimate rather than simply a bias towards business.

27. This bias is also reflected in the Committee’s composition. Of the nine members of the Committee, only one has a trade union or civil society background; perhaps two others could reasonably be regarded as independent experts on regulatory assessment and evaluation. The remaining six members of the Committee are all representatives of business with current, remunerated business interests, many in national trade associations. These include Alexander Ehmann, Deputy Director of Policy and Public Affairs at the Institute of Directors; Jeremy Mayhew, a Councilman of the City of London Corporation; Ian Peters, Chief Executive of the Chartered Institute of Internal Auditors; and Chairman Michael Gibbons, whose interests in the energy industry include two company directorships and the chairmanship of an industry trade association. There appear to be no members of the Committee with specific, independent expertise on the costs and benefits of environmental regulation.

28. Although the RPC publishes a conflicts of interest register, it does not appear to have any formal conflicts of interest policy. The register states that “members with a direct conflict in relation to the particular area affected by a proposal will not be involved in any of the scrutiny stages for that proposal”, but there is no indication of what might constitute a ‘direct conflict’ and how this is decided and documented.¹⁸ Nor is there any published record of when this procedure has been applied. Such a procedure would be straightforward to implement, either via an annex in the Committee’s annual report, or a box on individual impact assessment opinions indicating if a particular member was recused from the decision. Such a transparency mechanism is vital, particularly because in many cases the boundaries of a ‘direct conflict’ are not

¹⁷ RPC (2012). Impact Assessment Opinion, ‘Designation of Marine Conservation Zones in English Inshore Waters and English and Welsh Offshore Waters’. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/251415/2012-12-03-RPC12-DEFRA-1604-Designation-of-Marine-Conservation-Zones-final.pdf

¹⁸ RPC (March 2014). *Register of Members’ Interests*. <https://www.gov.uk/government/publications/regulatory-policy-committee-members-register-of-interests-2014/members-register-of-interests-2014#ian-peters-regulatory-policy-committee-member>

clear: there are several members of the Committee who occupy their position precisely because they represent business interests across a range of sectors (for instance, the Institute of Directors), where it is not clear how the presence of a 'direct conflict' would be defined or identified. Given that the RPC prides itself on its commitment to regulatory transparency,¹⁹ we see no reason why it should resist the adoption of such a procedure.

29. Nonetheless, this procedural issue is arguably only a symptom of the wider problem that conflicts of interest (whether direct or indirect) are consciously built into the RPC's mode of operating. In practice, it seems clear that the RPC does exist to represent the voice of business in the regulatory process, and not to 'improve' the evidence base for regulation in some objective sense.
- **The effectiveness of Government initiatives to reduce regulation, including: the Red Tape Challenge, One-in Two Out, the moratorium on new regulations for micro-businesses and start-ups; and Focus on Enforcement.**
30. One-in Two-Out (OITO) serves the explicit purpose of making regulation more difficult. Under OITO, any government department wishing to introduce a regulatory change that is expected to produce a direct net cost to business is required to remove or simplify other regulatory measures leading to at least double the equivalent cost saving to business.
31. As the Red Tape Challenge showed, cutting legislation is presented as a 'burden' (a 'raft of regulations') that 'hurt business' and 'do real damage to our economy.' This is clear business bias. This type of framing implies again that the UK is over-regulated and that de-regulation is a positive step.²⁰
32. There is no evidence to suggest that the current burden of regulation in the UK is excessive or leading to disproportionate economic costs.
33. **We recommend that:** The OITO rule be suspended and ultimately replaced with individual scrutiny. A full review of its impacts and effectiveness needs to be conducted as a priority – this must review the impacts on improving regulatory outcomes for wider society.

¹⁹ See e.g. p7 of the Annual Report

²⁰ The Cabinet Office (2012). The Red Tape Challenge [online]. Available at: <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/> Accessed via Common Cause for Nature report (2012)

Q2. Government departments' regulatory strategies and performance

Answers to specific questions (Q2)

- **Departments' performance in reducing regulation, in the current Parliament.**

No comment

- **The extent to which Departments monitor and evaluate their stock of regulation.**

No comment

- **The quality and effectiveness of impact assessments, including their use in relation to European Union legislation.**

Is CBA in the form of RIAs the way to effectively reach decisions on new regulations?

34. When conducting an impact assessment, the full range of possible impacts should be considered “*including economic, social and environmental impacts, not just impacts to business*”.²¹ The Green Book states that, when appraising a policy, “*the relevant costs and benefits to government and society of all options should be valued, and the net benefits or costs calculated... relevant costs and benefits are those that can be affected by the decision at hand*”. These include wider social and environmental costs and benefits.²² Evidence suggests that social and environmental impacts are frequently overlooked or undervalued by IAs, as **Annex 1** clearly shows.²³ As Defra commissioned work has shown, A “*quarter of IAs could improve rigour of analysis, in particular for social and environmental aspects*”²⁴

35. “It has previously been shown that the TI [tobacco industry] successfully lobbied for the introduction of impact assessments in Europe...because it felt that this system would work to its advantage and make it harder for public health policies to be implemented. This is also supported by the related

²¹ Department for Business, Innovation, and Skills (2013). *Better Regulation Framework Manual*.

²² HM Treasury. (2003). *The Green Book: Appraisal and Evaluation in Central Government*. London: TSO.

²³ Tinch et al. (2014). *Baseline Evaluation of Environmental Appraisal and Sustainable Development Guidance across Government*. Final Report for Defra.

²⁴ http://randd.defra.gov.uk/Document.aspx?Document=11937_131003_ERG1222_Appraisals_Final_2014_03_07.pdf

literature which shows how impact assessment, notably cost benefit analysis, can serve to assist corporate interests.”²⁵

36. The RPC is failing to give sufficient consideration to the (full range of) benefits of regulation, and hence is failing to fulfil its Terms of Reference²⁶. In issuing its opinions of the extent to which final stage IAs are “fit for purpose”, the RPC only takes into account the accuracy of the department’s OITO figure, rather than the quality of the IA as a whole.

Information Asymmetry:

37. Information asymmetry is known to be a major problem with IAs: "it is often easier to predict the costs of regulations to business than the potential benefits to populations or the environment (which are often complex and long-term and therefore extremely difficult to quantify)"²⁷
38. Impact Assessments also undermine the use of the "precautionary principle" as a basis for legislation. They do so by shifting the burden of proof away from those undertaking "risky" activities towards policymakers conducting the IA. In contrast, the precautionary principle prioritises the prevention of harm by removing the requirement for scientific proof of risk in advance of legislative intervention.

We recommend that:

39. Costs to business estimates should not be the main determinant of the ratings of final stage IAs. RPC opinions should reflect the degree to which appraisal guidance has been followed, with specific regard to social and environmental costs and benefits. The Green Book²⁸ guidance should be followed and the rating should reflect the degree to which that was the case. Failing to capture social and environmental costs and benefits should receive a red rating. This should be corroborated by an independent expert in social and environmental assessment (who should also permanently sit on the RPC).
- **The extent to which Departments evaluate the impacts of regulation once it has come into effect.**

No comment

²⁵ Savell, E., Gilmore, A. B., & Fooks, G. (2014). How does the tobacco industry attempt to influence marketing regulations? A systematic review. *PloS one*, 9(2), e87389

²⁶ <https://www.gov.uk/government/publications/regulatory-policy-committee-terms-of-reference>

²⁷ Smith, K. E., Fooks, G., Collin, J., Weishaar, H., & Gilmore, A. B. (2010). Is the increasing policy use of Impact Assessment in Europe likely to undermine efforts to achieve healthy public policy? *Journal of epidemiology and community health*, 64(6), 478-487

²⁸ <https://www.gov.uk/government/publications/green-book-supplementary-guidance-environment>

-
- **The use of legislative reform orders and other deregulatory mechanisms by Departments, and the progress made since the Regulatory Reform Committee’s 2008 report Getting Results: the Better Regulation Executive and the Impact of the Regulatory Reform Agenda.**

No comment

Q3. The scope and impacts of regulation

- **The costs and benefits of regulation for businesses, organisations and individuals.**

40. In 2011, Defra released a report assessing the costs and benefits associated with their regulatory stock which also considered other direct costs and benefits, including well-being benefits.²⁹ This report makes clear that the benefits in terms of human well-being outweigh the costs to business, that business costs (framed as a “burden”) are overstated and that there are considerable areas of uncertainty where monetization of certain costs and benefits are concerned.

41. Far from placing “*ridiculous costs*” on British business and being a “barrier to growth”, or “a hindrance to business” – the Natural Capital Committee (NCC), makes the point very clearly that this is not the case. They state that there is ‘no incompatibility’ between preserving natural capital and economic growth (providing growth is properly measured and regulations are well designed and enforced.)³⁰ However, well designed and implemented regulation (especially environmental) can be beneficial for Business.

- **The extent of consultation by policy makers with businesses, organisations and individuals when formulating regulations.**

See response to **Q1**

- **Awareness of regulatory requirements in order to ensure compliance.**

No comment

²⁹ Department for Environment, Food and Rural Affairs. (2011). *The Costs and Benefits of Defra’s Regulatory Stock: Emerging Findings From Defra’s Regulation Assessment*.

³⁰ Natural Capital Committee (2013). *The State of Natural Capital: Towards a framework for measurement and valuation*.

Annex 1: Reference documents: Evidence that the costs to business in IAs are habitually overstated (National Audit Office, 2006).³¹

‘But RIAs also suffer from some limitations. Some RIAs deal only with certain aspects of a policy, which inhibits their potential to assess sustainable development concerns. And too often RIAs are used to justify decisions already made rather than an ex ante appraisal of policy impacts. If RIAs are to fulfil their role to inform and challenge policy-making, they should be started early in the decision-making process, and involve wide-ranging consultation with key stakeholders, including other government departments where appropriate.’

‘Our review of 10 recent RIAs found that most did not handle sustainable development concerns well. Few identified all social or environmental impacts that they might have been expected to cover. Social and environmental impacts were often not analysed in sufficient depth. And the variable presentation of RIAs made it difficult to see if and how sustainable development issues had been considered.’

‘Environmental and social impacts were often not analysed in sufficient depth’

‘None of the RIAs referred to the UK sustainable development strategy and none explicitly referred to cross-cutting sustainable development principles such as the ‘polluter pays principle’, the ‘precautionary principle’, taking a long-term perspective, and integrating social, economic and environmental benefits’

This was followed by a briefing for the House of Lords (2009)

‘1.16 Our findings have indicated that quantification of costs is far more likely than the benefits. There was quantification of the costs in 66 per cent of cases as opposed to 42 per cent for the benefits’³²

‘Cost assessments tend to be an overestimate because innovation potential is rarely assessed and are routinely based on exaggerated figures from industry - in the past trade organisations have systematically inflated cost estimates to combat new regulations.’

‘At the same time, environmental benefits tend to be underestimated, as they are complex to monetarise and are rarely assessed in a rigorous manner.’

‘As well as being more objective, impact assessments must be used early in the policy formation process to be most effective’

³¹ Briefing for environmental audit committee http://www.nao.org.uk/wp-content/uploads/2012/11/ria_sustainable.pdf (2006)

³² <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmdereg/memos/trends/ucm0702.htm>