

FSA'S CONTRIBUTION TO NEW SIMPLIFICATION TARGETS**EXECUTIVE SUMMARY**

1. This paper seeks the Board's agreement in principle to the FSA contributing to the UK Government's new regulatory simplification targets for 2010-2015. The targets were announced in October '09 and continue from the current programme of regulatory simplification that finishes at the end May 2010. The new targets will cover both policy and administrative costs. The current programme has a target for reduction of administrative costs only.
2. The proposed Agency response to the Government's new targets for 2010-2015 is explained including the approach to deliver them. The paper indicates where the FSA could make these savings, but it is currently too early to provide detailed figures. Delivery will depend on how the savings are going to be made, for example through changes to legislation or providing guidance.
3. When delivering any simplification target the protection of the consumer will remain paramount and the Chief Executive has assured the Board that if any proposal would put this protection at risk it will be reported to them. However, our experience is that reducing the burdens on business can make it easier to comply and therefore maintain, or improve, consumer protection.
4. The Board is invited to:
 - **agree in principle** to FSA setting new Simplification Targets; and
 - **agree** that the Executive returns to the Board in July 2010 with firm targets .

REGULATORY POLICY AND PERFORMANCE

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FSA'S CONTRIBUTION TO NEW SIMPLIFICATION TARGETS**Issue**

1. This paper seeks the Board's agreement in principle to the FSA contributing to the UK Government's new regulatory simplification target for 2010-2015. In October the Government announced a new target to cut the ongoing costs of existing regulation on business by £6.5 billion by 2015. This will follow the current programme of regulatory simplification, including the administrative burden reduction target, which finishes at the end of May 2010. The new targets will cover both administrative and policy costs to business in England of regulations in force at 1 June 2010.

Strategic Aims

2. The key strategic aim of the FSA is to protect the interests of consumers in relation to food. These new simplification targets are part of the Government's overall better regulation agenda. Reducing the burdens for business should make it easier for them to comply and improve consumer protection. Where any better regulation measure could jeopardise consumer protection the Chief Executive has assured the Board that this will be reported to them.

Background/Discussion

3. The UK Government's current five-year Simplification Programme finishes at the end of May 2010. Since May 2005 the Government has had a programme of reducing the policy and administrative costs on the private and public sector, with a target to reduce the administrative burden on businesses in England by a net 25 per cent by end May 2010 (a total of £3.4 billion across Government). In September 2006 (FSA 06/09/07) the Board agreed that the FSA would work towards reducing the administrative burden of FSA regulations by £23 million. However, because of regulations introduced since May 2005 this target increased to £136 million. As reported to the Board in September 2009 (INFO 09/09/01) we will be some £46 million short of this revised target. To date we have delivered £44 million savings, which is significantly more than the original requirement of £23 million, and estimate a further £45 million will be delivered by end May 2010. The Better Regulation Executive has recognised this significant achievement of reducing burdens by nearly double our original target. In addition we have delivered over £200 million in policy cost savings for business since May 2005. Progress on delivering our rolling simplification programme has been reported in our annual simplification reports. Our latest report is being discussed at the November 2009 Board meeting (Paper FSA 09/11/07).
4. In September 2009 we also reported to the Board that the Government had announced a further programme of better regulation measures, including monetary targets to reduce all the regulatory costs on businesses. In October, the Government announced the value of the new monetary targets, which are a

net reduction of administrative burdens of £1.5 billion and a £5 billion reduction of policy costs across Government by 2015. These new targets are on top of the administrative burden target of £3.4 billion to be delivered across Government by May 2010. These new targets will be for regulations in force at 1 June 2010 and as with the current administrative burden target relate to England only. Definitions of policy cost and administrative burden can be found in Annex 1.

5. The Government is considering the methodology for setting and measuring the new targets. The current administrative burden reduction target was set against a baseline measured across Government. It is not proposed to set baselines for the new targets. Government feels, and we agree, that establishing baselines would not be an effective use of resources given the limited benefit it would provide.
6. Contributions towards the Government's new simplification targets are only one part of the FSA's ongoing better regulation agenda. We will continue to look for the most appropriate way to meet our objectives by applying our Framework for Regulatory Decision Making during policy development, ensuring that our actions are proportionate, transparent and targeted. Alternatives to regulation will be considered and are already being used where they will deliver our objectives without compromising consumer protection, for example our voluntary salt reduction targets. We also continue our work in Europe to aim to ensure that new measures are proportionate and do not impose any unnecessary new burdens.
7. The new targets will apply in England only. However, the Agency has always taken a wider UK approach and recognised better regulation initiatives in Scotland, Wales and Northern Ireland. While these initiatives will not contribute to the targets, we will continue to report them in our annual Simplification Reports.

Agency Approach to Setting the Targets

8. We have been working with policy colleagues, including the Meat Hygiene Service and FSA Scotland, Wales and Northern Ireland to identify potential areas for cost reduction. We have also met with business representative groups, including those representing small businesses, and have consulted the Better Regulation Advisory Group (BRAG)¹.
9. A wide range of cost reduction approaches is being considered, for example :
 - removing requirements by repealing complete Statutory Instruments;

¹ The Better Regulation Advisory Group (BRAG) undertakes independent external scrutiny and challenge of the Agency's better regulation initiatives. It is chaired by Chris Pomfret and membership includes representatives from all our main stakeholders – business, consumers and local authorities.

- amending particular requirements within a Statutory Instrument;
- improving the guidance that goes with the legislation;
- replacing the legislation with, for instance, self regulation or guidance;
- consolidation of legislation; and
- improving the clarity of legal drafting, without changing the requirements.

While all of these will deliver benefits to businesses not all will be easily measurable in monetary terms to a level that allows us to claim savings.

10. Some measures will take longer to implement than others. For example, developing better, more focused guidance can be achieved relatively quickly, whereas making changes to European legislation may take far longer to achieve and may fall outside of the 2010–15 time frame. It should also be recognised that we will not always be able to achieve the changes we would like to European legislation, which require negotiation and are not under our direct control.
11. Other Government departments are currently considering their contributions to these targets. So far, their consideration has been around broad areas of possible cost reduction with no indications of definite figures as yet. We will continue to work closely with them.

Risks to delivery

12. Any target should be challenging, but achievable, and deliver benefits that can be felt by business without compromising public health protection. However, with over 90 per cent of food regulation coming from Europe it also needs to be recognised that delivering significant savings will take time. The European Commission's better regulation agenda is crucial to us reducing the burdens on business and we will continue to take an active role in this agenda. Delivery of any particular measures will involve the production of Impact Assessments. This will ensure that savings are measured and better regulation and sustainability considerations are observed.

Emerging Targets and Timescales

13. It is too early to say with any detail or certainty what our contribution to the Government's targets will be, but we have identified some areas where savings could be made without compromising public health or wider consumer protection.
14. We will continue our work on reducing administrative burdens and believe that further savings of up to £20 million may be achieved between 2010 and 2015 through reducing the record-keeping requirements in the feed and food hygiene legislation and reductions in food labelling requirements.
15. For policy costs we have already identified savings of around £43 million from changes to the regulations on the marketing and use of animal feed. Further savings may be possible from changes to Novel Food legislation and

opportunities arising from the review of EC food hygiene legislation and food labelling may be possible, although it is too early to be certain.

16. The Board is being asked at this time only to agree in principle to the FSA setting new Simplification Targets, not to the targets themselves. However, it may be helpful to consider what order of savings we might be expected to deliver. As mentioned above we believe that administrative burden savings of £20 million may be achieved by 2015. On policy cost savings it is possible to get an idea of the sort of target that we might be expected to aim for from past experience as shown below:

- For example, our original administrative burdens reduction target at May 2005 was £23 million, or about 0.7 per cent of the Government's overall target of £3.4 billion. Therefore, based on the Government target to reduce policy costs by £5 billion, our new target could be in the region of £35 million.
- However, if we take our revised administrative burdens reduction target of £136 million (after the introduction of new EU food and feed hygiene legislation), this is about 4 per cent of Government's overall target of £3.4 billion. 4 per cent of £5 billion would, give us a new target in the region of £200 million.

17. Based on the above we could be expected by Government and stakeholders to achieve a target within a range between £35 and £200 million. We have already identified savings that will deliver over £35 million and would therefore expect any target to be at the upper end of this range. It must be emphasised, however, that this is based on assumptions that may not be correct. For instance, it assumes that our legislation and that of other Departments have roughly similar proportions of administrative burdens and policy costs, which it may not. Also we have to date delivered over £200 million in policy cost savings, and have identified potential savings of £43 million. This means that we will need to be sure that we have not already delivered the majority of savings achievable from our stock of regulation. With the majority of our legislation originating in Europe this may further reduce our scope for delivering this level of reduction. We would therefore want to come back to the Board with more considered data in the summer and the figures indicated here are solely to illustrate the potential scale of any target.

Impact

18. The FSA's work on better regulation and minimising the burdens on business can deliver benefits to all of our stakeholders – consumers, businesses and enforcers. Similarly, better regulation can fit well with sustainability considerations given that both involve minimising negative impacts and maximising positive ones. However, there are potential risks. By signing up to new targets there is a risk that some stakeholders might see this as a reduced commitment from the FSA to consumer protection. We therefore have to be very clear in all of our communications that this is not the case. The Chief Executive's assurance that

any better regulation-related initiative that has the potential to undermine consumer protection will be brought to the Board's attention, should help to allay fears on this point.

Conclusion

19. The FSA is already making significant progress towards delivery of the better regulation agenda, including delivering significant policy and administrative burdens reductions. The law of diminishing returns means that the new UK Government monetary targets are very challenging, particularly in relation to targets on reducing policy costs and the need to deliver them without impacting on consumer protection.

Board Action Required

20. The Board is invited to:

- **agree in principle** to FSA setting new Simplification Targets; and
- **agree** that the Executive returns to the Board in July 2010 with firm targets.

Simplification Targets 2010 to 2015

Definitions

The Government's new monetary targets are for a net reduction of administrative burdens of £1.5 billion and £5 billion reduction of policy costs across Government for 2010 to 2015.

Definitions

Administrative burden

The costs to a company of providing information to the Government or a third party (e.g. transfer of food chain information), keeping records (e.g. HACCP records), carrying out own inspections, completing returns and reports, co-operating with audits and inspections, applications for subsidies and grants, applications for permission, exemption or authorisation, framing complaints and appeals, or entry in a register.

Policy costs

The costs inherent in meeting the aims of a regulation, including direct cash costs (e.g. such as installing a fridge or providing a room for the exclusive use of the veterinary service in a slaughterhouse) as prescribed by legislation; or an indirect cost such as changes in working practices as prescribed by health and safety rules, but excluding the cost of paperwork.