

ADMINISTRATIVE BURDENS REDUCTION: UPDATE**Executive Summary**

1. The September 2006 Board discussed the Administrative Burdens Measurement Exercise (ABME) estimate of administrative burdens from FSA regulations on business of £86 million at May 2005. The Board agreed a 25% net reduction target (£11.9 million) by April 2010 of the administrative burdens of EU regulations with some discretion (Category B) and domestic regulations (Category C). The Board decided to wait for clear evidence of the EU Commission's commitment to reduce administrative burdens before setting a target for Category A obligations (requirements of EU law over which member states have little or no discretion). Good progress has been made in reducing Category A obligations, and the EU Commission has now set a target.
2. The administrative burden of the information obligations in 12 regulations omitted from the ABME has increased the baseline from £86 million to £91 million. In addition regulations which came into force after May 2005 have added a further net £114 million to the administrative burden giving an overall total of £205 million. This paper considers the effect of this on the FSA's administrative burden and implications for their reduction.
3. This paper reports on progress to date on reducing the administrative burden on business. The Board is invited to discuss further work being done by the Executive to reduce existing administrative burdens that do not protect consumer health in current regulations and reduce the burden in future regulations.
4. The Board is asked to:
 - **note** the impact on the FSA's total administrative burden of regulations introduced since May 2005 and the increased challenge of reducing administrative burdens;
 - **note** and **agree** the Executive's assessment of the prospects for further significant administrative burden reductions, and its plans both for investigating these further and for reporting back to the Board later this year.

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ADMINISTRATIVE BURDENS REDUCTION: UPDATE

Issue

1. To report on:

- progress in reducing administrative burdens imposed by FSA regulations and guidance;
- significant changes to the FSA's administrative burden baseline figure;
- the target now set by the European Commission for reducing the administrative burdens of EU regulations; and
- the implications of all this for our work to reduce administrative burdens.

Strategic Aims

2. The objective of the FSA is to maintain and improve consumer protection in relation to food and drink. Experience shows it is possible to reduce the burdens imposed by regulation without compromising public health protection or consumers' other interests. Where simplification makes it easier for businesses to understand and act on regulatory requirements, the level of compliance should increase and deliver more effective consumer protection.
3. All proposals put forward for burden reduction are designed to ensure that the FSA continues to deliver its statutory objective of protecting public health and consumers' other interests but in ways which avoid unnecessary burdens on private, public and voluntary sectors. The case studies at Annex B give some examples of how the FSA is reducing administrative burdens, whilst maintaining consumer protection.

Background

4. In 2005 the Better Regulation Task Force recommended that Government assess information obligations that imposed administrative burdens on business, charities and the voluntary sector, with a view to setting a reduction target. The FSA agreed to participate: at May 2005, the estimated administrative burden of FSA regulations was £86 million. May 2005 is fixed as the baseline date across Government for calculating targets to reduce administrative burdens.
5. The Government has set a general 25% reduction target for the administrative burden it imposes to be achieved by 2010. The administrative burden reduction project does not currently affect SWANI, however they are kept informed of

progress and are represented on the Administrative Burdens Reduction Project Board.

6. In September 2006 (see timeline at Annex A) the FSA Board agreed a target to reduce the administrative burden of FSA regulations by £11.9m by April 2010, equivalent to 25% of the administrative burden of Category B obligations (requirements of EU law over which member states have some discretion) and Category C obligations (requirements of domestic legislation) at May 2005, but decided to wait for clear evidence of the EU Commission's commitment to reduce administrative burdens before setting a target for Category A obligations (requirements of EU law over which member states have little or no discretion). Other departments set similar targets.
7. Our initial view was that Category A obligations would be more difficult to reduce without clear leadership from EU institutions. However, we now believe there are significant opportunities for the reduction of Category A obligations. The combination of shifting burden in new legislation from Category A to Category B (see Annex F); the EU setting a reduction target and good progress on the reduction of the burdens imposed by Category A information obligations (for example through current work to revise the guidance on traceability requirements - see case study 3, Annex B), has made the distinction between the categories less important.
8. It is more productive now to look at the overall burden of FSA regulations because burdens can quite easily move between the categories, particularly at a time when rationalisation of EU legislation is underway. For these reasons in the rest of this paper we discuss the total administrative burden.

Third Party Obligations

9. The methodology adopted across Government for the measurement of administrative burdens classifies as an administrative burden the cost of providing statutory information to third parties, including consumers. This includes food labelling which, as a result, makes up 27 per cent of the total FSA administrative burden measured using this methodology. The FSA has argued that the costs to business of food labelling are policy costs, rather than administrative burdens. However, because third party costs form around half of the total administrative burden of all UK legislation the Government's view is that excluding these from the scope of administrative burden reduction would undermine credibility in the exercise. The FSA has therefore accepted that food labelling costs will remain in our baseline.

Baseline figure changes calculated since September 2006

10. The figures presented to the Board in September 2006 omitted 12 applicable regulations. These have now been measured with the effect of **amending the May 2005 baseline figure from £86 million to £91 million.**
11. Work has also now been completed to estimate the administrative burden impact of regulations introduced between May 2005 and December 2006. These create an estimated administrative burden of £165 million, offset by the £52 million administrative burden of other regulations revoked as a result, giving a net increase of £114 million¹. **As a result the total burden of FSA regulations (as at December 2006) now is estimated at £205 million; however the baseline from which the required reduction target is calculated remains unchanged.**
12. A consequence of the Government fixing a baseline date of May 2005 for measuring target reductions is that the FSA is unfortunate in the date chosen because of the timing and scope of the subsequent EU regulations introduced. Other departments have similar issues with regulations introduced since May 2005, but it is not yet clear if they have experienced the same proportionate increase in administrative burden as the FSA. This will become clearer when departments have completed the measurement of these regulations. The majority of the increase in FSA administrative burden results from new EU food hygiene requirements for **all** food businesses to keep up-to-date records of their HACCP² procedures, and the EU feed hygiene legislation which significantly widened the population covered by regulations requiring recording of HACCP and quality control plans³.
13. To meet a reduction target that Government will consider to be equivalent to a headline 25%, the FSA will need now to reduce the administrative burden of its regulations by £136 million, from £205 million to £68 million. This is summarised in the table below:

	Administrative Burden*
May 2005 Baseline	£ 91 million
25 per cent reduction target	£ 23 million
Level to which administrative burden needs to be reduced by 2010	£ 68 million
Current level of administrative burden	£205 million
Reduction required to meet £68m	£136 million

* Figures rounded to nearest million

A further breakdown can be seen at Annex E

¹ Includes some information obligations in the EU feed hygiene regulations which will not become requirements until January 2008.

² Hazard Analysis Critical Control Point

³ EU food hygiene regulations estimated administrative burden of £90 million. Feed hygiene regulations estimated administrative burden of £72 million.

14. The May 2005 baseline of £91 million is a fixed reference point from which administrative burden reductions are to be measured. The residual figure for burden too is fixed at £68 million. Allowance is not made for administrative burdens arising from new regulations coming into force since May 2005. Instead the approach taken by Government is that compensatory savings need to be found if any additional burdens are introduced. Therefore, because the flow of new regulations since May 2005 has added significantly to the overall burden of information obligations we need to review the prospects for achieving the target.
15. The table at Annex E summaries the impact of these changes; Annex F highlights the shift in burden from Category A to Category B obligations.

Discussion and Impact

16. Despite the volume of legislation introduced since the baseline date, as the trajectory at Annex D shows, there is the prospect of making very significant burden reductions. Although they take time to realise, we estimate currently that savings of around £100 million can be secured. This would represent a substantial proportion of the required £136 million saving.
17. The Table at Annex C shows:
- The four regulations with the largest amount of administrative burden, accounting for 92 per cent of the total;
 - The main obligations from these regulations;
 - Possible options for administrative burden reduction without compromising consumer protection.

Risks and Opportunities

18. The Executive's view is that the reduction of administrative burdens provides opportunities to deliver benefits for consumers by focussing businesses and the enforcement community on compliance and improved consumer protection. However there is a risk that some stakeholders might perceive reduction in administrative burdens as a reduced commitment to consumer protection. The Chief Executive provided an assurance to the Board at its September 2006 meeting that:

'...if it became apparent that the situation had changed and the target could not be met without risk to public health and protection, the Executive would have a duty to come back to the Board.'

This commitment continues.

19. The significant reductions in administrative burdens already planned or in the pipeline – an estimated reduction in the region of £100m – provide an opportunity to improve compliance and demonstrate the ability of the FSA, despite being particularly disadvantaged by the methodology and baseline date, both to identify and deliver administrative burden reduction.
20. Failure to recognise the scale of the task and make significant progress towards it could leave the FSA open to criticism from some business stakeholders that it does not take better regulation, and administrative burden reduction in particular, seriously and our reputation as a proportionate regulator could be put at risk. Central Government may also question the FSA's commitment to this agenda.

Conclusion

21. While the gap between the target figure and the current burden looks daunting at first sight, our assessment is that it is too early to regard the target as unachievable. We have already identified approximately £100 million of reductions. With further work, especially in the feed area, we hope to be able to identify the additional £36 million required.
22. However it is essential that we ensure we minimise new burdens. Work is ongoing to raise awareness among FSA policy officials both of the importance of reducing administrative burdens in the stock of current regulations and minimising them in the flow of new regulations.

Board Action Required

23. The Board is asked to:

- **note** the impact on the FSA's total administrative burden of regulations introduced since May 2005 and the increased challenge of reducing administrative burdens;
- **note** and **agree** Executive's assessment of the prospects for further significant administrative burden reductions, and its plans both to investigate these further and report back to the Board later this year.

Previous Board Consideration

February 2007

FSA & Better Regulation: Progress in 2006 (FSA 07/02/08)

September 2006

Administrative Burden Reduction Project: Agreement of Target (FSA 06/09/07).

Timeline

September 2006: FSA Board agreed reduction target for Category B and C regulations.

December 2006: First FSA Simplification Plan published which includes plans for reducing administrative burdens.

June 2007: FSA Board discusses reduction target for Category A regulations; Trajectory published.

Late autumn 2007: Second FSA Simplification Plan to be published. Will include report on progress to reduce administrative burdens.

Late 2007: Executive report on administrative burden reduction progress to the Board

April 2008: Executive report on administrative burden reduction progress to the Board

From October 2008 to April 2010: regular reports on progress to the FSA Board.

ADMINISTRATIVE BURDENS REDUCTION PROJECT: CASE STUDIES

Case Study 1: *Safer Food, Better Business*

1. The EU Food Hygiene Regulations introduced a requirement for food business to document and implement their food safety management procedures, based upon Hazard Analysis and Critical Control Points (HACCP) systems. This requirement covered all food businesses (around 570,000 businesses). To comply with this requirement the FSA developed the *Safer Food, Better Business* initiative and resource pack in England, and similar initiatives were developed in the other countries of the UK. This requirement covered all food businesses (around 570,000 businesses).
2. From information provided by businesses, the FSA estimated that it took businesses on average 5 minutes each day to complete the *Safer Food, Better Business* diary, including the 4-weekly reviews. The total administrative burden of doing this was estimated to be £81 million, making it the FSA's most burdensome regulation. The estimated total administrative burden of using classic HACCP would have been £207 million.
3. Business has been using the diary for some time now and familiarisation should reduce the amount of time taken to complete it each day. The FSA is carrying out a major review of *Safer Food, Better Business* which will report to the Board in autumn 2007. This review will reassess the time taken to complete the diary. Data currently being compiled from this research initially suggests that, on average, the length of time per day (including the four weekly review) needed to complete the *Safer Food, Better Business* diary is 2 minutes. If so, this would reduce the administrative burden by £48.6 million to £32.4 million

Case Study 2: *Medical Notifications Form*

4. Following the administrative burdens measurement a review has been carried out of all food for particular nutritional uses (Parnuts) notification forms during winter 2006/spring 2007, with the aim of streamlining the notification requirements in order to reduce the cost to industry.
5. The FSA wrote to all companies who have notified us of a medical food over the past three years and asked for suggestions on how to reduce the administrative burden for them. Business made some specific suggestions, including the possibility of completing the form electronically instead of having to print it off to complete and allowing the form to be submitted on-line, both of which would make completion simpler and quicker, and save administrative burden on business without removing protection for consumers.

Case Study 3: Guidance Notes on Articles 14/16 and 18/20 of the General Food Law Regulation (EC) 178/2002 – Traceability

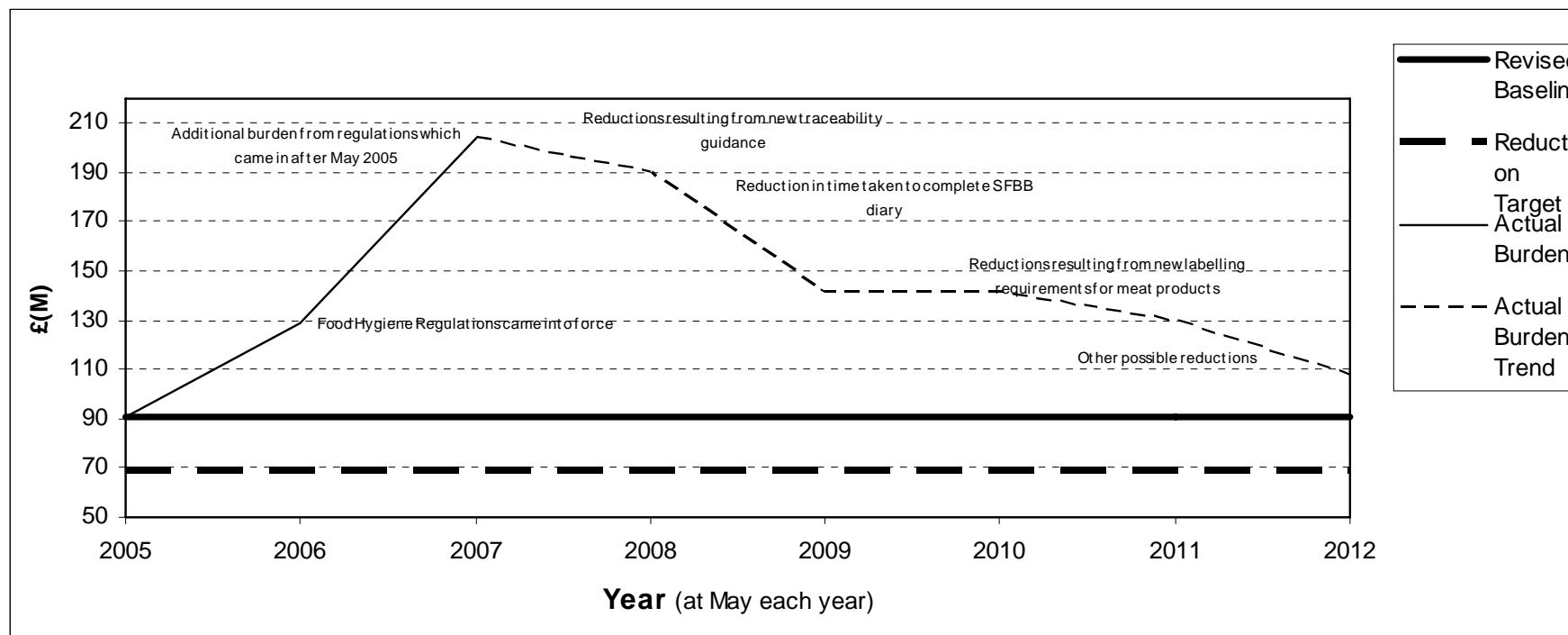
6. This guidance provides advice on compliance with legal requirements covering food and feed safety, traceability provisions and the need to notify, withdraw and/or recall products not conforming with the food and feed safety requirements applying under the Regulation. EC Guidance gold plated the EU regulations, in particular by proposing that business should keep internal traceability records for periods of up to five years and for all such records to be available immediately for inspection. The administrative burden measurement exercise estimated that the burden of this guidance to business was £14 million per annum, over and above the administrative burden of the legislation to which it referred.
7. The Agency consulted in July 2005 on how well the EC Guidance had been working to inform a review of the Guidance by the European Commission. The reaction from business was that the EC Guidance was resulting in disproportionate costs to the food industry. The EC Guidance classifies traceability information in two categories, the first to meet the legal requirements and the second to be followed as best practice. Responses from food businesses to the consultation exercise indicated that following such best practice guidance could result in additional costs.
8. The Agency has reviewed the results of this consultation and has drafted the FSA Guidance Notes, which now focus on how businesses might discharge their legal obligations. The principal changes in the new FSA Guidance Notes compared with the EC Guidance are:
 - a greater discretion to food businesses over time requirements for keeping traceability records
 - changing the need for immediate production of traceability records in certain cases to a need to produce these within 'a short timescale'
 - concentrating on the requirements of the legislation and providing minimal advice on good practice, and making a clearer distinction between legal requirements and recommended best practice.
9. The business response to the consultation indicates that the new FSA Guidance Notes are more appropriate for food businesses in the UK and remove up to £10 million of the £14 million administrative burden identified.

Options for administrative burden reduction from FSA's most burdensome regulations

Regulation	Total Administrative Burden	Nature of obligation to be reduced	Options for reduction	Impact
EU food hygiene regulations	£90 million	Requirements for all food businesses to keep up to date records of their Hazard Analysis Critical Control Point (HACCP) procedures. Estimated annual to cost of £81m each year to over 570,000 businesses, an average of £142 per business per year.	Reduction in the time taken to complete Safer Food Better Business Diary (see case study 1 in Annex B), from an average for each business of 5 minutes per day to, for example, an average of 2 minutes per day through increased familiarity with the requirement.	Information obligation still in place. Potential reduction from an average of around 40p per day per business to 17p. Total reduction from £81million to £32.4 million.
EC Regulation 183/2005 on Feed Hygiene	£72 million	Requirements for all feed businesses to have quality control plans and HACCP procedures in place. Farmers covered by regulation resulting in increased population figure.	Need to look closely at guidance for feed businesses. Possibly develop something similar to SFBB. Consider how membership of farm assurance scheme might demonstrate compliance.	Information obligations will still be in place, but reduction in burden. Too early to estimate reduction.
Regulation (EC) No. 178/2002 of the European Parliament and of the Council	£16 million	EU guidance on traceability resulted in gold plating, by requiring internal traceability, of the EU regulation on general food law and imposed an annual administrative burden of £14 million to around 347,000 businesses	Issue new guidance removing gold plating (see case study 3 in Annex B)	Traceability information obligations still in place, legislation still in place. Administrative burden reduction of £10 million, or a saving of £29 per business per year.
Meat Products (England) Regulations 2003	£11 million	Requirement to put name of food labelling for meat products that otherwise look like pieces of meat with no other ingredients. Most of the burden is for the need to understand the complex requirements rather than the labelling.	Simplifying compliance with the labelling information obligations	Up to £11 million, or up to £1,600 per business.

FSA ADMINISTRATIVE BURDENS REDUCTION – TRAJECTORY

Date	Action	Effect on Burden
May/June 2007	Revise the guidance on traceability requirements (see case study 2, Annex B).	Reduction of £10m. Reduction in total burden to £195m
By September 2007	Review of SFBB complete (see case study 1, Annex B), resulting in reduced time to complete diary	Estimated reduction of £48.6m. Total burden reduced to £146.4m.
By 2010	Reductions from new labelling requirements for meat products. EU review of labelling legislation complete. Reductions in obligations in feed hygiene obligations	Estimated £11m reduction, Possible £10m reduction. Possible £18m reduction. Total burden reduced to £107.2m



FSA ADMINISTRATIVE BURDEN TIMELINE

- The original Administrative Burden Exercise (ABME) estimated that, as at May 2005, FSA regulations had an administrative burden of £86 million.
- Regulations omitted from the ABME have an estimated the administrative burden of £5 million, resulting in a revised May 2005 baseline of £91 million.
- The administrative burden of regulations introduced since May 2005 is estimated to be £165 million, offset by £52 million in regulations revoked since May 2005.
- The net increase in administrative burden since May 2005 is therefore £114 million.
- When this net increase is added to the revised May 2005 baseline, the total administrative burden of FSA regulations is £205 million.
- The revised May 2005 baseline of £91 million is fixed. The 25 per cent reduction does not allow for administrative burdens arising from new regulations coming into force since May 2005. Therefore the level to FSA administrative would have to be reduced to by 2010 is £68 million. A reduction required from the current level of administrative burden of £136 million.

Date	Administrative Burden¹
May 2005 baseline at September 2006	£86 million
Administrative burden of regulations omitted from the original exercise	£ 5 million
Revised May 2005 baseline	£ 91 million
Level to which administrative burden needs to be reduced by 2010	£ 68 million
Regulations introduced between May 2005 and December 2006 of which:	£165 million
Regulations revoked since May 2005	-£ 52 million
Net change of Administrative burden since May 2005	£114 million
Total Administrative Burden	£205 million
Reduction required to meet £68m	£136 million

¹ Figures rounded to nearest £million

MOVEMENT FROM CATEGORY A AND C OBLIGATIONS TO CATEGORY B OBLIGATIONS

Definitions

- **Category A:** Requirements of EU law over which member states have little or no discretion
- **Category B:** Requirements of EU law over which members states have some discretion
- **Category C:** Requirements of domestic legislation

The breakdown by category of obligations in the May 2005 baseline shows that the burden of Category B obligations made up 55 per cent the total.

The EU food hygiene and feed hygiene regulations which came into force in January 2006 revoked a number of regulations. The result was a movement from the largely Category A and C obligations in the revoked regulations to Category B in the new regulations. This has resulted in an increase in the proportion of Category B burdens from 55 per cent to 88 per cent as illustrated below:

	Category A	Category B	Category C
Revised May 2005 Baseline	43 %	55 %	2 %
Current Administrative Burden	12 %	88 %	less than 1 %