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## **Business Impact Target, Growth Duty, and Small Business Appeals Champion. Consultation on the Scope and Guidance**

The Institute of Directors welcomes this opportunity to respond to this consultation. There is a lot to welcome in the proposals outlined but there remain some glaring omissions within the list of measures in scope of the Business Impact Target.

### **About the IoD:**

*Founded in 1903, and granted a Royal Charter in 1906, the IoD is an independent, non-party political organisation of around 35,000 individual members. Its aim is to serve, support, represent and set standards for directors to enable them to fulfil their leadership responsibilities in creating wealth for the benefit of business and society as a whole. The membership is drawn from right across the business spectrum. IoD members are well represented in the senior management of FTSE 100 and FTSE 350 companies, but the majority of members, some 70%, comprise directors of small and medium-sized enterprises, ranging from long-established businesses to start-up companies. In 2014, the IoD launched the IoD 99, a vibrant and active network of younger entrepreneurs which now counts nearly a 1,000 members.*

Broadly speaking, we agree that all of the regulators listed in the annexes should (where there is a discernable impact on business) be in scope of all three measures. In particular, we welcome that national regulators will now be required to have a mind to the BIT and, in the interests of consistency, that they will also be within scope of the Growth Duty and SBAC.

Inevitably, bringing so many more regulators into the scope of the BIT will place a heavier burden on the Regulatory Policy Committee (RPC), in terms of the sheer quantity of regulatory initiatives that they will be required to report against. Indeed, there are already indications that the fast track process is not delivering sufficient scrutiny. We would urge the Government to ensure that the RPC is adequately resourced to cope with this inevitable up-tick in its workload. However, we are conscious of the need for the Department for Business to meet its cost reduction targets. That being the case we would suggest that any increase in the RPC's resources is met by a commensurate cost reduction from elsewhere in the department.

We urge a degree of caution in regards to Q7 and the case for extending the BIT, Growth Duty, and the SBAC to professional bodies such as those in the legal, social, and healthcare sector. The consultation rightly states that the regulatory activities of some of these bodies do have a significant impact on business. That being the case, we would expect them to have a mind to enforcing transparency, growth, and competition. Any professional bodies that do not meet these standards should be subject to significant scrutiny.

However, externally enforced targets may not be welcomed by bodies that already have rigorous standards in place. The Government should look carefully at any professional body that it wishes to bring into scope to ensure that there is a real case for including them and so increasing the burden on the (already stretched) RPC.

While we are therefore positive about the direction of travel implied by this extension of the BIT, there is a considerable distance further to go before Government adequately takes account of the regulatory and compliance burden on businesses.

HMRC's inclusion amongst the list of in-scope regulators is welcome. It is essential that those responsible for administering the UK tax system have a firm grasp on the damage that its complexity can do to businesses. As a case in point, the time taken by an average firm in the UK to pay the three major types of business tax (corporate, value added, and labour taxes) is 110 hours, steady since 2011.<sup>1</sup> However, in comparison the effectiveness of radical tax reform and genuine simplification, simply including HMRC within the BIT will do little to lower the compliance burden on businesses. It's a step in the right direction, though.

Equally, while the Government talks a relatively good talk on reducing the regulatory burden, it often walks a conspicuously less impressive walk. On 3<sup>rd</sup> March, the Business Secretary announced - without consultation - that the National Living Wage would be excluded from the scope of the BIT, a move that will provoke questions over the Government's stated commitment to reducing red-tape. To be clear, the IoD has welcomed the National Living Wage. Indeed, 9 in 10 of our members already pay it to their staff. However, not to officially gauge the costs of a measure that will hit businesses to the tune of £1bn this year seems nonsensical. Although, we accept of course that including it would set back progress towards reaching the Government's £10bn deregulatory target.

The same logic holds true for the apprenticeship levy, which is slated to cost businesses £12bn over the course of the parliament. We firmly recommend that the Government think again about including levies within the scope of the BIT, and urge the Business Secretary to roll back on his decision to exclude the national living wage. Anything less will be taken as an about turn by ministers on their stated ambition to reduce burden of regulation on UK businesses. Further, it strikes us as slightly contradictory that HMRC is now included in the list of in-scope regulators, but taxes and levies – which are inevitably bound up with HMRC, even if they are led by other departments – are excluded from the Business Impact Target.

Please be in touch if you'd like to discuss any of these points further.



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<sup>1</sup> World Bank (2015) Available at: <http://data.worldbank.org/indicator/IC.TAX.DURS>