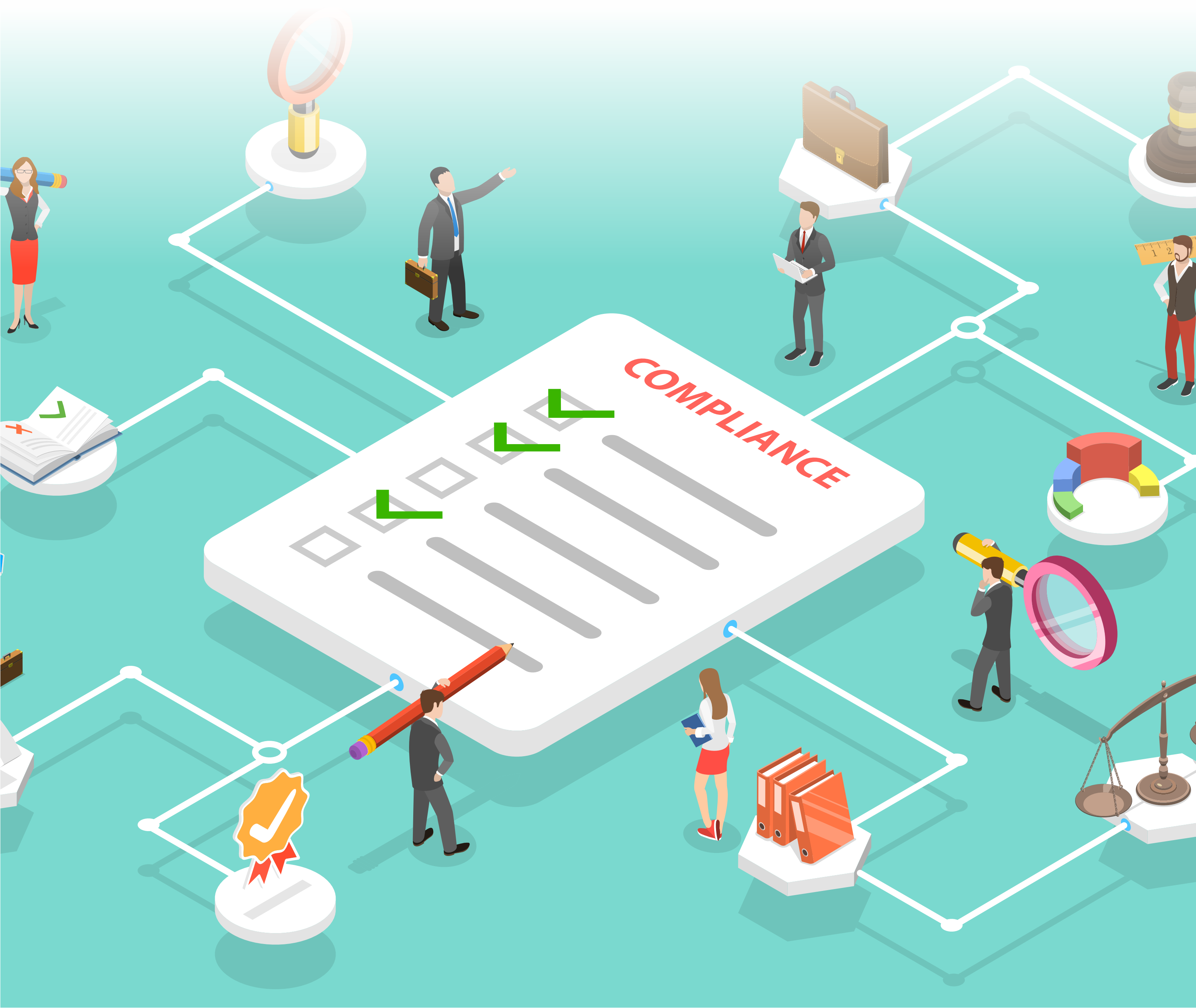
Re-Engineering Regulation

An A-Z of Reform

James Vitali

Foreword by Rt Hon Sir Oliver Letwin



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About the Author

Dr James Vitali is a Research Fellow at Policy Exchange. He joined the team in 2022 after completing a PhD in Politics at Cambridge University. He was the JH Plumb Scholar at Christ's College and taught undergraduates in the History of Political Thought. He also served as President of the Cambridge Union. Prior to his time in Cambridge, he worked for a Minister of State in Parliament.

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Endorsements

As a snapshot of the challenge before the country, Policy Exchange's "A to Z" shows clearly how even the most well-intentioned rules and regulations can undermine the competitiveness of the private sector and the proficiency of the public service. Regulators are incentivised to prioritise process over outcomes, and risk aversion over competition, dynamism, innovation and compassion. The UK is failing to fulfil its great potential as a result.

Britain needs smarter regulation, not indiscriminate deregulation, and for this, a profound cultural change in how we go about regulating businesses and public services is required. Such a shift must start at the very heart of government. Only then can we seize the immense opportunity presented by the repatriation of our regulatory sovereignty.

Lord Sedwill, Former Cabinet Secretary and Chair of Policy Exchange's Re-engineering Regulation Project

"Policy Exchange's Re-engineering Regulation project is setting the terms for a national rethink on the UK's regulatory landscape. This report details the perverse incentives that poorly designed regulations can generate for firms and businesses, particularly in the financial sector. The case for action is clear".

Mark Yallop, Chair of the Financial Markets Standards Board

"The public and private sectors – and all of us - stand to benefit from smarter regulation, as this punchy Policy Exchange report sets out. Across our public services, the burden of rules and requirements is making it too hard for practitioners to deliver their core duties in hospitals, on our streets and in government departments. We need a cultural shift in our regulators away from obsessing about process and towards delivering good outcomes for the British people. "

Dame Patricia Hodgson, Former Chair of Ofcom

Foreword

Rt Hon Sir Oliver Letwin
Former Chancellor of the Duchy of Lancaster

Re-engineering Regulation rightly turns our attention away from the sterile debate between those who advocate 'more regulation' and those who advocate 'less regulation', and towards the much more fruitful search for 'smarter regulation' — a form of regulation which actually achieves the well-intentioned purposes of the regulators rather than imposing purposeless burdens on the regulated.

The project, of which this paper is a part, is founded upon the profound understanding that a well regulated society is one in which citizens are protected from undue risk without being unduly deprived of their liberty; that a well regulated economy is one in which economic actors are prevented from causing undue social and environmental harm without being unduly prevented from doing economic good; and that a well regulating state is one which finds the means of delivering these regulatory outcomes instead of falling prey to the illusion that mere tick-box adherence to rules is a substitute for the achievement of human progress.

As the author fully recognises, the construction of such 'smart regulation' is no easy task: successive governments in our own country and around the world have found it daunting. As the author also recognises, a great part of the difficulty lies in the fact that it is far easier to enunciate abstract principles which should guide the regulator than to identify concrete instances of regulatory change whose costs will be outweighed by their benefits. And it is in recognition of these two points that, rather than dwelling over-long on theory, the author helpfully enumerates 26 highly specific changes to current UK regulation which he hopes might produce better outcomes for our economy, our society and our planet.

Manifestly, no brief pamphlet can do full justice to the detailed analysis of the costs and benefits of particular proposals for regulatory improvement which ministers and officials will need to perform before they can hope to advance towards 'smarter' regulation. But, by producing an A-Z of such proposals for further consideration, this paper inaugurates a discussion that any well intentioned government (of whatever political colour) should want to take very seriously.

Executive Summary

Regulations are an indispensable part of social and economic life. They constitute the "rules of the game" by which companies, public bodies and consumers interact with one another. When working well, they institute important protections for individuals, ensure a level playing field within markets, and incentivise activity and innovation that will benefit society as a whole.

Yet in numerous sectors, the existing regulatory framework is blighting the lives of practitioners, passing on significant costs to end-users and customers, and setting limits on the potential of the UK economy.

The repatriation of regulatory sovereignty post-Brexit offers an immense opportunity for the UK. However, this is an opportunity that as of yet has gone unrealised. Whilst Parliament picks its way through the Retained EU Law Bill, lawmakers urgently need to think more strategically about how Britain can enhance its regulatory framework to support the growth of the UK economy and deliver better outcomes for the public.

Last year, Policy Exchange launched the *Re-Engineering Regulation* project with former Cabinet Secretary Lord Sedwill. Its objective is to promote a fundamental change in the culture of British regulators – towards a mindset that recognises the indispensability of rules and laws that mitigate risk and negative externalities, but that is just as conscious of the costs of regulations too. It does not advocate doctrinaire deregulation, but better, *smarter* regulation that is driven by outcomes.

Policy Exchange's *Blueprint for Reform* set out the strategic vision for regulatory reform, based on greater parliamentary scrutiny, a rebalancing of competing regulatory objectives, improved direction from government and continuous improvement and feedback. This paper draws attention to how urgently these reforms are needed. In it, twenty-six regulation case studies with perverse unintended consequences are considered – one for each letter of the alphabet. They range from stifling childminder regulations that have contributed to an almost 50% reduction in practitioners over the last decade and hospital paperwork requirements requiring some 50 individual steps for staff to discharge patients, to regulations that add three to five years onto the length of time it takes to install an onshore wind facility and planning guidance that is holding up the development of 100,000 new homes. There are just over two dozen examples included here, and they all need to be addressed. But they constitute just a tiny fraction of the thousands of regulations that could be improved.

Finally, the report includes two interrelated recommendations: firstly, **regulators should be obliged to create an active and effective feedback**

loop with operational independence from any enforcement component a regulator might have**;** and secondly, **a dedicated board-level executive position should be established for all regulators with responsibility for the development of smarter regulation.** This executive should be responsible for the unit that manages the regulator's feedback mechanisms, they should be appointed by government, and they should be accountable to Parliament annually.

Regulatory reform often constitutes the "slow boring of hard boards". But it is work that we can no longer afford to put off as a country. As this report makes abundantly clear, the time for concerted action is now.

Introduction

Society, and a functioning market economy more generally, presupposes that the Government will provide a set of rules and policies that moderate the interactions between individuals, businesses and the public sector. The regulatory framework is intended to do precisely this, establishing important safeguards for citizens, managing risk, and ensuring market competition. Regulations ensure that markets and public sector bodies do not become self-serving but promote the interests of the British public.

Regulatory frameworks must also balance other objectives, such as facilitating growth and incentivising innovation. Of course, rules and regulations in themselves cannot create abundance or new technologies, but they can establish an environment in which businesses might. What balance to strike between these differing objectives – risk mitigation, safeguarding, competition, growth - will vary from context to context and from sector to sector. It is the responsibility of government – of those elected by the public to represent them – to determine what that balance should be.

Frequently, however, the policy debate on this subject loses sight of the fact that the regulatory framework needs to address multiple priorities. The result is that we often fail to recognise the costs that regulations can impose. Of course, there is the direct cost of regulators, which are funded by the taxpayer and by actors in whatever sector they regulate. But regulation also imposes a range of indirect costs too, both on business and society more generally. Regulations can limit the freedom of individuals, stifle enterprise and reduce the ability of the public sector to deliver the best products and services for the taxpayer. Sometimes this is visible: the cost of compliance for businesses is quantifiable, and money spent on regulation is money not spent on job creation, increased wages or investment. The companies hurt most by regulatory compliance are frequently the country's smallest businesses who cannot absorb the costs like larger competitors. However, the penalty that we pay for regulation can be hidden too. There are potential companies and ventures in the minds of individuals that are never brought to fruition because the weight of the regulatory framework serves as a deterrent to them ever being started.

Reforming the regulatory framework is hard; that is why repeated attempts by government – like the Cameron Administration's "one in, two out" and later "one in, three out" rule, or proposals for departmental regulation "budgets" - to move the dial have often been shelved or ended in failure. Changes or indeed reductions to the rulebook designed to help foster growth, or even increase consumer choice, can frequently be portrayed as jeopardising safety or the environment. Yet we overlook the fact that we make judgements on how to balance safety against other imperatives all the time. Take the Highway Code. Driving vehicles at high speeds in close proximity to thousands of other road users *is* dangerous. This is mitigated by requirements on speed limits, seat belts and licencing. But this risk is balanced against the mobility benefits that motorised transport bring. Reducing the national speed limit to 30mph would certainly make our roads a great deal safer, but we recognise that such constraints would be intolerable and would greatly reduce our ability to move between places expeditiously – something that is essential for life in modern society. The truth is in many sectors we are getting the balance wrong, and across the economy, the current framework is contributing to a profound malaise.

Much of this comes down to our societal approach to risk. Regulators are seen by some as responsible for eliminating risk from our lives. But should we try to eliminate all risk from our existence? The pursuit of a regime in which there is zero risk and uncertainty in our lives would lead to an intolerable level of control on individuals and businesses, and it would not only reduce freedom of action, industry and innovation, but create new risks and hazards as well.

Unfortunately, too, debate on regulatory reform often goes down an unproductive cul-de-sac which identifies all attempts at regulatory reform as an attempt at wholesale, dogmatic *deregulation*. Nevertheless, what is a legitimate and increasingly urgent subject of debate is whether or not we are weighing other societal objectives and values sufficiently when it comes to the regulatory regime in many sectors.

As Policy Exchange's *Re-Engineering Regulations: A Blueprint for Reform* made clear last summer, what the UK needs is not wholesale *deregulation*, but better, smarter regulation. It is the character and quality of rules and regulations that matters, not the quantity. Improvements need to be driven by the centre and coordinated across Whitehall. In many cases, this will mean peeling back a layer of bureaucracy that is strangling the potential of British enterprise, but in others, it means reforming and optimising the rulebook to align incentives in a way that is conducive to the national interest. Ultimately, though, the entire *system* must be re-aligned so that it is incentivised to regulate more effectively.

The UK's departure from the European Union *does* present an enormous opportunity for the Government to improve its regulatory regime. But it is an *opportunity*, not a handout. Many of the benefits of Brexit are already apparent, but the Government must think hard about how to capitalise on the repatriation of regulatory authority for the benefit of the British public. The UK needs to establish how it can continue to be an attractive place to transact business in an increasingly competitive international environment.

This paper comes as part of a broad package of regulatory reforms that Policy Exchange is advocating for, and it seeks to build on the case set out in our *Blueprint for Reform*. The arguments advanced in that paper have been the driving inspiration for what is contained in the pages that follow. We need a cultural shift in how we think about regulation, and as noted, this needs to be driven from the very centre of government. We need a system in which greater strategic direction is provided by elected representatives, regulatory bodies are more transparent and accountable, and regulations themselves are more outcome-orientated.

This paper contains twenty-six case studies, one for each letter of the alphabet, with examples taken from a variety of sectors, both public and private. It seeks to identity the often-well-intentioned logic behind certain rules, before setting out the adverse and unintended consequences that those rules are having in particular markets and society more generally.

The examples picked are not necessarily the most egregious examples of bad regulation, and nor as a collection do they constitute an exhaustive list of areas for reform. Far from it. In their granularity, the case studies presented will hopefully demonstrate the perversity of many ill-designed regulations and make clear the urgent need for action; but they constitute just the tip of the iceberg – a snapshot of the challenge that lies before the country.

So, what steps should the Government be taking to capitalise on the vast opportunity presented by the repatriation of regulatory sovereignty? This paper highlights the idiosyncrasies of individual sectors, and its recommendations are accordingly focused. However, Policy Exchange's *Re-Engineering Regulation* project emphasises the pressing need for an almost constitutional rethink of how we go about regulating in the UK. Last year, we made a series of proposals, including:

- **Government should establish a new Regulatory Reform Unit within the Cabinet Office and appoint a dedicated Minister for Regulatory Reform.**
- **Regulators should be required to publish easily digestible performance metrics in their annual reports.**
- **The National Audit Office (NAO) should be empowered and resourced to conduct and publish regular audits for scrutiny by Parliament of regulators' performance, including industry and consumer outcomes for their sector.**
- **Government should give regulators a statutory duty to collaborate, and performance against this duty should be audited by the NAO.**
- **Every regulator should be obliged to produce and publish a digitisation plan for its activities where appropriate.**

In addition to this package of reforms, there are two additional recommendations we believe the Government ought to adopt:

1. **Every regulator should be obliged to create an active and effective feedback loop with those they regulate**. Constructive engagement often occurs in sectors with a collaborative relationship between regulators and the regulated already. Yet in sectors where regulators double up as inspection and enforcement bodies, regulated entities may be reluctant to engage proactively for fear of reprisal. Thus, an independent unit within regulators should be introduced to perform these feedback functions. The new board-level executive recommended below should be responsible for this unit.
2. **A dedicated board-level executive position should be established for all regulators with responsibility for the development of smarter regulation**. These executives would be champions for the regulated within regulators, appointed by government and accountable to Parliament. In addition to the annual reports produced by the regulator, these new executives would present a review to Parliament of the evidence submitted via feedback mechanisms. It should specifically pay attention to the outcomes of existing regulations.

Together, these reforms will serve as an important bulwark against a further accretion of regulations, as well as introducing a self-correction function into the UK's regulatory bodies. They will also be in conformity with the recommendations made in the *Blueprint for Reform*: importantly, introducing a board-level executive responsible for making regulation smarter that reports to Parliament will improve accountability and scrutiny, and it will encourage a shift in focus away from processes and towards outcomes.

A is for Anti-Money Laundering

Regulation	Relevant Authority
Suspicious Activity Reports (SARs)	Office for the Professional Body Anti-Money Laundering Supervision (OPBAS)

The existing financial conduct rulebook is failing to prevent money-laundering in the UK whilst imposing a stifling regulatory burden on Britain's small businesses.

The UK has become a "jurisdiction of choice" for the laundering of dirty money. In 2020 alone, the National Crime Agency found that **money laundering caused at least £100 billion of economic damage.** Yet it is clear that existing regulations are imposing an enormous burden on smaller businesses without deterring economic crime. **The Government spends around £850 million annually on the core national-level agencies responsible for fighting crime.[1] This is less than 3% of the estimated £28.7 billion annual compliance costs for UK financial institutions.[2]** There are 25 professional body supervisors which oversee how lawyers, accountants and professionals apply money laundering rules. One body, the Joint Money Laundering Steering Group (JMLSG) produces guidance that is 563 pages long. **This voluminous guidance not only increases costs but creates confusion which itself can increase exposure to economic crime.**[3]

At the same time, the Suspicious Activity Reports (SARs) regime by which suspected money laundering is reported to the UK Financial Intelligence United is not fit for purpose; 573,085 SARs were submitted between April 2019 and March 2020, many of which were low quality or low potential risk.[4] The system does not allow for filtering, and the deluge of submissions prevents the effective investigation of serious SARs.

The Government should dramatically reduce the number of professional body supervisors and implement common standards across them to reduce conflicting guidance or duplication. The SARs system should introduce a risk rating system to reduce the burden of low quality submissions on regulators.[5] At the same time, banks ought to be permitted to share information with law enforcement agencies before reaching the existing threshold under current anti-money laundering legislation, should they judge it prudent.

£28.7 billion	*Annual AML compliance costs for UK financial institutions*

1 Spotlight on Corruption, *Closing the UK's Economic Crime Enforcement Gap*, 2022.
2 LexisNexis, *Cutting the Costs of AML Compliance*, 2021.
3 HM Government, *Cutting Red Tape: Review of the UK's Anti-Money Laundering and Counter Financing of Terrorism Regime*, 2017.
4 APPG on Anti-Corruption and Responsible Tax, *Economic Crime Manifesto*, 2022; Treasury Select Committee, *Economic crime: eleventh report*, 2022.
5 APPG on Anti-Corruption and Responsible Tax, *Economic Crime Manifesto*, 2022.

B is for Building your own home

Regulation	Relevant Authority
Town and Country Planning Act (1990)	**Planning Inspectorate**

The UK planning system requires individuals and families to obtain explicit permission from the state to build their own home on their own land, preventing new housing supply from being delivered.

The Town and Country Planning Act of 1947 stipulated that any development of land would require permission from the state through the relevant competent authority, with a limited set of exemptions. In addition to at-scale housing development, individuals require permission to build a primary residence on their own land. Section 55 of the 1990 Town and Country Planning Act of 1990 defines what meets the statutory definition of "development" and importantly excludes improvement or alterations to an existing property. However, permission is still required to build a new structure.

As a result, the UK has extremely low self-build rates compared to international competitors. Custom builds make up around 7% of new UK housing stock, whereas that figure is far higher in Continental Europe and North America: in the Netherlands, 15% of new homes are self-builds; in Germany, the figure is as high as 55%.[1] **Increasing self-build rates to those that exist in the Netherlands – a country of comparable population density - might deliver 30,000-40,000 new homes**. Given that the price of land is the most significant factor in the overall unit cost of a home, it makes sense to enable existing landowners to build a primary residence on existing land.[2]

There is a further, more principled issue at stake too; a government commitment to the defence of property rights should allow private citizens to use their land as they see fit, within reason. Self-build of primary residences constitutes small-scale development that could deliver gentle densification – unlocking housing supply without overburdening local infrastructure.

The Government should amend the Town and Country Planning Act of 1990 to create a "Right to Build" - exempting self or custom builds for use as a primary residence from requiring planning permission. This could be done in conjunction with the introduction of design codes to address within the local community about build quality, and self-builds would still have to conform to existing building regulations.

1 Ministry of Housing, Communities and Local Government, *Independent Review into Scaling Up Self-Build and Custom House Building*, 2021.
2 [Self and custom build action plan - GOV.UK (www.gov.uk)]

C is for Crime Reporting Rules

Regulation	Relevant Authority
Home Office Counting Rules (HOCR)	**Home Office**

The current rules on the recording of crimes are taking police officers away from their core duties, with 350 police officers employed in the Crime Recording Investigation Bureau and removed from frontline policing.[1]

The way in which police forces record crime is set out in the Home Office Counting Rules (HOCR). These are updated annually by the Department and were introduced amid concerns that crime statistics were being manipulated to address targets; in particular, there was a concern that serious crimes were not being reported as a result. The Home Office states that the purpose of rules on crime recording, amongst other things, is to "ensure that victims of crime receive the service they expect and deserve", "prioritise effective investigation of crime", and "inform the public of the scale, scope and risk of crime in their local communities".

These are important objectives, and the guidance has helped to eliminate a perverse incentive to under-record crimes. Nevertheless, the crime reporting regime has gone too far in the opposite direction. Now, so long as a victim believes a crime to have taken place and there is no hard evidence to the contrary, the HOCR requires that officers write up an incident as a crime and it is included in official statistics; for an incident reported as a crime to be declassified as such requires "additional verifiable information that determines that no notifiable crime has been committed". There is also a trend towards separately recording multiple crimes rather than the principal crime in an incident, even though additional minor crimes will not be investigated independently.[2] **The HOCR guidance document which governs the reporting of crimes runs to 357 pages**, only further adding to the bureaucratic burden on police officers and taking them away from their core duties of fighting crime. The Metropolitan Police Force's Crime Recording Investigation Bureau alone employs around 500 police officers and staff, a significant proportion of which will be concerned solely with crime counting and classification.[3]

The Home Office should expedite plans to drastically simplify the HOCR guidance document, and should return to a model in which the principal crime is recorded and additional crimes are listed and investigated under the principal crime.

1 Metropolitan Police, *Workforce Data Report, December*, 2022.
2 Policy Exchange, *"What do we want from the next Prime Minister? Crime and policing*, 2022.
3 Metropolitan Police, *Workforce Data Report, December*, 2022.

D is for Discharge from Hospital Paperwork

Regulation	Relevant Authority
Hospital Discharge and Community Support Guidance	Department for Health and Social Care (DHSC), NHS England, Care Quality Commission (CQC)

Requiring hospital staff to go through 50 separate steps in order to discharge hospital patients is leading to severe delays and worsening the shortage in hospital beds, as well as demoralising front line staff.

The burden of paperwork on NHS staff is great and has grown significantly in recent years. Back in 2015, a government-commissioned report estimated junior doctors were spending 70% of their working hours dealing with paperwork, both physical and digital.[1] At a time of strained resources, and with ineffective IT systems costing an estimated 13.5 million hours of doctors' time each year in England, efforts to reduce this bureaucratic burden upon clinicians must be a greater priority.[2]

This is a particular issue when it comes to discharging patients from hospital. Through the month of December 2022, on average, **22,953 people every day were deemed fit enough to leave hospital but had not been formally discharged.**[3]

One driver of delays in hospital discharge is the voluminous paperwork that must be completed by hospital staff. Section 91 of the Health and Care Act 2022 removed the need for hospital staff to conduct long-term health assessments prior to discharging patients. Nevertheless, CHS Healthcare estimate that some 50 steps must be conducted before a patient can be discharged.[4] Often there is duplication in documentation and assessments that do not need to be made whilst the patient remain in acute care.

The Government should further reduce paperwork requirements from the discharge process where it will not harm patient safety, and to ensure discharge plans are made earlier. This must come as part of a broader effort to improve alignment between health and social care providers. The Government should also prioritise introducing inter-operable systems and phase out poor-quality (and often, paper-based) systems.

22,953	*The daily number of patients deemed fit enough to leave hospital but not formally discharged in December 2022*

1 https://www.england.nhs.uk/2015/12/martha-lane-fox/
2 BMA, *Getting IT Right: The case for urgent investment in safe, modern technology and data sharing in the UK's health services*, 2022.
3 NHS, "Discharge Delays: Acute", December 2022.
4 CHS Healthcare, *Hospital Discharge Survey*, 2022.

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E is for Eliminating Litter

Regulation	Relevant Authority
Deposit Return Scheme	**Department for Environment, Food and Rural Affairs (DEFRA)**

Smarter regulations on plastic waste could help reduce the 730 million individual items which are littered annually.

There are 1.53 million tonnes of plastic waste every year in the UK. Britain ranks fifth highest in Europe for the consumption of single use plastics, and some 67% of all plastic waste comes from packaging.

Lots of this plastic waste ends up being littered on streets, roads and pavements across the country. The costs of this for the British public are manifold. Litter is expensive - each piece of litter costs the UK taxpayer 73p on average - it blights communities and the countryside, and it poses a health risk, both to small animals and to humans in the form of contaminants that derive from the breakdown of litter and which become embedded in the foods we consume.

One of the primary issues with high levels of littering is the lack of incentives – other than a sense of public obligation – to recycle and dispose of waste sustainably. Other countries like Germany and Canada, by contract, have experienced success in implementing policies such as a Deposit Return Scheme (DRS) for plastics. Countries operating a DRS tend to see more than 90% of plastic bottles recovered, and could result in significant savings – **potentially between £35 and £56 million for local authorities across England and Wales.**[1]

The Government should pilot a digital Deposit Return Scheme, leveraging existing bin infrastructure collection points. This will create strong incentives for tidiness, reduce litter and offer considerable savings for local authorities.

£35m-56m	*The potential savings for local authorities from a deposit return scheme*

1 Policy Exchange, *Litterbugs 2.0*, 2023.

F is for Fundraising

Regulation	Relevant Authority
Pre-Emption Group (PEG)	**Financial Reporting Council (FRC); Financial Conduct Authority (FCA)**

The current rules on secondary capital raising are limiting the growth potential of fledgling businesses by constraining their ability to raise capital.

Companies raise capital primarily through debt or equity financing; in the latter case, a company generates capital by listing shares on an exchange and selling them in return for cash. In so doing, it becomes a public or "listed" company. Companies can decide to undertake further rounds of equity financing. Doing so increases the number of shares in the company available and thus might potentially dilute their value.

There is a principle in UK company law when it comes to capital raising called "pre-emption" – that is, existing shareholders have a right to purchase newly issued shares before they are offered to new potential investors. The purpose of this is to ensure protection for shareholders from wealth transfer and the erosion of control.

Yet the rules currently create obstacles for "capital hungry" companies with high growth potential. Companies are only allowed to raise 10% of their existing share capital through a new share issue per annum. For each share issue, companies are required to produce a detailed prospectus that duplicates information that is already in the public domain, adding to the paperwork burden of companies that wish to grow.

The UK should entrench the principle of pre-emption and put the Pre-Emption Group, part of the Financial Reporting Council (FRC), on a more formal footing. Additionally, they should allow companies to issue a greater proportion of shares on a non-pre-emptory basis, so long as they secure support from shareholders and note the possibility of this approach in an Initial Public Offering (IPO). This would ensure continued shareholder control whilst also supporting companies in high growth sectors.

Finally, the FCA should reduce the regulatory involvement in fundraisings. Prospectuses for non-IPO fundraisings should be streamlined to be non-duplicative and focus specifically on the "background to and reasons for the fundraise, the amount and use of proceeds and, as relevant, how the transaction will affect the company's strategy, financial viability and forward-looking guidance".[1]

1 HM Treasury, *UK Secondary Capital Raising Review*, 2022.

G is for Gross Misconduct in the Police Service

Regulation	Relevant Authority
Police Conduct Regulations	**Home Office**

The rulebook on police misconduct hearings limits the ability of police chiefs to swiftly sack officers who have committed gross misconduct, and is contributing to diminished trust in British law enforcement.

Policing standards are in the national spotlight after a number of high-profile incidences of misconduct in the last few years. The cases of Wayne Couzens, the Metropolitan Police Officer who raped and murdered Sarah Everard in 2021, and David Carrick, another officer in the same police department who pleaded guilty to 48 counts of rape, have underscored the urgent need for reform.

The regulations governing the terms and conditions of police officers' appointment, and in particular, the procedures governing misconduct hearings, are set out in the *Police Regulations 2020*. Two items are of particular note; firstly, for the overwhelming majority of cases, a misconduct hearing which could lead to the dismissal of a serving police officer, a Legally Qualified Chair must sit on the panel.[1] These Legally Qualified Chairs must be eligible under the conditions for judicial appointments. The primary issue is that police chiefs have been tasked with addressing policing standards in their own forces, but by outsourcing responsibility for misconduct headings to Legally Qualified Chairs, they have lost the means to expeditiously dismiss officers guilty of misconduct or criminal offences. There is also evidence to suggest that Legally Qualified Chairs are less likely to dismiss officers who have committed misconduct than Assistant Chief Constables under the previous regime.[2] Secondly, police officers are entitled to legal representation at misconduct hearings by default, rather than just statutory staff association representation. This adds to the burden of bureaucracy in the existing regime and risks increasing both delay and expense considerably.

The Government should return to the previous system in which Assistant Chief Constables chair misconduct hearing panels. Officers should first be represented by the statutory staff association for the police, the Police Federation. Officers would still have recourse to an employment tribunal process and legal representation through that route, but this should not be the first resort.

1 There is a fast-track process for misconduct hearings, but these require "special conditions". Home Office, *Guidance: Police Officer Misconduct, Unsatisfactory Performance and Attendance Management Procedures*, 2018.
2 Association of Police and Crime Commissioners, *Review of Legally Qualified Chairs and Misconduct Hearings*, 2017.

H is for Heat Pumps

Regulation	Relevant Authority
Town and Contry Plannning Act (2011)	Planning Inspectorate

An outdated one meter rule on the installation of home heating units is contributing to the UK having some of the slowest installation rates of energy efficient heat pumps in Europe.

Heat pumps are estimated to transfer four times as much energy as they consume, and are thus 3-5 times more energy efficient than conventional gas boilers. The Government wants to deliver 19 million heat pumps by 2050, **yet just 55,000 heat pumps were installed in 2021**; that's 0.2% of the total housing stock.[1] The UK's deployment rate of heat pumps per capita vastly lags European competitors – **France alone installed 537,000 pumps in 2021**.[2]

Existing regulations make it more difficult to install heat pumps. Under the Town and County Planning Act of 2011, heating systems can only be installed if they are further than one meter away from "the boundary of the curtilage of the dwellinghouse or block of flats"; otherwise, planning permission must be secured from the relevant planning authority.[3] In practice, and in particular for smaller plots and homes, this can make the installation of a heat pump either unattractive – especially if it encroaches on garden space – or difficult depending on the property type.

This regulation was introduced in order to reduce the potential of noise or vibration disturbance of conventional gas boiler units for neighbouring residents. However, heat pumps (particularly newer models) are far less noisy – no more so than a standard fridge – and the requirement to go through the planning process can add considerable delay and expense.[4]

The "one meter" boundary requirement for installing heat pumps should be scrapped and the installation of heat pumps should not require planning permission. This will support the roll-out of more energy efficient heating solutions.

55,000	*Heat pumps installed in UK (2021)*	537,000	*Heat pumps installed by France (2021)*

1 Dwelling stock estimates in England: 2021 (publishing.service.gov.uk)
2 MISSION ZERO - Independent Review of Net Zero (publishing.service.gov.uk)
3 The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2011 (legislation.gov.uk)
4 The affordable way to install heat pumps in older homes | Bricks & Mortar | The Times

I is for Insurance Regulations

Regulation	Relevant Authority
Solvency II	**Prudential Regulation Authority (PRA)**

UK insurance investments are the second largest in Europe, yet proportionally, UK investors invest significantly less than countries like Germany, France, Italy and Spain.[1] Existing regulations on insurers are trapping capital that is badly needed in the rest of the economy.

Solvency II is a regulatory framework for pension funds and insurers that was inherited from the European Union and retained in domestic law as a statutory instrument. Its purpose was to harmonise prudential regimes across Europe. However, in balancing the imperatives of policyholder protection and growth and competitiveness, it currently leans too much towards the former. The Government recently consulted on a range of potential reforms to the regime, including amendments to the risk margin and the matching adjustment, as well as reducing reporting and administrative burdens.[2] Given that a lack of capital deepening is a key factor in the UK's low productivity problem, amending regulation to free-up capital for areas of the economy with growth potential are a proportionate and sensible step.[3]

The Treasury estimates that **reforms could see as much as 15% of the capital currently held by life insurers released for productive investments in the wider economy, particularly in infrastructure.**[4]

The Government should reduce and simplify Solvency Capital Requirements and cut the risk margin – the difference between an insurer's best estimates of its liabilities and the market value of its liabilities" – particularly for life insures with long-term liabilities.[5]

1 Policy Exchange, *Unleashing Capital*, 2022.
2 HM Treasury, *Review of Solvency II: Consultation – Response*, 2022.
3 ONS, "international Comparisons of UK Productivity", 2020, Link.
4 HM Treasury, *Review of Solvency II: Consultation*, 2022.
5 Policy Exchange, *Unleashing Capital*, 2022.

J is for Joint Doctrine Publication 0.30.2 (Regarding Drones)

Regulation	Relevant Authority
Joint Doctrine Publication 0.30.2	**Defence Ordnance, Munitions and Explosives Safety Regulator (DOSR)**

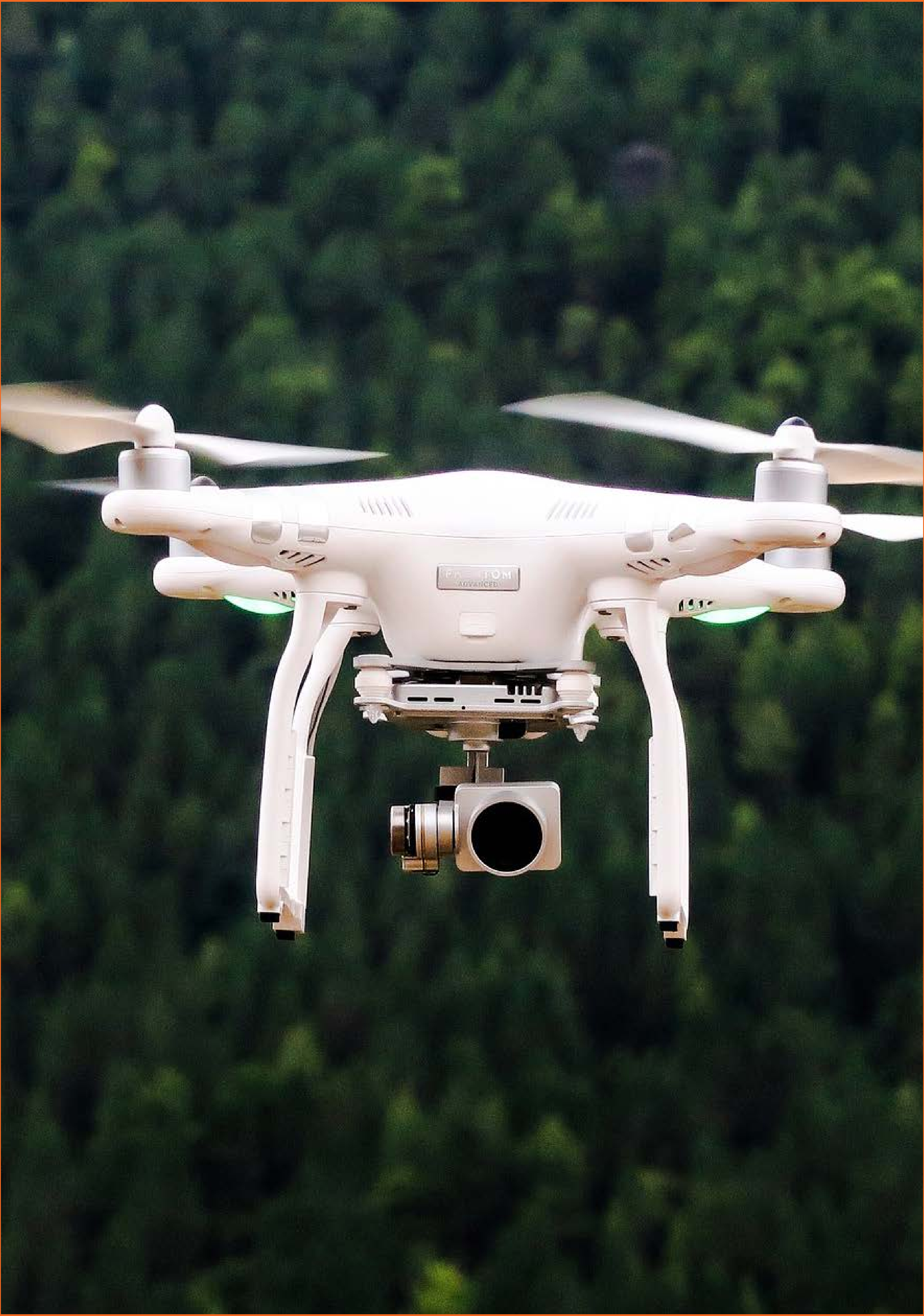
The way we classify different types of drones is both reducing our combat capacity and hampering domestic manufacturers of military Unmanned Aerial Systems (UASs).

Drones come in a wide array of shapes and sizes, from the small UASs that resemble the commercially available drones that people might use in the park, through to Medium Altitude Long Endurance UASs like the Predator and Reaper which carry weapon systems. With the exception of drones under 200g in weight, all classes of drone are placed on the military register and are regulated by the Military Aviation Authority (MAA).[1] Every remotely piloted aircraft system (RPAS) must meet a high safety critical bar, in that "each element of the system that delivers the end capability has to work before, during and after a mission". Compliance with this requirement adds significant costs to domestic manufacturers of drones.

This makes sense for those UASs which carry lethal pay-loads, but for smaller drones with a high attrition rate – ie smaller UASs used for military reconnaissance – this drives unit costs up significantly. This is bad for combat capacity – it adds to the difficulty of producing such drones at scale – as well as for domestic producers, and puts the UK at a competitive disadvantage compared to allies. The US Department of Defense, for example, has supported American drone manufacturers to up-scale through its Blue Small Unmanned Aircraft Systems initiative.

The DOSR should revise the classification for UASs to differentiate between larger, lethal payload-carrying drones and smaller drones with a high attrition rate. The reclassification could be based on size or weight of the UAS, or on a particular characteristic; for example, larger, payload-carrying drones require a longer runway length to launch, so this could be used to distinguish between UAS classifications. Smaller drones should have less stringent failsafe regulations, which would help to reduce costs and enable domestic manufacturers to increase UK combat capacity.

1 Ministry of Defence, *Joint Doctrine Publication 0-30.2: Unmanned Aircraft Systems*, 2017.



K is for Kids (Early Years Foundation Stage)

Regulation	Relevant Authority
Early Years Foundation Stage (EYFS)	Ofsted

Excessive paperwork and registration requirements for childminders are deterring newcomers to the profession and driving up childcare costs without discernible improvements in the quality of childcare.

UK net childcare costs as a percentage of the average wage were the highest in the world in 2021. Annual childcare costs have increased by 171% since 2000.[1] Yet at the same time, the British state spends more on childcare subsidies than other international competitors. Though there are many factors that have contributed to this state of affairs, the regulatory framework has been a significant driver of high childcare costs.[2]

The Early Years Foundation Stage is the main statutory framework for the regulation of childcare in the UK and is supplemented by a rigorous registration regime. A childminder must go onto three separate registers to offer care, many with overlapping requirements, such as on safeguarding and places to prepare food for children. Childminders receive inspections on both the compulsory childcare and early years registers with little variation across the regimes.[3] This is disincentivising new applicants and contributing to carer shortages; **the number of childminders registered in the UK is estimated to have decreased by half in the last ten years.**[4]

The EYFS also imposes significant burdens on the provision of childcare itself. It specifies, for example, ratios for how many children of a certain age bracket a childminder can look after which are considerably more strict than in other comparable countries. In the UK, a childminder can be responsible for a maximum of four 2-3 year olds, whereas in Germany and the Netherlands, they can be responsible for 8.

The Government announced interventions into the childcare market at the Spring Budget, but they must go further on supply side reforms. All childminders should be included on a new Childminder Register with a streamlined inspection regime. Settings rated Good or Outstanding by Ofsted should be able to increase their childminder ratios beyond the 1:5 ratio proposed in the Budget.

1/2	*estimated proportion of childminders who have left the profession in the last decade*

1 IEA, *Cutting Through: How to Address the Cost of Living Crisis*, 2022.
2 Policy Exchange, *Better Childcare*, 2022.
3 *Ibid.*
4 *Ibid.*

L is for Lorry Driver Certification

Regulation	Relevant Authority
Certificate of Professional Competence (CPC)	**Driver and Vehicle Licensing Agency (DVLA)**

Heavy Goods Vehicle (HGV) driving licences are costly to acquire and renew. This is acting as a barrier to entry for new potential drivers and incentivising existing ones to retire early.

The UK has an acute shortage of lorry drivers. Though the situation has improved from a peak shortage of 100,000 drivers in 2021, the Road Haulage Association (RHA) estimates that there is still a **50,000 shortfall of drivers.**[1]

Partly, this is a questions of skills and training, and the Government has committed resources to funding "skill bootcamps" to train up new HGV drivers. However, there is also a regulatory dimension to labour shortages in the sector.

The Driver Certificate of Professional Competence (CPC) is the certification required to drive HGV in the UK and is a European measure that was retained after Brexit. The CPC is an additional licence that drivers must secure in addition to a basic driving licence. It must also be renewed every five years, and there is no cap on the cost of the CPC course, which can be a deterrent to potential new drivers. Drivers over the age of 65 must renew their CPC every year, an age which has not been updated to match state pension age.

It is right and proper than those driving HGVs on motorways should be subjected to more regular testing than ordinary drivers. Nevertheless, the UK's regime is stricter than that of other European countries in requiring drivers to undertake a CPC course each time they renew their HGV licence. In Germany, for example, drivers must simply pass a health examination and vision test.

The Government should bring itself in line with other European countries and simply require lorry drivers to pass a health examination and vision test to renew their CPC. Alternatively, the Government could retain the requirement for drivers to retake the CPC course at point of renewal, but the renewal period should be increased from five to eight years. The age at which annual testing is introduced should be increased to match the state pension age.

50,000	*RHA's estimate of the shortfall of lorry drivers*

1 Driver Shortage (rha.uk.net)

M is for Macroprudential Cliff Edges

Regulation	Relevant Authority
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	**Prudential Regulation Authority (PRA)**

The design of the Minimum Requirement for own funds and Eligible Liabilities (MREL) unintentionally creates a prudential cliff-edge for smaller banks, deterring growth.

The Minimum Requirement for own funds and Eligible Liabilities (MREL) is designed to ensure that banks have sufficient capitalisation to absorb losses and thus to mitigate risk to depositors, the financial system and public finances more generally from potential failure. Whilst prudential regulations are important for ensuring systemic stability and consumer confidence, MREL generates a prudential cliff-edge for smaller banks. Small to medium banks are predominantly funded by deposits which are not eligible liabilities under MREL. To meet MREL requirements, such banks would be required to issue unsecured debt which is expensive for institutions that lack regular access to capital markets. The indicative thresholds for MREL are established by the Bank of England Resolution Authority and are currently set at a balance sheet size of £15 billion to £25 billion.[1] This disincentivises banks from expanding, acts as a drag on growth, and reduces aggregate lending in the real economy.

The Government should introduce a taper rate for the MREL to eliminate disincentives for expansion, as well as raising the minimum threshold.

1 Bank of England, *Discussion Paper: A Bank of England Review of its Approach to Setting a Minimum Requirement for MREL*, 2020.

N is for Nutrient Neutrality

Regulation	Relevant Authority
Conservation of Habitats and Species Regulation 2017	Natural England; National Planning Policy Framework (NPPF)

Current planning rules fail to take into account mitigation schemes that address nutrient neutrality. This is holding up the construction of approximately 100,000 homes with planning permission.

In accordance with a judgement made by the Court of Justice of the European Union and existing EU-derived domestic legislation, Local Planning Authorities are only able to give permission for development in a Special Protected Area if they are certain that it will not adversely affect nutrient levels.

Nutrient neutrality is a legitimate objective in ecological conservation, as increased levels of certain nutrients (in particular phosphorus and nitrogen) can lead to eutrophication and the loss of biodiversity.[1] However, the current way which these rules are being applied is disproportionate to the potential gains from such regulation.

Furthermore, although Natural England have provided advice on mitigation strategies, in practice, the planning system fails to take these into account when judgements are made on the deliverability of sites. The consequence has been an effective "moratorium" on all development in 74 local authorities and a significant drop in build-out rates.[2]

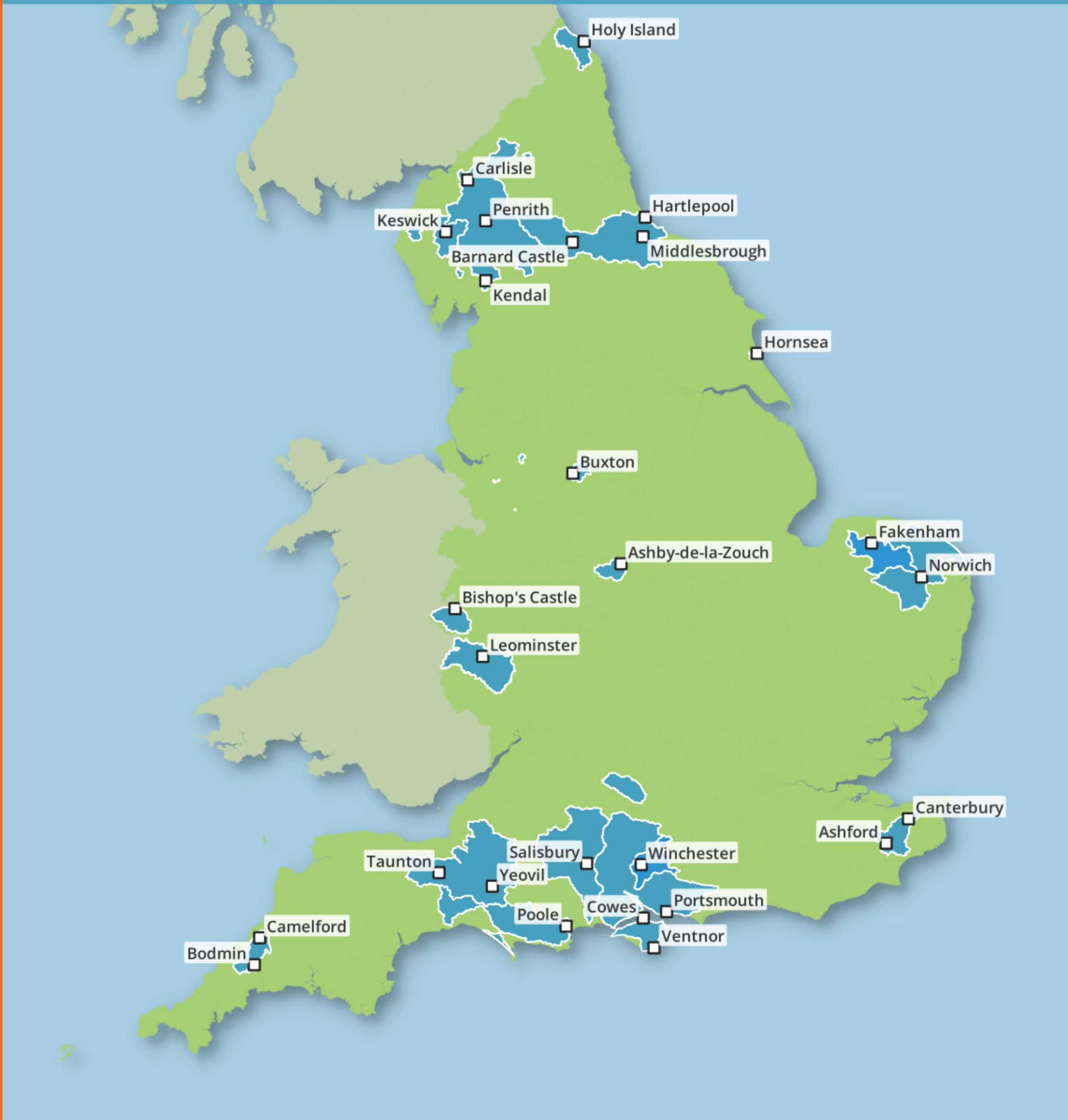
The House Builders Federation estimates that **plans for around 100,000 homes are currently being held up by guidelines on water pollution**; an earlier set of estimates suggested that a reduction of the number of new homes delivered as a result of nutrient neutrality concerns would see an "**annual reduction of between £441.8 million and £2.2 billion worth of economic output being produced by builders, their contractors and suppliers**".[3]

The nutrient neutrality credits announced in the Spring Budget are welcome, but the Government can go further with planning reforms. The *Conservation of Habitats and Species Regulation* should be amended so that planning authorities can take account of mitigation measures, such as upgrading waste water treatment works in the area, in giving permission for development.[4]

100,000	*Number of new homes currently on hold due to concerns about nutrient neutrality*

1 Natural England, *Nutrient Neutrality: A Summary Guide*, June 2022.
2 Savills, "Nutrient Neutrality: what impact is it having on land supply and housebuilding?", 6th October 2021, Link.
3 HBF, *Achieving Nutrient Neutrality for New Housing Development: the economic impact of the under-delivery of housing*, 2022.
4 Amendment NS1 to Levelling-up and Regeneration Bill to Levelling-up and Regeneration Bill - Parliamentary Bills - UK Parliament

Nutrient Advice Areas



Local Government Association: Nutrient Neutrality Catchment Areas

O is for Onshore Wind

Regulation	Relevant Authority
National Planning Policy Framework (NPPF)	**Planning Inspectorate**

The UK has created an implicit presumption *against* the development of onshore wind sites, which has made it difficult to secure planning permission for urgently needed wind energy facilities even if there would be local consent.

It takes less than a year to engineer and build a wind energy facility, but "**it currently takes around 3-5 years to move through the consenting phase which covers the work needed to secure consent and manage the development process through to financial close**".[1] Wind is a clean, renewable source of energy and is cheap for consumers. Expanding wind power generation is thus not only a critical part of the move to Net Zero, but an important step in reducing household energy bills. Delays in the delivery of new onshore facilities jeopardises both these goals, despite the fact that around 80% of the British public support onshore wind development.[2]

One key component of the delay is "unclear guidance" to regulatory bodies and "a lack of streamlining within the [planning permission] process".[3] A footnote in Chapter 14 of the National Planning Policy Framework (NPPF) currently states that wind energy development "should not be considered acceptable unless it is in an area identified as suitable for wind energy development in the development plan; and, following consultation, it can be demonstrated that the planning impacts identified by the affected local community have been fully addressed and the proposal has their backing.".[4] The wording thus creates a presumption *against* the provision of new renewable energy infrastructure, and this constitutes a far steeper test for onshore wind then other "renewable and low carbon development", which the NPPF recognises "provide a valuable contribution to cutting greenhouse gas emissions" and for which applicants are *not* required "to demonstrate the overall need for renewable or low carbon energy."[5]

Chapter 14 of the NPPF should be amended to read that wind turbines also be considered acceptable if they have been proposed in an area identified as suitable in a supplementary planning document – for instance, a Local Development Order or a Neighbourhood Development Order. It should also state that the concerns of local communities should be "satisfactorily addressed", rather than "fully addressed". This will help towards unblocking the arteries of the planning permission process.

3-5 years	*Length of time required to go through planning process for wind energy site*

1 Chris Skidmore, *Mission Zero: An Independent Review of Net Zero*, 2023.
2 BEIS, *Public Attitudes Survey: Energy Infrastructure and Energy Sources*, 2021.
3 Chris Skidmore, *Mission Zero: An Independent Review of Net Zero*, 2023.
4 Department for Levelling Up, Housing and Communities, *National Planning Policy Framework*, 2021.
5 *Ibid*

P is for Pension Liabilities

Regulation	Relevant Authority
Conduct of Business Sourcebook (COBS)	Financial Conduct Authority (FCA); The Pensions Regulator (TPR)

The rulebook on pension liabilities ties up an important source of capital, and drives investment strategies that increase systemic risk, such as Leveraged Liability Driven Investment (LDI).

The economic crisis precipitated by the Mini Budget in the Autumn of 2022 revealed the potential consequences of a regulatory regime that creates perverse incentives. The emergency centred on the leveraged position of LDI funds, a growing sub-sector of the UK pensions market. Like most pension funds, LDI's often match their assets to their liabilities via government bonds with maturities that fit their future pension payments. However, in the context of low interest rates, a practice has arisen in which pension funds look to match their assets and liabilities by borrowing to purchase higher-yield assets like derivatives or real assets. This is called "leveraged LDI".

Interest rates, however, might move to increase the cost of borrowing for the fund. Fund might thus become more leveraged, and to cover the risk, funds give over other assets (gilts) as collateral to their creditor bank. The bank that lent to the fund then sells off the bonds to reimburse the borrowing. This in turn may lead to the underlying asset of the LDI fund rapidly depreciating in value. This is precisely what happened last autumn. Inflationary rises put significant strain on leveraged pension funds, which were increasingly required to post bonds as collateral. This precipitated a doom loop for the value of UK government bonds. The Bank of England was required to step in and reverse its intended policy of quantitative tightening and instead go into the market to purchase gilts. There is concern that "**around £200 billion of pooled LDI funds threatened the £1.4 trillion traded gilt market**, which itself acts as the foundation of the UK financial system…".[1]

Part of the reason that leveraged LDI was used was because of regulations on pension funds (see section on Insurance). This created a perverse incentive for funds to take on riskier strategies to cover their liabilities.

The FCA should issue guidance on the use of LDIs and introduce more disclosure rules. In conjunction with broader reforms to Solvency II that will facilitate investment in infrastructure, private equity and venture capital, these reforms will promote portfolio diversification in pension funds, reduce incentives for riskier investments and unlock capital for the rest of the economy.

1 Bank of England, "Risks from leverage: how did a small corner of the pensions industry threaten financial stability?", 7th November 2022, Link.

Q is for Quantitative Assessments for Systematic Internalisers (SIs)

Regulation	Relevant Authority
Markets in Financial Instruments Directive II (MiFID II)	**Financial Conduct Authority (FCA)**

The Markets in Financial Instruments Directive II (MiFID II) places an excessive bureaucratic burden on important parts of the financial sector, including Systematic Internalisers (SIs).

MiFID II is a piece of inherited EU legislation containing some 1.7 million rules which set the regulatory framework for the financial sector. Most of these have been retained in British law following our departure from the EU, including the regulations on Systematic Internalisers.[1]

Systematic Internalisers (SIs) are investment firms that on an "organised, frequent, systemic and substantial basis, deals on own account when executing client orders outside a regulated market".[2] They are governed under a bespoke regulatory regime and firms are required to report on an instrument-by-instrument basis whether or not they are operating as an SI, and there is a complex quantitative assessment for whether a firm constitutes an SI. These requirements impose substantial bureaucratic drag on what the Government considers to be an important source of liquidity in the financial markets.[3]

The FCA should allow companies to determine SIs at an entity level rather than on an instrument-by-instrument basis, moving towards a qualitative definition of SI which would reduce the costs to firms of compliance.

1 Politeia, *Rules for the Regulators: Regulating Financial Services After Brexit*, 2022.
2 Financial Conduct Authority Handbook, "Systematic Internaliser", Link.
3 HM Treasury, *Wholesale Markets Review: Consultation Response*, 2022.

R is for Regulation of Point of Care Products

Regulation	Relevant Authority
Medicines and the Medical Devices Act 2021	**Medicines and Healthcare Products Regulatory Agency (MHRA)**

Medicine regulations are geared towards the development of products that have a long shelf life and are manufactured at scale in factories. This poses a significant regulatory barrier to the development of cutting-edge Point of Care (POC) products.

The UK has the capacity to be a global superpower in the life sciences. It possesses two of the top five universities for the subject in the Times Higher Education world rankings, and on clinical research, the UK is one of the top three destinations for pharmaceuticals to undertake commercial early phase trials.[1]

Nevertheless, as identified in the Government's *Life Sciences Vision* paper, there are areas in which regulation in deterring innovation, one of which is new Point of Care (POC) products. These medicines are highly personalised and tailored to specific patients or places and include products such as Advanced Therapy Medicinal Products and 3D-printed small molecules. They often have a short shelf life and so must be manufactured near to points of distribution and use.

The current regulations – based on a "standard model" in which products are manufactured at a small number of centralised factory sites and supplied globally – constitute a significant regulatory barrier for these highly personalised medicines that must be manufactured on demand.[2] They require each manufacturing site to be inspected, authorised and named on the Marketing Authorisation – an onerous requirement for a model based on multiple dispersed manufacturing sites and an obstacle to increasing capacity.

The Government should introduce a streamlined regulatory framework for Point of Care (POC) products to support the development of innovative medicines which need to be manufactured at distribution locations. This should be based on a model in which a central "Control Site" is licensed and can then authorise multiple manufacturing sites. This will expedite the scaling up of new manufacturing capacity.

1 BEIS, *Life Sciences Vision*, 2021.
2 MHRA, *Government Response: consultation on proposals to support the regulation of medicines manufactured at the Point of Care*, 2023.

S is for Solar Panels

Regulation	Relevant Authority
Town and Country Planning Act (2011)	**Planning Inspectorate**

Planning restrictions on the installation of solar panels is hampering the expansion of cheap and renewable energy sources and is an obstacle to greater energy autonomy.

Solar power is a significant part of the UK Government's strategy to achieve "Net Zero" by 2050, as well as the move towards greater energy independence. Renewables made up around 40% of total energy generation, and solar PV itself constituted 28% of total renewable energy generation in 2021.[1]

Delays in the planning process, however, are holding up a potential "rooftop revolution" in solar panel installation. In many instances, planning permission is required for households to have a photovoltaic panel fitted onto their homes, with exemptions under Permitted Development Rights. Flats and maisonettes in particular are ineligible for exemptions and planning permission must be secured for installing solar panels on these types of building. The guidelines for ground mounted solar panel installation are also extremely stringent, and consequentially are likely to require permission. Planning permission adds delay and expense to the process of installing solar panels.

Planning permission should be scrapped for installing solar panels on almost all buildings and ground mounts, with the exception of listed buildings where a permissions regime should remain in place. This, in conjunction with a requirement for new builds to have photovoltaic panels installed as standard, will help to drive up solar energy generation after a stall in recent years due to the sunsetting of previous incentive schemes.[2]

1 BEIS, *Digest of UK Energy Statistics*, 2021.
2 MISSION ZERO - Independent Review of Net Zero (publishing.service.gov.uk)

T is for Thresholds in Defence Procurement

Regulation	Relevant Authority
Defence and Security Public Contracts Regulation 2011	**Ministry of Defence; Defence Equipment and Support (DES)**

The minimum threshold for a competitive bid process in defence procurement is too low. This reduces competition and innovation and slows down the delivery of new kit.

Each year, £300 billion of public money is spent on procurement. Defence public procurement in particular is governed by tight rules regarding competition. All tender and contract opportunities valued over £10,000 must go through a competitive bid process. A typical competition would include the following stages:

1. requirement advertised
2. pre-qualification questionnaire
3. invited to tender
4. independent assessment
5. supplier selection
6. contract award.[1]

This process is clearly justified for higher value public procurements that the Ministry of Defence undertakes and helps to ensure good value for the UK taxpayer. However, when applied to smaller value contracts, these regulations are hampering the development of domestic SME suppliers and thus hindering effective competition in the sector. Smaller manufacturers of specific components, systems and unit manufacturers in the UK are hampered by the delays and regulatory burden imposed by the competitive bid process. Often, larger overseas manufacturers and suppliers outcompete domestic businesses because they have a greater capacity to absorb the regulatory burden imposed by the procurement process.

The minimum threshold for tender and contract opportunities to be subject to a competitive bid process should be raised to at least £100,000. In addition, the Government should simplify and digitise processes for public procurement to reduce delays and ensure prompter payment for contracts. Finally, a reserved competition process for tender and contract opportunities under a given threshold should be introduced, in which only domestic suppliers or British SMEs would be eligible. Together, these measures will ensure that our armed forces are in possession of the most cutting edge and up-to-date kit, whilst also supporting UK businesses.[2]

1 Ministry of Defence, Guidance: The Ministry of Defence Procurement Process, Link.
2 House of Lords, *Briefing Paper: Procurement Bill*, Link

U is for Underspend of Apprenticeship Levy Funds

Regulation	Relevant Authority
Apprenticeship Levy	HM Revenue and Custom (HMRC); Department for Education

The processes that allow large businesses to transfer levy funds to SMEs in their supply chain is burdensome and bureaucratic, meaning a large proportion of the funds go unused.

The Apprenticeship Levy was introduced in 2017 to increase investment in skills training. Every company that has an annual payroll bill of over £3 million must commit 0.5% of that bill, minus an apprenticeship levy allowance of £15,000 per financial year. This levy is paid into an apprenticeship service account, which the Government tops up by 10%.[1] These funds expire after 24 months, after which they cannot be used on training and are reinvested by the Government. According to FOI data submitted by the Department for Education, approximately £3.5 billion of levy funds have expired without being used since the programme began.[2] Large firms can transfer 25% of their annual contributions to smaller companies; however the process for transferring funds is unnecessarily complex. The EEF reports that only 7% of manufacturers experienced "no challenges with the system".[3] A study for the Federation of Small Businesses similarly found that the complexity of the system was the greatest barrier cited by HR professionals to transferring more levy.[4]

The cap on annual levy fund transfers should be lifted so that larger companies can invest in SMEs in their supply chain, and the process for transfers should be simplified. Additional regional levy transfer schemes, such as those piloted in the West Midlands and Greater Manchester, should be implemented.

£3.5 billion	*Funds unspent since introduction of Apprenticeship Levy*

1 House of Commons Library, "Effectiveness of the Apprenticeship Levy", 2020, Link.
2 City and Guilds, *Levying Up: Delivering Sustainable Skills*, 2023.
3 House of Commons Library, *Apprenticeships Policy in England*, 2023.
4 https://www.fsb.org.uk/resource-report/scaling-up-skills.html

V is for Vehicle regulation: E-Scooters

Regulation	Relevant Authority
Road Traffic Act (1988)	**Department for Transport; Driver and Vehicle Standards Agency (DVSA)**

Existing regulations treat sustainable, affordable and easy to ride e-scooters as if they were cars. This sets a high regulatory burden upon e-scooter providers.

E-scooters are becoming a common sight in UK towns and cities. Voi, the largest e-scooter hire company in the UK, has seen nearly 1.2 million people take 21.5 million rides in the UK over the last two-and-a-half years of its trial scheme, generating over £50 million in local economies.[1]

However, there is considerable uncertainty about the regulation of e-scooters after the trial periods for current schemes are due to end. As it stands, the Department for Transport classifies e-scooters as "powered vehicles" and thus subject to the same rules and regulations as cars. Users are therefore required to have insurance, driving licences and number plates, despite the fact that in size, weight, power and speed, they are closer to an e-bike which is categorised differently and regulated more loosely. This is excessive and may deter the uptake of this affordable, accessible and environmentally friendly mode of transport.

E-scooters should be regulated in the same way as electric bikes: anyone over the age of 14 should be permitted to ride one without a driving licence on the road and in cycle lanes. They should continue to be prohibited on pavements, and the Government should require operators to ensure that e-scooters are stored in such a way that they do not clutter streets.[2]

1 Voi, "Press Release: Call for e-scooter legislation to secure future of revolutionary and sustainable new transport" 8th February 20223, Link.
2 Transport Select Committee, *E-scooters: pavement nuisance or transport innovation? Third Report*, 2020.

W is for Window Height Restrictions

Regulation	Relevant Authority
Regulation "O", Building Regulations (2010)	**Department for Levelling Up, Housing and Communities (DLUHC)**

Minimum height restrictions for windows are holding up housebuilding and making it more difficult for developers to build homes that fit into local styles.

"Part O" of the Building Regulations sets out the regulation for overheating mitigation. The "Approved Document", which came into force in the summer of 2022, sets out that non-ground floor windows should be at least 1.1 meters from the floor. The regulation was introduced as a health and safety measure: to mitigate the risk of people falling out of open windows.

Whilst well meaning, this regulation has regrettable unintended effects. Firstly, it will affect the natural sunlight into non-ground floor rooms, and a seated adult or small child will have their sightlines out of the window impaired. The options for mitigation - including "fixed guarding" or bars – set out in the Approved Document, will be aesthetically detrimental to new homes. Either way, these regulations will make it harder for developers to build homes in keeping with existing vernacular styles in suburban contexts. Moreover, this regulation is holding up housebuilding; many developers have been required to resubmit planning applications as a result of these regulatory changes, and the mitigating measures will increase their construction costs in the long run.[1]

There is little suggestion that this is a serious problem that requires fixing, either. When it comes to children, the most at risk group, A 2018 report by Public Health England found that for under-fives there had been five deaths in the previous five years from falls out of buildings, and even then, some of these will have been from balconies rather than through windows.[2]

The minimum height regulation on windows adds an excessive layer of bureaucracy onto the housebuilders at a time of economic downturn and chronic supply shortage in the sector. It should be scrapped.

1 The Telegraph, "New homes to be built with bars in windows to prevent people from falling out", 21st September 2022, Link; Conservative Home, "Nicholas Boys Smith: Scrap this absurd windows regulation that makes rooms darker", 10th October 2022, Link.
2 Public Health England, *Reducing unintentional injuries in and around the home among children under five years*, 2018.

X is for eXcessive Labelling and Packaging Requirements

Regulation	Relevant Authority
UKCA marking	Department for Environment, Food and Rural Affairs (DEFRA); Department for Business and Trade (DBT)

Excessive regulations on packaging and labelling are increasing unit costs for producers and being passed on to consumers.

The UK has inherited a number of European regulations and directives regarding labelling and packaging that add costs on to producers but make little difference to the quality of products. These requirements for additional materials and labelling add to unit costs and thus pushes up the price of goods for consumers.

In particular, the EU does not allow for the electronic display of market compliance and relies exclusively on physical marking. The CE mark, for example, is required to indicate compliance with health and safety standards for a range of commercial products but must be a physical marking of "at least five millimeters... placed on to the product or to its data plate".[1]

Since leaving the EU, the UK has introduced a UKCA mark, which applies for goods sold in the Great Britain. However, "the rules on affixing the UKCA marking are currently the same as for affixing the CE marking".[2] This is generating unnecessary costs for UK businesses. In the EU, for example, companies pay around €4 billion on compliance, with 20% of that being made up by compliance information. Digital Europe has estimated that the introduction of **e-labelling could reduce the cost of indicating compliance by 15% in certain sectors**.[3] The UK and EU are currently international outliers; the USA, Australia, Singapore and Japan have all introduced e-labelling schemes to reduce the cost of compliance for business.[4]

The Government should allow companies to demonstrate market compliance by digitising the UKCA mark for goods sold in Great Britain, and should seek to extend e-labelling to other compliance schemes.

15%	*Estimated savings on compliance costs through e-labelling*

1 BEIS, "Guidance: CE Marking", 14th November 2022, Link.
2 BEIS, "Guidance: Using the UKCA marking", 14th November 2022, Link.
3 Taskforce on Innovation, Growth and Regulatory Reform, *Final Report*, 2021.
4 *Ibid*

Y is for YIMBYS and Street Votes

Regulation	Relevant Authority
Planning (Street Plans) Bill; National Planning Policy Framework (NPPF)	**Planning Inspectorate**

Planning restrictions on the development and improvement of existing residential structures is minimising urban density and constraining housing supply.

UK cities are less dense than their international comparators. London is about half as dense as Paris, and a third as dense as Barcelona.[1] Low densities contribute to the chronic shortage of housing in our cities, sap productivity, and adversely affect labour mobility.

A key factor in low UK urban densities is the planning system. Under the current regime, a street-level community who might want to develop existing structures cannot vote to do so themselves and must go through the same burdensome planning permission process as any other proposed development – even when their proposals are overwhelmingly supported by residents. Going through this process also carries the risk that nearby residents might raise objections and complaints that could jeopardise the proposed development itself.

This not only undemocratic – why shouldn't consenting residents on a street be able to extend existing properties, so long as they adhere to building regulations? – but prevents local neighbourhoods from adding gentle and sustainable density to their areas.

The Government should expedite the Planning (Street Plans) Bill through to Royal Assent – allowing streets to introduce their own plans to increase density.

1 Select Committee on Economic Affairs, *Oral Evidence: Building more homes – follow up*, 2020.

Z is for Zoos: Transfer of Animals

Regulation	Relevant Authority
Sanitary and Phytosanitary (SPS) Checks	Department for Environment, Food and Rural Affairs (DEFRA)

Regulations on the transfer of zoo animals are jeopardising endangered species.

Breeding programmes are vital for preventing endangered species of animals becoming extinct. Such programmes usually require animals to be transported from zoo to zoo, and across borders. However, since the UK departed from the EU, new controls on the transport of animals into the European Union were introduced called Sanitary and Phytosanitary (SPS) Checks. These are conducted at border control posts, but none of these currently exist at French ports, which has produced a dramatic reduction on the transfer of large animals.

In 2022, just 211 animals were moved from the UK to Europe.[1] The London Zoo in particular used to transfer 400 animals a year to European zoos. Last year it moved just 38.[2] This is posing a risk to biodiversity and threatens the existence of a number of endangered species. In comparison, the transfer of endangered species in American zoos is coordinated by the Association for Zoos and Aquariums (AZA). The AZA runs coordinates nearly 500 Species Survival Programs (SSPs) across 215 accredited institutions in the United States. The AZA ensures high levels of animal welfare and protection whilst facilitating the smooth transfer of endangered animals for the purpose of breeding.

The Government and the European Union should introduce a trusted zoo scheme whereby endangered species can be transferred amongst registered zoos via a green lane. This scheme would require documentation submitted in advance but would exempt transfers of endangered species between registered zoos from physical checks at border control posts.

1 British and Irish Assocation of Zoos and Aquariums, "Open Letter to the Prime Minister, 30th January 2023, Link.
2 The Times, "Horny Rhinos Can't Breed Because of Brexit, Warn Zoos", 30th January 2023, Link.

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Policy Exchange
1 Old Queen Street
Westminster
London SW1H 9JA

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