

ESCAPING THE MAZE

HOW SMALL BUSINESSES CAN THRIVE
UNDER THE BRITISH COLUMBIA REGULATORY MODEL

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WHO WE ARE

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation, led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including legal advice, financial expertise, access to finance, support, and a powerful voice in government. FSB is the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and England policy issues. Further to this, our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

ESCAPING THE MAZE:

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22%

of businesses reported **changing business costs** due to regulations



18%

of small businesses reported a **reduced understanding of business regulations** following Brexit



37%

of small businesses had a **worse understanding** or **don't know the impact** of post brexit regulations



40%

of small firms say **data protection** is the **most burdensome regulation**



34%

of small firms say the **most burdensome regulations** are from **tax**



31%

of small firms say **employment issues** are the **most burdensome regulations**

Between 2001-04, **regulations in British Columbia** were reduced by **37%**

By 2018, **regulations in British Columbia** had been reduced by **49%**



CONTENTS

Foreword	5
Recommendations	6
Executive summary.	7
Introduction	8
UK regulatory environment for small business	9
Regulatory barriers for small business	11
The British Columbia Model.	13
Applying the Model	16
Applying the principles in the UK context	25
Methodology	27

FOREWORD

There has never been a better opportunity, nor a greater need, to reform the UK regulatory environment. Across several years, small businesses have looked to Government to lighten the burden of regulation. The economic impact of the coronavirus pandemic merely added to the urgency of reform. Office of National Statistics (ONS) data gathered in November 2020, showed that half of the business community experienced a decrease in turnover. Of those businesses which continued to trade, seven per cent expected their business to close its site temporarily before December 2020.¹

As is often the case, the small business community was acutely affected by this downturn, with nearly fifty per cent of small businesses projecting a decline in business performance in the first few months of 2021.² Regulation and business performance are intrinsically linked. Where business performance is hindered as a result of an economic downturn, firms become even more aware of the need for regulatory reform.³ As businesses continue to recover from the crippling economic effects of the coronavirus pandemic, the UK regulatory environment must be conducive to economic recovery.

According to the BEIS Small Business Survey, regulations and regulatory requirements continue to be identified as the second greatest obstacle for small employers (43%), after competition in the market (48%). Other named obstacles, taxation (40%), recruitment (36%) and Brexit (26%), were all in some way related to the state of the current regulatory environment.⁴ Regulation and regulatory requirements were the most significant obstacle for businesses in Northern Ireland (56%) and Wales (51%). For sole traders, regulation was still the second most significant barrier (33%), followed by late payment (29%) and taxation (27%). This illustrates the role which better regulation can play in economic stability.⁵

Small businesses are now looking ahead, far more optimistically, with forty-five per cent of firms projecting heightened business performance in the coming months.⁶ The aftermath of Brexit and transition also present an opportune moment for the introduction of proposals towards regulatory reform. Government has demonstrated an intention to meet this optimism with concrete plans to significantly reduce the regulatory burden upon small business. The British Columbia Model is evidence that Governments can significantly reduce this regulatory burden by minimising the volume of regulatory requirements for businesses. Leadership is an important component of the Model's success in the Canadian Province of British Columbia and in Canada more widely. A designated Minister is appointed to oversee departmental progress towards a target of reducing regulatory requirements by one-third in three years.⁷

In January 2021, Government called for business endorsement for post-Brexit regulatory reform to support economic growth in the UK. FSB welcomes Government's thinking on this matter, which aligns with the position of small businesses, fifty-three per cent of which supported post-Brexit regulatory reforms.⁸ Small businesses are also optimistic about the role of the Taskforce on Innovation, Growth and Regulatory Reform (TIGRR)⁹, whose aim is to 'take advantage of [the UK's] newfound regulatory freedom' by way of proposals towards regulatory reform.¹⁰ The details of these reforms are yet to be filled in; this report sets out an approach, in the British Columbia Model, that will maximise the UK Government's chances of capitalising on this opportunity.



Ian O'Donnell
FSB Regulation Policy Chair

1 ONS, 'Business insights and impacts on the UK: 19 November 2020', 2020. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/coronavirusandtheeconomicimpactsontheuk/19november2020#main-points>.

2 FSB Small Business Index Q4 2020, December 2020.

3 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

4 BEIS Small Business Survey Results: Small Employers, 2020.

5 BEIS Small Business Survey Results: No employees, 2020.

6 FSB Small Business Index Q2 2021, 2021.

7 See recommendations.

8 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

9 Prime Minister's Office, 'Taskforce on Innovation, Growth and Regulatory Reform (TIGRR) Terms of Reference', 2021. Available here: <https://www.gov.uk/government/publications/taskforce-on-innovation-growth-and-regulatory-reform/taskforce-on-innovation-growth-and-regulatory-reform-tigr-terms-of-reference>.

10 FSB contributed to TIGRR's research on regulatory reform and outlined the principles of the British Columbia Model.

RECOMMENDATIONS

In line with the British Columbia Model, the UK should set a target of reducing regulatory requirements by one-third in three years. Regulatory requirements resulting from legislation, administrative rules, guidance, policies and regulatory practices should all be included in scope. The detailed principles of the British Columbia Model should be included in the UK's domestic regulatory framework, and the success of the reform should be assessed by the number of regulatory requirements which have been repealed, with an emphasis on ensuring that regulatory requirements are proportionate to the size and complexity of a business.

Government Regulatory Reduction Pilot Scheme: MHCLG should support local government to develop a pilot scheme by which the principles of the British Columbia Model can be tested. Small businesses within the hospitality sector have been burdened by regulatory requirements, many of which have been relaxed as a result of the coronavirus. For instance, small businesses were exempted from having to obtain planning permission in order to operate a takeaway alongside the main business, this easement should be made permanent and there should be an automatic right to operate as a takeaway alongside a main business.

A Minister based in the Cabinet Office should be appointed to oversee the implementation of the British Columbia Model across all government departments and regulators. Government departments and regulators should report to the Prime Minister and the overseeing Minister on a quarterly basis regarding their progress. Government should also formulate an advisory group, with business and regulatory experts, to assist with achieving its target. Small businesses, who often struggle the most with the burden of regulation, should be well represented on this advisory group.

A public central database of all regulatory requirements should be created, with a 'league table' regularly published showing departmental progress against the target. The database should be manually updated by named responsible individuals within each department to allow regulatory bodies to develop a clear picture of the body of regulatory requirements which they are responsible for.

Once the target of one-third has been reached, Government should institute a 'one-in, one-out' rule going forward to maintain that success. Government should also build targets for better regulation into the statutory framework, including a checklist for the proposal of new regulations and a statutory obligation to consider alternatives to regulation where possible.

UK Government including MHCLG should seek to reform the culture of regulation within the UK towards simple regulations and regulatory requirements. A consistent culture focused on good regulation within UK Government will underpin delivery of the one-third target, and maximise the associated benefits to business.

EXECUTIVE SUMMARY

In 2001, the Government of British Columbia imposed a target to reduce regulatory requirements by one-third by 2004.¹¹ By 2004, the province had exceeded its initial target, achieving a reduction of thirty-seven per cent below 2001 levels. As of 2015, it had reduced regulatory requirements by nearly half, relative to the number of requirements in 2001. The reduced number of regulatory requirements helped the province to become one of the best performing economies in Canada, with members of the business community crediting this economic success to a decline in the cumulative burden of regulation.

In 2015, Canada became the first country to impose a statutory cap on regulatory requirements, by way of the Red Tape Reduction Act (RTRA).¹² The purpose of the Act, and those that followed it, was to reduce the number of regulatory requirements imposed by the state across all sectors. The Federal Government of Canada replicated the principles of the British Columbia Model of Regulatory Reform, a successful approach to regulatory reform applied in the Canadian province of British Columbia. The Model was underpinned by six principles: leadership, simplicity, accountability, autonomy, checks and balances and breadth.¹³

This report proposes that the UK Government should adopt this model. The Government should impose a target for reducing the quantum of regulatory requirements in legislation, administrative rules, guidance, policies and regulatory practices by one-third over three years. The Government of British Columbia achieved its target of reducing regulatory requirements by one-third in three years, but quickly surpassed it. The UK Government should aim to do likewise.

The Government of British Columbia deliberately pursued the repeal of regulatory requirements over that of individual regulations. A single regulation can impose several thousand requirements. The UK's small businesses, much like the government of British Columbia, acknowledge the benefits of regulation for business, a proportion of which would be lost through the repeal of entire regulations. FSB survey data shows that seventy per cent of small businesses can identify categories of regulation which are beneficial to them.¹⁴ By focusing on, and cutting, the number of requirements, Government can cut the burden without losing the benefits.

The language surrounding the Canadian reforms, particularly in its latter stages, resonated with business. The Canadian government articulated the distinction between 'red tape' and necessary and justified regulation. This distinction continues to be promoted by the Canadian Federation of Independent Business (CFIB), the country's leading small business advocacy group.¹⁵ Sixty-five per cent of Canada's small businesses stated that excessive regulation significantly reduced business productivity.¹⁶ Similarly, FSB data illustrates that the second most significant impact of regulatory burden upon small business is reduced productivity (36%).

The Government's post-transition focus on regulatory reform presents an appealing backdrop upon which to advance these efforts. The principles of the British Columbia Model should be adopted by the UK Government.

¹¹ Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

¹² Globerman, S, 'Strategies for Deregulation: Concepts and Evidence', 2018.

¹³ Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

¹⁴ FSB, 'Regulation returned: what small firms want from Brexit', 2017.

¹⁵ Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

¹⁶ FSB, 'Regulation returned: what small firms want from Brexit', 2017.

INTRODUCTION

In the years preceding Brexit, the majority of FSB members indicated that the UK's withdrawal from the European Union would provide an opportunity for much needed regulatory reform. The hope was that this reform would significantly lessen the cumulative burden of regulation upon these businesses. Most small businesses can identify at least one aspect of the regulatory environment which acts as a barrier to their business, be that excessive paperwork or complex language.¹⁷ Government now has an opportunity to conduct a wholesale review into the culture of regulation in the UK. A significant element of this culture is the volume of regulation which is produced, as well as the regulatory requirements which are birthed out of individual regulations.

Regulatory requirement:

An action or step that must be taken, or piece of information that must be provided in accordance with government legislation, regulation, policy or forms, in order to access services, carry out business or pursue legislated privileges.

Example: Small employers must submit a written statement of employment for each employee as a day one requirement. Whilst businesses acknowledge the virtue of this requirement, it should not be a day one right as it disproportionately imposes a greater administrative burden upon smaller firms who may lack the resources to do so. Small businesses would welcome an extension beyond day one.

Small businesses continue to be burdened by the volume of regulatory requirements, as well as the quality of those requirements. This distinction between the burden of individual regulations versus regulatory requirements is crucial. Regulatory requirements are duties which fall upon the small business to perform, in line with the broader regulatory landscape in any given category of regulation. Unlike individual regulations which are often too technical for small businesses to understand without the use of an external advisor, regulatory requirements are far more easily discerned. As such, small businesses can identify requirements that are unnecessary or duplicitous.

Cumulative burden of regulation:

The burden of complying with large volumes of regulatory requirements across several categories of regulation.

Whilst regulations can often be justified when looked at in isolation, the cumulative burden of regulation continues to pose a recurring challenge. FSB data found that two thirds of the small business community perceive the current domestic regulatory environment to be more of a burden than a benefit to their business. This challenge is not limited to the UK, most OECD countries have tried and failed to reduce the overall regulatory burden which impedes growth and productivity in the small business community.¹⁸ However, there has been one distinct exception in the Canadian province of British Columbia.

The regime of regulatory reform, which was implemented in 2001, has resulted in a reduction of nearly half of the province's regulatory requirements, exceeding an initial target of one third.¹⁹ Owing to this success, the principles were enshrined under Canadian federal law. By adopting the key elements of the British Columbia Model, the UK Government can achieve similar improvements in its regulatory system. This will foster growth for small businesses, which will allow them to contribute more significantly to the UK economy.

The success of the Model was driven by a decision to reform the culture of regulation within Government. It was this renewed philosophy which drove individual departments to devise regulatory requirements only when absolutely critical. Several key characteristics of the model, including political alignment, clear targets, transparency and accountability, underpinned this success.²⁰ Small businesses are conscious of the appetite for regulatory reform within the UK Government and perceive this to be an opportunity for lasting and significant change.

17 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

18 Nicoletti, G and Scarpetta, S, 'Productivity and Growth: OECD Evidence', Economic Policy, Volume 18, No. 36, 2003.

19 Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

20 Jones, L, 'Lessons from the British Columbia Model of Regulatory Reform: Testimony to the House Committee on Oversight and Government Reform', 2018.

UK REGULATORY ENVIRONMENT FOR SMALL BUSINESS

There are few barriers more burdensome to small businesses than a poor regulatory environment. Small businesses often suffer disproportionately compared to larger competitors due to resource constraints.²¹ Many small businesses find at least one aspect of the current regulatory environment to be a barrier to their success.²² According to an FSB survey, two thirds of the small business community perceive the current domestic regulatory environment to be more of a burden than a benefit to their business. FSB data collected in the summer of 2020 reaffirmed this.²³

The UK regulatory framework is well regarded as one of the best functioning systems in the world, but it is not without its faults. The foremost of these being the volume of regulatory requirements with which businesses are expected to comply. This ‘cumulative burden’ of regulatory requirements acts as a barrier to business success. Small businesses have reported that the burden of complying with regulatory requirements often results in lower levels of productivity, innovation and a greater financial burden, owing to the need for external advice. Deficiencies in the regulatory system such as poor design, complexity and inconsistencies make it difficult for businesses to comply with regulatory requirements, and as such contribute to the burden upon the UK’s smallest businesses. Government and regulators must reform the culture which surrounds the proposal of new regulations under the domestic framework. Regulatory agencies must also advance towards a minimalist framework under which only necessary requirements are retained.

Regulatory requirements should be distinguished from entire regulations. Regulations are rules, instituted through statute, guidance or by a regulatory body, with which subjects must comply.²⁴ Regulatory requirements are the actions which businesses are expected to take in order to comply with specific sections of regulation. The Health and Safety at Work Act 1974 and the Data Protection Act 2018 are two examples of statutory regulations. Industry standards such as the Financial Reporting Standards and the ISO Standards for Manufacturing are not statutory, but often impose requirements upon businesses.

One section of a regulation can impose a number of regulatory requirements. Pursuant to data protection law, businesses must obtain consent from clients to process their information, which can be time consuming for the smallest businesses. Small businesses are expected to understand the purpose of the regulation and be capable of deciphering the obligations contained within it, as it pertains to them. Whilst businesses appreciate the benefit of these regulations, they are significantly impacted by the burden of complying with them.

One example of a burdensome regulatory requirement was imposed at the height of the coronavirus pandemic. Government roll-out of workplace testing required business owners to provide their company number before signing up. Smaller firms were disproportionately affected by this, sole traders were shut out of the system and smaller employers risked losing customers as a result of any delays caused by having to retrieve this number. This is an example of how a focus on reducing regulatory requirements (i.e. the requirement to produce a company number), rather than removing entire regulations, can deliver benefits.

Action is also needed to prevent ‘blue tape’²⁵, which is too often imposed alongside statute-driven regulation, subsequently making it far more difficult than necessary to operate a small enterprise. Insurers, for example, and those carrying out inspections on businesses, are also making additional, cumbersome requirements on smaller firms.

21 Kitching, J, Hart, M, Wilson, N, ‘*Burden or benefit? Regulation as a dynamic influence on small business performance*’, ISBJ, 2013.

22 FSB, ‘*Regulation returned: what small firms want from Brexit*’, 2017.

23 FSB coronavirus recovery survey 2020.

24 Kjaer, P, ‘*Regulatory governance: rules, resistance and responsibility*’, 2018.

25 Health and Safety Executive, ‘*Understanding the Impact of Business to Business Health and Safety ‘Rules*’, 2019.

Blue Tape:

Blue Tape are obligations imposed not by government regulation, but by businesses or business intermediary organisations

Example: The local government food hygiene rating scheme gives businesses a rating which is displayed at their business before they can trade at cater certain events. Physical rating certificates should be issued more quickly. Local Governments should merge the first two stages of the certification process by allowing businesses both to register and complete pre-inspection documents online, leaving only the inspection to be completed in person.

In 2008 FSB endorsed the Better Regulation Executive's newly instated principles for regulatory reform: proportionality, accountability, consistency, transparency and targeting, however, since then Government could have done much more to attend to the specific needs of the small business community.²⁶ Nearly a decade later, in 2017, FSB members identified regulatory reform as the leading policy issue to address, post-Brexit (53%).²⁷ This sentiment has since been echoed in the BEIS small business survey results to date.

FSB data gathered in the summer of 2020 showed that small business understanding of the regulatory landscape was not improved by Brexit.²⁸

Previous FSB data illustrates that regulatory requirements are harder to comply with where businesses lack an understanding of the regulations.²⁹ This concern is common across all sizes of small business, from those without employees (56%), to those with up to nine employees (54%) and those with up to 249 employees (49%). Eighteen per cent of small businesses reported that they had a worse understanding of business regulations following Brexit. Much of this is owing to the fragmented approach taken to the introduction of domestic regulations, compounded by the regulatory implications of the UK's departure. Thirty-seven per cent of small businesses either had a worse understanding of the regulatory framework or could not recount the impact of Brexit upon their understanding of the regulatory landscape. These figures illustrate the detachment of the smallest businesses within the UK, where business regulation is concerned. Only nine per cent of respondent businesses reported an improved understanding of business regulation following Brexit.

According to commercial law firm Linklaters, as of the 26th of February 2021, over 1032 Brexit-related regulations have been created since July 2018, spanning several areas of law.³⁰ Many of these will have imposed new obligations upon small businesses. More broadly, approximately fifty per cent of business regulation in the UK and up to seventy per cent of regulations introduced from the early 2000s flow directly from the EU. This rapid increase in regulatory requirements has led to a situation where it is difficult for a small business to be satisfied that they are fully compliant. It is apparent that the process for creating domestic legislation does not consider the cumulative implications upon smaller businesses. Hence, this report proposes that Government adopt a revised approach to 'better regulation' in accordance with the British Columbia Model.

As we look ahead towards post-transition regulatory reform, Government must acknowledge that effective reform cannot be achieved simply by doing away with the regulations which are perceived to be the most burdensome. Regulations preserve the integrity of UK markets and are critical to the proper functioning of industry. Businesses understand the benefit of these and expect Government to adopt a wholesale approach focussing on the cumulative burden of regulatory requirements across a number of industries. The effect of specific regulations is later detailed in this report.

26 Response from the Federation of Small Businesses, 'Regulatory Reform Committee Inquiry: The Better Regulation Executive and the Impact of the Better Regulation Agenda', 2008.

27 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

28 FSB coronavirus recovery survey 2020.

29 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

30 Linklater, 'Brexit Statutory Instrument Tracker', 2021. Available here: <https://www.linklaters.com/en/insights/thought-leadership/brexit/brexit-si-tracker>

REGULATORY BARRIERS FOR SMALL BUSINESS

A burdensome regulatory environment impacts small business in many ways.³¹ FSB survey data found that over fifty per cent of small businesses saw reduced profitability as the leading burden incurred by having to monitor, understand and comply with regulatory demands. Thirty per cent of small businesses did not employ anyone because of the regulatory burden. Those that did would only have had to contend with further regulatory requirements under employment law, which small businesses have identified as one of the most burdensome categories of regulation (31%). Coupled with innovation, the next most significant impacts were stifled workplace expansion (34%) and increased prices to absorb costs (30%). Of those respondents who found at least one aspect of the regulatory environment to be a barrier to business success, one in seven changed their business model due to regulatory requirements. One-in-ten did not enter a new market because of regulation. SMEs make up 99 per cent of all businesses in the UK, therefore the detrimental impact of the regulatory environment upon smaller businesses can have significant consequences for the wider economy.

Data from the annual BEIS Small Business Survey has consistently ranked regulation as a leading barrier to business success.³² Results from the 2020 iteration of the survey found that sixty-nine per cent of small businesses thought regulation to be the foremost obstacle to the success of their business, an increase of three percentage points from 2018. These worries were echoed throughout the UK, with an increased number of small businesses in Northern Ireland (56%) and Wales (51%) mentioning regulation and red tape as the primary obstacles to business success. Regulation remains the highest ranked barrier caused by deliberate 'public policy' choices.

These findings align with FSB survey data which found that 'reducing red tape' was the issue cited most frequently by members as the problem they wanted the Government to prioritise.³³ In practice, ninety per cent of small businesses perceive at least one aspect of the regulatory environment to be a barrier. FSB found that sixty-two per cent of its members thought that the burden of the regulatory environment currently outweighs the benefits.

According to an FSB survey, seventy-five per cent of small businesses can identify the category of regulation which they are most burdened by. Of this group, 73 per cent perceive a simplification of regulatory requirements to be the most appropriate resolution. Forty-three per cent of small businesses agreed that partial exemptions for small businesses would reduce the cumulative impact of regulation. Taking the regulatory changes which resulted from the coronavirus pandemic as an example, whilst the introduction of exemptions on regulatory matters such as corporate governance temporarily reduced the regulatory burden upon small businesses they did not target the most burdensome regulatory requirements.

FSB data, collected in 2017, shows that the most relevant types of regulation for small businesses prior to EU withdrawal were Health and Safety (71%), Employment Law (62%), Data Protection (59%), Company Law (50%), Pensions (46%) and Tax Administration (46%). These areas of regulation were largely common across businesses of all sizes and sectors. Many of the same regulations were cited as beneficial for a number of reasons, for instance compliance with health and safety regulations fostered consumer trust, productivity and allowed for a level playing field with competitor firms. For smaller employers, employment regulations contributed to business productivity and efficiency. It also increased trust amongst customers. When considering the elements of these regulations to do away with, Government should keep these benefits in mind. However, FSB data explored in the upcoming section shows that business confidence in the benefits of regulation were greatly reduced at the height of the pandemic.³⁴

31 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

32 BEIS Small Business Survey Results: Small Employers, 2020.

33 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

34 FSB coronavirus recovery survey 2020.

FSB's 2017 report on firms' expectations of the regulatory environment following Brexit outlined the aspects of the regulatory environment which act as the biggest barriers to business success.³⁵ Over half of small businesses thought this to be the overall quantity or the 'cumulative burden' of these rules, followed by poor design (30%) and complex or inconsistent language (21%).

The British Columbia Model of regulatory reform, which this report proposes, was successful in reducing the cumulative burden of regulation upon businesses by one-third in three years.³⁶ The next section considers the model in detail, whilst the following section explores the specific categories of regulation which impose the greatest burden upon the UK's smallest businesses.

³⁵ FSB, *'Regulation returned: what small firms want from Brexit'*, 2017.

³⁶ Jones,L. cited in Broughel, J and Jones,L, *'Effective Regulatory Reform: What the United States Can Learn from British Columbia'*, 2018.

THE BRITISH COLUMBIA MODEL

The difficulties that various UK Governments have faced in reforming the regulatory system are replicated across several OECD countries, with one distinct outlier in the Canadian province of British Columbia.³⁷ Prior to reform, British Columbia had gained a reputation for excessive, unnecessary and duplicative regulation. Example regulatory requirements included specific nail sizes for use when building bridges over streams and specifications for televisions in restaurants.³⁸

A target-driven regulatory reform regime in British Columbia was proposed and implemented in 2001, by the newly elected government. These reforms were driven by years of economic underperformance due to regulatory market barriers. The extensive programme of regulatory reform resulted in a sustained, long-term improvement in the regulatory environment. The government of British Columbia achieved a reduction of just under half of its regulatory requirements between 2001 and 2018. The momentum of the reforms has become self-sustaining. At the same time British Columbia has not seen a decline in health, social and environmental outcomes.

The British Columbia Model has several characteristics which have been central to its success. These include strong political leadership, simple, clear yet robust metrics on which to base the implementation of the policy, transparency and rigorous accountability for performance.³⁹ The British Columbia Model is, by-far, the most successful attempt of an OECD country at dealing with the cumulative burden of regulation.⁴⁰ The key elements should be adopted by the UK Government so that a similar improvement in the regulatory environment can be brought about here.

Table 1: Reduction of regulatory requirements under the British Columbia Model⁴¹

Source: Government of British Columbia, Ministry of Small Business and Economic Development.

2001-2004	Regulatory requirements reduced by thirty-seven per cent
2018	Regulatory requirements reduced to forty-nine per cent below 2001 levels

Around sixty per cent of the regulatory requirements eliminated were administrative rules.⁴² These were regulations which were instituted by regulatory bodies and Government departments, the equivalent of regulatory requirements set by the UK's Health and Safety Executive (HSE), Financial Reporting Council or Companies House. The remaining forty per cent were requirements found in primary or secondary legislation. Where such rules go beyond the strict legal requirements, they create additional regulatory requirements, some of which are not necessary to achieve the ultimate aim. The British Columbia Model has a notable record of longevity. Its success has been sustained over 20 years. Not only has the reduction in regulatory requirements been maintained but the total number of regulatory requirements has continued to fall, because of the design of the model and the cultural change that it inculcated in Government Departments, agencies and regulators.

FSB data shows that the cumulative burden of regulation continues to be the foremost barrier to business success within the small business community. Poor design is the second most reported barrier, followed by complexity and inconsistency. The regularity and the extent of monitoring, reporting and recording requirements is the fourth most cited problem. These *'four dimensions'* of the regulatory environment are interconnected. A large quantity of regulation leads inevitably to greater complexity and a much greater likelihood of duplication, conflict, obsolescence (of rules) and inconsistency across the corpus of laws and requirements that business is subject to.

The Government of British Columbia identified and implemented a reform policy that has significantly reduced the quantity of regulation on business. Reducing the cumulative burden of regulation led to an improvement in the design of regulation. Complexity and inconsistency across regulations was significantly reduced as many regulatory requirements were repealed. The success of the British Columbia Model was largely a result of the commitment of the initiating Government to its numerical

37 Nicoletti, G and Scarpetta, S, 'Productivity and Growth: OECD Evidence', Economic Policy, Volume 18, No. 36, 2003.

38 Jones, L, cited in Broughel, J and Jones, L, 'Effective Regulatory Reform: What the United States Can Learn from British Columbia', 2018.

39 Jones, L, Gormanns, N and Wong, Q, 'Canada's Red Tape Report with U.S. Comparisons', Toronto: Canadian Federation of Independent Businesses and KPMG, 2013.

40 Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

41 Government of British Columbia, Ministry of Small Business and Economic Development, Ministry of Small Business and Economic Development Deregulation Report, October 2014.

42 Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

targets. The target, set in 2001, to reduce regulatory requirements by one third in three years and to maintain that reduction meant that a 'hard cap' was agreed at the outset.⁴³ This target setting approach also helped to change the culture within regulators and government departments to one where regulatory requirements were only attached to the most important rules. Previous attempts at regulatory reform in British Columbia failed for lack of numerical targets, towards which all regulatory bodies could aspire. In 1998, the then government assembled a Small Business Task Force which focused on streamlining registration requirements and simplifying approval processes. The success of the model beyond the initial three-year period can be credited to small businesses, who persuaded government to maintain the target-driven system beyond the initial date.

The Government of the British Columbia Model instituted these changes in accordance to seven principles identified below. These principles were *leadership, simplicity, accountability, autonomy, incentives, checks and balances and breadth*. These seven principles will also be examined with regard to the incorporation of the British Columbia Model in the UK.

The Seven Principles underpinning the British Columbia Model⁴⁴

Leadership: The Government of British Columbia made regulatory reform a strategic priority, appointing an overseeing minister to monitor the progress of the reduction of regulatory requirements. The dedicated minister and his team were focussed on reducing regulation with oversight of the implementation of the policy and its operation in departments and across Government.

Simplicity: The Government of British Columbia introduced clear and simple metrics by which to monitor the progress of regulatory reform. The principal metric was the number of regulatory requirements which were repealed within a particular timeframe. Efforts by others at regulatory reform have failed because of the complexity and inaccuracy of the associated metrics.

Accountability: Progress was regularly discussed at Cabinet level, with formal quarterly progress reports required of all departments. The dedicated Minister, initially the Minister of State for Deregulation, later replaced by the Minister of Small Business, oversaw the policy. The Minister's team monitored activity and published updated data on progress. Key stakeholders, including business groups, were involved through a formal consultative committee, which acted as a forum for additional pressure on the Government to continue the programme and ensure it was meeting its goal towards a one-third reduction over three years. Government departments and regulators alike worked towards the same objective with minimal exceptions. This approach reduced the opportunities for trading between departments.

Autonomy: Government departments and their agencies compiled an inventory of the regulatory requirements that fell within their jurisdiction. Across all departments and agencies more than 380,000 regulatory requirements were identified. The manual act of compiling the inventory was important and instructive for departments. It ensured that civil servants and regulators developed a comprehensive picture of the range of measures which they are responsible for and how they can impact business and civil society. Critically, Government departments had significant autonomy, outside of ministerial direction, to decide which regulatory requirements were reviewed and repealed.

Culture and Incentives: Government departments were allowed to bring forward proposals for other reforms so long as their regulatory requirements reduction targets were met first. Departmental focus on the most important regulatory requirements meant that new proposals were only brought forward by necessity. Proposals for the introduction of new requirements were limited by internal checks and balances – *this process is explained below*.

⁴³ Jones, L, 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

⁴⁴ Jones, L, cited in Broughel, J and Jones, L, 'Effective Regulatory Reform: What the United States Can Learn from British Columbia', 2018.

Checks and balances: The Government of British Columbia placed departments under a strict one-in, two-out rule for new regulations, while the reduction phase was underway. This review process applied to regulatory requirements alone, not to estimates of the monetary burden of regulation. After the one third target had been hit, a cap was introduced to prevent the number of regulatory requirements creeping back up as a result of the future flow of new regulation. A one-in, one-out policy was introduced thereafter and applied across the board.

The Government of British Columbia also introduced changes to the regulatory policy-making process for new regulations to further reduce regulatory requirements. They developed a checklist for all new regulations, which helped ensure that new proposals were justified. The checklist also ensured that each new regulation had clear objectives, and the design of the new regulation was minimally burdensome. Each proposal document included a very brief explanation of the objective of the regulation, alongside detailed proposals. Departments were asked to propose other regulatory requirements that could be repealed or simplified if the new regulation were implemented. There was also an obligation to consider alternatives to regulation by policy makers or the use of exemptions. To document the reduction, departments pledged to update a central inventory of regulatory requirements.

Breadth: The Government’s definition of “regulatory requirements” was deliberately broad. It applied to a wide range of governing institutions, thus was not limited to primary and secondary legislation. Equally important were those administrative rules produced by regulators and agencies, especially where they go beyond the legal minimum. Most importantly, businesses and citizens were consulted throughout the process by way of public calls such as crowdsourcing for ideas about which regulatory requirements to repeal or reform.

This report proposes that these achievements are repeatable in the UK if a similar approach is adopted.

APPLYING THE MODEL

The following section looks at how the Government of British Columbia applied its model to specific categories of regulation, and then considers how it might relate to specific categories of regulation in the UK.

The Government of British Columbia adopted a broad approach to the definition of 'regulatory requirements' which went beyond statutory obligations.⁴⁵ This allowed for a fuller understanding of the cumulative burden upon small businesses. Examples of repealed requirements include a significant reduction of the forest practices code, a package of legislation, regulation and guidance which governed the popular forest practices industry in British Columbia.⁴⁶ The Code, which was enshrined in the province's constitutional act, housed six categories of regulation including field practice regulations and administrative regulations. The regulation was repealed in its entirety in 2003 and replaced with a list of strategic planning objectives and standards.

The province also repealed minor regulations concerning the specific number of par-four holes for golf clubs and the maximum patron capacity for ski lounges. The effect of these regulations upon small businesses is limited if considered individually, however the cumulative burden upon business is self-evident.

Table 2 sets out departments and regulators in British Columbia with the highest number of business-related regulatory reductions between 2001 and 2004. The most significant reductions were made within the province's economic and employment departments. In the first three years, at which point regulatory bodies were bound by a target of a one-third reduction, the finance department repealed 13,188 finance-related regulations, whilst the Work and Pensions Board repealed 10,606 labour-related requirements. The departments which yielded the most significant reductions bear some similarities to the categories of regulation which UK small businesses have reported as the most relevant and most burdensome. The table demonstrates that it is possible for high-ranking departments to reduce regulatory requirements by significant amounts within a relatively short timeframe.

⁴⁵ Finlayson, J., 'BC Economy: A Retrospective', Policy Perspectives 2009.

⁴⁶ Jones, L., 'Cutting Red Tape in Canada: A Regulatory Reform Model for United States?', 2015.

Table 2: Government departments and regulators in British Columbia with the greatest reduction in business-related regulatory requirements between June 2001 and March 2004.⁴⁷
Source: Government of British Columbia, Ministry of Small Business and Economic Development.

Government Department	NUMBER OF REGULATORY REQUIREMENTS AS OF JUNE 5, 2001	NUMBER OF REGULATORY REQUIREMENTS AS OF MARCH 31, 2004	NET CHANGE AS OF MARCH 31, 2004
Finance	41,382	28,194	-13,188
Workers Compensation Board	35,308	24,702	-10,606
Forests	17,088	8,536	-8,552
Education	27,597	21,928	-5,669
Water, Land And Air Pollution	21,541	16,128	-5,413
Skills, Development And Labour	8,688	5,275	-3,413
Insurance Corporation Of British Columbia	10,555	7,334	-3,221
Provincial Revenue	13,478	10,621	-2,857
Liquor Distribution Branch	5,022	2,309	-2,713
Oil And Gas Commission	7,338	4,668	-2,670
Sustainable Resource Management	8,766	6,828	-1,938
British Columbia Public Service Agency	5,760	3,869	-1,891
Energy And Mines	7,431	5,691	-1,740
Agriculture, Food Fisheries	4,538	3,418	-1,120

In implementing this model in the UK, we would expect the UK Government to focus its attentions on the most burdensome areas of regulation, much like the British Columbia Government did.

In a 2017 FSB Survey, small businesses identified the most burdensome regulations, the nature of those regulations and proposed means of mitigating that burden.⁴⁸ By way of an example, building standards were identified as being difficult to challenge. Inspections and enforcement decisions in this area have produced inconsistent results, the language is complex, and the regulations are too broad for businesses to know how to comply. Businesses have had to increase prices to absorb the cost of compliance, which leads to reduced productivity and innovation. As to mitigation, businesses proposed greater discretion and greater consistency in inspections and enforcement decisions. Further examples are outlined in the 2017 FSB report, *Regulation Returned: What Small Firms want from Brexit*.

⁴⁷ Government of British Columbia, Ministry of Small Business and Economic Development, *Ministry of Small Business and Economic Development Deregulation Report*, October 2014.

⁴⁸ FSB, *Regulation returned: what small firms want from Brexit*, 2017.

The most relevant categories of regulation, as identified by UK small businesses in 2017, are outlined below. The prevailing theme in this data was that the highest-ranking categories of regulation by way of ‘relevance’ were also highly ranked as ‘enablers’ of business success. These categories of regulation tended also to impose regulatory barriers. In 2017, workplace health and safety was the most relevant category of regulation and enabled small businesses most significantly. It was also the fourth most significant regulatory barrier to business success. Alternatively, tax administration was identified as the sixth most relevant category of regulation and the second-highest barrier-creating category of regulation. However, tax and administration did not appear in the top seven categories of regulatory enablers. FSB survey data gathered in 2020 shows that the most relevant and most burdensome categories of regulation remain largely unchanged (see Table 4).

Table 3: Most relevant, enabling and burdensome regulations for small businesses (ranked).
Source: FSB Report, ‘Regulation Returned: What Small Firms want from Brexit’, 2017.

Rank	Most Relevant Regulations	Top Regulatory Enablers	Top Regulatory Barriers
1	Workplace Health And Safety	Workplace Health And Safety	Employment Law
2	Employment Law	Certified Standards	Tax Administration
3	Data Protection	Employment Law	Pensions
4	Company Law	Company Law	Workplace Health And Safety
5	Pensions	Product Standards	Public Procurement Rules/ Requirements
6	Tax Administration	Intellectual Property Laws	Environmental Regulation
7	Environmental Regulations	Data Protection	Certified Standards

FSB data collected in summer 2020 again identified the specific categories of regulatory requirements which businesses are most burdened by. This section will consider, in some detail, the four most burdensome categories of regulation for small businesses according to recent data: data protection, tax regulations, employment and health and safety.⁴⁹

49 FSB coronavirus recovery survey 2020.

Table 4: Categories of regulation that are most burdensome and most beneficial
Source: FSB COVID-19 Recovery Survey, 2020.

Category Of Regulation	Percentage Of Businesses Who Reported Regulatory Burden	Percentage Of Businesses Who Reported Regulatory Benefit
Data Protection	40%	13%
Tax	34%	9%
Employment	31%	12%
Health And Safety	29%	22%
Financial	18%	9%
Environment	17%	15%
Planning	14%	4%
Product Safety	12%	13%
Corporate Governance	11%	8%
Market Entry	8%	4%
Intellectual Property	7%	11%
Immigration	6%	4%

Data protection regulations were seen as most burdensome, despite the fact that these regulations exempt firms with less than 250 employees from having to keep records of intermittent processing activities which do not concern sensitive or threatening information. However, the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018 still outline a swathe of rules with which small businesses must comply. Requirements such as actively obtaining consent from clients to process their data can have a significant effect on the productivity of the smallest employers and sole traders. FSB data illustrates that small businesses with between 50 and 249 employees feel most burdened by these regulations. These businesses face the additional burden of ensuring that clients re-consent where they intend to re-use historic data. Businesses are expected to explain the use of this data to each client before proceeding with it. These requirements assume a degree of time and resource which very few small businesses have.

The second most burdensome category, according to 34 percent of small business respondents, were tax regulations.⁵⁰ Only nine per cent of respondents found them beneficial in some way. For many small businesses, the burden of tax compliance is disproportionate to the economic necessity. For instance, small employers are often burdened with PAYE documentation and small limited companies are burdened with copious amounts of documentation to evidence their tax status. The volume of documentation associated with complying with tax regulations result in significant financial cost to small business. A report by the National Audit Office, which looked at the cost of complying with regulations, found that one quarter of the regulatory cost burden is imposed by tax authorities.⁵¹ There is significant scope for simplification here.

⁵⁰ FSB coronavirus recovery survey 2020.

⁵¹ National Audit Office, 'Reducing the cost of complying with regulations: The delivery of the administrative burdens reductions programme', 2007.

Employment regulations were the third most burdensome category of regulation (31%), with only twelve per cent of respondents finding them beneficial in some way.⁵² A 2017 FSB survey saw businesses report concerns about the cost of advice associated with complying with employment regulations.⁵³ They also reported concerns that these regulations were poorly designed and burdensome to monitor and report upon. UK employment legislation governs business practices such as employee rights, minimum salaries, parental rights within the work context and equality law. These are important issues, that do require regulation to protect and ensure these rights. It is not a question of whether there should be employment-related regulations, because of course there should be. The question for the UK Government, is how the benefits of these employment regulations can be realized with the minimum number of requirements on small firms.

The volume and complexity of the requirements within these regulations make it difficult for smaller employers to understand their duties without the assistance of external counsel. The timeframes for compliance intensify this burden. By way of an example, employers must draft a written statement of employment when employing a member of staff for more than a month. The core written statement must be provided no later than the start date. As of April 2020, the grace period of two months for the filing of the core written statement was removed, with further detail required. Small firms would benefit from exemptions from employment law-related regulatory requirements where possible, one example being the recent exemptions for small employers from the new IR35 rules which govern the employment of contractors.

Twenty-nine per cent of small businesses reported that health and safety regulations were burdensome, making them the fourth most burdensome category of regulations.⁵⁴ Health and safety and product standards were also associated with significant cost of advice and poor design. Small businesses opined that many of these regulations were poorly designed. However, a similar proportion of businesses (22%) thought that these regulations were beneficial. The Health and Safety at Work Act 1974 imposes a legal duty upon employers to ensure their employees are safe while at work. Businesses must formulate a health and safety policy statement, outlining its organizational approach to health and safety. Other obligations include mandatory risk assessments and risk reduction measures. Whilst smaller employers perceive the benefit of these obligations to their business, their burden can be reduced if the same outcomes are achievable through simpler means.

The two categories of regulation which businesses found be of greater benefit than burden were intellectual property and product safety.⁵⁵ Putting these to one side, the general trend which emerged was that more burdensome categories were significantly less beneficial to business. Whilst this report does not propose the repeal of large volumes of regulation under the most burdensome categories, it does propose a review of the regulatory requirements which fall within them.

52 FSB coronavirus recovery survey 2020.

53 FSB, 'Regulation returned: what small firms want from Brexit', 2017.

54 FSB coronavirus recovery survey 2020.

55 FSB coronavirus recovery survey 2020.

Government Digital Service Business User Journey: A Case Study

Government Digital Service' (GDS') work is a prime example of how it is possible to improve user experience without negatively influencing sought outcomes. This work also exemplifies the need for a cultural appreciation for user-friendly regulatory processes. GDS' work frequently shows how an improved user experience has a positive impact on compliance and accessibility for end users, including small business owners. This approach needs to be broadened into policy.

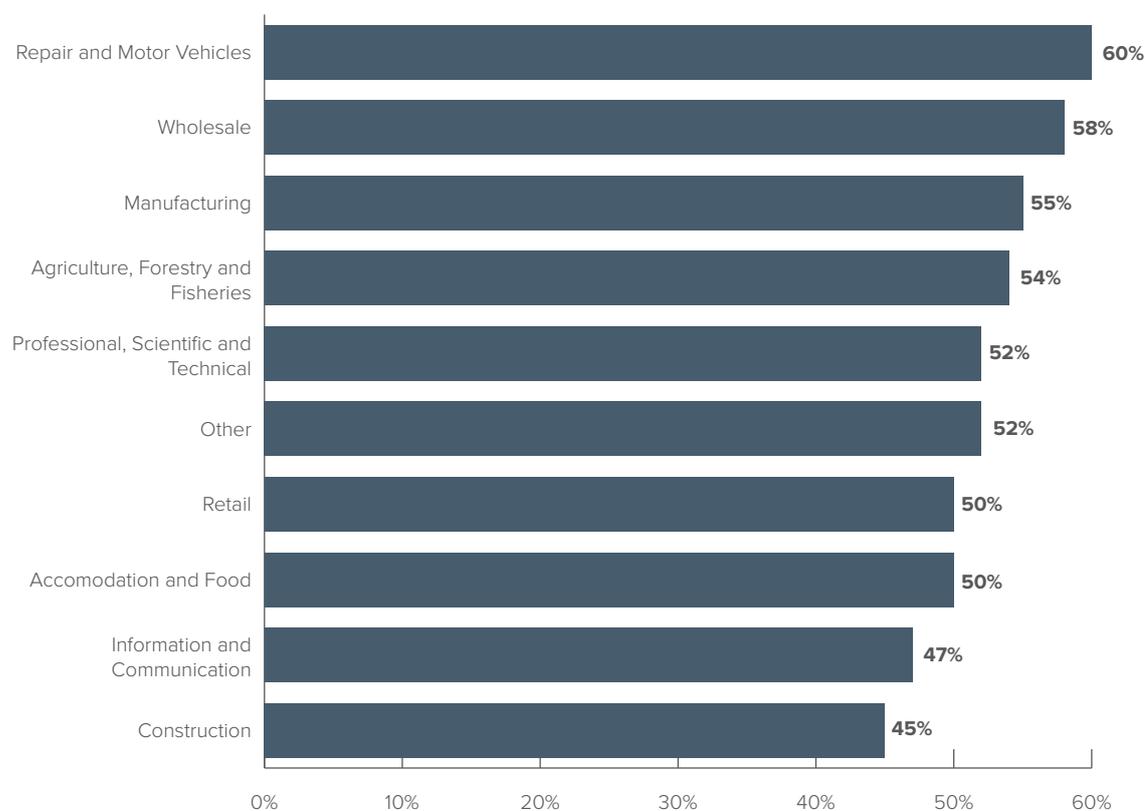
Approach: GDS simplified the requirements attached to the 'user journey' for starting and sustaining a business into five high-level stages and across three themes: Start, Sustain and Grow. This was used to develop a prototype to make clear to businesses what they needed to do and when. This approach would be further complimented by reducing the number of these requirements themselves. The requirements themselves, as well as the online journey of complying with them, present obstacles which can be reduced. Extending the "GDS end user mindset" into policy would thereby accelerate this success.

Applying the British Columbia Model: FSB believes that the British Columbia Model, with it's simple, testable, and difficult to game metric of reducing the total number of such requirements is the best method, from the perspective of managing change, to embed an approach in policy that will complement the end user focus in GDS. Empowering policy officials to do this work with the significant autonomy GDS has rightly been given in the digital sphere would be a positive example of Government transferring learning from its innovative success in digital to policy, and in line with the principle of autonomy present in the British Columbia Model. Further, the practical work GDS has been undertaking in creating user journey maps is both evidence of Government's ability to map the regulatory requirements it demands of business and validates our view that the creation of a central database of these requirements is not just desirable, but possible.

It is also worth considering the deregulatory opportunity associated with leaving the EU. In 2017, small businesses predicted that leaving the EU would provide scope for regulatory reform in the following sectors: repair of motor vehicles (60%), wholesale (58%), manufacturing (55%), agriculture, forestry and fisheries (54%), professional, scientific and technical (52%), accommodation and food (50%), retail (50%), information and communication (47%), construction (45%) and other (52%).⁵⁶ Any efforts to reduce regulatory requirements should take these into consideration. These numbers evidence the appetite for change within these sectors.

Figure 1: Breakdown of small businesses that say leaving the EU will provide scope for regulatory reform (by sector).

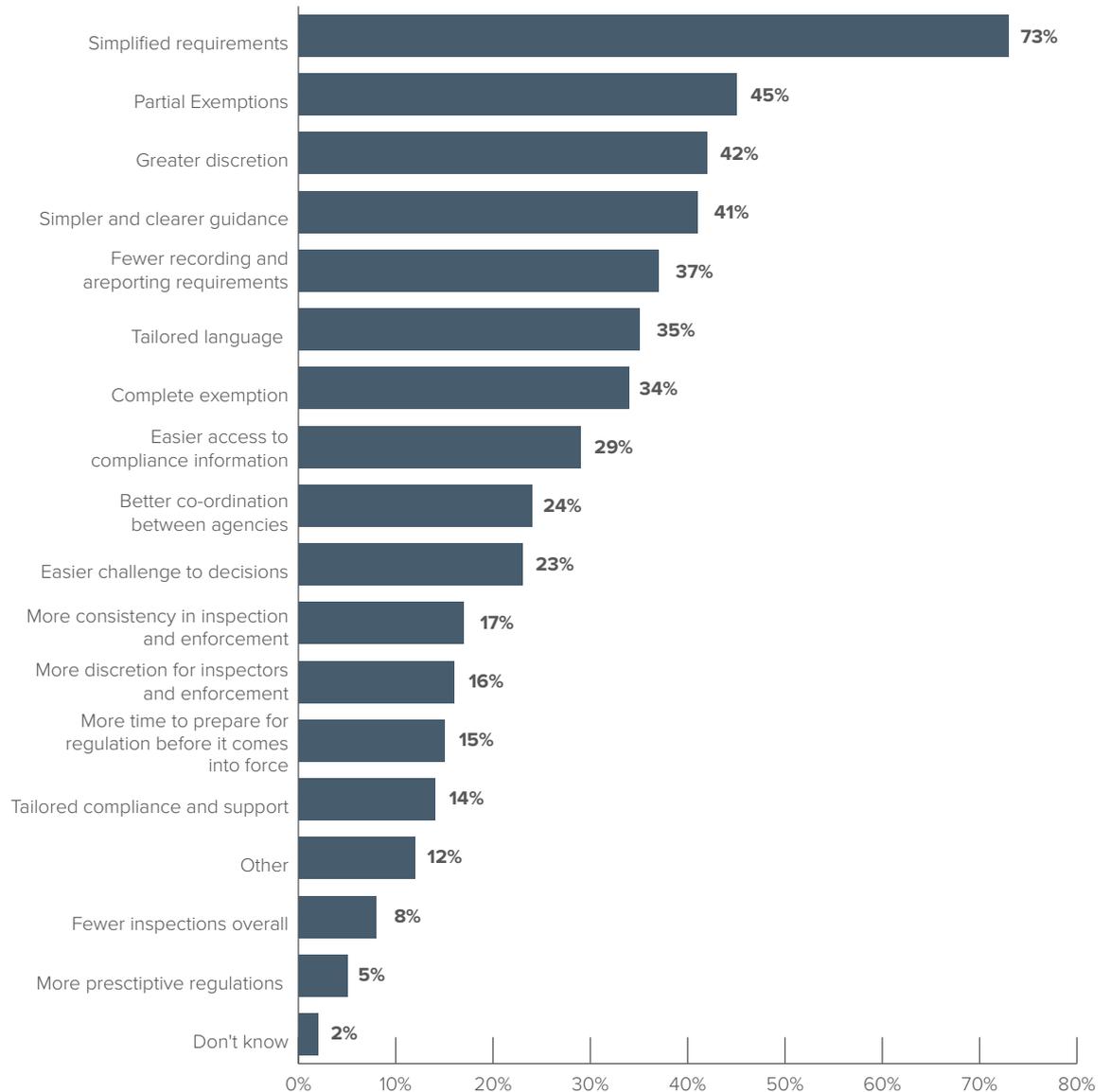
Source: *FSB Report, 'Regulation Returned: What Small Firms want from Brexit', 2017.*



⁵⁶ FSB, 'Regulation returned: what small firms want from Brexit', 2017.

The same survey showed that small businesses believe that the negative impact of regulation can be mitigated in the following ways: simplified requirements (73%), partial exemptions (45%), greater discretion (42%), simpler and clearer guidance (41%), fewer recording and reporting requirements (37%), tailored language and formats (35%), among others.⁵⁷

Figure 2: How small firms believe the negative impact of Brexit can be mitigated.
Source: FSB Report, 'Regulation Returned: What Small Firms want from Brexit', 2017.

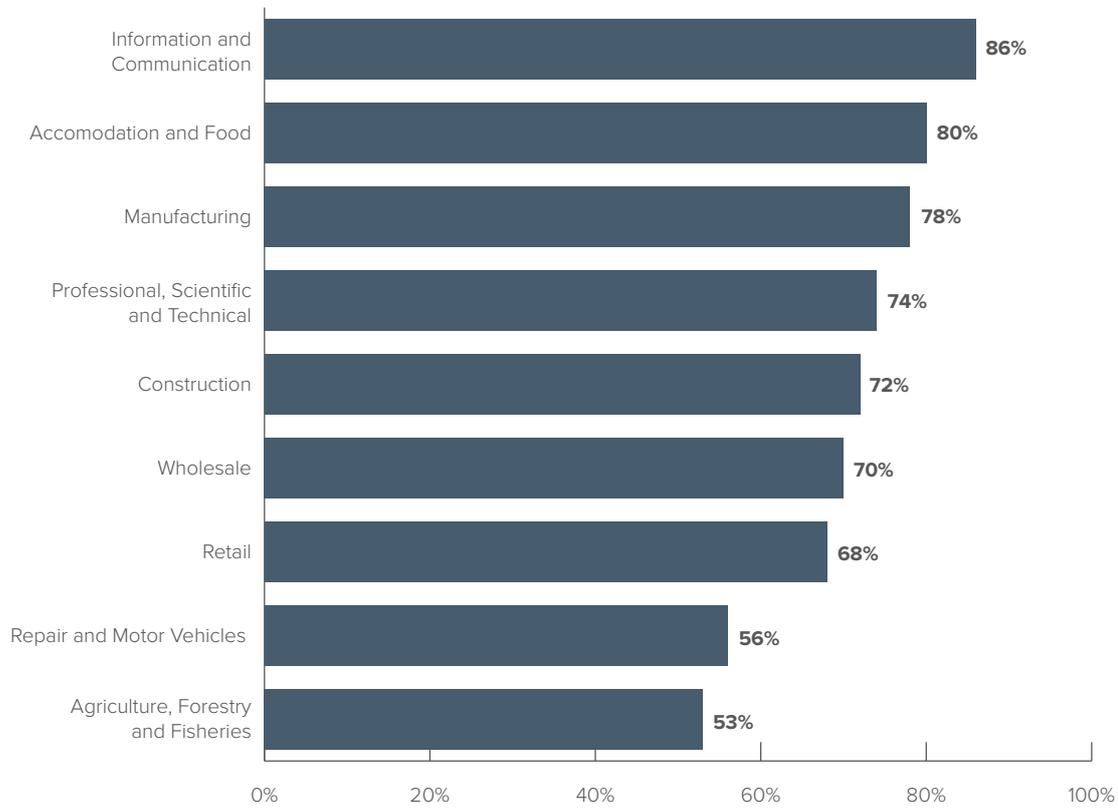


The above demonstrates an obvious preference, on the part of small businesses, for the simplification of existing requirements. Small businesses suggested that the following sectors be prioritised towards this objective: information and communication (86%), accommodation and food (80%), manufacturing (78%), professional, scientific and technical (74%), construction (72%), wholesale (70%), retail (68%), repair of motor vehicles (53%) and agriculture, forestry and fisheries (56%). Businesses identified accommodation and food and repair of motor vehicles as the foremost sectors in which partial exemptions should be introduced, they also asked for greater discretion as to the meeting of requirements in the agricultural and construction sectors.

⁵⁷ FSB, 'Regulation returned: what small firms want from Brexit', 2017.

Figure 3: Sectors where smaller firms believe regulatory requirements can be simplified.⁵⁸

Source: FSB Report, 'Regulation Returned: What Small Firms want from Brexit', 2017.



⁵⁸ FSB, 'Regulation returned: what small firms want from Brexit', 2017.

APPLYING THE PRINCIPLES IN THE UK CONTEXT

The British Columbia Model successfully reduced the cumulative burden upon businesses imposed by an excessive number of regulatory requirements. Reform of the culture of regulation in the UK has the potential to yield the same successes.

The Seven Principles for implementing the British Columbia Model in the UK

The British Columbia Model should be adapted to suit the UK regulatory framework in the following ways:

Leadership: The UK Government should make regulatory reform a strategic priority, with Cabinet Office responsibility. A Minister based in Cabinet Office (the ‘Overseeing Minister’) should be appointed to oversee the improvement of the regulatory environment. The Minister should also be responsible for overseeing the implementation of the British Columbia Model across all departments and regulators, including maintaining and updating a central database of regulatory requirements. The Minister should work towards the target of a reduction of one third in three years.

Simplicity: Regulations should be simple, as should be the regulatory requirements which accompany them. The impact of regulation should be determined by the number of regulatory requirements placed upon businesses. This metric should be used to reduce the quantity of regulatory requirements for small businesses. Simplicity cannot merely be measured by the monetary implications of those regulations. For instance, the ease with which the cost-benefit calculations in Regulatory Impact Assessments (RIAs) can be manipulated often results in inaccurate reflections of the cost to business. Much of this derives from the minimal influence of small businesses on the development of these metrics. Additionally, departments and regulators must prioritise understanding the cumulative cost of regulation upon smaller businesses and the impact of additional regulations in that context.

Accountability: There is a greater emphasis on post-transition regulatory reform, providing the necessary context of accountability that is required to advance this agenda. There must be regular discussions, at the highest levels of Government, regarding the reduction of the cumulative burden of regulation as a strategic priority. Departments and regulators should report to the Prime Minister, the overseeing minister and Cabinet on a quarterly basis at a designated basis. This should be done by way of formal meetings to review the progress against departmental targets. A formal business stakeholder group should be formed to provide an external check, the group should be chaired by the overseeing minister. The group should allow businesses to feed into their discussions and decision-making process, which is integral to the success of the model. Small businesses, who are often disproportionately impacted by regulation, should be well represented on this group.

Autonomy: A central inventory of the stock of regulatory requirements should be undertaken by an arms-length independent statutory Commission (akin to a hybrid between the Law Commission and the Australian Productivity Commission). Alternatively, a central inventory might sit with the Cabinet Office, with oversight by the Overseeing Minister. The overseeing body would be tasked with making recommendations to Government and Parliament on how to improve the regulatory environment for smaller businesses. Departments and regulators should have autonomy over the process of compiling the inventory of regulatory requirements and identifying which requirements should be repealed, redesigned or simplified and how. Granting regulatory bodies this degree of proximity to the review process will enable officials to build familiarity with and ownership of the legislation and policies which they implement, as well as the real-life implications of those policies upon small businesses.

Incentives: A review of the British Columbia Model found that regulatory bodies need to be ‘invested-in’ and ‘own’ the process.⁵⁹ Government should incentivise departments and regulators to conduct reviews of their assigned regulations and to propose reforms to improve the regulatory environment for small businesses. Departments and regulators must also be incentivised to work towards achieving the target of a one-third reduction of regulatory requirements. The Government of British Columbia found legislative and financial incentives to be successful in encouraging regulatory bodies to reduce regulatory requirements. They also found that transparency regarding performance also yielded results, positive media and public perception encouraged regulatory bodies to meet their targets.⁶⁰

Checks and Balances: Small businesses have historically supported the measured approach to better regulation through the ‘one-in, three-out’ approach. However, these were not underpinned by concrete reduction targets as they would be under the British Columbia Model. The focus of these efforts should be on the reduction of regulatory requirements. Whilst trying to meet the one-third target, Government must minimise the introduction of new regulatory requirements. Once the target has been reached, Government should institute a ‘one-in, one-out’ rule going forward to maintain that success. Unlike the historic approach, this one-in-one-out approach is an addition to the use of concrete targets, as a sustaining measure. Central to that success is the formation of new institutions and one organisational change. The overseeing Minister should provide a transparent pipeline for regulatory proposals and to challenge new regulatory proposals before they crystallise. Cabinet office should also outline its process for conducting Post-Implementation Reviews. Finally, more resources should be granted to the RPC to more effectively carry out their role of verifying impact assessments.

To strengthen this plan, the Government should build these targets for better regulation into the statutory framework including:

- The implementation of a checklist for all new regulations, which ensures there is a robust rationale with clear and evidenced objectives for the proposed measure(s) and that the specific rules are of quality design i.e. minimally burdensome (costly and distorting) for smaller businesses.
- An obligation to consider alternatives to regulation, with a more detailed explanation than currently exist, as to why alternatives would be less successful and a clear and strong rationale as to why smaller firms cannot be wholly or partially exempted.
- A requirement to explain the proposed regulation to a small business in less than one page, alongside the proposed new regulation.
- A duty upon regulatory bodies to consider the other regulatory requirements which can be repealed or simplified if the new regulation is implemented.
- A pledge from departments to update the central inventory of regulatory requirements.

Breadth: Government should interpret “regulatory requirements” as broadly as possible, to include those that are often overlooked, such as tax, administration, fees and charges. All Government departments and regulatory bodies should be subject to individual targets to reduce the requirements imposed within their jurisdiction by a measure of one-third over a period of *three years*. The definition must also include the commands in primary and secondary legislation and the policies and administrative rules of regulators where they add further obligations to those in the relevant laws. The UK Government has made previous attempts at crowd-sourcing ideas for regulatory reform, such as recent calls for post-transition regulatory reform. The British Columbia Model found that this method worked well in identifying regulatory requirements to remove or reform, hence FSB support the use of this method in combination with the principles of the British Columbia Model.

59 Jones, L. Cutting Red Tape in Canada: A Regulatory Reform Model for the United States?. 2015.

60 Jones, L. Lessons from the British Columbia Model of Regulatory Reform, Testimony to the House Committee on Oversight and Government Reform. 2018.

METHODOLOGY

The data utilised in this report came from two FSB surveys of its members in England, Wales and Scotland undertaken in 2017 and 2020.

The 2017 survey collected data from 1,635 FSB members. The survey focused on FSB members' experiences of regulation and its impact on their business. The remaining data is taken from the FSB 2020 coronavirus recovery survey, a survey of 1,483 FSB members, which sought to deduce how well small businesses dealt with the regulatory environment during the coronavirus pandemic.

Both surveys were administered by the research agency Verve. The survey findings are all weighted according to FSB membership weighting (to reflect the demographic balance of FSB members throughout the UK). All percentages derived from the surveys are rounded to the nearest whole number.

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