

PSA Delivery Agreement 6:

Deliver the conditions for business success in the UK

October 2007

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HM Treasury contacts

This document can be found on the Treasury website at:

hm-treasury.gov.uk

For general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4861

E-mail: public.enquiries@hm-treasury.gov.uk

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CONTENTS

		Page
Chapter 1	Vision	3
Chapter 2	Measurement	5
Chapter 3	Delivery strategy	7
Annex A	Measurement annex	13

VISION

1.1 The PSA's overall vision is to **deliver the conditions for business success in the UK**, ensuring world-class competition and corporate governance regimes, competitively priced energy, and regulation that works for everyone.

1.2 In common with all developed nations, the UK is facing a global economic challenge. Although the UK is well placed to take advantage of the opportunities presented by the growth of emerging economies, competition with developed and growing economies linked to the increasing internationalisation of markets and technological change means that future success cannot be taken for granted.

1.3 To address this challenge and create an economic environment in which businesses can continue to innovate, invest, and prosper, the Government will:

- provide a competition regime which is independently ranked among the world's best, by monitoring the effectiveness of the competition framework and considering measures to enhance its functioning, including measures to reduce barriers to private redress for those affected by anti-competitive behaviour. The Government will also take steps to improve consumer empowerment as a means of driving competition;
- deliver a corporate governance and legal framework at the level of the world's best, that facilitates the competitiveness of companies in the UK. The Government's policies on corporate governance will secure further improvements for business over the next spending period through the implementation of the Companies Act 2006 and other significant measures agreed as part of the EU Company Law Action Plan;
- help to raise participation levels in the labour force¹ and to improve productivity through work to maintain or enhance labour market flexibility, and to promote diversity, fair treatment and work-life balance. The Government will also seek to raise the skill levels² of the workforce and encourage business to make better use of innovative working practices;
- deliver on the Government's energy policy goals of ensuring secure, clean and affordable energy, by promoting competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve productivity;
- deliver better regulation that reduces unnecessary burdens, and works for everyone by being justified and proportionate. To facilitate this, the Government will support and monitor departmental simplification plans, implement the Hampton agenda on regulatory services, and lead initiatives to improve the impact and perception of regulation on the ground amongst key stakeholders; and

¹ See also PSA 8.

² See also PSA 2.

- deliver significant improvements to the administration of tax regimes that affect business, substantially reducing the administrative burdens of the tax environment and, more generally, delivering material improvements in HM Revenue and Customs' (HMRC) working relationship with business.

2

MEASUREMENT

2.1 To monitor and report progress on the PSA a set of high-level performance indicators, which relate to the key activities of the Department for Business, Enterprise and Regulatory Reform (BERR) and HMRC on the business environment will be used. These indicators are as follows:¹

Indicator 1: UK framework for competition at the level of the best

- Competition lies at the heart of the Government's strategy to close the productivity gap. Competitive markets encourage firms to strive for efficiency, which provides powerful incentives to reduce costs and prices, and to improve the quality and range of their product or service. Competition also spurs firms to innovate, and delivers real benefits to consumers. This measure will look at how the system as a whole is working, measuring peer review of UK and other competition regimes and identifying areas for improvement. Peer review is supplemented by the Global Competition Review & Office of Fair Trading/Competition Commission data. BERR sets the legal framework that is an important part of the measure; but it is also heavily reliant on work of the competition authorities. BERR will also draw on evaluation of the impact of the competition authorities.

Indicator 2: Effective corporate governance regime

- Corporate law and governance provide the conditions for business success. An effective corporate governance framework impacts directly on the competitiveness of every company in Britain, because it affects the cost of capital and the investment climate, as well as the quality of management, the costs of doing business and a whole host of societal responsibilities. This measure assesses the UK corporate governance regime in relation to other countries based on OECD principles, and also Standard & Poor's (S&P) ratings and the Global Competitiveness Report. This measure also identifies areas for improvement in the UK framework.

Indicator 3: UK labour market flexibility

- Labour market flexibility makes an important contribution to sustaining a high level of employment and is important in making sure the UK is well placed to benefit from increasing globalisation. This indicator assesses UK labour market flexibility, adjusted for business cycle effects, with potential options to disaggregate by area of flexibility and by region. BERR has a key impact on labour market flexibility, through its responsibility for employment regulations, and its influencing role in the EU and with other government departments. BERR will produce a sub-index focused on aspects of flexibility strongly related to its key policy areas.

¹ See Annex A for detailed measurement information.

Indicator 4: Maintenance of competitively priced energy markets

- Open, competitive energy markets provide fair access to energy supplies, foster investment throughout the energy supply chain and deliver diverse, reliable supplies at competitive prices. This measure indicates the relative impact of energy prices on business success and economic growth in the UK. Further progress in achieving fully competitive and transparent international markets and ensuring the right conditions for investment is a key part of the BERR Energy Strategy. These actions will facilitate the transparent and efficient working of the gas and electricity markets, ensuring that UK prices faced by businesses are competitive.

Indicator 5: Deliver better regulation that works for everyone

- In order to deliver the Government's Better Regulation agenda² it needs to ensure the flow of new regulation coming forward is justified and proportionate; that is that total costs are always outweighed by total benefits, with a resulting reduction in burdens to the private, public and third sectors. This measure shows whether the flow of regulation coming forward is justified and proportionate. In particular, it is a measure of the ratio of annually recurring costs and benefits of proposals for regulation in impact assessments.

Indicator 6: Deliver commitments to administrative burdens reduction

- An administrative burden is the cost incurred by enterprises (including third sector organisations and social enterprises) when complying with and implementing government regulation. This measure is key for the delivery of Government commitments to significantly reduce administrative burdens: (i) across 19 Government departments (consisting of a 25 per cent reduction for the majority of departments by 2010); and (ii) 10 per cent and 15 per cent reductions in specific areas of administrative burdens imposed by HMRC. The UK is the first large industrialised country to have committed to a 25 per cent reduction in regulatory administrative burdens. Delivery of this national target through the annual simplification plan process will be essential both for the credibility of the better regulation agenda and in reducing unnecessary burdens on the economy.

2.2 Useful indicators of the status of the business environment are also compiled annually by the World Bank. BERR will monitor the World Bank data as providing helpful international contextual evidence on the state of the UK business environment as a whole, recognising that BERR and HMRC influence, directly or indirectly, several of the measures used as indicators of the costs of doing business, whilst others are largely outside these departments' control.

² <http://www.cabinetoffice.gov.uk/regulation/>.

3

DELIVERY STRATEGY

PRIORITY AREA 1: COMPETITION FRAMEWORK

3.1 BERR leads on competition policy within Government. It reviews and, where necessary, updates competition law in the UK and acts as sponsor for the Competition Commission and the Competition Appeal Tribunal. BERR promotes competition across Whitehall, seeking to introduce greater competition where government interacts with markets. BERR also carries out a range of policy work on competition, including influencing EU proposals (such as those on foreign acquisitions and reform of State Aid) and interfacing with the OECD and World Trade Organisation (WTO). BERR also seeks to ensure that principles of competition policy are adhered to through its work to promote better regulation, for example by ensuring policy proposals have robust Impact Assessments which include a competition assessment.

3.2 BERR is committed to co-ordinate Government responses to Office of Fair Trading (OFT) market studies where they make regulatory recommendations, within the agreed 90-day timescale. It works closely with other government departments to make sure the response takes account not only of competition and consumer interests but also wider public policy objectives, and to monitor progress to ensure implementation of resulting action plans.

3.3 BERR retains responsibility for merger control in 'public interest' cases. Merger control issues and market studies arise ad hoc but there are established deadlines for responding. BERR also conducts regular performance monitoring of the competition authorities.

3.4 The Director of BERR's Consumer and Competition Policy Directorate (CCP) is accountable for the delivery of competition commitments.

PRIORITY AREA 2: CORPORATE GOVERNANCE REGIME

3.5 Company Law and good corporate governance are corner-stones of economic activity and have an important role to play in improving productivity. The OECD Corporate Governance Principles document¹ states the increasingly recognised importance of corporate governance as a key element in improving economic efficiency and growth as well as enhancing investor confidence.

3.6 The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth.

3.7 Company Law sets the framework within which companies (and other entities) are formed, financed, operated and managed. BERR's responsibility to ensure an effective corporate governance regime is underpinned by the implementation of the Companies Act (2006) by October 2008 and five EU Directives by the end of 2009. Work is also underway on reviewing and updating limited partnership and limited liability partnership legislation by end of 2009, promoting a high quality and competitive audit

¹ OECD Principles of Corporate Governance, OECD, 2004.

market through an effective regulatory framework and promoting high quality company reporting, effective Boards and productive shareholder engagement. BERR delivers these strands of work independently and through non-governmental bodies such as Companies House, Financial Reporting Council and professional bodies.

3.8 The Director of BERR's Corporate Law and Governance Directorate (CLG) is accountable for delivery of commitments in this area.

PRIORITY AREA 3: LABOUR MARKET FLEXIBILITY

3.9 BERR is responsible for delivery of the Employment Law Simplification Plan that aims to boost flexibility of the labour market. This plan includes a 3rd Session Bill, reforming dispute resolution procedures, improving government-funded guidance and better targeted enforcement and penalties. The policies will reduce overall costs to the vast majority of business, increasing the adaptability of the labour market (in particular their 'internal', production, flexibility).

3.10 BERR has a key influencing role in Europe and with other government departments to ensure that regulations that affect the labour market are devised and implemented in a way that does not damage flexibility. For example, in the EU continued efforts will be made to ensure working-time flexibility is not compromised. BERR also influences the EU Social Affairs agenda, ensuring, for example, that migration and immigration policy is made with a view to keeping high levels of flexibility in labour supply.

3.11 Progress will be measured and reported to the relevant senior officials in BERR. A Practitioner Panel, which includes external stakeholders, contributed to the development of the Simplification Plan and may have a continuing role in monitoring progress. The National Audit Office (NAO) provides assessment of delivery of simplification plans.

3.12 The Director of BERR's Employment Relations Directorate (ER) is accountable for delivery of commitments in this area.

PRIORITY AREA 4: COMPETITIVELY PRICED ENERGY

3.13 Securing competitive energy prices will be delivered through setting the policy and regulatory framework within which OFGEM, the electricity and gas market regulator, ensures that the benefits of effective competition are delivered to end-consumers. By maintaining a sound, clear and stable regulatory regime, including for valuing carbon, the Government will provide the framework to support sufficient, timely investment. BERR also promotes open, competitive energy markets internationally, which provide fair access to energy supplies and foster investment to help deliver diverse and reliable supplies at competitive prices. In addition, as part of the PSA to lead the global effort to avoid dangerous climate change (PSA 27), the Government will ensure that climate change policies are not only in line with the UK's international commitments and priorities on avoiding dangerous climate change but also cost-effective.

3.14 BERR Energy Group will be accountable for the delivery of all the above areas through implementing the proposals of the Energy White Paper² and forthcoming Energy Bill; annual publication and engagement of market participants in forward-

² *Energy white paper: meeting the energy challenge*, BERR, 2007.

looking analysis and information (*Energy Markets Outlook Report*)³ which will also monitor progress towards our goals of ensuring reliable and secure energy supplies. Progress is also being monitored under the new interdepartmental governance structure established to deliver the Energy White Paper and Climate Change Programmes.

3.15 The Director of BERR's Energy Group is accountable for delivery of commitments in this area.

PRIORITY AREA 5: BETTER REGULATION

3.16 Businesses and frontline public and third sector workers have raised concerns about the time they spend complying with Government regulations and the impact this burden has on their activities. The Better Regulation agenda is an ambitious and wide-ranging regulatory reform agenda, is about addressing these concerns, by:

- reducing the burden of the stock and flow of regulation on the public, private, and third sectors; and
- addressing stakeholders' concerns so that their perceptions of regulatory burdens is improved.

Better Regulation Executive

3.17 The Better Regulation Executive (BRE) in BERR is responsible for making better regulation a reality by facilitating, supporting and challenging the work of other government departments, regulators and regulatory services. On a day-to-day basis the BRE facilitates the annual departmental simplification plan process for administrative burdens reduction across Government and challenges departments on the effectiveness of policy proposals coming forward. The Better Regulation Executive is also a central point of co-ordination for discussions with stakeholders on regulation and has developed an online portal for questions and proposals. Over the CSR07 period the BRE will implement the Regulators' Compliance Code to promote efficient and effective approaches to the enforcement of regulation. Bringing forward the Regulatory Enforcement and Sanctions Bill (3rd Session) will give the Local Better Regulation Office statutory powers to promote better communication amongst Local Authorities, and between them and central government, as well providing regulators with new enforcement powers allowing them to respond in ways that are transparent, flexible, and proportionate.

3.18 Progress on simplification is monitored on a day-to-day basis by dedicated teams within BERR. Departments publish an annual Simplification Plan reporting on progress and BRE produces an annual summary report on these plans. The NAO also currently plans to publish an annual report on the burdens of regulation.

3.19 The Executive Chair and CEO of the Better Regulation Executive (BRE) in BERR are accountable for delivery of commitments in this area.

Reducing Administrative Burdens

3.20 Administrative burdens are costs incurred by business and the third sector in complying with information obligations arising from regulation, for example filling in forms, dealing with inspections, and providing information to third parties such as

³ The first EMO report is due to be published in the autumn.

consumers. Together with the Netherlands and Denmark, the UK is one of the first countries to measure the total administrative burden created by regulation.

3.21 19 Government departments and regulators are in the middle of an ambitious programme to reduce administrative burdens on the private and third sectors by a net 25 per cent by 2010. Delivery of this target through the annual simplification plan process will reduce unnecessary burdens on these sectors whilst maintaining important protections that regulations provide. It is therefore critical to the Government's better regulation agenda.

3.22 As a taxation (rather than regulatory) authority, HMRC has followed a separate but parallel process. HMRC also commissioned external research in 2006 to measure the administrative burden of the tax and duty system on UK businesses, as the foundation for a comprehensive and ambitious programme to bear down on that burden. Building on the significant progress that HMRC had already made (both in reducing administrative burdens, and the adoption of a risk-based approach to its work), the Department is committed to delivery against two specific targets. These are to reduce, by 2010/11, the admin burden on business of dealing with: i) HMRC forms and returns by at least 10 per cent; and ii) HMRC's audits and inspections (of all compliant business) by at least 15 per cent.

3.23 Complementing the programme to reduce administrative burdens, HMRC is also committed to the delivery of a step change in the relationship more generally with business, through implementation of the recommendations of the 2006 Review of Links with Large Business. These recommendations include commitments to provide greater certainty to business, to ensure speedier resolution of issues, and to deliver greater material consultation and collaboration on issues such as guidance. Significant direct business involvement in all these HMRC initiatives serves to reinforce accountability and a focus on delivery. Progress is, and will continue to be, regularly and publicly reported.

3.24 The Director of HMRC's Business Customer Unit and the Executive Chair and CEO of the Better Regulation Executive (BRE) in BERR are accountable for delivery of commitments in this area.

ACCOUNTABILITY AND GOVERNANCE

3.25 The Secretary of State for BERR is the lead minister for this PSA. The relevant Cabinet Committee/s will drive performance by regularly monitoring progress, holding Departments and programmes to account and resolving inter-departmental disputes where they arise.

3.26 The Senior Responsible Officer within Government for the PSA will be the Director General of Fair Markets Group in BERR who will chair a Senior Official PSA Delivery Board, comprising all lead and supporting departments. The Board will also monitor progress and review delivery regularly and report to the relevant Cabinet Committee/s.

CONSULTATION

3.27 BERR has conducted systematic consultation of stakeholders, and especially delivery partners, about delivery of the outcomes identified in this PSA and in developing a risk assessment and mitigation plans. Regular consultation and review will continue throughout the CSR07 period. The table below sets out further details.

Area	Partners/Stakeholders consulted
Overall PSA themes	A number of stakeholders were contacted to review the PSA vision and proposed indicators. Discussions subsequently conducted with the Confederation of British Industry (CBI), Institute of Directors and the Federation of Small Business.
Competition regime	A regular Competition Forum raises awareness of competition issues relating to the PSA across Government. A recently conducted peer review study has sought stakeholders views on the operation of the regime overall.
Corporate governance regime	<p>CBI, professional bodies (e.g. Law Society, ICAEW etc.) consulted on the Companies Act</p> <p>Stakeholders in business, investors, trade associations etc. consulted on the EU Directives</p> <p>EU business stakeholders consulted on the EU Strategy Group</p> <p>Professional bodies, companies consulted on the Audit framework</p> <p>Accounting Regulatory Committee and Audit Regulatory Committee</p> <p>Corporate Governance Forum</p> <p>Promote high quality company reporting, effective Boards and productive shareholder engagement – the City, businesses, shareholder and investor bodies, Financial Services Authority, HMT.</p>
Labour market flexibility	<p>BERR policy officials, including Directors, discuss key labour market issues on an on-going and pro-active basis with a broad range of stakeholders and, particularly, delivery partners.</p> <p>BERR consult widely on all new policy proposals (including those emanating from EU) e.g. to collect evidence, obtain expert input and build consensus.</p> <p>A Panel of Practitioners is also involved in studying proposals under the BERR Employment Law Simplification Review.</p> <p>BERR also undertakes a range of awareness activities to increase stakeholder understanding, especially of new legislation.</p> <p>Stakeholders include employers, employees and their representative bodies e.g.: Advisory Conciliation and Arbitration Service (Acas), Citizens Advice Bureaux (CAB), Central Arbitration Committee (CAC), CBI, Chartered Institute of Personnel Development (CIPD), Educational Testing Service (ETS), Trade Union Congress (TUC), HMRC, LPC and EEF.</p>
Energy price competitiveness	Stakeholders are in regular contact with BERR’s Energy Group regarding energy prices and there has been an intense period of stakeholder consultation as part of the Energy White Paper process. In addition, the Business Energy Forum gives regular opportunity to business representatives to speak to the Energy Minister and senior management in BERR.

Burdens on business

The BRE has a policy of carrying out 1000 visits per year to businesses, third sector organisations and frontline public sector workers. These visits inform the organisation's strategy as well as individual policy issues.

The BRE has recently carried out a series of focus groups with businesses and citizens to understand perceptions of regulation and the drivers behind it.

Top management from the BRE engage on a regular basis with the main representatives of stakeholder groups.

Regular contact with the Better Regulation Commission also allows the BRE to engage with representatives from a range of stakeholder groups.

A

MEASUREMENT ANNEX

Indicator 1	International comparisons of UK competition regime with world's best
Data provider	Firm of leading independent consultants with legal and economic resources, appointed after competitive tender.
Data set used	Survey of 15 countries comprised of world's major economies and top competition regimes (identified in previous peer reviews and Global Competitiveness Report).
Baseline	UK currently placed 3 rd .
Frequency of reporting	Every 3 years, supplemented by Global Competitiveness Report annually and an evaluation on the impact of the Office of Fair Trading and Competition Commission.
95 per cent confidence interval	Independent research by data provider (see above) will assess whether the UK's competition regime is at the level of the best.
Data Quality Officer	Consumer & Competition Policy Directorate, BERR.
Minimum movement required for performance assessment	Requires UK regime to be evaluated as being on a par with the best competition regimes in the world, as evaluated by the above survey of 15 countries.

DEFINITION OF KEY TERMS

- *Being at the level of best* - maintaining or improving the UK's current position

A.1 The indicator is made up of the following components:

Technical competence of legal analysis

Technical competence of economic analysis

Political independence

Clarity of procedures

Quality of recommendations

Ability to enforce effective sanctions

Resources available for caseload

Efficiency/effectiveness of competition policy

Speed of decision making

Technical competence of administrative staff

Regimes principal actors ability to communicate with external constituents

Minimal burden on business

Indicator 2	International comparisons of UK corporate governance regime with world's best
Data provider	<ol style="list-style-type: none"> 1. OECD. 2. World Economic Forum (WEF). 3. Standard & Poor's (S&P).
Data set used	<ol style="list-style-type: none"> 1. Detailed analysis of key aspects of corporate governance and assessment of whether OECD principles are met or not. 2. Annual survey¹ on global competitiveness and the factors which determine economic growth. 3. Internal assessment tool for key sovereign policy issues which might impact on company performance, including corporate governance. Will cover 100 countries including the UK. Available in the next 2 years.
Baseline	<p>Initial peer review will establish baseline.</p> <p>Previous WEF results will provide baseline.</p>
Frequency of reporting	<ol style="list-style-type: none"> 1. Principles established in 1999 and revised in 2004. 2. Annually. 3. Not available within the next 2 years.
95 per cent confidence interval	<p>Internal review of data sources will establish confidence intervals.</p> <p>Independent peer review process will produce the basis on which to establish the confidence interval.</p>
Data Quality Officer	Corporate Law and Governance Directorate, BERR.
Minimum movement required for performance assessment	Requires UK regime to be on a par with world's best corporate governance regimes.

DEFINITION OF KEY TERMS

- *Corporate Governance* - the system by which companies are directed and controlled.

A.2 The indicator is made up of the following components:

OECD Principles of Corporate Governance

WEF composite indicator comprising:

i) Efficacy of corporate Boards

ii) protection of minority shareholders

iii) strength of auditing and accounting standards

S&P assessments, including corporate governance (available in the next 2 years).

¹ 11,000 business leaders in 125 economies worldwide are polled by the WEF.

Indicator 3	Assessment of UK labour market flexibility
Data provider	Office for National Statistics for most sources. BERR for trade union membership. OECD for replacement rate.
Data set used	UK Labour Force Survey ² , 1992 to present.
Baseline	Level of ILMA 2(adj) in 2005.
Frequency of reporting	Annually.
95 per cent confidence interval	The index is largely based on established surveys by the Office for National Statistics. As such, they have relatively large samples and are subject to rigorous quality control. Further developmental work on this index will be taken forward by BERR and will include consideration of whether confidence intervals can be constructed.
Data Quality Officer	Head of Economics and Statistics Unit, Employment Relations Directorate, BERR.
Minimum movement required for performance assessment	Failure: Movement 10 per cent or more below 2005 baseline. Success: Maintain Index at or above 2005 baseline.

A.3 The index is based upon an established methodology previously published by an academic economist at the London School of Economics. The index has been subject to scrutiny through a number of seminars and also through meetings with HM Treasury economists. A research paper outlining the index was published in September 2007.

A.4 A version of the index will be created that focuses on those areas where BERR or other delivery partners can have a key influence (for example: through ensuring continued flexibility in working time via EU negotiations on the opt-out).

A.5 The indicator is made up of the following components:

Flexible employment

Working-time flexibility

Work content/ labour standards

Reservation wages

Labour mobility

Skills acquisition

² Assessment of flexibility based on quantitative evidence and objective criteria.

Indicator 4	International comparisons of industrial gas and electricity retail prices (including taxes)
Data set used	The gas prices to be compared are for small, medium and large consumers as defined by EU size bands I2, I3 & I4. The electricity prices to be compared are for small, medium and large consumers as defined by EU size bands IB, IC & IE as specified in Council Directive 90/377/EEC. ³
Data provider	Eurostat (EU) publishes data twice a year. BERR currently engages consultants, Energy Advice Limited, who produce early quarterly estimates of this data. Data is publicly available. ⁴
Baseline	Median EU price levels for each consumer size/fuel combination. A baseline will be set in 2008.
Frequency of reporting	Quarterly for early estimates with more definitive data produced on a six monthly basis.
95 per cent confidence interval	The data is estimated by national statistical officers who conduct price transparency surveys in accordance with the above-mentioned EU Directive. Further details are provided within the annexes to the directive. ⁵
Data Quality Officer	Energy Group Statisticians, Energy Group, BERR.
Minimum movement required for performance assessment	UK retail gas and electricity prices (including taxes) should not move substantially above the EU median for small, medium and large industrial consumers. These comparisons will be made on an annual average basis.

DEFINITION OF KEY TERMS

- *Coverage* - the UK collects price information from all non-domestic users against this directive.
- *Price including taxes* - price paid by energy end consumer including all taxes (climate change levy and VAT). Price information is derived from total volume and value information supplied by respondents.
- *Comparator countries* - are those in the EU15.

A.6 The price statistics above are published each quarter by BERR in Quarterly Energy Prices (tables 5.4 and 5.8). The comparisons for medium sized customers are available in both the printed and the internet versions of the publications, whilst those for small and large consumers are only available in the internet version.

³ Industrial retail prices are published in BERR's Quarterly Energy Prices Publication. For Europe (EU 15 countries), the data is drawn from Eurostat.

⁴ <http://www.berr.gov.uk/energy/statistics/publications/prices/index.html>

⁵ http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_l48/l_l4820070609en00110016.pdf

Indicator 5	Total benefit/cost ratio of new regulations
Data provider	Better Regulation Executive on the basis of Impact Assessments completed by Departments.
Data set used	All final Impact Assessments ⁶ published by all government departments during the spending period (April 2008-March 2011).
Baseline	A baseline will be available in Summer 2008 on the basis of data from May 2007 to March 2008 under the new Impact Assessment process.
Frequency of reporting	Annual.
95 per cent confidence interval	<p>A new Impact Assessment (IA) process has been in place since May 2007. Therefore there is no baseline data which will help define the 95 per cent confidence interval, but one will be developed on the basis of data from May 2007 to March 2008.</p> <p>Under the previous IA process there were approximately 250-300 Impact Assessments per annum of which the ten largest IAs made up between 70-80 per cent of the total cost.</p>
Data Quality Officer	Better Regulation Executive (BRE), BERR.
Minimum movement required for performance assessment	A new Impact Assessment process has been in place since May 2007. Therefore there is no baseline data to assess the minimum movement. It is expected that 'quantifiable benefits to exceed quantifiable costs' will be a lower bound.

DEFINITION OF KEY TERMS

- *Total quantifiable benefits:*

The value of average annually recurring benefits (excluding one-offs) as set out on page 2 of the Impact Assessment Summary (Analysis and Evidence) section.⁷

⁶ The new Impact Assessment (IA) process aims to improve the quality and transparency of the cost-benefit analysis. There may remain some differences in approach on individual issues but public scrutiny on major IAs will ensure quality and consistency of aggregate data. The BRE will collect all Impact Assessments in a central repository and will calculate the cost/benefit ratio from Departments' individual IAs.

⁷ See Impact Assessment template - <http://www.cabinetoffice.gov.uk/regulation/documents/ia/template.doc>.

Indicator 6	Percentage by which administrative burdens are reduced across Government
Data provider	Better Regulation Executive (BRE), (based on departmental simplification plans of 19 departments). HMRC based on its own administration burdens reduction programme. ⁸
Data set used	- 19 departments which are part of the BRE administrative burdens exercise - HMRC, based on independent research (KPMG study).
Baseline	The baseline for the annual administrative burden for the 19 departments was £13.7bn as at May 2005. The Simplification Plans document sets out the individual baselines per department.
Frequency of reporting	Annual.
95 per cent confidence interval at last outturn	The approach used is not designed to be statistically representative. ⁹
Data Quality Officer	BRE, BERR, Business Customer Unit, HMRC. Departments will be responsible for reporting publicly against their simplification proposals.
Minimum movement required for performance assessment	25 per cent reduction by 2010 (for the majority of the 19 departments covered by the measurement exercise). 10 per cent and 15 per cent reductions in specific administrative burdens for HMRC.

National target

A.7 The majority of government departments have agreed a target of a 25 per cent reduction in their administrative burdens by 2010 for the total of categories A, B and C (see below). Some have set targets only for the total of categories B and C and/or over a slightly longer period.

A.8 The administrative burdens are classified into categories A, B and C:

A. Data requirements that are exclusively and completely a consequence of EU rules and other international obligations. The international rules describe which information businesses have to produce.

B. Data requirements that are a consequence of EU rules and other international obligations. The purpose will be formulated in the international rules, while implementation (including formulation of the specific data requirements) will be left to the Member States. The international rules do not describe that information businesses have to produce.

⁸ The administrative burdens measurement exercises were carried out by external management consultancies in collaboration with departments and businesses. Simplification proposals made by departments are subject to scrutiny by the Better Regulation Commission and the general public.

⁹ The Standard Cost Model provides a framework methodology for the consistent measurement of administrative burdens placed on businesses and third sector organisations by Government regulation. Instead it is a pragmatic approach measurement that gives indicative data on the size of burdens to allow reduction targets to be set and areas to focus to be identified.

C. Data requirements that are exclusively a consequence of rules formulated at national level.

A.9 As a taxation (rather than regulatory) authority, HMRC followed a separate but parallel process, employing a similar methodology. Building on the significant progress that HMRC had already made (both in reducing administrative burdens, and the adoption of a risk-based approach to its work), the Department is committed to delivery against two specific targets. These are to reduce, by 2010/11, the admin burden on business of dealing with:

1. HMRC forms and returns by at least 10 per cent; and
2. HMRC's audits and inspections (of all compliant business) by at least 15 per cent.

