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Secretary of State for Industry

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The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
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From Ministry
This seems a useful
report - with valuable recommendations

See Courtney

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ELIMINATING UNDUE BURDENS ON SMALL FIRMS

You will recall that at the meeting of MISC 14 on 6 September 1979, it was agreed that I should submit a further paper on the elimination of burdens on small firms. Under cover of this letter, I attach a report and proposals, particularly identifying areas in which further progress needs to be made.

The cost of compliance by industry generally with the requirements of Government is now perceived to have been significantly under estimated in the past. A reduction in this burden on small firms and the elimination of other obstacles to their growth is an important objective in itself, but it has now assumed even greater importance because the stringency of the current financial situation is having a serious effect on the small firms sector.

... I welcome the recommendations in the attached paper, and suggest we should monitor progress on all these topics with a view to making announcements at quarterly intervals, covering a small group of items, so as to make the maximum impact and underline our steady progress toward fulfilling our undertakings to the small business community. To this end, it would be helpful if a timetable could be provided by each Department responsible for the items in the progress report.

I am copying this to the other members of MISC 14 and to John Nott and Jim Prior.

Evan

Kerr



ELIMINATING UNDUE BURDENS ON SMALL FIRMS

Report and Proposals by The Department of Industry

1 Priority paper 10.1, which was considered by MISC 14 on 6 September last, identified the principle burdens imposed on small firms. This paper reviews developments and draws attention to matters on which further action is outstanding.

The Burden of Legislation

2 Awareness of the problems facing small firms is permeating Whitehall, but tangible results so far are few and there is a real risk that they will be more than offset by new legislation, unless the implications for small firms can be kept continuously in the forefront of our minds. An example is the proposal for an Employers' Sick Pay Scheme; despite special arrangements being discussed for very small firms, the potential cost and administrative burden to be imposed on the rest of small businesses will be considerable. It was understood when the scheme was formulated that it would have this disadvantage, but it is an unwelcome facet of a desirable change.

3 We make two proposals of general application concerning future legislation:-

- a Departments initiating legislation should be required to include in the explanatory memorandum an estimate of the compliance costs to industry. (We accept that in many cases only a broad estimate may be possible.)
- b All legislation having a significant impact on industry should be accompanied by a simple explanatory guide for the small employer.

The Burden of Paper Work

4 This arises on the twin fronts of administrative forms and statistical ones. Administrative forms bring relatively few complaints. However, the Department of Trade's external inquiry into their forms may suggest some fresh initiatives.

5 Statistical questionnaires are perceived as a significant burden by small firms. As a result of the review, initiated by the previous Prime Minister and effected through PUSs in each Department, 280,000 forms making statistical enquiries per annum have been stopped.

6 Under this Government some 750,000 statistical questionnaires have not gone out, but many of these were not annual returns. As a result of staff cuts, 50,000 enquiry forms per annum have had to be cut out. In addition, Sir Derek Rayner's first BSO exercise has suggested the saving of 50,000; half are in the process of being



implemented, the other 25,000 are subject to negotiation with the Treasury and the CSO. The Department of Employment are reviewing the frequency of their census of employment and the monthly employment return which involves substantial numbers.

7 The recent decision for Sir Derek Rayner to review the statistical services jointly with the CSO and CSD, particularly the Treasury's requirements as the largest user Department in Government, is particularly welcomed, since it is the demands of the user Department which inevitably dictate the number and frequency of enquiries. We are particularly anxious that they should not under-estimate the compliance costs involved for businesses of all sizes in supplying information, recognising that much the bigger burden falls on the small non-computerised company.

8 It is of overriding importance for Ministers and officials in all Departments to examine critically all proposals for seeking data from industry to ensure that only that which is absolutely essential is sought. More attention needs to be paid to the factor that some information will be readily available to the recipient. Where it is possible to delete sections of enquiries not applicable to the addressee, they should be removed. Forms should indicate on the front page to whom they apply and whether the return is compulsory, voluntary or to help the addressee.

Employment Protection Legislation

9 Important changes affecting small firms came into effect by order on 1 October, concerning the qualifying period for unfair dismissals and notification of redundancies. Further beneficial provisions are included in the current Employment Bill in relation to industrial tribunal procedures.

10 We particularly welcome the decision to amend the Employment Bill during its Committee Stage to extend the qualifying period for unfair dismissals to two years, not only for new businesses but in respect of new employees of all small firms (20 employees).

Health and Safety Legislation

11 A review of the work of the Health and Safety Executive is being conducted by the CPRS, who are due to report in March 1980.

Rating

12 The Planning and Land Bill will give small businesses the right to pay rates by instalment, and will provide for a more flexible separation of the domestic and industrial proportion of rates for mixed hereditaments. A working party of officials is examining the scope for de-rating of empty properties and of properties in the process of conversion. It is desirable that recommendations should be with Ministers in time for the Committee Stage of the Bill.



Building and Fire Regulations

13 Building regulations are being reviewed with the objective of devolving responsibility for them from local authorities to the builders. A draft consultative document is in preparation. There appears to be a case for reviewing the appropriateness of some of the fire regulations applied to smaller firms.

Rights of Entry

14 A review of the rights of entry into business premises has recently begun and will be completed by June 1980. Revenue services are the subject of a separate review which is nearing completion.

Company Law

15 The Department of Trade published a Green Paper on company accounting and disclosure last September. In accordance with the EEC Fourth Directive, it proposes a new 3-tier structure for companies with different disclosure requirements for large, medium and small companies. Nevertheless, a vast number of very small businesses will still be required to file balance sheets annually etc etc. A 'de minimis' exemption from this requirement would ease the burden on both very small firms and on Company House.

Government Purchasing

16 We believe that without departing from the value for money principle, Purchasing Departments could place more contracts with small firms. To achieve this communication will have to be improved. In order to help small firms understand Government purchasing procedures, a booklet in the Small Firms Service series has been prepared and awaits approval by the Purchasing Departments. We recommend that each Purchasing Department should have a nominated 'Small Firms Officer' to act as a focal point for enquiries, since small firms are often deterred by the difficulty of making the appropriate contact. There may also be scope for publishing lists of contracts (below a certain size) through the Department of Industry's Small Firms Centres, and by other methods, to ensure that small firms know what contracts are available. These ideas are developed in a paper shortly to be discussed in the Official Committee on Public Procurement.

Planning

17 Action is being taken to enable the Secretary of State for the Environment to publish league tables showing the time taken by planning authorities to deal with applications. Measures to speed up the handling of appeals are to be covered in a consultation paper to be issued shortly. The general development Order (1977) is to be relaxed to permit the limit on industrial expansions to be raised from 10 to 20% subject to a maximum of 120 square metres. The Secretary of State for the Environment is currently considering a draft of a new circular on development control which will emphasise the importance of helping wealth and employment creating investment



to take place and of dealing with planning applications from small firms promptly, efficiently and sympathetically. Applications would be granted unless the purposes of the land allocation are damaged by reason of noise, smell, unsightliness, or traffic generation. i.e provided they do not offend against the purpose of the land allocation.

Conclusions and Recommendations

18 In summary, we think it can be fairly claimed that a good beginning has been made, but there is still much to do. The effort to eliminate burdens needs to be sustained, and taken much further. Specifically we recommend that:

- (i) all Departments initiating legislation should be required to provide an estimate of the compliance cost to industry and to produce simple explanatory guides for the small employer;
- (ii) Ministers and officials requiring statistical information should re-examine their use of statistics to ensure that the degree of accuracy required and the reliance to be placed upon the figures is known to the BSO or other collecting organisations, to ensure that neither in quantity nor in frequency are the statistics being collected in excess of the minimum needed;
- (iii) forms should be redesigned so as to indicate clearly whether their return is voluntary, compulsory or to help the addressee and, if possible, a standard format should be achieved in this respect. Greater effort should be made to reduce the number of omnibus requests for information contained in the long standard forms;
- (iv) a guide to Government purchasing procedures should be produced, each procurement agency should appoint a Small Firms Officer and lists of contracts that might be of interest to small firms should be published;
- (v) reviews of the health and safety legislation, building and fire regulations, the Shops, Offices and Railway Premises Act should be undertaken and/or completed speedily, and if possible the results announced at the same time;
- (vi) a further effort should be made to reduce the company law requirements falling on the smallest businesses.

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