

PRIME MINISTER

1 February 1985

SCRUTINY OF BURDENS ON FIRMS

The burdens scrutiny has completed its work. (Report due on 8 February). They have come up with over 150 recommendations; some of detail and some of real substance.

You have already minuted that Lord Young is to follow up this work and have asked colleagues to give their reactions to their own departmental reports, also by 8 February. You could call a meeting of colleagues before Lord Young starts in order to give momentum to his work and to endorse serious study of some of the bolder options which might otherwise be resisted.

You could ask Lord Young at what point he thinks your intervention will be best time ✓

An early meeting of Ministers could draw up terms of reference and also decide whether the central report should be published to coincide with the 'jobs paper' and so reinforce its message.

Some of the bolder policy options, not all of which are in the scrutiny, are to make PAYE non-cumulative and to harmonise definitions with National Insurance. The Report also suggests that the two could be merged but this runs the grave danger of giving an apparent 40% tax rate.

+ less of contributors principle ✓

On VAT, they were unable to find any major simplifications except raising the threshold which is constrained by EC rules. However, the sum of the minor changes on VAT and PAYE could together produce a major improvement for small businesses.

Changes to the administrative rules on company law and accounts will have a very beneficial impact. The bold move is to a general statutory duty for consumer safety and dismantling all the detailed (and often inappropriate)

regulation in this area. A similar approach could be taken on Health and Safety at Work, particularly if the burden of proof is shifted from the employer to the enforcing authorities.

?? E(A) has already considered some aspects of employment protection but easily the best move here is to give people the freedom to be self-employed. Employer and 'employee' could opt out of all the employment legislation and ideally out of PAYE as well. (The contract society).

Sketchy evidence suggests that we could be spending £5 million on fire precautions for each life saved in factory fires, but there appear to be no viable radical options. Greater cost consciousness and less arbitrary enforcement together with exemptions for certain premises may be the best we can do.

The report recommends simplified planning zones and a host of minor improvements. One option is to automatically approve planning applications if councils fail to object within one month. Compliance costs must be taken into account in building regulations: small buildings and change of use should be exempted. Building regulations could be abandoned totally in favour of relying on insurance.

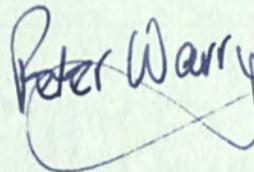
Generally the scrutiny identifies the need to introduce greater compliance cost consciousness and a less authoritarian approach by inspectors. It wants more general duties and less detailed regulation; better presentation of information and more accessible communication with officials.

All new legislation must be vetted for its compliance cost effects and all existing legislation should gradually be reviewed. All statutory instruments should have a 'sunset' clause whereby they expire after a set period.

One good idea, not yet in the report, is the introduction and wide availability of computerised 'expert systems' to lead businessmen through the legal maze. These are question and answer flow charts operated by computer. They could be used to plot the steps for setting up a business or, for example, employment law. They have already been tried with some success for supplementary benefit.

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The annex lists some of the regulations that you could already line up for your bonfire of unnecessary burdens.



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