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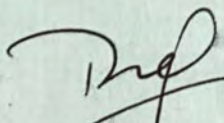
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28th June, 1985

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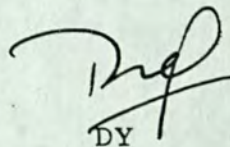
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WHITE PAPER ON DEREGULATION

CHAPTER 1

1. There are two key elements in the Government's economic policy: to keep down inflation and offer real incentives for enterprise. Low inflation is the very bedrock of an expanding economy but is not sufficient in itself. It is the growth of Enterprise, the efforts of millions of our people engaged in the creation and development of businesses large and small that is the real driving force of the economy. This paper is about one important aspect of helping enterprise to grow - by reducing burdens imposed on business by administrative and legislative regulation.

It sets out the case for more freedom in the business sector and the need to deregulate. It reinforces the Government's commitment to reducing unnecessary constraints on the creation of jobs and wealth. It reviews what the Government has done already. It outlines the way in which a new permanent mechanism will operate - to ensure that all proposed new legislation and regulation will be examined for its impact on business and systematically to review existing rules and remove or simplify them where they impose unnecessary burdens.

But this must be done with care. The line between liberty and licence is fine and can easily be crossed. We have to bring about the conditions to promote growth but not abuse. It is on this basis that this paper is presented.

2. The Government want to see an economy in which firms, large and small, have the ability to expand - and thereby win extra business and create more jobs. That is now happening. Published estimates indicate that the employed labour force has increased by more than 600,000 since the Spring of 1983. New business formation and self-employment are greatly increasing. Between 1980 and 1984 the VAT register shows that 140,000 more new businesses set up than closed down. This decade has seen an increase of over half a million in the number of self-employed people to over 2½ million - the highest figure in the last 60

years. Indeed last year our economy created more jobs than the rest of Europe put together. But this is still not good enough.

The Government must do all it can to accelerate the process for without healthy business, and the jobs and wealth they create, the country will simply not be able to afford the things we all desire: pensions, health services, education and all the other calls on government expenditure.

3. The amount of regulation which new and established firms face acts as a brake on enterprise and the wealth and job creating process. Deregulation means two things. First, freeing markets and increasing the opportunities for competition. Second, lifting administrative and legislative burdens which take time, energy and resources from fundamental business activity.

FREEING MARKETS

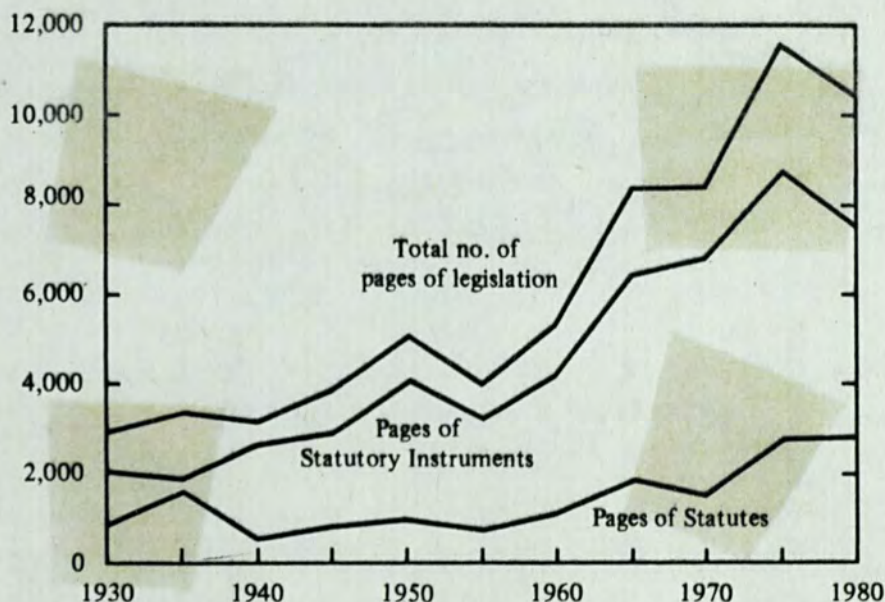
4. On the first, the Government have made good progress and there are more proposals in the pipeline. We have freed up long distance coach services, domestic and international air services, spectacles and mobile cellular radiophones. The Government have abolished controls on foreign exchange, dividends, hire purchase and bank lending. In every case that has brought benefits in terms of more choice, better services, lower prices, greater international competitiveness, freedom from bureaucratic control and the clear potential to increase employment.

LIFTING THE BURDEN

5. On the second aspect of deregulation, the Government believe that despite considerable efforts to get the balance right the scales are still tipped too far against business. For the best of motives, regulations have grown over the years to a stage where many of them are too heavy a drain on our national resources. Too many people in central and local government spend too much of their time regulating the activities of others. Some regulations were framed a century and more ago, have been added to or amended, and now bear little relevance to the modern business world. Other

regulations are too complex and confusing even to professional advisers (and sometimes to the people who administer them, too). Many regulations are necessary and it is, of course, Government's responsibility to ensure that flexibility and freedom are not abused by those who would flout the proper interests of customers, consumers and employees. We must maintain our quality of life. But we have to strike the right balance.

6. This is not just a British problem. The tide of legislation has risen inexorably over the years in all countries of the western world. The United Kingdom has not been immune. The chart shows - as a rough guide - how the volume of new UK legislation being passed has grown since the 1930s.



(figures entered at five-yearly intervals)

Of course, not all of this legislation directly impinges on business. Some of the more recent legislation has been necessary in order to restore greater freedom and flexibility to citizens

and the economy - for example, enabling sales of council houses to take place, and through returning nationalised industries to the private sector. But overall there is no doubt that we suffer from the sheer weight of legislation and controls. That is why, like administrations in the U.S.A., The Netherlands and West Germany, the Government wants to stem this flow. The cumulative weight of legislation must clearly be examined rigorously to ensure that its benefits outweigh its costs. We want less - and better - regulation.

7. Moreover, the evidence shows that although individual regulations may themselves be minor, the cumulative effect is time-consuming and costly. In a competitive environment, businesses already have enough to do. They have to respond quickly to changing consumer needs, to plan and monitor their financial, marketing, personnel and investment activities skilfully and flexibly. The impact of regulation takes its toll in diverting precious time and energy that would be far better used in generating products, services, sales - and, in the end, jobs.

8. The burden is that much greater on small business where the owner/manager is wholly responsible for all aspects of the business and the people he or she employs. Every hour spent on form filling is one less hour spent on running the business. Moreover, this can put off the potential entrepreneur or drive him or her unwillingly into the 'informal economy'. These small and new businesses are precisely those we need to encourage to set up, expand and take on employees.

9. Regulation also imposes burdens on the state itself through the need for the explanation and enforcement of often complex rules to businesses. A good deal of the time and energy of officials in central and local government is taken up by enforcing and applying regulation; simplification will save time, money and staff effort for government itself as well as making life more straightforward.

THE JOB TO BE DONE

10. The present White Paper is not the first step on the road. Deregulation has been a continuing priority of the Government since 1979 and much has already been achieved. For example, over a million fewer statistical forms are sent to businesses today compared with 1979. A central mechanism has been established to ensure that all business surveys are reviewed in detail on a regular basis and only allowed to continue if approved by the responsible Minister. Planning procedures have been speeded up and local authorities have been encouraged to grant permission to business development unless there are pressing reasons to the contrary. The burdens of the Employment Protection Act on business have been considerably reduced and, by taking advantage of flexibility in the European Community directives on company law, disclosure requirements on annual returns have been reduced for small firms.

11. The Government are now making a concerted drive to speed up this process of reviewing existing regulation and ensuring that new regulation is examined carefully for its impact on firms both large and small. We have considered carefully the work done in other countries, in particular in the U.S.A. In the first two years of President Reagan's administration, the concerted deregulation strategy which he introduced has reduced the pages of regulation in the Federal Register by one third as compared with the final two years of the previous administration. The United States Government estimate that this has produced once-off savings of \$9-11 billion and annual savings of \$6 billion in costs to government and business. They also report that the number of new businesses in deregulated industries increased faster than in the overall economy in 1982 and 1983. Definitions in the U.S. and U.K. are, of course, different but the clear indication is that deregulation stimulates economic activity. It will never be possible to prove a direct causal relationship between deregulation and job creation. But the evidence suggests that there is a link. And commonsense dictates that if unnecessary restraints are removed, then people are more likely to set up businesses or expand them.

12. The package of measures presented in this paper is the result of an intensive exercise within Government Departments, carried out in close consultation with business. Work in the Department of Trade & Industry had previously revealed much dissatisfaction among small businesses with the costs and complexity of regulation. This led to an inter-departmental scrutiny of administrative and legislative burdens on small businesses announced by the Prime Minister on 1st August, 1984. The report of the scrutiny 'Burdens on Business' (ISBN 0 11 513820X) was published in March 1985.

13. 'Burdens on Business' identified options for change and was published to stimulate debate and comment. Among the key findings the report concluded that:

"Compliance with Government requirements imposes real additional costs on business, particularly on small firms and 'new starters'. They can be a barrier to market entry"

and

"Though most firms are managing to cope with the burdens, action to reduce it offers benefits for jobs and for the 'white economy'."

14. In a survey conducted among 200 businesses by Research Associates, as part of the 'Burdens on Business' report, 52 firms reported they had lost or not taken on an average of 6.5 employees each year over the last five years due to the inhibiting or costly effect of regulations. Some jobs were gained by some 15 firms in order to deal with regulation but the net job loss judged to have taken place in this sample of 200 firms was over two hundred. And there are 1.6 million businesses in the country.

15. Complementing the 'Burdens on Business' exercise, the Department of Trade & Industry conducted a survey among large firms to identify the extent to which regulation impacts on their business activities. This showed that action to reduce the burden of regulation was as relevant to larger businesses as to small.

16. Following publication of the 'Burdens on Business' report, a Ministerial committee, under the chairmanship of the Minister without Portfolio, was set up to carry forward this initiative and the findings in the survey of large firms. The opportunity was given for outside organisations and individuals to offer their views. Many submissions have been received from individual businesses and representative organisations. They include numerous individual recommendations. But overall their message is clear. Regulation remains a major obstacle to the growth of employment and enterprise in this country. That is a message which we cannot ignore.

17. This White Paper is largely concerned with deregulation within the United Kingdom but there is, of course, a European dimension which is likely to become increasingly significant. The European Community imposes regulation on business and the Government are working with their partners towards similar reviews of existing and future burdens. Chapter 00 deals with this aspect.

18. In Europe there is clear recognition of a common problem and a shared resolution to take action. Within the United Kingdom there is a similarly widespread acceptance of the need to review regulations. As a result of the Government's initial review of the scope of deregulation, following up the 'Burdens on Business' Report, they have identified a number of areas where reforms should be made, covering the responsibilities of a range of Departments. Chapters 00 to 00 set out what is proposed - a series of practical, carefully thought out reforms. Some of these are major; others are not. But it is the cumulative burden of regulation - both major and minor - that saps the energy of business. It is that burden which the Government is determined to reduce - but with care and concern for all in our society.

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CHAPTER TWO

SUMMARY OF PROPOSALS

What the Government are doing -

1 PLANNING AND ENTERPRISE

- Giving strong guidance to local authorities on "Planning and Enterprise".
- Introducing Simplified Planning Zones.
- Extending the General Development Order to permit more exemptions from planning permission.
- Fundamentally reviewing the Use Classes Order.
- Reviewing the Control of Advertising Regulations.
- Issuing next month a new booklet for small firms explaining the planning system and giving clearer guidance on working from home.
- Introducing various amendments to the Town and Country Planning Act.
- Improving the system of major public inquiries.
- Carrying out an efficiency review of measures to speed up written planning appeals.
- Extending the power to award costs against authorities who act unreasonably.

2 ENVIRONMENTAL CONTROL

- Setting up a Review of local authority practice and court decisions, with the aim of preparing guidance to local authorities and making legislative changes if appropriate.

3 BUILDING REGULATIONS

- Introducing simplified regulations, to come into force in November.
- Starting a further review, to cut scope of regulations where possible.

4 DEPARTMENT OF TRADE AND INDUSTRY

Company Law

- Introducing a simplified procedure for determining new companies' accounting reference.
- Setting up a procedure for reminding companies of their filing obligations 6 weeks beforehand.
- Introducing a single requirement to replace the present variety of requirements governing the filing of returns and accounts on separate dates.
- Consulting already on the possible elimination of statutory audit for small companies.

Consumer Law

- Repealing the Price Marking (Bargain Offers) Order and replacing it by a new general offence on false or misleading price information supporting by a statutory code.
- Introducing a new general duty on product safety judging goods by sound modern standards of safety - then reducing and simplifying individual regulations.
- Consulting on the scope for more self-certification and other simplifications.
- Monitoring the Consumer Credit Act 1974 taking steps to alleviate specific business difficulties.

5 CUSTOMS AND EXCISE

- Negotiating with the Community to obtain increased flexibility to raise our VAT threshold.
- Extending the option for traders to make monthly VAT payments.
- Improving information on the operation of VAT retail schemes.
- Allowing deductible input tax to be based on discretionary records.
- Improving the bad debt relief provisions included in the Finance Bill, in line with provisions in the Insolvency Bill.

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- Considering an approval system for computer software packages designed to handle VAT accounts.
- Reviewing procedures to speed up paperwork on VAT on imports.
- [- Allowing approved sales invoices to be used for retail export relief instead of customs forms (subject to Community agreement)]

6 INLAND REVENUE/DHSS

Employment and Self-Employment

- Issuing a new leaflet explaining the criteria for deciding whether a person is employed or self-employed.
- Developing closer liaison between Inland Revenue and DHSS to agree common decisions on a person's employment status.
- Giving greater encouragement to the use of the small earnings exception by the self-employed.

Employers

- Consulting on the possibility of administering PAYE on a non-cumulative basis and of the closer alignment of PAYE and NIC (in the Green Paper on taxation to be issued in the autumn).
- Assessing results of a pilot exercise to determine the scope for reducing the number of visits by Revenue and DHSS Officers on PAYE and NIC.
- Changing DHSS practices to cut down the enquiries to employers about NIC contributions.
- Publishing an improved "starter pack" on PAYE and NIC possibly with a single booklet.

7 DHSS

Statutory Sick Pay

- Consulting shortly on the possibility of allowing employers to opt out of the SSP scheme.
- Introducing a variety of minor simplifications to legislation and procedures (subject to consultation).

Industrial Injuries

- [Considering] using the New Earnings Survey to determine earnings levels and Special Hardship Allowance.
- Simplifying and redesigning forms.

Other

- Reviewing all DHSS functions affecting business, both inside and outside the scope of the Social Security reviews.

8 DEPARTMENT OF EMPLOYMENT

Information and Advice

- Improving information and advice on employment protection and health and safety.
- Using more Jobcentres as advice centres.

Employment and Protection

- Extending the qualifying period for unfair dismissal to 2 years in all cases.
- Considering further action to improve information and advice to employers.

Health and Safety

- Reactivating the HSC scrutiny of old legislation.
- Raising the threshold for the requirement to prepare written safety policies to firms of 20 employees and above.
- Explaining clearly to employers that they have a right to appeal against inspectors' decisions.
- Providing better information for small firms.
- Giving specific training to Inspectors to increase awareness of small firms' interests.
- Issuing national guidelines on safety inspection priorities and standards.
- Assessing the impact of proposals on small businesses.

- Designating one of the HSC Commissioners to represent small firms' interests.
- Reviewing "onus of proof" requirements.

Other Areas

- Abolishing restrictions on women's working hours.
- Considering the future of Wages Councils.

9 HOME OFFICE

- Introducing the legislation to abolish restrictions on shop hours.
- Considering the possibility of relaxing liquor licensing restrictions.
- [- Considering the possible abolition of controls on late night refreshment houses.]

Fire Precautions

- Considering a new system of control to replace the certification requirements of the Fire Precautions Act 1971: greater responsibility would be placed on owners/occupiers to meet safety standards.
- Giving clearer advice to fire brigades to ensure more consistent advice and better links with Environmental Health Officers: the importance of compliance costs will now be included.

Data Protection Act

- Arranging for the Registrar to report to the Home Office on the impact of the Act on businesses once there is sufficient experience of the way it works.

CHAPTER 3

PLANNING AND ENTERPRISE

(subject to
"polishing"
amendments)

1. The town and country planning system has not changed in its essentials since it was established in 1947. In many ways it has served the country well and the Government has no intention of abolishing it. But it also imposes costs on the economy and constraints on enterprise that are not always justified by any real public benefit in the individual case. It can cause delay and uncertainty even where applications are eventually approved. Too often the very wide discretionary power that the system affords is used to apply excessively detailed and onerous controls of a kind that would not be tolerated in general legislation. If the system is to remain effective it must be used in a way that does not impose an unnecessary degree of regulation on firms and on individuals.
2. The Government's policy is to simplify the system and improve its efficiency. A good deal has been done but there is ample scope for further progress. An efficient and simple system can speed the planning process and facilitate much needed development which helps create jobs - in construction, in commerce and industry, and in small firms.
3. The Government is equally concerned to protect and enhance the environment in town and country, to preserve our heritage of historic buildings and rural landscape, to conserve good agricultural land and maintain the green belts. This too requires a planning system that works efficiently and effectively, and strikes the right balance between the needs of development and the interests of conservation. It is not to be regarded simply as a means of preventing change. Properly used, it can help to secure economy, efficiency and amenity in the development and use of land.
4. It is an established principle of planning law that the developer is entitled to his permission unless there are sound relevant and clear-cut reasons for refusal: that is to say, permission is not to be refused for arbitrary or irrelevant reasons. Nor is the developer required to prove the case for the development he proposes to carry out; if the planning authority consider it necessary to refuse permission, the onus is on them to demonstrate

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clearly why the development cannot be permitted and the reasons must be precise, specific and relevant to the application.

5. There is therefore always a presumption in favour of development, unless that development would cause demonstrable harm to interests of acknowledged importance. These principles were clearly stated in a circular issued by the then Ministry of Town and Country Planning in 1949 and restated in a further circular in 1953, and amplified in Department of the Environment Circular 22/80, "Development Control: Policy and Practice". The Secretary of State for the Environment is issuing a new circular reaffirming these principles. It is reproduced in the Annex to this White Paper.

6. In line with this approach to the control of development, and in support of the general aim of deregulation, a number of other measures are being taken to simplify the planning system and reduce the burden of control:

- (i) It is proposed to introduce new legislation to permit the setting up of Simplified Planning Zones (SPZ) which will extend to other areas the type of planning regime already established in Enterprise Zones. This will enable the local planning authority to specify types of development allowed in an area, so that developers can then carry out development that conforms to the scheme without the need for a planning application and the related fee. Planning permission for other types of development can be applied for in the normal way. This type of planning scheme has proved to be effective and successful in Enterprise Zones and can provide a real stimulus to the redevelopment of derelict or unused land and buildings in areas that are badly in need of regeneration. In addition to providing local planning authorities with powers to introduce SPZ's, they will also be required to consider proposals for the establishment of SPZ's initiated by private developers. The Secretary of State would have reserve powers to direct the preparation of proposals for an SPZ, similar to those that he already has to direct the preparation of alterations to development plans.

(ii) It is proposed to introduce a number of changes to the General Development Order which enables specified types of development to take place without the need to apply for planning permission. It is a useful method of deregulation within the planning system. Important changes of this kind were made in 1980 and 1981, and the Government has [this month] introduced a set of amendments to the GDO designed to facilitate modern developments in telecommunications. Consultation has already taken place on other amendments that have been generally welcomed by "users" of the system and which will be introduced at the start of the next Session. These will include: increasing the permitted limit on extensions of industrial buildings from 20% of cubic content (subject to an upper limit on the permitted increase in aggregate floorspace of 750 sq. m.) to 25% of cubic content (upper limit 1000 sq. m.); a new provision for the extension of warehousing to a level similar to that proposed for industrial buildings; permission for provision of facilities for air traffic control by the CAA; permission for DBS (direct broadcasting by satellite) aerials of up to 90 cm diameter on houses; permission to erect rides etc in amusement parks (which are subject to separate safety controls); provision for exploratory drilling for mineral workings; removal of the requirement to notify the Department of Transport of proposals involving access to non-motorway and non-trunk roads.

(iii) A review of the Use Classes Order (UCO) has been set in train and the results will be published for consultation later this year. The UCO enables land and buildings to be used for various purposes without the need for planning permission, and is thus a means of deregulation like the GDO. Unlike the GDO, however, the UCO has not been substantially changed since it was first introduced in 1948, and is clearly overdue for review in the light of today's conditions. In particular, it needs to take account of the requirements of the typical "high tech" firms where manufacturing, offices, research and development, warehousing and other activities may be carried on in a single building and where the

mix of uses and space utilisation may need to be constantly changed and adapted to the needs of the business. Since the UCO is intended to permit and not restrict compatible uses, it is obviously essential that it should be designed to do this effectively.

- (iv) The Control of Advertisement Regulations are also being reviewed in conjunction with representatives of the advertising industry and other interests. One aspect that warrants review is the signposting in rural areas of tourist facilities, hotel accommodation, craft workshops and similar establishments. While a proliferation of commercial advertisements in the countryside would obviously be deplored, it should not be necessary to subject simple directional signs to the same degree of control, provided that they do not create a traffic hazard.
- (v) It is proposed to issue a booklet to assist small firms to cope with the requirements of development control. This will supplement the booklets already published for householders and for industrial developers, and will be accompanied by a circular to local authorities. In particular the booklet and circular will clarify the position relating to working from home. Planning permission is not normally required where the use of part of a house for business purposes is clearly ancillary to its main use as a residence. It is reasonable that, where the business use becomes dominant or intrusive, planning permission should be required (and may be refused), but many small businesses begin as one-man firms working from home and can be carried on without any serious detriment to neighbouring property. Some local housing authorities apply restrictions on working from home by means of tenancy agreements or restrictive covenants. The right-to-buy provisions for the Housing Act 1980 require that any covenants imposed should be reasonable in the circumstances. In the Housing and Building Control Act 1984 provision is made for the Secretary of State to direct local authorities not to include certain covenants in their sale documents

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and to discharge or modify covenants in completed sales.

There are at present no powers for the Secretary of State to control conditions in local authority tenancy agreements. The Secretary of State takes the view that local authorities should not seek to impose restrictions on council tenants working from home in cases where planning permission is either not required or has been granted, and this aspect will be dealt with in the circular to local authorities. The Government has amended the Capital Gains Tax provisions so that in almost all cases there is no liability to CGT on the sale of the home where part has been used in this way.

- (vi) Proposals have been published for a range of detailed but useful amendments to the Town and Country Planning Act 1971 designed to simplify some of its provisions and improve its procedures. It is hoped to introduce these in the next Session if the legislative programme permits.

- (vii) Proposals have also been published for improving the conduct of major public inquiries, including provision for the pre-inquiry stages so as to simplify the proceedings and ensure that the time of the inquiry is used efficiently. These and other proposals designed to improve the efficiency of the inquiry process will be incorporated in the Inquiries Procedure Rules in consultation with the Council on Tribunals. The great majority of planning inquiries are completed within one or two days, and last year only 41 out of nearly 3000 inquiries lasted more than two weeks and only 20 lasted more than a month. The few major planning inquiries, however, and some other types of inquiry, can become extremely protracted and to the point where very few of those who wish to appear at the inquiry are able to follow the whole of its proceedings. These measures will help Inspectors at major inquiries to order the proceedings in a way that enables the main issues to be dealt with, and ensures that all those who have a contribution to make are able to do so, while avoiding undue complexity and delay in reaching decisions.

7. All these proposals are aimed at improving the operation of the planning system. While many of them will contribute to deregulation, the Government is also concerned to ensure that the system is effective where careful control is warranted. To this end, proposals have been published for securing improved control over hazardous development (storage of dangerous substances), and it is hoped to introduce the necessary legislation in the next Session. Similarly, proposals have been published for extending the Landscape Areas Special Development Order to all National Parks. Proposals are being prepared, following consultation, to ensure better control over intensive livestock units.

8. In addition to pursuing the aim of deregulation and relieving the burden of unnecessary controls on business and small firms, the Government continues to attach the greatest importance to ensuring that, where effective control is warranted, the system operates as efficiently and promptly as possible. This applies to both planning applications and planning appeals.

9. The appeal process is a key component of the planning system and it is essential that those who are refused planning permission by the local planning authority should be able to take their case to appeal in the expectation that their case will be dealt with promptly. Although decision times on appeals have improved markedly compared to the position some years ago, there has been some deterioration over the past year or so as the volume of appeals has increased. Median decision times are capable of considerable improvement and, of course, half of all appeals exceed the median. The great majority of appeals (86% in 1984) are dealt with by the written representations procedure, which generally provides a simpler, quicker and less expensive process for the appellant. The Department of the Environment has set in train an Efficiency Scrutiny of this procedure with a view to establishing time targets against which performance can be monitored and to which possible procedural changes or increased resources can be related. Regular performance statistics will be published. There are no statutory powers at present to enforce time limits in the case of planning appeals dealt with by written representations and it is proposed to make such provision as part of the legislation referred to in para 6(vi) above.

10. Local planning authorities performance has improved over the past few years and 70% of applications are now decided within eight weeks compared to 60% in 1979. But some authorities consistently achieve 80% or more, while other authorities only 50% or less. Much can be done to propagate good practice and by simple procedural changes and effective use of information technology. The Department of the Environment is consulting the National Development Control Forum, representing local planning authorities, on the proposal to produce a Code of Practice which would establish a set of guidelines and time targets for the handling of planning applications.

11. Development plans are a key component of the planning system since they provide a basis for the exercise of development control and can assist developers and the business community by providing them with some indicators to guide them in taking their decisions. Development plans include both structure plans and local plans; structure plans are intended to provide the broad policy framework and are prepared by the county planning authorities, while local plans are prepared by district councils for the whole or parts of their area. Inevitably plans become out-of-date and tend to lag behind current needs and conditions. In particular, the twin priorities of generating jobs and providing sufficient land for housing have not been reflected fully or quickly enough in structure plans and the planning decisions of local authorities. The new circular issued by the Secretary of State for the Environment (reproduced at Annex A) accordingly makes it clear that development plans are one, but only one, of the material considerations that must be taken into account in dealing with planning applications.

It is also important that development plans should concentrate on the essential elements and the key planning issues, be well related to current trends in the economy and the factors that influence market demand, and be capable of rapid revision to meet changing circumstances. There is cause for concern that this process of plan review and up-dating is becoming too slow and cumbersome, partly because of the lengthy procedures involved and partly because of the increasing tendency to include in structure plans far too great a degree of detail and of a kind which is either not suitable for inclusion in development plans or could be more appropriately dealt with in local plans or in published

guidance for developers (eg. requirements for car parking etc).

The Government is giving further consideration to whether there should be changes in the content and procedures of development plans and in the relationship between development plans and development control.

12. Finally, while deregulatory measures and procedural improvements are important, the key objective must be to keep the planning process simple - to avoid over-elaboration and unnecessary detail in development plans, and to concentrate on the essentials in dealing with applications, without complex and superfluous conditions. Deregulation does not imply only the abolition of unnecessary controls. It also means achieving simplicity and efficiency in the way that necessary control is carried out. Simplification, speed and efficiency do not mean dismantling the planning system but they are as relevant to planning as to all other forms of regulation and control. All those responsible for the operation of the system can help to achieve the improvements that are needed.

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CHAPTER FOUR

RENT DEREGULATION

[A measure of deregulation for new lettings in the private rented housing sector would promote enterprise in a number of ways. It would encourage the owners to let and stimulate the rented sector, which has been in a state of decline for far too long. It would encourage the conversion and construction of dwellings for rent. It would help to remedy the housing shortfall in certain areas of the country, such as London. It would improve labour mobility, so that people can move easily to jobs away from their present homes. At present both employees and employers suffer because there is no pool of accommodation for rent.]

The Government [have explained why they are unlikely to proceed with legislation during the lifetime of the present Parliament but they] hope in due course to introduce legislation to encourage the supply of more homes to rent in the private sector - in the interests of a balanced housing market and the promotion of enterprise.

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CHAPTER 5

BUILDING REGULATIONS

Since the publication in 1981 of the White Paper on the Future of Building Control in England and Wales, the Government have been engaged in a major overhaul of building controls with the aim of simplifying the procedures, providing the option of private certification and removing unnecessary regulations.

The first stage of this exercise will be completed in November when new building regulations will come into force. These will be much simpler in form than the current regulations, will give wider exemptions and simplified procedures for minor works and provide for private certification by approved inspectors. The bulk of the building regulations will be reduced from over 300 pages at present to some 30 pages.

After the new and much simplified regulations have come into force, the Government will start the next stage of the review. This will involve examining the requirements of the regulations, to see how far they can be reduced or dropped altogether. A consultative document will be issued by the Department of the Environment with proposals for further changes. Government's aim is that the regulations should be reduced to the minimum required to secure their essential function, which is the preservation of public health and safety.

In areas such as structural safety and fire precautions, there will be a need for substantial continued regulation. But the Government will examine carefully the possibilities of reducing the level of regulation in these areas, where this would not mean to increased risk to personal safety.

The building regulations currently cover other areas, such as sound insulation; energy conservation; hygiene (provision of bathrooms, food storage, etc); safety of stairways, ramps, etc; and ventilation and damp prevention. The Government believe

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that in some of these areas there may be scope for reducing substantially the extent of regulation or removing some of the regulations altogether. Where the operation of the market can be relied upon to ensure that acceptable standards are maintained, there is no case for regulation. The Government will aim to take decisions on reducing or abolishing regulations in these areas within twelve months.

Following a recent major review of the separate and distinctive building control systems in Scotland, work is also well in hand there on a complete recasting of the Building Standards (Scotland) Regulations, to produce simplified and fewer regulations. As he announced to Parliament in November 1984 in his Statement of Intent on the future of building control, the Secretary of State for Scotland will also seek early powers to permit a significant measure of designer self-certification of compliance with the regulations; to introduce the type approval of repetitive designs; and to exempt altogether from the scope of the regulations a wider range of agricultural and industrial buildings and minor house extensions.

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CHAPTER 6

ENVIRONMENTAL CONTROL

Business and commercial activities can have environmental consequences directly through the emission of noise, fumes, etc, and indirectly, for example, through traffic generation. Insofar as these can be significant, there needs to be control in the interests of neighbours and the public generally. But unnecessarily stringent control has real costs both in impairing the profitability of the enterprises concerned, and in loss of jobs if control prevents development from taking place at all or on the scale originally proposed.

Under planning legislation, local authorities consider these matters in advance. The possibility and degree of environmental impact should be viewed under the general principle, repeated in the circular at Annex 00, that development should proceed unless there are sound and clear-cut reasons why it should not.

Where there are certain to be environmental problems, it may be possible for permission to be given, subject to suitable conditions designed to deal with it. But, as stressed in the Department of the Environment's Circular 1/85, conditions should only be such as are necessary, reasonable, fair, relevant, precise, practicable, and enforceable. The Department has also advised (Circular 22/80) that authorities should not take enforcement action for planning breaches unless absolutely necessary: generally, the practice of authorities is to resort to enforcement action only if definite complaints from the public have revealed a serious problem and only after negotiation with the occupier has failed to resolve it.

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Where environmental impacts or proposed development including changes of use are less certain, particularly in the case of small businesses, the better course normally is to allow the development to proceed without onerous conditions and, if subsequently it is established that it has resulted in definite environmental problems, to deal with them under authorities' statutory powers under public health and control of pollution legislation. Unless there are clear-cut reasons for believing that a particular development will create significant environmental problems, planning control should not, in the Government's view, be imposed simply because control under the Public Health Acts or the Control of Pollution Act lies ultimately with the courts rather than with the local authority. The Department of the Environment is reviewing the current use and effects of these powers with the aim of preparing guidance or making changes if appropriate. The Department aims to complete this review by the end of this year, so that the results can, if necessary, be taken into account in legislation in 1986/7.

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CHAPTER 8

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1 Many of the regulatory burdens on the agriculture, fisheries and food industries relate to European Community requirements and, on behalf of the United Kingdom, the Ministry is vigilant to ensure that measures are not allowed to slip through which are not necessary for the efficient administration of Community arrangements. In some areas regulation is necessary in order to meet special problems. Indeed, industry itself benefits from the protection afforded by restrictions placed on the movement of livestock, fish and plants following outbreaks of certain diseases, while the public at large benefits from measures designed to protect the safety and quality of food.

2 But whenever possible action is taken by the Ministry to ease the burdens on agricultural, horticultural, fisheries and food sector businesses imposed by domestic legislation. This is a continuing process. In 1980, for example, revised arrangements were introduced for capital grants in agriculture and horticulture which removed the need for applicants to obtain prior approval. As a result, the farmer no longer has to provide the Ministry with costs and specifications together with three estimates of the proposed work before making a capital investment on which he intends to claim grant.

3 Since then the movement towards deregulation has been accelerating. In 1984 the Improvement of Livestock (Licensing of Bulls) Act 1931 and the Horse Breeding Act 1958 were both repealed by the Animal Health and Welfare Act 1984. On 1 July 1986 the full force of new Government measures to replace restrictive compositional standards in

one important part of the food sector by more informative labelling will be felt; this is as a result of the introduction of the Meat Products and Spreadable Fish products Regulation 1984 which replaces 7 sets of regulations and reduces the number of compositional standards from 50 to 12.

4 The Ministry is currently consulting representative organisations on the proposal to liberalise the arrangements for the importation of veterinary medicine; anyone would be allowed to import a licensed product whether or not they were named on the product licence. The end of 1985 is the target date. Animal health controls over artificial insemination have been reviewed and proposals for liberating certain aspects of trade in cattle semen in England and Wales are now in the process of being implemented. In addition, a much simplified system of controls over the quality of livestock permitted to be used in AI is to be introduced from the beginning of 1986.

5 The Ministry is now in discussion with the soft drinks industry with a view to introducing a major simplification of the existing complex regulations.

The removal of unnecessary regulations and the widening of the scope for competition are central principles of this Government's transport policy. Transport exists for the user - whether he be a passenger or a business. There is no doubt that the user benefits from a maximum of competition and choice. Competition and deregulation encourage the innovative and efficient operator and provide opportunities for the small businessman. A competitive environment is a necessary pre-condition for the successful adaptation of the transport market to the needs of the late 20th Century.

Road Passenger Transport

The Government's Transport Act 1980 removed "quantity" restrictions on long distance "express" coach services. Since the Act came into force in October 1980 over 900 new services have been registered and fares have fallen on average by 40% in real terms. As a result new opportunities for cheap long distance travel have been opened up and more people - particularly those on lower incomes - are benefiting from them.

Building on that success, the Government is proposing in the Transport Bill now under consideration in Parliament, to widen the scope for competition to include local bus services. The Bill abolishes Road Service Licensing rules altogether, outside London. This will bring cheaper and better local transport services and will enable public resources to be used more effectively to cater for real social need and the enforcement of strict safety standards. The Bill also provides more opportunities for the use of minibus and other low cost transport services and removes regulations which have restricted the use of taxis for local public transport services.

Aviation

In aviation, following the Civil Aviation Act 1980, competition was introduced on several domestic routes. This has resulted in better and more frequent services between British cities.

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Following the report of the Civil Aviation Authority into Airline Competition Policy (CAP 500) the Government published a White Paper, "Airline Competition Policy" (Cmd. 9366). This welcomed the Authority's proposal that domestic air fares should no longer require specific approval.

In international negotiations, the Government is pressing for greater competition, both in bilateral and multi-lateral negotiations. In 1980 competition was introduced on the "cabotage" route to Hong Kong. This resulted in lower fares and increased traffic on that route. The European Community offers the best chance for further liberalisation. The Regional Air Services Directive of 1983 allowed smaller airlines more freedom to mount services between regional airports in the European Community. The Government has welcomed the European Commission's Second Memorandum on a Community air transport policy, which should provide the basis for worthwhile liberalisation, though it does not go far enough. The Government is seeking rapid progress in Europe towards a more liberal EEC aviation market.

At the same time, the Government is seeking to negotiate more liberal bilateral agreements with other Member States. In June 1984, a more liberal air services agreement was signed with the Dutch Government. As a result, over the following year, traffic between the UK and Holland increased by over 16%. The return fare from London to Amsterdam fell to £49, 10 new services began and over 70,000 passengers, who would not otherwise have travelled, flew on the London to Amsterdam route. In June 1985, a further measure of deregulation was agreed with the Dutch providing for airlines of either country to be free to combine services to more than one point in the other country or to link those services with a second point in another European country. They will also be free in future to set fares, unless both Governments express disapproval. A similar agreement has been concluded with Luxembourg and a more liberal agreement has also been signed with the German Government. The Government's White Paper, "Airline Competition Policy", confirmed the Government's policy to seek further opportunities for liberalisation in aviation. In particular, it stated as a major objective the securing of rights to multiple designation of British airlines on international routes.

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Shipping

Britain's shipping industry has suffered badly from the effects of recession, shifts in the pattern of international trade, and the growth of protectionism in world markets. It is an industry which derives most of its revenues from trade between countries other than the UK ("cross-trading"). Therefore it is in the interests of the industry first that competition is encouraged and protectionism resisted and second that the competitiveness of the UK industry is not hampered by unnecessary regulations and high costs. The Government's aim priorities are to combat protectionism abroad and reduce the burden of regulation on the industry at home.

Progress is being made in international negotiations towards keeping the world shipping trades open to UK ships. Progress is also being made towards a common EEC shipping policy. The European Commission published a Memorandum in April 1985 which proposed several measures to eliminate barriers to the freedom to provide shipping services in the European Community and to provide for joint action to deal with protectionism by Third Countries. In June 1985, the Council of Ministers agreed to take rapid action towards these goals and to set a deadline of the end of 1985 for decisions on a Community shipping policy. Separate negotiations between the Consultative Shipping Group and the USA aimed at an agreement on the provision of competitive access to each others trades have reached the point where political decisions are being sought.

The Government has also been working on plans to reduce the burden of regulation on the Merchant Shipping industry. A Consultative Document was published in 1984 containing proposals to lower the burden of regulation without lowering of safety standards. In December 1984, the Government published a Green Paper proposing reform of the legislation governing marine pilotage, in order to reduce the burden of the cost of this service on the industry imposed by out-moded legislation and regulations. The Government is improving the efficiency of lights services and following a review of the structure of charges for these services by consultants Arthur Andersen, it is consulting on recommendations that would redistribute the burden of costs so as to reflect more closely the use made of the service by different types of vessels.

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The interests of the shipping industry and of British industry require greater efficiency from our ports. We have removed all Government controls over port investments by repealing section 49 of the Harbours Act 1964.

Freight

Most freight transport is free and competitive. Our highly successful haulage industry is an example of how competition provides flexible services and good value for money. The Department of Transport has carried out a complete revision of its guidance booklet for HGV operators and licence application form. In negotiations with our EEC partners we are pressing for the complete removal of controls on the numbers of lorries allowed to travel between Community countries. We have significantly increased bilateral lorry permits and in December 1984, the European Council agreed a doubling of the Community lorry quota by 1989 and its eventual abolition.

Railways

Competition and deregulation benefits the railways as well. Competition from long distance coaches caused BR to reappraise its Inner City strategy, and put the emphasis squarely on the need for greater efficiency, better customer service and good marketing. British Rail itself, recognising the value of competition to efficiency and customer service has published a set of "criteria for contracting-out", which they intend to apply to support services on the railways.

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CHAPTER 10

DEPARTMENT OF TRADE AND INDUSTRY

The main requirements on business administered by the Department of Trade and Industry are aimed at ensuring that the market works fairly in the interests of business, customers and investors alike. Business generally endorses the need for a framework of regulation in areas such as company and consumer law, which benefits businesses themselves as well as customers and investors. However, this does not lessen the need for regular scrutiny of legislation and its enforcement to ensure requirements are relevant to the modern market place, comprehensible and cost effective.

The Government are taking action in the following areas -

COMPANY LAW

The Government are committed to taking action to simplify the company law filing requirements both to benefit small firms and also to facilitate further streamlining of procedures at the Companies Registration Offices. Changes will include -

- simplifying the procedure for establishing a new company's accounting reference date
- reminding companies of their filing obligations by sending the necessary return forms (say) six weeks in advance of the due date
- replacing the present requirements governing the filing of annual returns and accounts with a single requirement covering both documents.

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The Government are committed also to taking early decisions on the proposals in the "Burdens on Business" Report for eliminating the statutory audit requirement for small companies and relating present rules on the content of small company accounts. The consultative document "Accounting and Audit Requirements for Small Firms" published by the Department of Trade and Industry on 4 June sets out the options for change and arguments for and against the proposals. Early decisions will be taken on the need for new legislation in the light of comments received by 30 September 1985.

CONSUMER LAW

The Government recognise the need for a framework of regulation in the field of consumer law in order to maintain basic standards of fair trading and adequate protection for the customer and, indeed, the honest trader and to assist the undistorted working of the market. Equally, we recognise the need to contain the consequential costs of regulation for business and government and the need to ensure essential regulation is straightforward and easy to comply with. Against this background the following changes are in hand.

As soon as Parliamentary time is available, replacement legislation will be introduced on misleading price indications. This will involve the repeal of the Bargain Offers Order which has been criticised by traders and enforcement authorities alike and replacing it and Section 11 of the Trade Descriptions Act 1968 by a new general provision against giving misleading price indications, with supporting detail in a statutory code. The statutory defences to prosecution under this legislation will be

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simplified to "all reasonable precautions and all due diligence".

Legislation will introduce a new general duty on product safety. Goods will be judged by the benchmark of "sound modern standards of safety". Full account will be taken of compliance costs as well as safety benefits in detailed application of the duty. Once this general duty is in place it should prove possible to dispense with, or at least to simplify, some of the existing regulations. There should be much less need for specific regulations: Prohibition Orders and Notices should be substantially reduced. The Government are shortly to consult interested parties in order to identify and decide on regulations which are priority candidates for rationalisation.

The report of the Eden Committee on "The Metrological Control of Equipment for use for Trade" (weighing and measuring equipment) has now been published. Initial consultation is to be completed by November 1985 and the Government will decide on detailed action to be taken ^A[by April 1986] ^B[during 1986] bringing forward legislation as necessary. The Government welcome the deregulatory aims of the Eden Report in making business more responsible for regulating itself. They see promise in many of the proposals provided that full confidence in fair trading can be maintained. The proposals could lead to a significant reduction in the burden on business and could also allow local authorities to use their manpower more cost effectively than is possible under current regulations.

The Consumer Credit Act 1974 has taken eleven years to put fully in place following implementation of the final regulations in May 1985, and a period of stability is now

needed in the interests of consumers and businesses.

A[An important feature of the Act is that it replaces 12 existing Acts which were totally repealed and in addition partially repeals 47 other Acts. In the light of experience with the full regulations recommendations for changes will be carefully considered. The Government are aware that there have been problems and are ready to act to alleviate specific business difficulties. This has already been done in relation to documentation requirements for mail order traders.]

A more fundamental review of the Consumer Credit Act will be considered after the full structure has been in place for twelve months.]

B[An important feature of the Act is that it replaces 12 existing Acts which were totally repealed and in addition partially repeals 47 other Acts. The burden of changing business forms was irritating but inevitable; however, it has now been completed. The Government are of course ready to act to alleviate specific business difficulties - this has already been done in relation to documentation requirements for mail order traders.]

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CHAPTER 11

CUSTOMS AND EXCISE

VAT

1 VAT was the burden most frequently mentioned by small firms in the Burdens on Business report. Although raising the VAT threshold to take small firms out of the VAT net has been suggested as the most straightforward way to reduce this burden, there are a number of other changes which can help.

VAT THRESHOLD

2 The present VAT registration threshold of £19,500 is the maximum permitted under EC law. The Government believe that Member States should have more flexibility to raise their VAT threshold if they wish. This goal is being pursued through the initiative launched by the Prime Minister at the European Council meeting in March this year.

MONTHLY PAYMENTS PLAN

3 Some businesses would welcome the option of making more frequent VAT payments to help with cash management. A limited facility for making monthly payments together with monthly VAT returns already exists. Customs and Excise will mount a pilot scheme to establish whether extension of the system will prove helpful.

RETAIL SCHEMES

4 Traders sometimes wish to change their choice of retail scheme for VAT. "New" traders will be allowed in future to change between retail schemes at any time up to the first VAT control visit, with full retrospection. Greater scope will also be given to small traders who wish to change between retail schemes during the subsequent development of

their businesses, again with the benefit of retrospective recalculation of tax up to a maximum of 3 years.

DEDUCTIBLE INPUT TAX

5 Concern over the extent of information required to establish deductibility of input tax on mixed business and private motoring costs inputs arose last year. Revised guidance will only be issued after full consultation with business interests.

BAD DEBT RELIEF

6 Some businesses have complained that the VAT system does not automatically provide for bad debt relief. The current Finance Bill goes some way to meeting such complaints. Clause 31 extends VAT relief in accordance with the new provisions of the Insolvency Bill for administrators and administrative receivers where they are able to declare that in the event of a liquidation there will be no assets for distribution to unsecured creditors. This extension of bad debt relief is estimated to be worth £25 million to businesses in a full year. Provision for bad debt relief will be further reviewed within two years of the insolvency legislation coming into operation.

VAT ACCOUNTING SYSTEMS

7 The Burdens on Business report suggested that Customs and Excise should promote the use by small businesses of accounting systems including automated systems, which will help reduce the compliance costs of VAT. Customs and Excise staff will continue to encourage this on their visits to business premises. However, the need to limit staff numbers and to concentrate their activities on approving systems actually being used by traders precludes Customs and

Excise from giving any more general approval for VAT purposes of computer systems being offered on the market. However, the Government are exploring the possibility of an independent testing of standards which may help small businesses in their choice.

KEITH COMMITTEE RECOMMENDATIONS

8 The current Finance Bill provides for the implementation of most of the VAT recommendations of the independent Keith Committee. The approach suggested by Keith is not inconsistent with deregulation, proposing a balanced package of measures including decriminalisation of all but the most serious VAT offences and their replacement by a new system of civil penalties. The most important of these measures is the default surcharge which should be introduced in 1986 to provide a significant deterrent to the persistent late payment of VAT. Such late payment by some businesses discriminates unfairly against other businesses who pay their VAT on time. The new legislation should not place additional burdens on business but is intended to improve compliance with existing requirements on the timely payment of VAT. For the taxpayer who pays his VAT on time, and ensures that his VAT returns are accurate, the new measures will have no effect.

VAT ON IMPORTS

9 VAT has been paid on imports at the point of importation since 1 November last year. The system is similar to that operated in some other EC members and provides an average of one month's deferred payments by approved importers on deposit of a suitable guarantee. Fears about delays to trade have proved unfounded but there is concern that some importers do not receive the necessary documents in time to reclaim VAT on their next return. It

appears that such delays often result from late release of documents by agents. A study has been commissioned on ways to ensure that importers are able to reclaim VAT at the proper time.

10 Further consideration will also be given in the longer term to basing the VAT deferment system on imports on the registration of importers.

RETAIL EXPORT RELIEF

11 Payments of VAT refunds on exports depend on use of the official VAT form 407. The administrative burden on business would be reduced if a retailer's sales invoice could be accepted without the need for form 407 - but this has to be balanced against the need to protect revenue. The Government are studying the practices used by other EC members before taking any final decision.

12 Customs and Excise already have regard to the estimated cost of compliance by business with the requirements they impose and will continue to balance this against the need for effective collection of the Revenue. The tax collector is never popular, but VAT officers will continue to be mindful of the need to maintain public acceptability in the way they carry out their duties.

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CHAPTER 12

INLAND REVENUE/DHSS

Employment and self-employment

1 The question whether a person is employed or self-employed depends essentially on whether he is in business on his own account. But in deciding this there may be a number of factors to be taken into account. This is something on which it is obviously important for people to be as well informed as possible. The Inland Revenue have, therefore, very recently published a new leaflet which sets out as simply and clearly as possible the criteria for deciding whether a person is employed or self-employed. Copies of the leaflet are now freely available in all Tax Offices and DHSS Local Offices.

2 In decisions about a person's employment status, the two Departments principally involved - the DHSS and the Inland Revenue - rely on the same body of general law. They are taking a number of steps to ensure that decisions taken in the two Departments are consistent. In particular, they will be reviewing the guidelines to staff derived from case law and will be improving staff training. Arrangements are also being set in hand to achieve liaison in future where views over a person's employment status differ between the two Departments. This liaison will seek to ensure a consistent, swift and clear decision, once differences of view have been identified, with the minimum of inconvenience to the individual concerned.

3 It is perhaps not widely known that if earnings from self-employment are below a certain level (currently £1,925 per annum), National Insurance contributions need not be paid if exception from payment has been agreed by DHSS.

This exception is to be given greater publicity in future. People whose earnings are likely to be low will be encouraged to apply for it and the DHSS proposes to apply the exception to all new traders who apply for it.

Employers

4 Employers - particularly smaller employers - are clearly concerned about the costs of operating the PAYE and NIC deduction systems, and the Burdens on Business Scrutiny looked particularly at this area. It inevitably involves complex issues, a Green Paper on the reform of personal taxation is to be published later this year and that among the topics to be covered will be the possibility of putting PAYE onto a non-cumulative basis and of closer alignment between the tax and social security systems. Through the Green Paper the Government will be seeking as wide as possible a debate on these and other related issues and it will be taking the interests and views of business fully into account.

5 Employers sometimes question why they receive separate visits - to inspect pay and deduction records - from Inland Revenue PAYE auditors and DHSS NIC Inspectors. The two Departments are conscious of this and have been engaged on a joint pilot exercise in this field. They will now be going ahead with arrangements to ensure very much greater co-operation between each other in planning visits to employers to check PAYE and NIC records. The aim is that, when the arrangements are fully developed, no employer whose operation of PAYE and NIC is in order will need to be visited by more than one of the two Departments.

6 Employers also question the need for some enquiries on employees' NIC records. In future, the DHSS will make

maximum use of information on the employees P60 form so that fewer enquiries have to be made to employers over employees' NIC records.

7 Employers have drawn attention to the procedures for reporting expenses and benefits in kind paid to employees on form P11D. Inevitably, paying employees through benefits in kind involves employers in some extra reporting work, compared to straightforward cash payments. The burden of reporting has been reduced by shortening the P11D. But it can be further reduced if employers apply for a "dispensation" under which payments which clearly involve no extra tax liability do not have to be recorded on the P11D. This applies to employers of any size - large or small (subject to certain conditions such as expenses payments being subject to proper accounting and control). This facility for dispensations may not be as widely appreciated as it should be. The Inland Revenue will encourage wider use of dispensations. They will be publicised in a Press Notice. Particular attention will be drawn to dispensations on the form P11D and in accompanying guidance notes. Inland Revenue will remind staff in local tax offices that employers who meet the necessary conditions should actively be encouraged to apply for dispensations.

8 There is a particular need for help and guidance for new businesses when they are first taking on employees. The material for new employers dealing with PAYE and NIC has recently been revised and much improved and is now being incorporated in a new "Starter Pack". This pack includes a leaflet designed specifically for new employers and showing as simply as possible the basic steps involved in operating the PAYE and NIC deduction systems. The Government's aim is eventually to produce a single booklet dealing with all

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aspects of the employment relationships and associated requirements.

Apart from national insurance contributions (NICs) the main area in which DHSS currently imposes requirements on employers concerns the administration of the statutory sick pay scheme (SSP). There are also a variety of inquiries made of employers to determine entitlement to benefit, for example industrial injuries (II) benefit.

Statutory Sick Pay

SSP has been paid by employers for the first eight weeks of sickness since April 1983. The Social Security Bill, currently before Parliament, proposes that the period of SSP paid by employers should be extended to a maximum of 28 weeks from April 1986; and that employers should be compensated, with effect from April 1985, for the national insurance contributions they pay on SSP.

The Government consulted representatives of employers extensively before embarking on SSP, and has consulted them again about the legislation to extend the scheme currently before Parliament. The DHSS review of administrative and legislative requirements it imposes on business has concentrated on the existing SSP scheme. However, several of the options identified which could ease the burden on business - and particularly on small firms - are equally relevant to the proposed extended scheme. DHSS intends to issue a consultation papers to employers' organisations [in the next few weeks] floating the following possibilities:

- (i) allowing employers to opt out of SSP, providing they paid their sick employees wages at least as much as the appropriate SSP rate. This would allow a reduction in record-keeping for sick absences; and

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- (ii) some minor changes to the rules, in particular to make qualifying days rather than calendar days the basis of the scheme. This would afford some simplification in calculations and record keeping.

Industrial Injuries

The Government have reviewed the requirements on employers flowing from the administration of the II scheme. Several relate to the need to obtain earnings details; the Government are considering some useful simplifications, including the following:

- (i) relieving employers of 175,000 enquiries per year from DHSS local offices by using centrally-available New Earnings Survey data in future to determine levels of earnings and to calculate awards of special hardship allowance (SHA);
- (ii) we propose to simplify and redesign several of the forms including those used for occupational deafness enquiries so as to make them easier for employers to complete.

Other possibilities

DHSS is reviewing all tasks which it asks or requires employers to perform. This is being done in two parts: on the one hand, all areas of policy unaffected by the social security reviews, and on the other hand, the results of the review. DHSS will look rigorously at both lists to identify areas where there is scope for further deregulation. It will, however, be some time before detailed plans for implementing the review recommendations are drawn up.

EMPLOYMENT AND HEALTH AND SAFETY

1 The Department of Employment (DE) Group consists of the Department itself and a number of other statutory bodies with specific responsibilities in related areas: the Manpower Services Commission (MSC), Health and Safety Commission (HSC), and Advisory, Conciliation and Arbitration Service (ACAS). There are two main areas of legislation for which the Group is responsible: employment protection and health and safety.

2 Positive steps have already been taken to relieve the burdens on employers in these areas and further action is planned.

Information and Advice

3 First, greater efforts are to be made towards making information and advice for employers both easier to understand and more accessible. Simpler and more readable leaflets are being prepared covering employment protection and health and safety matters. The aim will be to give particular help to those starting up in business and employing people for the first time.

4 The Government also proposes that Jobcentres should be used more systematically and more widely both to provide premises for advisory bodies and as a source of a broader range of information.

Employment Protection

5 The Government has made a large number of legislative changes in this area aimed at easing burdens on employers including removing the onus of proof on employers in unfair dismissal cases, requiring tribunals to take account of the size and administrative resources of firms when coming to decisions, easing the impact of the maternity reinstatement provisions, especially for the smallest employers, and reducing the requirements for giving advance notice of redundancies involving less than 100 people.

6 employers are not always clear, however, about the extent of the requirements placed upon them and are sometimes unduly concerned about their impact. This is particularly true in the case of unfair dismissal and on the operation of industrial tribunals, where significant changes have been made.

7 One frequent complaint concerns the time of employers that can be taken up with frivolous or vexatious claims of unfair dismissal. In this respect the introduction of Pre-Hearing Assessment (PHA) procedures has had a significant effect. Applicants may be warned at the PHA that if they persist with claims that appear to have little chance of success they may be made liable for the costs of the other party. Experience shows that over 80% of those applicants who are given such a warning do not proceed to a full hearing.

8 Taken together with the most important recent relaxation which raised the qualifying period for unfair dismissal complaints to two years for all businesses, these changes mean that the real burden of employment protection has been substantially reduced.

9 The Government is also considering what further action can be taken to improve the information and advice available to employers in this area and to improve industrial tribunal procedures.

Health and Safety

10 The Health and Safety Commission takes every opportunity to repeal out-of-date legislation whenever new controls are necessary for dealing with important hazards. The Government does not believe that the requirement for any new regulations to maintain and improve existing standards presents difficulties here nor does it stand in the way of bringing forward new primary legislation when it is needed. The Government is committed to maintaining necessary protection and has no intention of down-grading health and safety standards either generally or in relation to small firms.

11 Nevertheless, there are a number of areas in which action can be taken to assist employers without any reduction in standards. These include:-

- raising the threshold of the requirement for the preparation of a written safety policy from five to twenty employees;

- making it clearer to employers both that they have a right to question Inspectors' decisions and showing them how this can be done;

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- improving the information available to small firms through a pamphlet being prepared in consultation with organisations representing small firms;
- giving specific training to Inspectors to increase their awareness of smaller firms' interests;
- building on the mandatory guidance that has already been given to local authorities to improve consistency and devising a national system of hazard rating for use by local authorities;
- including in consultative documents some assessment of the effects of proposals for regulation on small businesses; and
- designating one of the HSC Commissioners to represent the interests of small businesses.

12 In addition, the HSC recognises that the law governing the onus of proving whether or not a specific requirement is reasonably practical is complicated and will consider what useful guidance can be given.

13 Other areas on which action is either being taken or is being considered are:-

- women's hours of work - unnecessary restrictions and out of date discrimination on women's hours of work will be repealed which will also better ensure equality of opportunities in employment;
- Wages Councils - the Government has consulted widely and is now considering the options for reforming the Wages Council system (including the possibility of exempting young people and reducing the scope of regulation) or for abolishing it altogether.

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CHAPTER 16

COMMUNICATIONS AND ENFORCEMENT

Communications

The Government intend to improve the effectiveness of communication between the whole range of government agencies (central and local) and the business community. When officials frame regulations or implement them, they should always be aware of the effect on business. The Government intend that individual Departments should take greater care to assess the impact on business of proposals for regulations. The permanent arrangements set out in Chapter 00 will complement these efforts and provide scope for central monitoring.

Equally, it is the job of government to explain clearly to business how they can be affected by regulations and what their responsibilities are. The Government have identified two broad objectives:-

- (i) to improve the quality of Departments' published guidance;
- (ii) to simplify access to information and advice.

On (i) the Department of Trade and Industry has recently repackaged its support for industry schemes. The Inland Revenue has produced a "Starter Pack" for people setting up in business. And Customs and Excise have won plain English awards for two of their leaflets. To improve things still further, all Departments will be reviewing their publicity material designed to give advice and guidance to business. It is hoped that "starter packs" can be produced covering all the major regulations which affect business start-ups and expansions. Easy to read, simple guides will be prepared, together with more detailed - but still easy to read - reference documents. The intention will be that any ordinary small employer should not, in normal circumstances, need to refer to the detailed reference material.

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On (ii) Departments will also be reviewing their arrangements for making this written material available to firms and for providing advice by officials. Face-to-face interviews are often more acceptable than official letters. Improved telephone enquiry points and, perhaps, "freephones" will be introduced where this would help.

Local authorities

Communications with business about regulations should be as clear and straightforward as possible at a local as well as at a national level. Although local authorities have rapidly expanded their services to help small firms in recent years, the Government believe that there is still scope for improvement in terms of communication with business. To that end, the Government are actively considering the idea of "One-Stop Shops" within local authorities. These would essentially be single enquiry points providing information on local regulatory requirements, and quick referral to the relevant department of the local authority. The Government hope that as units of this kind prove their worth, they will develop a further role - representing the interests of firms dealing with other, regulatory departments within the local authority. Arrangements on these lines would ease significantly many of the administrative difficulties business, particularly small business, currently encounters in its dealings with local government.

The Department of the Environment will discuss with local authorities who are already active in helping small firms, how their services can be extended to a fully-fledged one-stop shop of the kind envisaged above. Steps will then be taken through the local authority associations to encourage the adoption of best practice. On the experience of what local authorities have so far achieved, the full development of a "one-stop shop" approach should involve only minimal additional expenditure. Indeed, if efficiency of operation were improved as a result, then savings might be possible.

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Enforcement Practice

The Government recognise that, particularly to someone just starting up in business, coping with regulations can be a daunting experience. They believe that a sustained effort to improve communications about regulations will go a long way to remove many of the difficulties which face the business community, and remove many of the misunderstandings which occur.

The Government also recognise that the way regulations are enforced can be as much a problem as the regulations themselves. Enforcement officers have a difficult task and there will inevitably be a degree of friction in some cases when action has to be taken against firms. But in recent years Departments have taken steps to try to reduce this friction to the basic minimum. The Government intend to build on these efforts in a variety of ways.

Those Departments with regulatory functions will be required to refer to compliance costs, and to the need to be sensitive to the concerns of the business community, in their individual management plans. In some cases, this already happens. The current Customs and Excise Management Plan refers to the need - "to have regard to the extent to which control requirements impinge on commercial activities, the effect on business costs and the need to adjust to commercial change and maintain public acceptability". Similar guidance will be applied in other Department. In parallel with this overall guidance, in order to bring the message home to those involved in day to day enforcement, Departments responsible for major areas of deregulation will also be issuing to staff similar, more detailed, guidance and objectives for units and individual officials involved in regulatory and enforcement activity. These will form part of the Departments' management information system process, which involves the setting of objectives for each unit.

In addition, the Government believe that in most cases it should be possible for Departments to develop guidelines on enforcement practice, available to members of the public.

The proposals for central government set out in paragraphs 00 to 00 above will be implemented by April 1986 at the latest. On local government, the Department of the Environment will be reviewing progress with [the central task force] by the same date.

Training

The Government also intend to improve the training given to enforcement officers. Most Departments already pay considerable attention to the training of their staff involved in enforcement and in many cases training programmes include elements which are designed to ensure that officials are fully aware of the impact their activity can have on businesses. The "Basic VAT" Training Course run by Customs and Excise, for example, includes two case studies on small businesses. In spite of these efforts there is a steady volume of discontent about enforcement activity. Accordingly, Departments will be revising their training programmes to give greater attention to "communications" and to the need for a sensitive approach to businesses.

Appeals

When things go wrong, it is important to have a speedy and effective way of resolving disputes. Most Departments will be setting up informal appeal systems so that businesses can appeal "up the line" within enforcement agencies. Departments' individual management information systems will incorporate these changes.

"Onus of proof"

Existing provisions governing the onus of proof, and the defences available to businesses in the event of prosecution, vary between different areas of regulation. These provisions can affect

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the way in which enforcement authorities exercise their powers in cases which do not involve prosecution or breach of the law as well as those which do. The Government intend to review the present position to see whether changes should be made or improved guidance issued. This review will be concluded by April 1986.

Coordinated visiting

It has also been suggested that officials from different Departments should coordinate their visiting programmes so that firms are not subject to a succession of visits from different officials. This obviously takes up scarce management time but there are obvious organisational problems for individual Departments. However, starting later this year two or three pilot studies in selected areas will be carried out to determine whether regulatory agencies can concert their efforts in this way and to assess the benefits to firms of having coordinated visits. A progress report on these pilot schemes will be produced by April 1986.

Review of Licensing Requirements

The "Burdens on Business" report also suggested that there should be a review of the wide variety of different licensing systems, so that the registration, notification, and inspection requirements of central and local government agencies could be rationalised. The Government propose to set in hand such a review, consulting the local authority associations and other interested parties, to be completed within 6 months.

Local Acts of Parliament

[The Government have also noted that while most local authorities are well aware of the need to avoid placing unnecessary burdens on the business community, some local Acts of Parliament can also have an adverse effect on business. They will be considering with the local authority organisations, and other interested parties, to what extent these local measures can reflect more closely the overall objectives of the Government - to give a balanced deregulation programme, in order to promote enterprise and jobs.] [This work will be coordinated by the central task force - see Chapter 00, paragraph 00.]

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[The task force, in consultation with the Management and Personnel Office, will also be responsible for monitoring the progress being made in Departments in implementing the various proposals on communications, training, and enforcement practice, and for ensuring that "best practice" in one area can be introduced in other parts of the government service.]

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CHAPTER 17

EUROPEAN COMMUNITY ASPECTS OF DEREGULATION

1 As recommended in "Burdens on Business", the Government have taken steps to complement the domestic deregulation strategy with measures to cut the burdens imposed by European Community regulations and directives. In response to an initiative launched by the Prime Minister, the European Council on 29/30 March agreed that priority should be given to action to reduce the administrative and legislative burdens on business, particularly on small and medium-sized enterprises, and called on the European Commission to report to them on the problems in this sector and on the measures to be taken at both national and Community level, particularly as regards administrative simplification.

2 To follow up this initiative, the Government have since put to the Commission and other member states an initial list of some 40 directives or regulations, adopted and in the pipeline, which we regard as excessively burdensome. We have held extensive discussions with the Commission to ensure that they not only review existing and proposed legislation but also, more importantly, establish a permanent procedure for vetting future proposals for their impact on business. We have encouraged the CBI, the Institute of Directors and other bodies, including those at Community level, to carry out their own review and to put the results to the Commission. We have also explained our main ideas to Ministers and to industry in some other member states, in particular through a series of recent visits by the Minister without Portfolio and officials to Paris, Bonn, the Hague and Brussels.

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3 The President of the Commission, Mr Delors, gave a progress report to the European Council on 28/29 June and undertook to present a substantive package of proposals to the Council at its next meeting in December. The European Council agreed that

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CHAPTER 18

NEW ARRANGEMENTS TO CONTROL REGULATION

"Burdens on Business" recommended a three-pronged approach to deal with the flow of government regulations:-

- (i) a structured analysis of each new proposal, to be prepared and published by the initiating agency concerned, including a systematic assessment of its impact on business enterprise
- (ii) critical scrutiny of the proposal, in particular of the assessment, by a small task force in central Government with real teeth; and
- (iii) regular overviews by the task force of proposals in the pipeline and the scope for eliminating, simplifying or rationalising existing requirement systems.

Experience of other countries such as the USA, the Netherlands, and the Federal Republic of Germany, suggests that systematic assessments of the likely effect of regulations, coupled with central monitoring, is an effective way of restraining the growth of regulations. The representations the Government have received from the business community are very much in favour of such an approach. [And as part of its response to the Prime Minister's initiative on European deregulation, the European Commission are developing a similar procedure to deal with their regulations (see Chapter 00). In the United Kingdom we intend to complement these European arrangements by setting up our own system of assessment and monitoring.]

While the Government have no wish to set up a new bureaucratic system they do see considerable merit in applying a more objective and systematic approach to the regulatory process. Accordingly, each Department will in future prepare assessments of the compliance costs of their regulatory proposals. They will nominate officials with special responsibility for this work, reporting to a minister.

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The main channels of communication between government and business interests will continue to be the departments which "sponsor" the sector concerned and the departments responsible for individual regulations. ["Burdens on Business" recommended that the latter should review and strengthen the arrangements for consultation with small business organisations. This recommendation is endorsed by the Government. Departments will be taking action and will be reporting back to a central task force by April 1986.]

The small central task force will be set [up as part of the Enterprise Unit of the Cabinet Office] - and bringing in expertise from the private sector. It is important, managerially and constitutionally, that responsibility for assessing regulations rests with the originating departments. But the task force will act as a focus of expertise. It will assist departments in the preparation of their assessments. It will carry out an "audit" function, by receiving regular reports from Departments on their systems of assessment and their results, and by scrutinising selected proposals and advising ministers about their acceptability, especially their likely effect on business. In addition, the task force would be involved in occasional reviews of particular subjects, such as the review of central and local government notification, licensing, and inspection requirements mentioned in Chapter 00.

It is not intended that these new arrangements would duplicate or disturb existing arrangements for consultation with business on specific proposals, such as the Department of Trade and Industry's existing links with business. The task force will be concerning itself, selectively, with regulations which have an impact on business, whatever the originating Department. It will not, however, be involved in consideration of Budget and revenue raising issues, which will remain the responsibility of the Chancellor of the Exchequer.

[The Government have carefully considered whether there should be a regular annual report to Parliament on the work of the task force. They have concluded that, on balance, there is probably no need for such a formal arrangement, though the question will be kept under review.] In order to prevent the setting up of permanent machinery which may outlive its usefulness - and to serve as an example to others - the Government have decided that the life of the task force should be limited to about three years, in the first instance, at which stage there will be a review of its performance and achievements. The task force should be fully operational later this year, following further consultations with business, and the review will therefore be carried out in the Autumn of 1988.

The Government believe that the preparation of assessments, and the setting up of a central task force, will provide a strong mechanism for curbing undue regulation in future. These developments will complement the efforts being made within individual Departments, summarised in Chapters 00 to 00. They are a clear sign that the Government is determined to remove unnecessary regulations and to take more fully into account the interests of the business community - in order to promote enterprise, create jobs, and generate wealth.

Circular
(Department of the Environment)
Circular
(Welsh Office)

Joint Circular from the
Department of the Environment
2 Marsham Street, London SW1P 3EB

Welsh Office
Cathays Park, Cardiff CF1 3NQ

July 1985

DEVELOPMENT AND EMPLOYMENT

1. The White Paper on Deregulation (Cmnd ...) sets out the Government's overall approach to reducing controls and regulations in the interests of promoting enterprise. Chapter [] on Planning and Enterprise explains the action that the Government is taking to simplify the planning system and improve its efficiency, and relates this to the broader context. This circular (which is reproduced as an annex to the White Paper) deals with policy on development control under the Town and Country Planning Acts.
2. New development contributes to economic activity and to the provision of jobs. It is in the national interest to promote and encourage it. The planning system must respond positively and promptly to proposals for development. Delay adds to the costs of development.
3. Development proposals are not always acceptable. There are other important objectives to which the Government is firmly committed: the need to preserve our heritage, to improve the quality of the environment, to protect the green belts and conserve good agricultural land. The planning system, however, fails in its function whenever it prevents, inhibits or delays development which could reasonably have been permitted. There is therefore always a presumption in favour of allowing applications for development, having regard to all material considerations, unless that development would cause demonstrable harm to interests of acknowledged importance.

4. Authorities are obliged, under Article 7 of the General Development Order 1977, to give reasons whenever they refuse planning permission. Those reasons must be precise, specific and relevant to the application: they must demonstrate clearly why, in the local planning authority's view, the proposed development cannot be permitted. Without such a clear demonstration the developer will not know whether or not his proposal can be made acceptable, or the grounds on which he can base an appeal against refusal. As a result, valuable investment and new jobs, in construction, in commerce and in industry, may be delayed or lost.*

5. In dealing with applications for planning permission, Section 29(1) of the Town and Country Planning Act 1971 requires that the authority shall have regard to the provisions of the development plan, so far as material to the application, and to any other material considerations. Development plans are therefore one, but only one, of the material considerations that must be taken into account in dealing with planning applications. Many development plans were approved several years ago, often several years after they had been prepared and based on even earlier information. The policies which they contain, and the assumptions on which they were based, may therefore be out of date and not well related to today's conditions. They cannot be adapted rapidly to changing conditions, and they cannot be expected to anticipate every need or opportunity for economic development that may arise. They should not be regarded as overriding other material considerations, especially where the plan does not deal adequately with new types of development or is no longer relevant to today's needs and conditions - particularly the need to encourage employment and to provide the right conditions for economic growth.

6. It is important that local planning authorities should have regard to the special needs of small firms and the self-employed. The planning system can present serious difficulties for those seeking to set up or expand their business, even on a very modest scale. Local authorities can do much to help both in assisting small firms to cope with the planning process and by avoiding

* More detailed advice on the positive operation of development control is given in Circulars 22/80 and 16/84, and in relation to the use of conditions in Circular 1/85; advice on green belts is given in Circular 14/84.

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unnecessarily onerous and complex controls. The Department of the Environment, in consultation with the Local Authority Associations, will be issuing a further circular on this subject, together with an explanatory booklet for small firms.

7. The Secretaries of State and their Inspectors will have regard to the terms of this circular in dealing with planning appeals and with any application that may be made to them for the award of costs.