

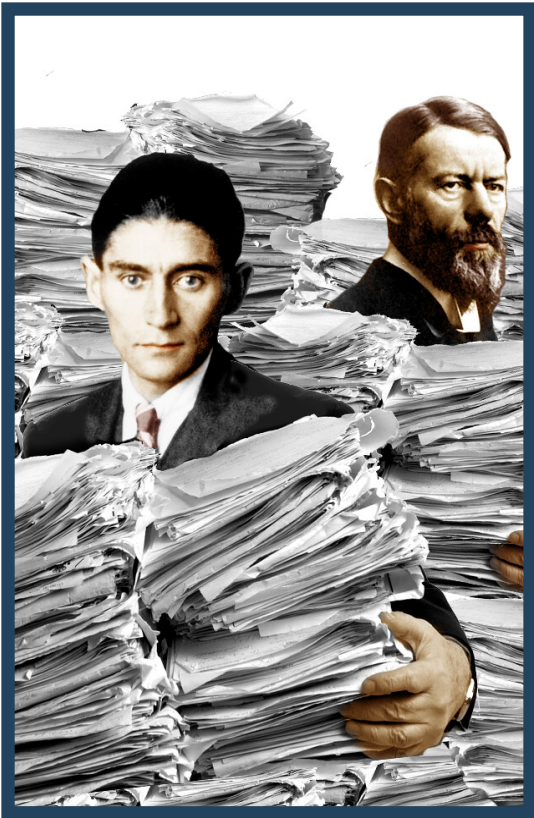
POLICY
THUMBNAIL

Slashing Red Tape

Cutting Regulatory Costs Without
Diluting Standards, So Britain Can
Grow Faster



MARCH
2025



THE PROBLEM

Every pound of red tape costs has the same effect on the UK's economic growth, productivity and export competitiveness as a pound taken through tax. So we ought to control this 'regulatory burden' as carefully as every other type of public spending but, because the money doesn't have to be raised through taxation, Governments behave as though it is free. In the same way as we would never allow any Whitehall Department or public body to ignore Government controls on tax-funded spending, we shouldn't treat the costs of red tape any differently.

Regulatory costs were cut successfully between 2010 and 2016 with a 'one-in-one-out' and then a 'one-in-two-out' system, even though it didn't cover rules created in Brussels or by economic regulators like Ofgem. But then this system was abandoned and we have been adding huge red tape burdens every year since then.

THE SOLUTION

The Chancellor's Fiscal Rules should include limits on all red tape costs for the first time ever, in the same way as they have always limited taxpayer-funded spending and borrowing.

Any new 'red tape' rules and regulations would have to satisfy a value-for-money test: either a cost benefits ratio (eg a minimum £3:1 ratio of total economic benefits to costs across all new regulations each year) or a net economic costs ratio of either £1-in-£1-out, or £1-in-£2-out. All these figures would be published with the same degree of rigour as taxpayer funded spending already faces today, using official Government measurement & valuation standards (the equivalents of the Treasury's Red Book or NHS QALYs) and independently audited to prevent Ministers from marking their own homework.

The new rules would apply to all regulatory burdens imposed by every public body without exception, in the same way as there are no loopholes in our normal controls on taxpayer funded spending either.

The new approach would explicitly rule out diluting standards (eg rules which ensure staff aren't exploited; the environment is preserved; buildings are safe to live and work in; food is safe to eat) so it is clear the changes are about delivering unchanged standards faster, more digitally and more cheaply instead.



THE BENEFITS

- Every pound of red tape costs has the same effects on the UK's economic growth, productivity and export competitiveness as a pound taken in tax. So cutting red tape costs has the same benefits for jobs, investment and economic growth as cutting taxes.
- Reducing red tape costs will make Britain more efficient, cutting the cost of living on everything from housing to energy so every household's budget goes further, and reducing costs for firms so our economy grows faster and is more competitive abroad.
- Including red tape costs in the Government's fiscal rules will create a strong, permanent anti-red tape ratchet, compared to previous attempts which were often abolished or weakened in 'machinery of Government' changes after reshuffles.
- Removing loopholes and exemptions so the new approach applies to all red tape costs without exceptions will,

for the first time, address key areas where complaints about poor value for money have been loudest, such as environmental regulations (eg the £100m HS2 'bat tunnel').

THE SOUNDBITES

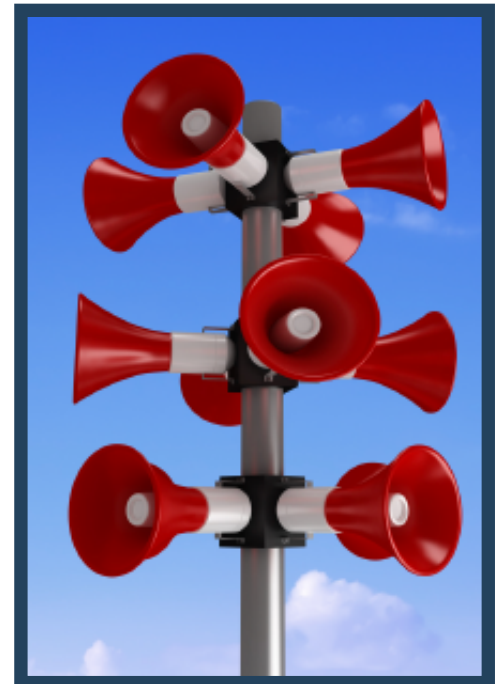
"A pound of red tape costs our economy as much as a pound taken in tax, so how can we treat them so differently?"

"Cutting red tape doesn't mean cutting standards. It means delivering those same standards faster, more digitally and more cheaply instead."

"Cutting a pound of red tape costs is just as good for our economy's growth, jobs and exports as cutting a pound off taxes."

"We will introduce a strong, permanent anti-red-tape ratchet"
"Margaret Thatcher used supply-side economic reforms to transform Britain from the 'sick man of Europe' into an entrepreneurial dynamo. It's time for another dose of the same medicine."

"Economic reforms to slash red tape will make Britain more efficient, cutting the cost of living on everything from housing to energy so every household's budget goes further."



THE REBUTTALS

1. Won't It Trigger A 'Race To The Bottom'?

Some people assume cutting red tape must erode important existing standards which ensure contracts can be enforced, staff aren't exploited, our environment is preserved, buildings are safe to live and work in, and food is safe to eat. But our approach won't dilute a single standard: it will just deliver them as cheaply, efficiently and unbureaucratically as possible.

2. Won't It Hamstring Government?

Some people argue that legislation and Government can't happen without passing new laws which inevitably impose extra regulatory costs and burdens, so any red tape constraint will stop government from working at all. This is wrong because:

- We don't apply this argument to tax-funded public spending. We cut our cloth to fit what taxpayers can afford instead, and we should treat red tape costs in the same way.
- The new fiscal rule would allow Governments to add new regulations, in the same way as they carry on spending to provide public services. But it will create strong checks to minimise costs and maximise benefits for the first time ever.
- Even when new laws deliver public benefits by imposing new rules, we should still always try to minimise their costs by choosing the cheapest routes to deliver them.

3. Does This Really Matter? Isn't This Just A Tory Obsession With Slashing The State?

Every pound of red tape costs has the same effect on the UK's economic growth, productivity and export competitiveness as a pound taken through tax. So we ought to control this 'regulatory burden' as carefully as every other type of public spending but, because the money doesn't have to be raised through taxation, until now Governments have behaved as though it is free. In the same way as we don't allow Whitehall Departments or public bodies to ignore Government controls on tax-funded spending, we should control the costs of red tape carefully too.

4. How Dare You Get Rid Of Exemptions Which Protect The Environment or Nuclear Safety!

We completely agree those things are really important and need to be protected. But if there's a cheaper way of delivering the same results, why wouldn't we want to find & use it instead?

5. Why Can't You Give Examples Of Red Tape You'd Cut?

We can. Even our existing, rather weak and loophole-filled system produces cuts. Recent real-world examples (taken from the Regulatory Policy Committee's annual reports) include:

- a) The Planning (General Permitted Development) Order 2021 cut £693m red tape cost
- b) The Whiplash Injury Regulations 2020 cut £3.6bn red tape costs
- c) The Incinerator Bottom Ash Regulatory Position Statement 2017 cut £197m red tape cost
- d) The amendment to the UK Definition of Investment Advice cut £2.95bn red tape cost
- e) The REUL Bill will reduce red tape costs created by former EU rules, which were previously exempt from the Better Regulation regime too.

And there's lots of potential for future cuts too, like:

- f) Re-engineering Government bureaucracies to deliver existing public services more cheaply, digitally and nimbly. Recent examples include the recent courts and tribunals efficiency programme in MOJ which reduced delays and costs in dispute resolution, and the tax digitisation programme which cut costs, time and complexity for many households and small businesses too.
- g) Red tape created by economic regulators like Ofgem or Ofwat, which have always been exempt from Better Regulation in the past.
- h) Red tape costs created by non-economic regulators such as Environment Agency, which have had relatively little attention even when they were theoretically covered by previous Better Regulation regimes.