



Department
for Business
Innovation & Skills

Impact Assessments: Summary
Document

Enterprise Bill

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Section 1: Introduction

1. The Queen's Speech of 2015 announced the Enterprise Bill, which would:
 - cement the UK's position as the best place in Europe to start and grow a business, by cutting red tape and making it easier for small businesses to resolve disputes quickly and easily; and
 - reward entrepreneurship, generate jobs and higher wages for all, and offer people opportunity at every stage of their lives.
2. As the Government's recently published Productivity Plan notes, economies stagnate without a dynamic and enterprising firm culture¹. Entrepreneurs can be vital sources of competition and disruptive innovation, driving productivity by ensuring that firms continually strive to improve their efficiency and better meet customers' needs. And simplification of regulatory requirements – or deregulation – can free-up resources for businesses to put to more productive uses, raising long-run productivity and growth.
3. Through the Enterprise Bill the Government is seeking to improve the environment within which businesses operate to enable them to grow and become more productive. This includes measures to:
 - make it easier, quicker and cheaper for small businesses to settle payment issues with larger companies by setting up a **Small Business Commissioner**. The Commissioner will give advice, provide information and refer businesses to services that can mediate in disputes. It will have the power to look into complaints about poor payment practices and report back on its findings;
 - extend the deregulation target of cutting a further £10 billion of red tape over the next five years that stops businesses from growing and creating jobs **to include regulators**;
 - streamline interaction with authorities. **It will extend and simplify the Primary Authority scheme** to improve the way small businesses deal with local authorities, saving them time and money;
 - encourage businesses to invest in the skills of their staff. By **protecting and strengthening the apprenticeship brand**, the Bill will ensure hard working apprentices have access to high quality training;
 - to re-position the public sector as a modern place to work. The Bill will **stop taxpayer-funded, six-figure payoffs and introduce apprenticeship targets for public sector bodies in England** – to make sure the public sector leads by example and invests in a highly skilled workforce;
 - to update the **Industrial Development Act, supporting the roll out of telecoms and broadband across the UK**;
 - increase the transparency and accountability of regulators through **annual reporting requirements**;
 - **introduce a requirement for insurers to pay insurance claims to businesses within a reasonable time**;
 - improve the **business rates appeals system**; and
 - allow the sharing of some valuation office agency information to reduce duplication.

¹ Fixing the Foundations: Creating a more prosperous nation¹, was published following the Summer Budget 2015, and is a comprehensive plan that sets the agenda for the whole of government over the parliament to reverse the UK's long-term productivity problem and secure rising living standards and a better quality of life for the UK's citizens.

4. This document is structured as follows:
 - **Section 2** provides background information on how business growth takes place and the role of the wider business environment, which the Enterprise Bill seeks to improve.
 - **Section 3** provides an assessment of the overall impact of the Bill.
 - **Section 4** provides additional detail on rationale, costs and benefits of the measures in the Bill which are accompanied by individual Impact Assessments.
 - **Annex A** provides a table of all of the measures contained within the Bill.

Section 2: Businesses, Enterprise, Deregulation and Growth

The contribution of businesses and enterprise

5. Small and medium sized businesses, particularly new entrants to the market, drive economic growth by stimulating innovation, acting as a competitive spur to existing businesses². This occurs through the process of ‘productive churn’, where new entrants and existing firms that become more and more enterprising (with new ideas for products and processes) win market share and less productive businesses exit the market. New and small businesses also complement larger firms by operating in local or niche markets and by being the first to enter new markets.
6. Small and medium sized businesses stimulate innovation with research suggesting that such businesses in particular act as an important ‘seedbed’ for new innovations. These businesses either grow in their own right or are taken over by larger businesses who take on board their ideas. As global competition intensifies, the ability of businesses and individuals to identify and take advantage of entrepreneurial opportunities becomes increasingly important.

The role of government

7. At the same time, the wider business environment shapes the context within which businesses operate and hence their incentives to invest and grow. This encompasses physical infrastructure, market frameworks, institutions and regulations.
8. Well-designed regulation promotes economic growth and welfare by addressing failures in markets and making them more competitive. However, in some case cases, regulation and the way it is enforced can lead to further distortions. This creates unnecessary costs on business, increases uncertainty, or can have unintended consequences that act as a brake on growth.
9. By reducing the costs of complying with regulations, resources are freed up that could be spent on additional investment or innovation; contributing to increases in capital and total factor productivity. Lower business burdens also make the UK a more attractive place to start and grow a business which further contributes to capital accumulation.

² BIS Analysis Paper 2 (December 2013): SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention.

10. The importance of improving the framework within which businesses operate is emphasised by NAO/BIS analysis which suggests that 51 per cent of businesses report the overall level of regulation as an obstacle to their success, with small and medium sized businesses most likely to agree that regulation as an obstacle³.
11. Measures in the Bill seek to address market barriers to growth and productivity, particularly regulatory failures in a number of these areas of the wider business environment, to lead to the right outcomes in terms of growth, prosperity and wider social considerations.

Section 3: Summary of Impacts

12. Alongside this summary document the Government has published individual Impact Assessments for all measures where a significant impact on business has been identified. These provide the rationale, options, costs and benefits in detail, in line with the Government's Better Regulation Framework Manual.
13. Impact Assessments have not been produced for some measures for the following reasons:
 - the direct costs to business of these measures are small or negligible;
 - the measures are financial measures;
 - the measure are deregulatory in nature without any direct impacts; and/or
 - the measures do not have any impact on business unless they are brought into force by secondary legislation and Impact Assessments will be produced at that time.
14. The measures for which Impact Assessments have not been produced are outside the scope of this document. However, where possible we include available analysis underpinning such measures to present as complete a picture of the Bill as possible⁴. It should be noted that it has not been possible to quantify all the benefits of the Bill due to methodological difficulties or a lack of evidence. These issues are discussed in the relevant individual Impact Assessments.
15. The published Impact Assessments for the following measures, have been submitted to the Regulatory Policy Committee and are awaiting their opinion:
 - Small Business Commissioner
 - Preventing misuse of the term "apprenticeships" in relation to unauthorised training.

Hence these Impact Assessments and this summary document will be updated accordingly.

16. The net present values of the measures (ten year appraisal period) in this Act reflect the quantified balance between total costs and benefits to all society. A supplementary approach is to examine the costs and benefits to particular sections of society. One such

³ Source: NAO/BIS (2014): Business Perceptions Survey 2014.

⁴ It should be noted that this document will be updated at appropriate intervals during the passage of the Bill through Parliament in light of any new information.

measure is the Equivalent Annual Net Cost to Business (EANCB) which weighs the costs and benefits to businesses alone, and which is the focus of this section⁵.

17. The measures that Government is taking forward in this Bill have a quantified annual net benefit to business of £25.5m (Figure 1) and a Net Present Value of £204m (10 year period)⁶ to society as a whole. The quantified net annual savings to business are largely driven by savings from the simplification and extension of the primary authority scheme.

Figure 1: Summary of Direct Impacts on business from measures in the Bill (Equivalent Annual Net Costs to Business (EANCB))/£m

	Benefits	Costs	In scope of Business Impact Target
Late payment of insurance claims	0.7	0.3	Yes
Expansion of the Business Impact Target	-	0.6	Yes
Primary authority measures	80.1	54.4	Yes
Total			
Total Net Benefit to Business	80.8 (a)	55.3 (b)	
	25.5 (a – b)		

18. In addition, the following measures which should also yield significant benefits for business. They include:

- establishing a Small Business Commissioner to make it easier to resolve commercial disputes;
- reforms to the business rates system (where ratepayers will no longer have to give the same information to local government as they do to the Valuation Office Agency (VOA), as a result of new VOA datasharing processes, and simplification of the appeals system); and
- changes to the Industrial Development Act (which will help support the roll out of telecommunications and broadband across the UK and increase the general selective financial assistance project threshold from £10m to £30m before Ministers require Commons consent.

19. The Bill also supports the Government’s regulatory reform agenda to support long-term growth to better ensure the control of and better targeting of regulation. The Bill puts in place the following measures that will enable further progress to be achieved

- In the last Parliament, the Government embarked on an ambitious deregulatory agenda through flagship programmes such as One-In-Two-Out and the Red Tape Challenge, cutting the net burden of regulation by £2.2 billion per annum. Building on this, the Government has committed to cut at least a further £10 billion of red tape on business. The Government also recognises that regulators’ actions need to minimise unnecessary burdens on business, and will therefore legislate through the Enterprise Bill to extend the target for cutting red tape to cover the activities of regulators. This will increase the transparency of the system and provide business with greater assurance that any costs and benefits imposed on them are thoroughly assessed; and

⁵ Better Regulation Framework Manual (July 2013), “The EANCB of a regulation is defined as the annualised value of the present value of net costs to business and civil society organisations. This includes both annually recurring net costs and net transitional costs that occur as a result of the regulation being introduced / removed / simplified”.

⁶ This total NPV figure (based on the price year and present value year of 2015) combines a number of underlying assessments for the measures in the Enterprise Bill.

- The Government will also introduce a duty on regulators to report on compliance with existing statutory better regulation rules⁷. This will improve the transparency of the regulators. This will increase the accountability of regulators; allow compliance to be compared across regulators; create pressure on regulators to comply more effectively; and help the government and regulators identify best practices leading to a rise in standards.

Section 4: Policy Proposals: Rationale, Costs and Benefits

20. The rationale for these different proposals, and the respective cost and benefits of these measures are summarised below and are discussed in more detail in the individual impact assessments which accompany this summary document.

4.1 Small Business Commissioner

21. Small businesses are more vulnerable to unfavourable or unfair practices and often do not have the resources to challenge them. Late payment is a particular issue for small businesses – it limits their growth and productivity, and can put otherwise successful businesses at risk (see Box 1 overleaf). For small firms, negotiating a contract with a larger business can be challenging. Difficult issues can arise during initial negotiation of terms, or where the small business is asked to agree to vary or include new commitments in an existing contract. Government has been told that small businesses often feel intimidated and accept such terms (rather than walking away from a proposed contract or refusing to agree to a change) and there is concern that larger firms sometimes use their market power to impose unfavourable terms.

22. Also small businesses are not always sure where to turn to help them sort out disputes with other businesses. There are existing dispute resolution bodies which provide valuable services. But for general contractual issues, including where smaller businesses feel that other businesses treat them unfairly, the Government is concerned that not enough small businesses are able to settle their problems with larger corporations sufficiently quickly and inexpensively while maintaining their business relationships.

23. There is some evidence to suggest that the smaller the business the more likely it is that businesses will put up with problems rather than resolve them. In a 2013 Legal Services Board study into how small businesses resolve potential legal problems (including

⁷ There is a programme of measures intended to support a positive shift in how regulation is enforced by regulators, and consists of:

- (i) The Regulator's Code ("the Code") : a framework (revised in 2014) setting out what regulators in scope must do to comply with the overarching principles of better regulation;
- (ii) Growth Duty ("the Duty") : a statutory duty approved by the last Parliament that will require regulators in scope to have regard to the desirability of promoting economic growth when exercising their regulatory functions (regulators will be brought into scope in 2016 following consultation); and
- (iii) Small Business Appeals Champion (SBAC): a statutory duty on Ministers to appoint a Small Business Appeals Champion to each regulator in scope. Again, this was approved by the last Parliament and is due to be implemented in 2016 following consultation.

business to business problems such as trading and payments) single person businesses were shown to more often end up simply putting up with problems⁸.

24. Furthermore, small businesses may not be aware of routes for dispute resolution such as ombudsmen (for certain sectors) or mediation/conciliation, or may be discouraged from litigating or pursuing alternative dispute resolution approaches because of perceptions of the likely time and cost (as well as the risk to their commercial relationship). In terms of awareness of alternative dispute resolution Justice Jackson's 2009 report into the Costs of Civil Litigation found that: "the benefits of mediation are not appreciated by many smaller businesses." In addition a review into the "Use of Mediation by SMEs in Great Britain" to resolve employment disputes found small and medium sized enterprises are making "scant use of mediation" and while not the only issue, they found that knowledge and experience of mediation can overcome preconceptions about the cost and efficiency of mediation in small and medium sized enterprises.
25. Even though one party to a contract cannot make a valid variation to it without the agreement of the other, recent cases have shown that large businesses seem to have benefitted from the bargaining power imbalance to extract commercial advantages from small suppliers. In a Federation of Small Businesses (FSB) survey, one in six small firms reported "supply chain bullying" in the past two years; and five per cent reported having to pay to join or stay on supplier lists ("pay to stay").
26. Such practices can increase costs and uncertainty for the small business, making it difficult to plan and invest. These firms often do not have the time, money or knowledge needed to take forward legal challenges.

Box 1: Late Payment

Late payment occurs when a business has been supplied goods or services on credit, but fails to pay within the agreed term. Every year, thousands of businesses experience severe administrative and financial burdens, simply because they are not paid on time. Late payment stops these businesses – small businesses in particular – from developing their ideas, investing in growth and creating new jobs. In the worst cases, late payment has driven them to insolvency.

In January 2015, BACS reported that 59 per cent of UK small and medium-sized businesses were impacted negatively by late payments, with a total debt burden of £32.4 billion. The average small business was waiting for £31,901 of overdue payments. Their research also showed that the volume of late payments had almost doubled since 2008. In part that was due to the general economic climate but there was also a wider cultural trend of large businesses using late payment as a means to improve cashflow. In June 2015, BACS's most recent research showed that small and medium-sized businesses are still waiting for £26.8 billion of late payment debt.

The FSB survey of its members in 2014 revealed that 51 per cent had experienced late payment within the previous 12 months. Figures from by the Institute of Directors (IoD) in December 2014 found that two-thirds of its small and medium-sized members were having problem getting timely payment of an invoice, with damaging knock-on effects: late payment by one business could push the problem farther down the supply chain, potentially affecting many more firms.

⁸ Pleasance and Balmer (2013), In Need of Advice? Findings of a Small Business Legal Needs Benchmarking Survey – a report to the Legal Services Board

27. In July 2015, BIS commissioned a survey of around 800 small and medium sized businesses to further develop the evidence base⁹. This survey found that:
- 75 per cent of Businesses agreed that the relative size or market power between small and larger businesses is the primary cause of unfair practices between businesses;
 - 14 per cent of small businesses thought they did not have the information they needed to resolve disputes;
 - almost two in five businesses (39 per cent) had had some form of dispute with a customer and;
 - more than a quarter (27 per cent) had issues a supplier during the preceding year.

28. The Government is determined to see small businesses thrive and grow, to help support our economy, both locally and nationally. It is proposing to establish a service to complement existing provision and lead a culture change in how businesses resolve – and ultimately avoid – commercial disputes.

29. It is proposed that the new Small Business Commissioner (SBC) would:

- empower small businesses to resolve disputes and avoid future issues through general advice and information, related to dispute resolution and contract principles;
- signpost to appropriate services e.g. sector ombudsman or regulator, existing independent advice service, approved alternative dispute resolution (ADR) provider or SBC complaints handling function and;
- consider complaints by small business suppliers about payment matters arising with larger businesses which they supply. These disputes may relate to pre-contractual negotiations as well as terms of the contract and new arrangements proposed once a contract is in place; for instance, if a firm feels it is being harmed by the other party's unfair behaviour.

Policy Proposal	Benefits	Costs
<p>The Small Business Commissioner will offer three main services:</p> <p>General information and advice, signposting to alternative dispute resolution channels and a complaint handling function.</p>	<p>The Commissioner will enable small firms to access information and advice to help them become 'smarter contractors'. The intention is that they will be able to negotiate more effectively with other businesses, avoiding many of the issues that arise now.</p> <p>Where problems do arise the experience of the Victoria Small Business Commissioner in Australia suggests that businesses will save both time and money. Over half the Victoria cases were successfully resolved, at 30 per cent (or less) of the cost of litigation.</p> <p>The information and advice service should increase</p>	<p>The Government will incur the set up costs of implementing the Small business Commissioner. This will be £1.1m and will include the design of the website, staff recruitment and staff IT set-up. The website is expected to handle enquires on 390,000 disputes from 70,000 businesses.</p> <p>The Government will incur the running costs of the Small Business Commissioner. This will</p>

⁹ This involved re-surveying businesses from 2014 Annual Small Business Survey.

Policy Proposal	Benefits	Costs
	<p>awareness and take up of mediation and other alternative dispute resolution services by those without the resources to use independent advisors.</p> <p>By increasing the use of mediation and preserving more commercial relationships, we expect the Small Business Commissioner to deliver significant benefits for the UK's small firms. The services provided by the Commissioner are intended to deliver a broader culture change across the UK business landscape.</p> <p>By being able to look into complaints the Commissioner will fill gaps in other services for business to business complaint handling and help small businesses resolve disputes that they may otherwise have allowed to continue or written off.</p>	<p>be £1.3m per year, and includes the full costs of the Commissioner, their office, and staff needed to handle 500 complaints a year as well as the maintenance of the website.</p> <p>The Small Business Commissioner will not have power to compel participation in mediation or any other form of alternative dispute resolution or to require companies to participate in or provide information or documents in response to any complain, , so there will be no compliance costs to businesses.</p>

4.2 Deregulation – Extension of the Business Impact Target

30. The Small Business, Enterprise and Employment (SBEE) Act 2015 introduced a requirement for the Government to publish a Business Impact Target (BIT) for the duration of each Parliamentary Term, regarding the economic impact of new legislation on business. The Government is required to measure and report on the economic impact of all legislation that comes into force or ceases to have effect over the course of the Parliament. It is also required to regularly report on progress against the target and ensure that estimates of economic impact of new regulation are verified by an independent body.
31. The SBEE Act defines the Business Impact Target (BIT) as “a target for Government in respect of the economic impact on business activities of qualifying regulatory provisions”. The Secretary of State can determine which categories of “regulatory provisions” fall within the BIT and which may be excluded.
32. At present the target only covers legislation and the actions of UK Ministers. The Government proposes to amend the BIT provisions in the Small Business, Enterprise and Employment Act 2015 to ensure that the target can cover the actions of national regulators. This extension will allow for a wider range of regulatory activity that imposes costs on business to be captured under the target and reported against. Government will consult on the detail of the national regulators whose regulatory activities will fall in scope of the BIT, but its operating principle is that all national regulatory bodies should be in scope of the target unless there are exceptional reasons as to why they should not be.
33. Business consistently tells Government that the actions of regulators are at least as important as the content of legislation in determining their experience of regulation. For example, in the recent Business Perception Survey, 46 per cent of businesses agree that preparing for inspections or dealing with inspectors is burdensome, 49 per cent of businesses considered that they do not receive good enough advice from regulators to

make confident investment decisions, and 73 per cent of scale-ups said they would be able to grow faster if dealing with regulators was easier.

34. Furthermore, under the previous Government, a series of ‘Focus on Enforcement’ reviews looked in detail at how the implementation and enforcement of regulations by national regulators and local authorities in specific sectors impacted on businesses. During the course of these reviews, a number of systemic issues regarding poor enforcement practice were raised by business that appeared to be common to many regulators, and across sectors of the economy.
35. Whilst attempts have been made to focus on and improve the impacts associated with the regulatory actions of regulators, these have not been comprehensive or wide-ranging. Historically, Government has focussed more on the costs imposed on business by legislation rather than the ways in which this legislation is enforced. Currently the costs imposed on business by regulators’ activity are not routinely measured or reported on. As a result there is a lack of transparency around the size and scale of these costs.
36. Extending the BIT to include the activities of national regulators will ensure a system where there is active management and transparent reporting of the costs to business arising from their regulatory activities, underpinned by statute. This transparency and a greater understanding of the impact on business will help drive change within regulators to design their policies in a way that better meets the needs of business.
37. The preparation of and submission to the independent verification body of assessments relating to the economic impact of national regulators’ policies will impose resource costs on the regulators. Where regulators are fully or partially funded by industry through fees and charges some of these resource costs will be passed onto business.

Policy Proposal	Benefits	Costs
Legislate to extend the Business Impact Target to include national regulators	Improve transparency and scrutiny of the scale of costs to business from the activities of regulators; drive change within regulators to design policies that better meet the needs of business through a greater understanding of the impact on business	Preparation and submission of economic impact assessments to the Independent Verification Body imposes a resource cost to national regulators some of which will be passed through to business through fees and charges.

4.3 Simplification and Extension of the Primary Authority scheme

38. The Primary Authority scheme began in 2009. It was devised to provide greater regulatory consistency and certainty for businesses that operated across a number of local authority areas. The scheme has proven to be very popular with businesses and delivered a number of benefits for business. This includes assured, consistent advice, and a single point of contact with the local regulatory system. The scheme has been extended to cover new areas of regulation and to businesses that share a common approach to compliance. A recent review of the scheme has shown the numerous benefits of the scheme. These included:

- Over three-quarters (76 per cent) of businesses had developed better regulatory relationship with local authorities compared to 37 per cent of non-Primary Authority businesses
- Three-quarters agreed that instances of non-compliance were more easily solved compared to just 26 per cent on non- Primary Authority businesses.
- 76 per cent of partnerships valued their partnership at least what they paid for it, with 45 per cent willing to pay at least double for their partnership.

39. A recent review by the Better Regulation Delivery Office (BRDO) found a number of areas which were causing issues:

- The eligibility rules were restricting who can join the scheme, excluding those businesses in single local authority areas and pre start who may want to join the scheme.
- There are areas of overlap between local authority regulators and national regulators such as certain areas of health and safety where the Primary Authority isn't having the impact it could as Assured Advice can't cover the full regulatory area.
- Businesses were worried about how devolution could have a detrimental impact on the scheme. There is a need to ensure businesses will benefit as much as possible from the scheme despite increased devolution.
- The current method of signing up co-ordinated partnerships is creating an administrative burden for both businesses and co-ordinators (those who administer the partnership).

40. The Government is putting forward a package of measures in the Enterprise Bill including

- 1) simplifying the scheme to make it easier for small businesses and pre-starts to form primary authority partnerships, including businesses not trading over local authority boundaries;
- 2) simplifying access for co-ordinated partnerships by allowing the co-ordinated partnerships to sign up businesses on behalf of the businesses;
- 3) powers to allow national regulators to enter into Primary Authority partnerships alongside local authorities and issue advice to businesses. National regulators must act consistently with the advice given;
- 4) ensuring consistency across England and Wales; and
- 5) technical changes to simplify how the scheme operates. The first change will ensure that all parties comply with the need to notify the Primary Authority. The second change will ensure that if parties are in agreement then notifications can be issued without delay.

Policy Proposal	Benefits	Costs
(1) Simplifying the scheme to make it easier for small businesses and pre-starts to form primary authority partnerships, including businesses not trading over local authority boundaries	<p>Estimated take up by businesses of 11,000 – 44,000. Annual benefits to businesses of £6.8m to £42.0m in 2016/17 rising to £68m to £420m.</p> <p>Primary Authority one off benefits: £0.5m to £1m</p> <p>Primary Authority Annual benefits £3.9m to £7.8m rising to £35m to £70m.</p>	<p>Business: One off costs £0.7m to £1.5m in each year</p> <p>Annual costs: £5.4m - £14m in the first year rising to £54m - £135m</p> <p>Primary Authority: One off Costs £0.5m -£1m in each year</p> <p>Annual costs £3.6m - £7.8m in the first year rising to £35m to £71m.</p> <p>Enforcing officer annual costs £0.03m-</p>

Policy Proposal	Benefits	Costs
	Enforcing Officer: Annual benefits: £2,000 rising to £20,000.	£0.3m.
(2) Simplifying access for co-ordinated partnerships by allowing the co-ordinated partnerships to sign up businesses on behalf of the businesses	Benefits to businesses and co-ordinators of the simplified sign up process of £3.9m in the first year and £1.9m in subsequent years.	Costs to the co-ordinators of maintaining a list of members of £0.09m in the first year and £0.05m in subsequent years.
(3) Powers to allow other regulators to enter into Primary Authority partnerships alongside local authorities and issue advice to businesses. National and other regulators must act consistently with the advice given.	Where other regulators work alongside local authorities they will be able to cost recover for any input.	There may be some burdens as a result of having to act consistently with Primary Authority. The change will require secondary legislation so the costs will be tested at consultation before Secondary Legislation. However initial estimates suggest that between £0.03m to £0.05m could be passed through to business
(4) Ensuring consistency across England and Wales	A small number of businesses will only have to pay for one Primary Authority to cover both English and Welsh regulatory areas, rather than 2 under the current set up.	No quantifiable costs.
(5) Technical changes to simplify how the scheme operates. (a) Ensuring all parties will comply with the need to notify Primary Authorities (b) If parties are agreement notification can go ahead without delay	(a) This will ensure that all parties comply with the rules of the existing scheme and reduce the risk of costly legal action on all parties where notification does not happen. (b) Reduction in the time period before enforcement notices are serviced leading to businesses complying faster when all parties agree that the notification is correct.	No quantifiable costs.

4.4 Preventing misuse of the term ‘apprenticeship’

41. The Government has made a commitment for there to be 3 million new apprenticeships commenced in this Parliament. The promotion of apprenticeships may increase the potential gains for a training provider claiming to offer an apprenticeship or apprenticeship related training that is not of the same quality as a Government apprenticeship.

42. The Government is concerned that low-quality courses that do not meet the requirements of a statutory apprenticeship could be described as apprenticeships. This could dilute the apprenticeship brand and have a negative impact on growth of statutory apprenticeship schemes.
43. In order to strengthen and protect the reputation of the apprenticeship brand for training providers, employers and apprentices the Government proposes through the Bill to create an offence for a person, in the course of business, to provide or offer a course or training as an apprenticeship if it is not a statutory apprenticeship.
44. Employers cannot commit the offence in relation to their employees and the offence is summary only and the maximum penalty is a fine.
45. The clause therefore protects the reputation of training providers, employers who offer statutory apprenticeships and apprentices who start those apprenticeships, by maintaining their standards and ensuring that statutory apprenticeships are not confused with lower quality training.
46. It also ensures a “level playing field” and fairness in the market to the benefit of training providers, employers and individuals. Preventing unauthorised use of the apprenticeships name will give employers more confidence that they are investing in high quality apprenticeships, help to increase the number of apprentices and bring economic benefits to both apprentices and the economy as a whole.

Policy Proposal	Benefits	Costs
Proposing a measure to protect against misuse of the ‘apprenticeship’ term.	<p>Protecting the pre-existing benefits of the apprenticeships programme – net present value of £28 and £26 for every £1 of government investment for level 3 and level 2 apprenticeships respectively – from reputational erosion.</p> <p>Protecting the reputation may enable compliant providers to obtain new custom and may enhance the employment prospects of apprenticeship learners.</p>	<p>Costs to businesses of complying with the legislation, and familiarisation costs to compliant businesses, totalling £0-£0.11m.</p> <p>Lost profit due to restricting previous marketing strategies estimated to be negligible.</p> <p>Costs of enforcing the measure.</p>

4.5 Late payment of insurance claims

47. Late payment is a major problem for businesses, particularly following a major loss, such as a fire or a flood. The problem of late insurance payment is mostly likely to occur with property claims where premises or machinery have been damaged. At such times, businesses rely heavily on insurance payments to restore their businesses. Any unnecessary delay in payment can have significant impacts on a business’ ability to continue or re-start trading after an insured loss, which can impact on employees,

suppliers, on the wider community and economy and also on the business' ability to survive.

48. Under the current law, there is no obligation on insurers to pay valid insurance claims within a reasonable time. Although Financial Conduct Authority regulations do contain such a requirement (and consumers and micro-businesses can claim compensation from the Financial Ombudsman Service), breach of these regulations does not entitle the policyholder (businesses with more than 10 employees) to claim compensation for the loss caused. Hence the law provides insufficient incentive for insurers to pay promptly.
49. The evidence suggests that late payment by insurers is relatively rare. However, it can occur. Generally the losses incurred by late payment are small, but can be substantial in some cases. In the most serious cases, the firm is put at risk.
50. Government is committed to combating late payment of sums due to businesses. The objectives of this legal reform are to:
- ensure that the law incentivises insurers to pay within a reasonable time, and to promote payments within a reasonable time;
 - give policyholders a legal right to enforce prompt payment of insurance claims; and
 - provide for limited compensation to be payable by an insurer where a policyholder incurs additional loss because of the insurer's unreasonable delay in payment.
51. The measure on late payment of insurance claims introduces into all insurance contracts a requirement on the insurer to pay sums due within a reasonable time. Where an insurer fails to so pay, the policyholder will be entitled to claim damages on general legal principles.
52. This measure is based on recommendations made by the Law Commission and the Scottish Law Commission as part of their joint review of insurance contract law (which was established in 2006).
53. The introduction of this measure should reduce the risk of business failure following catastrophic events such as fires and floods. In the UK, the number of business property claims in weather dependent varying from 7,500 in a good weather year to 50,000 following major storms and floods. It could also have wider benefits for the UK insurance market, by putting the law in step with other international jurisdictions.

Policy Proposal	Benefits	Costs
<p>Introduce a legal obligation on insurers to pay valid insurance claims within a reasonable time. This will incentivise insurers to pay within a reasonable time, give policyholders a legal right to enforce prompt payment and provide for limited compensation to be payable to the policyholder if the insurer fails to pay with a reasonable time.</p>	<p>There are on-going monetised benefits estimated at £1 million per year (average based on reducing the number of late payment cases from 400 to 100 (as a result of reduced losses arising from late payment of insurance claims).</p>	<p>There are transitional familiarisation costs for insurers in Year 0 (best estimate - £202,250) and increased litigation costs in years 1-5 as the measure is tested and precedent is developed (best estimate - £100,000 per year). There are small on-going costs as insurers investigate unmeritorious claims of late payment (best estimate - £0.375 million per year).</p>

54. The Summary document and the Impact Assessments that it accompanies can be found on the Enterprise Bill website: <https://www.gov.uk/government/collections/enterprise-bill>

ANNEX A

Policy Theme	Measure	Benefits	Costs	Impact Assessment
Small Business Commissioner	<p>The Small Business Commissioner will offer 3 main services:</p> <p>General information and advice, signposting to alternative dispute resolution channels and a complaint handling function.</p>	<p>The Commissioner will enable small firms to access information and advice to help them become 'smarter contractors'. The intention is that they will be able to negotiate more effectively with other businesses, avoiding many of the issues that arise now.</p> <p>The information and advice service should increase awareness and take up of mediation and other alternative dispute resolution services by those without the resources to use independent advisors.</p> <p>By increasing the use of mediation and preserving more commercial relationships, we expect the Small Business Commissioner to deliver significant benefits for the UK's small firms. The services provided by the Commissioner are intended to deliver a broader culture change across the UK business landscape.</p> <p>By being able to look into complaints the Commissioner will fill gaps in other services for business to business complaint handling and help small businesses resolve disputes that they may otherwise have allowed to continue or written off.</p>	<p>The Government will incur the set up costs of implementing the Small business Commissioner. This will be £1.1m and will include the design of the website, staff recruitment and staff IT set-up. The website is expected to handle enquires on 390,000 disputes from 70,000 businesses.</p> <p>The Government will incur the running costs of the Small Business Commissioner. This will be £1.3m per year, and includes the full costs of the Commissioner, their office, and staff needed to handle 500 complaints a year as well as the maintenance of the website.</p> <p>The Small Business Commissioner will not have power to compel participation in mediation or any other form of alternative dispute resolution or to require companies to participate in or provide information or documents in response to any complain, , so there will be no compliance costs to businesses.</p>	<p>Impact Assessment published alongside introduction of the Bill (this will be before validation by the Regulatory Policy Committee).</p>

Deregulation	Bringing regulators in scope of the Small Business Enterprise and Employment Act business impact target	Improve transparency and scrutiny of the scale of costs to business from the activities of regulators; drive change within regulators to design policies that better meet the needs of business through a greater understanding of the impact on business	Preparation and submission of economic impact assessments to the Independent Verification Body imposes a resource cost to national regulators some of which will be passed through to business through fees and charges.	Impact Assessment published alongside introduction of the Bill.
	Duty on regulators to report on compliance with existing statutory better regulation rules.	This will improve the transparency of the regulators. This will increase the accountability of regulators; allow compliance to be compared across regulators; create pressure on regulators to comply more effectively; and help the government and regulators identify best practices leading to a rise in standards.	This proposal requires regulators to produce an annual report on its compliance with the Code and the Duty. This will impose a cost to regulators; however, some of these costs will be passed on to businesses through an increase in fees and charges. The remainder will be borne by regulators. The proposal imposes an annual total cost of £0.1m to business, and a one-off total cost of £1740.84, which will be incurred in the first year of the policy.	Regulatory Triage assessment sent to the Regulatory Policy Committee. It has been confirmed as low cost.
	Power for Minister to require a regulator to provide information on reporting matters, if for example, annual reporting has not provided the requisite information.	We expect this power to be used mainly as a back-up lever, should regulators' initial reports be insufficient. It therefore ensures compliance of the policy.	100 per cent compliance is assumed. This would mean that the power is not needed, and therefore, there is a zero cost.	
	Repeal Section 24 (5) of Regulatory Reform Act 2005.	This removes an exemption in principle for certain regulators from the scope of the Regulators Code,	The proposal would still require secondary legislation to bring these previously exempted regulators into scope of the Code	
Should Government decide to bring forward secondary legislation to bring these regulators into scope of the Code, there will be a full impact assessment or regulatory triage assessment as appropriate.				
Primary Authority	Primary authority: removing eligibility criteria (single local authority businesses and allowing pre-start-ups to get advice).	<p>Estimated take up by businesses of 11k – 44k. Annual benefits to businesses of £6.8m to £42.0m in 2016/17 rising to £68m to £420m.</p> <p>Primary Authority one off benefits: £0.5m to £1m</p> <p>Primary Authority Annual benefits £3.9m to £7.8m rising to £35m to £70m.</p> <p>Enforcing Officer: Annual benefits: £2k rising to £20k.</p>	<p>Business: One off costs £0.7m to £1.5m in each year</p> <p>Annual costs: £5.4m - £14m in the first year rising to £54m-£135m</p> <p>Primary Authority: One off Costs £0.5m -£1m in each year</p> <p>Annual costs £3.6m-£7.8m in the first year rising to £35m to £71m.</p> <p>Enforcing officer annual costs £0.03m-£0.3m.</p>	Impact Assessment published alongside introduction of the Bill.

	<p>Primary Authority: allow trade bodies to block enrol their members/simplification of coordinated partnerships</p>	<p>Benefits to businesses and co-ordinators of the simplified sign up process of £3.9m in the first year and £1.9m in subsequent years.</p>	<p>Costs to the co-ordinators of maintaining a list of members of £0.09m in the first year and £0.05m in subsequent years.</p>	
	<p>Primary authority: technical amendments relating to notification periods and closing a loophole</p>	<p>Where other regulators work alongside local authorities they will be able to cost recover for any input.</p>	<p>There may be some burdens as a result of having to act consistently with Primary Authority. The change will require secondary legislation so the costs will be tested at consultation before Secondary Legislation. However initial estimates suggest that between 0.03m to 0.05m could be passed through to business</p>	
	<p>Primary Authority: Other regulators – extend primary authority scheme to cover national regulators, specify certain bodies and require them to act consistently with the scheme and amend Regulatory Enforcement and Sanctions Act 2008 so that licensing boards in Scotland can be Primary authorities.</p>	<p>A small number of businesses will only have to pay for one Primary Authority to cover both English and Welsh regulatory areas, rather than two under the current set up.</p>	<p>No costs to business.</p>	
	<p>Primary Authority: mutual recognition with Devolved Authorities' Primary Authority schemes – Primary Authority in Wales</p>	<p>(a) This will ensure that all parties comply with the rules of the existing scheme and reduce the risk of costly legal action on all parties where notification does not happen.</p> <p>(b) Reduction in the time period before enforcement notices are serviced leading to businesses complying faster when all parties agree that the notification is correct.</p>	<p>No costs to business.</p>	

Apprenticeships	Make "apprenticeship" a protected term	<p>Preventing unauthorised use of the apprenticeships name will give employers more confidence that they are investing in high quality apprenticeships. Employers often purchase training from the provider and this will help to reassure them of the quality of this training.</p> <p>It will also give parents and prospective apprentices more confidence that they are participating in a high-quality career path, thus helping to increase the number of apprentices and bring economic benefits to both apprentices and the economy as a whole.</p>	<p>The policy change to only affect a small number of businesses and the overall impact to be minor. We estimate the impact on businesses to be less than £1 million.</p> <p>There are also potentially indirect costs to businesses if the measure affects their ability to recruit or train effectively. But we expect this impact to be negligible given that a simple re-branding exercise should have no significant effect on the actual training provided.</p> <p>There would also be legal enforcement costs to accompany the new measure. But these would not impact businesses.</p>	Regulatory triage assessment sent to the Regulatory Policy Committee. Measure confirmed as low cost and suitable for fast track. Impact Assessment published alongside introduction of the Bill (this will be before validation by the Regulatory Policy Committee).
	Introduction a target for number of apprentices in public sector bodies.	Will help to increase the number of apprentices and bring economic benefits to both apprentices and the economy as a whole.	Measure only affects publically funded bodies. No costs to business.	Impact Assessment not required as the measure does not affect business.
Late Payment of Insurance Claims	Late payment of insurance claims – will introduce a legal obligation on insurers to pay insurance claims within a reasonable time.	Benefits include general improvement of insurer's claims handling procedures meaning prompter insurance payments to business policyholders, allowing them to recover more quickly from events such as fires and floods and having a consequential benefit for suppliers and local communities. The measure would also result in policyholders being entitled to claim compensation from an insurer which has taken an unreasonably long time to pay a valid insurance claim, which is a benefit to the policyholder.	Any costs would be borne by insurers. These are not expected to be significant. Insurers are already required by Financial Conduct Authority rules to pay claims promptly, but the measure would introduce a new legal obligation to pay claims within a reasonable time and would allow policyholders to claim damages if the insurer fails to do so. Costs of non-compliance are not to be included in the analysis. There may be familiarisation costs in the first year, initial increased litigation costs while the law beds down, and insurers' own costs of investigating unmeritorious claims.	Impact Assessment published alongside introduction of the Bill.

Non-domestic rating	Valuation Office Agency data sharing measure	It reduces the administrative burden in the business rates system and applies the government's "tell us once" policy to the tax. It also makes sure ratepayers no longer have to give largely the same information to local government as they do to the Valuation Office Agency.	No additional costs to those business currently paying business rates. The measures will also help to tackle avoidance and ensure ratepayers are correctly paying business rates.	Impact Assessment not needed as this is related to tax issues.
	Business rates appeal process reform measure	Broadening the enabling powers will ensure that effective reforms can be made to the business rates appeals system. These reforms will benefit businesses by making the system more transparent and easier to navigate and ensuring that any refunds can be paid as quickly as possible. Businesses can be also confident that their valuations are correct and that they are paying the right amount of business rates.	No additional costs anticipated for business.	Impact Assessment not needed as this is related to tax issues.
Industrial Development	Industrial Development Act - increase the project threshold from £10m	Should reduce time taken for government to provide certain support for business under the Act.	No cost to business.	Impact Assessment not required as it falls outside better regulation requirements.
	Industrial Development Act - enable grants or loans towards cost of improving an electronic communications facility	Businesses should benefit from increased flexibility for government to support broadband and telecoms infrastructure.	No cost to business.	Impact Assessment not required as it falls outside better regulation requirements.
Public sector employment	Limiting exit payments to individuals working in the public sector to £95,000	Ensures that taxpayers are not funding six-figure exit payments and helps public sector employers in managing their exit costs Trends in exit payments over recent years suggest the cap could result in savings in the low hundreds of millions of pounds over the course of this Parliament. This is about ensuring tax payers get a fair deal.	No costs to business	Analysis of impacts prepared for consultation on proposed legislation. No Impact Assessment required as there are no obligations or costs imposed on business.



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