

# ***Reducing the Burden of Red Tape***

Tabled 25 May 2016

This presentation provides an overview of the Victorian Auditor-General's report, *Reducing the Burden of Red Tape*.

## Background

2



Red tape is the excessive, unnecessary or confusing burden imposed on organisations and individuals as a result of regulation.

Estimates of the cost of the administration, compliance and delay burden now range between **\$2.4 and \$6.4 billion.**

Reducing the burden of red tape has long been on the agenda for Victoria and governments around the world. Estimates of the impact of red tape have varied and are complicated by perceptions and understanding of what red tape is.

In this audit, we define red tape as the excessive, unnecessary or confusing burden imposed on organisations and individuals as a result of regulation. Regardless of how red tape is defined and what it captures, stakeholder groups agree that the effects of red tape are clearly felt.

Reducing red tape has the potential to offer significant economic benefits for both organisations and individuals.

## Red tape programs since 2006

Programs in place for over a decade:



Over the past decade, successive Victorian governments have maintained a focus on red tape reduction. In this regard, Victoria has led the way nationally. However, in this audit, we found that the red tape reduction programs that have been in place during this period—Reducing the Regulatory Burden and the Red Tape Reduction Program—needed improved assurance, public reporting and transparency.

## What we found

4



Agencies need to identify cross-portfolio strategies to improve regulatory efficiency and effectiveness.

Greater scrutiny and oversight of new regulations to ensure new red tape is minimised.



The longstanding focus on tackling obvious sources of red tape offers diminishing returns. Agencies now need to turn their attention to identifying more complex, cross-portfolio strategies that can drive further improvements in regulatory efficiency and effectiveness.

New regulations must be subject to greater scrutiny and oversight to ensure any additional red tape they create is minimised.

## Red tape programs



Red tape reduction  
target of roughly  
**25%**  
for past decade



However, scope  
has expanded to  
capture more  
regulatory costs  
and beneficiaries.

**Greater transparency  
and accountability  
required**



**make claimed  
monetary savings  
more credible**

The programs devised over the past decade have reflected the red tape priorities of the government of the day. Although the overall target—to achieve a 25 per cent reduction in red tape—has not significantly changed over this time, the scope of the programs has expanded to capture more regulatory costs and now include a greater number of beneficiaries.

While this may extend potential benefits to a broader group of stakeholders, greater transparency and accountability is needed to make the claimed monetary savings more credible.

## Beneficiaries of red tape reduction programs



The ultimate beneficiaries of these initiatives—businesses, not-for-profit organisations, hospitals, schools and private individuals—also need to be able to understand and have confidence in the changes made as a result of red tape reduction initiatives.

Agencies should focus on engaging with beneficiaries to verify that the claimed savings are real and have resulted in meaningful improvement.

## Benefits of red tape reduction programs



To appreciate the benefits of reduction programs, understand the balance between savings, investment and accepted risks.



Department of Treasury & Finance's tools have helped agencies estimate savings.



However, agencies have not sufficiently measured the true costs of implementing initiatives or assessed associated risks.



Greater attention is needed to ensure that regulatory burden reduction initiatives do not cause any adverse social or economic outcomes.

To fully appreciate the benefits of red tape reduction programs, it is important to understand the balance between savings, investment and accepted risks. The tools provided by the Department of Treasury & Finance for each of the programs have helped agencies estimate savings.

However, agencies have not sufficiently measured the true costs of implementing red tape reduction initiatives or assessed any associated risks. Greater attention is needed to ensure that new initiatives do not cause any adverse social or economic outcomes.

## Recommendations



1. Improve the transparency and accountability of the current red tape burden reduction program



2. Evaluate past initiatives and target broader cross-agency opportunities



3. Design and implement a framework to more effectively engage stakeholders



4. Inform government on benefits, costs and risks of initiatives and appropriate targets

Our recommendations are designed to improve stakeholder confidence in the impact of these programs on reducing regulatory burden.

The government's new program and commitment to continue its focus on red tape reduction is encouraging, but it needs to improve the selection and evaluation of its initiatives.

This has also been highlighted by regulators and the Commissioner for Better Regulation.



For further information, please view the full report on  
our website: [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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