

This page left intentionally blank

This document provides a very high level overview of Impact Assessment requirements. Full details of when and how to do an Impact Assessment are contained in the IA Guidance and IA Toolkit respectively.

What is an Impact Assessment?

- 1 An Impact Assessment is both:
 - i A *continuous process* to help think through the reasons for government intervention, to weigh up various options for achieving an objective and to understand the consequences of a proposed intervention; and
 - ii A *tool* to be used to help develop policy by assessing and presenting the likely costs and benefits and the associated risks of a proposal that might have an impact on the public, private or third sector, the environment and wider society over the long term.

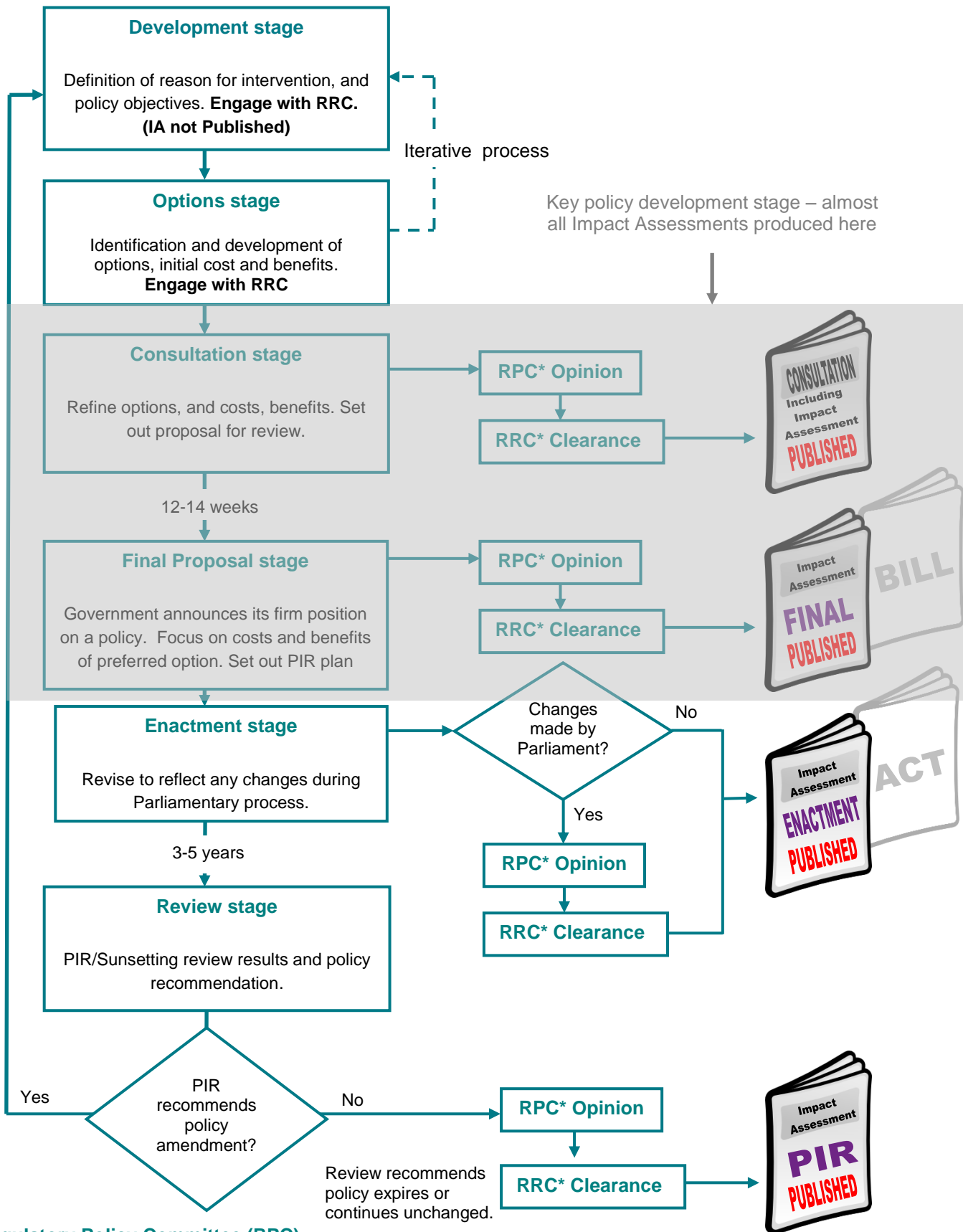
When is an Impact Assessment required?

- 2 Impact Assessments are generally required for all UK Government interventions of a regulatory nature that affect the private sector, civil society organisations and public services.
- 3 In particular, if you answer 'yes' to any of the following questions, an Impact Assessment is required:

Will the regulatory proposal:

 - i Impose additional costs or reduce existing costs on businesses or civil society organisations (this includes National Policy Statements)?
 - ii Impose a new information obligation or remove an existing information obligation on the public sector or bodies that deliver public services?
 - iii Introduce any other administrative burdens or unfunded policy costs of £5 million or more on the public sector or bodies that deliver public services, or, which are likely to attract high levels of political or media interest?
 - iv Involve some kind of redistribution affecting the public, private or civil society organisations?
 - v Involve a regulatory change which you wish to score as an OUT under the One-In, One-Out rule?
- 4 In addition, a proportionate assessment of the likely impacts of EU and international proposals is required when seeking clearance for the UK's negotiating position.
- 5 For further details on when an Impact Assessment is required to be prepared and published, see the [IA Guidance](#).

When does an Impact Assessment need to be published?



*Regulatory Policy Committee (RPC)

*Reducing Regulation Committee (RRC)

What is an IA Template?

- 6 An IA Template is the standard format that must be used to present the results of an Impact Assessment when these are published.
- 7 For Impact Assessments for EU negotiations a checklist is provided as a guide to the expected content (see Annex 4 of the [IA Toolkit](#)).

Proportionality of analysis

- 8 Proportionality of analysis relates to the appropriate level of resources to invest in gathering and analysis data for appraisals and evaluations.
- 9 The principle of proportionality is not used to guide whether or not an IA Template should be completed for policy approval. It relates only to the scale of effort invested to conduct the analysis required for an Impact Assessment.
- 10 A number of factors should be taken into account when deciding what level of analysis is proportionate including:
 - i The level of interest and sensitivity surrounding the policy
 - ii The degree to which the policy is novel, contentious or irreversible
 - iii The stage of policy development
 - iv The scale, duration and distribution of expected impact
 - v The level of uncertainty around likely impacts
 - vi The data already available and resources required to gather further data
 - vii The time available for policy development
- 11 Full details of the framework that should be used to determine the proportionate level of analysis to undertake are set out in Chapter 2 of the [IA Toolkit](#).

Checklists for Domestic Impact Assessment Steps

- 12 This information below is a high level checklist of items to consider at each step in an Impact Assessment, these are not meant to be exhaustive.
- 13 Full details of how to carry out each step can be found in the [IA Toolkit](#).

Step 1: Identify the Problem

- i Confirm that there is a problem
- ii If there is a problem, identify it clearly
- iii Consult relevant experts (e.g. economists)
- iv Assess the scale of the problem
- v Consider who should manage / resolve the problem

Step 2: Specify desired objectives

- i Clear policy objectives have been identified
- ii Check that policy objectives are achievable
- iii Set out any hierarchy of outcomes
- iv Ensure targets are SMART

Step 3: Identify viable options that will achieve the objectives

- i At early stages, engage widely to create a set of options
- ii Consider alternatives to regulation
- iii If alternatives to regulation not pursued, demonstrate they cannot achieve outcomes
- iv For domestic policies, include a 'do nothing' option
- v Refine the options through development, consultation and final stages
- vi Only present genuine policy options to stakeholders

Step 4: Identify the impacts

- i Identify the impacts by issue type
- ii Identify groups affected
- iii Consult detailed guidance available if required

- iv Document impacts in line with relevant guidance

Step 5: Value the costs and benefits and select best option

- i Identify groups affected
- ii Monetise costs and benefits as far as possible
- iii Clearly highlight direct costs to business
- iv Rigorously assess non-monetised costs and benefits
- v Explore risks and sensitivities
- vi Use cost benefit or cost effectiveness analysis to select the best option

Step 6: Consider enforcement and implementation issues

- i Identify who is responsible for enforcement, and who will make decisions
- ii Consider the Principles of Good Regulation and the Hampton Principles
- iii Outline the aims and timetable for implementation
- iv Identify stakeholders (who will be involved, who will be more widely affected)
- v Devise communication strategy (including early warning for those affected)
- vi Consider risk management for the delivery and implementation of each option
- vii Consider how implementation will fit within existing initiatives

Step 7: Plan for evaluation and evaluate the implemented policy

During policy development:

- i Plan for your evaluation using the [Magenta Book](#)
- ii Establish what data need to be collected

After implementation:

- iii Gather data required during policy implementation phase
- iv Evaluate the policy using a PIR ahead of any deadlines (e.g. sunset dates)
- v Consult with stakeholders on effectiveness of policy

Checklists for UK Impact Assessment for EU measures

- 14 The information below is a high level checklist of points which summarise the practical implications of the Government's Guiding Principles for EU legislation.
- 15 Full details of how to carry out each step can be found in the [IA Toolkit](#).

Stage 1: Before Commission proposals come out – early engagement

- i Try to anticipate what is in the EU pipeline
- ii Consider what the impacts of different policy choices could be for the UK
- iii Try to ensure that future EU measures are justified
- iv Explore alternatives to regulation
- v Consider sharing your analysis with the Commission

Stage 2: Agreeing UK negotiating lines

- i Consider the potential impacts of anticipated/adopted EU proposals for the UK
- ii Undertake analysis which is proportionate to the significance of the proposal and time available
- iii Provide the EU scrutiny committees in the UK Parliament with timely analysis
- iv Provide the European Affairs Committee and Reducing Regulation sub-Committee (RRC) with analysis to inform the UK negotiating position
- v Give a sense of the significance of the proposal – use orders of magnitude
- vi Use the EU checklist rather than the main IA template

Stage 3: After EU laws have been agreed in Brussels – implementation

- i Set out the options for implementing the EU legislation taking account of the Guiding Principles for EU Legislation
- ii Do not to go beyond the minimum requirements of EU directives¹
- iii If you are proposing to gold-plate, make this clear and explain the justification
- iv Set out whether there is any scope for alternatives to regulation

¹ There are some exceptions to these requirements, further details are provided in the [IA Toolkit](#).

- v Use copy-out for transposition where it is available except where doing so would adversely affect UK interests
- vi Implement on, and not before, the transposition deadline ¹
- vii Consider comparing the UK impact with the impacts in other EU countries
- viii Value the options in line with the methodology set out in the Green Book
- ix Include a Ministerial duty to review every 5 years
- x Allow sufficient time for Regulatory Policy Committee (RPC) and RRC scrutiny in your transposition project plan

Quality Assurance

- 16 It is the responsibility of Departments, in the first instance, to ensure the quality of analysis of their own Impact Assessments.
- 17 The Minister² is required to sign off published Impact Assessments.
- 18 Once approved at Departmental level, the content of the IA Template is reviewed by an independent body, the RPC, for quality assurance.
- 19 The RPC will issue an opinion on whether the Impact Assessment is fit for purpose, using a red, amber, green classification. The RPC issues reports detailing common issues with Impact Assessment analysis which can be found on the [RPC website](#).
- 20 Collective Ministerial clearance through the RRC is required for all regulatory and de-regulatory measures. Impact Assessments may also be scrutinised by Parliamentary committees.

² Minister responsible for the policy, or the chair or chief executive of non-ministerial Departments, non-departmental public bodies and other agencies.

Point for Departments to consider before seeking RRC clearance

Is the measure consistent with the Government's [Principles of Good Regulation](#)?

Does the clearance require an Impact Assessment assessed as 'fit for purpose' (amber or green) by the RPC?

If the measure is in scope of OIOO, and introduces new costs to business or civil society, has a compensatory OUT of the same value or greater been identified?

If the measure affects micro-businesses, has an exemption been applied or a waiver to the exemption been approved?

Does the measure require a sunset or review clause?

If an EU-derived measure, have you observed the Government's [Guiding Principles for EU Legislation](#)?

If the measure is deregulatory, is it ambitious enough?

Where a measure affects business, is it being implemented on a Common Commencement Date?

Has the relevant Minister signed the IA Template?

© Crown copyright 2011

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit www.nationalarchives.gov.uk/doc/open-government-licence, write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This publication is also available on our website at www.bis.gov.uk

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

URN 11/1112