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Chapter 1: Introduction

Who should read this publication?

- 1 The Impact Assessment (IA) Toolkit should be read by key personnel involved in policy development¹, in particular, where policies have a potential regulatory impact.

What is an Impact Assessment?

- 2 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 civil society organisation, the environment and wider society over the long term.

What is the IA Toolkit?

- 3 The IA Toolkit provides a guide to undertaking analysis to inform sustainable decisions for regulatory proposals which will be presented in an Impact Assessment.
- 4 This document applies to Regulation² and should be read in conjunction with the [Green Book](#).
- 5 The [Green Book](#) provides the methodological framework for appraisals and evaluation across Government including cost benefit analysis.
- 6 At various specific stages of the policy making process, the analysis of the impacts of policies is also formally documented in an IA Template (see details in [Chapter 5](#) 'Publication and Quality Assurance')³.

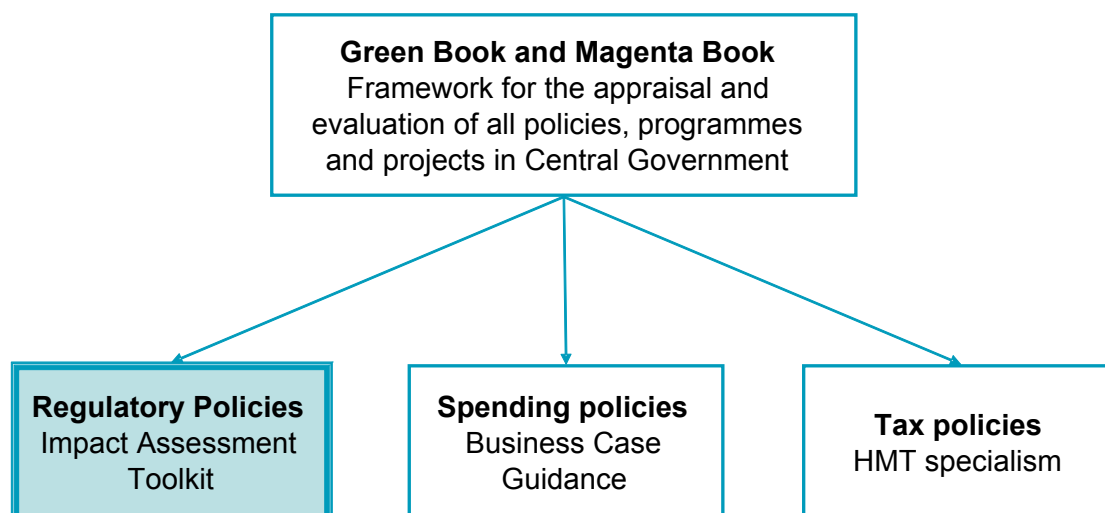
¹ This applies to policy makers in Government Departments. Executive agencies. Regulators that make Regulations in relation to their statutory and other responsibilities are encouraged to follow this process.

² Regulation: A rule with which failure to comply would result in coming into conflict with the law or being ineligible for funding and other applied for schemes. This includes: EU regulations; Acts of Parliament; Statutory Instruments; rules, orders, schemes, regulations etc. made under statutory powers by Ministers or agencies; licences and permits issued under Government authority; codes of practice with statutory force; guidance with statutory force; codes of practice, guidance, self-regulation, partnership agreements with Government backing; approved codes of practice; bye-laws made by Government.

³ See [IA Guidance](#) for when an Impact Assessment is required.

- 7 This document explains how to develop the information required for the IA Template. [Annex 3](#) also contains detailed instructions on how to complete the IA Template.
- 8 The IA Toolkit is not an exhaustive guidance. If you cannot find the answer you need, please discuss with your departmental economists and Better Regulation Unit.

Figure 1: Formal guidance available for developing government policies



Tax proposals

- 9 An Impact Assessment is not undertaken for tax changes but instead a separate process, the Tax Impact Assessment, is used.
- 10 However, when considering tax as an alternative to regulation, policy makers should engage with HM Treasury officials at an early stage, and take the proposal out to a joint consultation (accompanied by an Impact Assessment).
- 11 Should the tax turn out to be a favoured option, policy makers will need to enter the Tax Impact Assessment process, managed by HM Treasury.

When does an Impact Assessment need to be published?

- 12 Full details of when an Impact Assessment must be formally produced and published, using the IA Template, are contained in the [IA Guidance](#).
- 13 Further details on quality assurance and publication are also contained in [Chapter 5](#) 'Publication and Quality Assurance' below.

Chapter 2: Proportionate Analysis

Overview

- 14 Proportionality of analysis relates to the appropriate level of resources to invest in gathering and analysing data for appraisals and evaluations.
- 15 This chapter provides Departments with a framework to assess what level of resources to invest in analysis during the Impact Assessment process⁴.
- 16 They key factors driving this decision should include:
 - 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
- 17 The principle of proportionality is not used to guide whether or not an IA Template should be completed for policy approval⁵. It relates only to the scale of effort invested to conduct the analysis required for an Impact Assessment.
- 18 Sensitivity analysis can be used to demonstrate the significance of any uncertainties associated with a proportionate approach. In particular this can show if certain impacts are immaterial to the overall policy conclusion.
- 19 Departments should use this framework to facilitate proportionality decisions. Decisions in relation to the level of analysis undertaken should be briefly explained when presenting analysis to stakeholders within and outside of government.

⁴ This applies to both Impact Assessments as a whole, and any impact within an assessment, i.e. if there is a small, non-contentious impact within a large policy, little analysis of this may be required.

⁵ See [IA Guidance](#) for when an IA Template must be completed.

Levels of analysis

- 20 There are various levels of qualitative and quantitative analysis which can be carried out. The following levels relate to quantitative analysis:
- i Level 1: description of **who will be affected** by the proposals. The main groups affected will include business, public sector and consumers
 - ii Level 2: full **description of the impacts** (i.e. positive or negative impacts on any group) and order of magnitude (e.g. low, medium, high)
 - iii Level 3: **quantify the effect** (e.g. 1000 planning applications per year, 100 hours of management time, 500,000 new houses built per year)
 - iv Level 4: put a value on the scale of impacts by **monetising the effect**. It may be the case that the costs but not benefits can be monetised. The use of indicators may help further qualify non-monetised costs and benefits
 - v Level 5: **monetise fully** all costs and benefits
- 21 Where quantitative analysis is not possible, qualitative analysis should be carried out with the same level of rigour (see Chapter 3, [Step 5](#) 'Value the Costs and Benefits').
- 22 Each additional level may require additional internal or external resources, in particular to gather data related to the likely impacts, and analyse that data.
- 23 Below is further detail on the factors Departments need to consider to make a judgement on the appropriate resources to allocate to the analysis.

Scale, duration and distribution of impacts

- 24 The scale, duration and distribution of a policy's likely impacts should be one of the key determinants of what level of analysis is proportionate.
- 25 For low-risk or low-impact interventions, it is unlikely to be proportionate to undertake every level of analysis outlined above unless the data is readily available.
- 26 By the same token, more data and analysis will be required where the impact is expected to be substantial or fall disproportionately on a specific group.

Certainty of impacts

- 27 In complex environments where it is uncertain what the impacts of proposals might be, more effort should be invested to understand and mitigate / manage risks as far as possible.

Data availability

- 28 Depending on the industry or subject area in question, different levels of data may readily be available.

- 29 Where good quality data is readily available, it would be expected that this would be used in analysis.
- 30 However, where new research would need to be commissioned to gather the required data, this should only be undertaken where this is cost-effective.

Time available

- 31 Forward planning should ensure that time is invested to ensure that impacts are properly assessed. Lack of forward planning is not a justification for limited analysis.
- 32 For emergencies (e.g. the closure of an industry for public health reasons), good policy development processes would include assessing the impacts of proposals, at least, within a few days⁶.

Policy development stage

- 33 From early stages of policy development, affected groups should be identified (level 1), impacts on these groups described and order of magnitude estimates provided (level 2).
- 34 As you progress through the policy making process, it is expected that the quality of data being used and depth of analysis should be refined.
- 35 If you engage stakeholders (e.g. formal consultation), quantification (level 3) and monetisation (level 4) should be included as far as possible, even if the numbers are indicative.
- 36 However, full monetisation is unlikely at early stages and may only be possible once stakeholders have been consulted.
- 37 Nevertheless, information required to enable full monetisation should be identified. Consultation questions should be tailored towards gathering the required information.
- 38 The table below illustrates the level of analysis which might be undertaken as policy development progresses, assuming full quantification is possible and proportionate.

⁶ Where a Department is acting using the precautionary principle, some element of cost-benefit analysis should be undertaken. Action should only be pursued after due consideration of other alternatives and based on a clear rationale for intervention, possibly including the extent of public concern to a perceived crisis where this concern can manifest in material effects. Analysis should be carried out in a timely manner and the policy reviewed to see if it is working as intended.

Table 1: Illustration of levels of quantitative analysis by policy stage

Policy Development Stage	Progression of Quantitative Analysis – Assuming Full Quantification is Possible and Proportionate				
	1: Identify	2: Describe	3: Quantify	4: Partially monetise	5: Fully monetise
Development	✓	✓	?	?	✗
Options	✓	✓	?	?	✗
Consultation	✓	✓	?	?	?
Final	✓	✓	✓	✓	✓
Enactment	✓	✓	✓	✓	✓

Policy evaluation – Post-Implementation Review⁷

- 39 Resources devoted to Post-Implementation Review (PIR) are expected to fall along a wide spectrum from desktop reviews to high intensity PIRs.
- 40 The depth of analysis for a PIR should be proportionate, taking into account the likely benefit of conducting the review.
- 41 A high-impact policy should be subject to a full PIR, however, in many cases a less detailed review will be appropriate⁸.
- 42 Desktop reviews should be quick and efficient, collating previously-available evidence, including the known views of stakeholders and enforcers⁹.
- 43 Where the likely benefits arising from a PIR are assessed as high (e.g. for policies with impacts above £50m), a full review is expected¹⁰.
- 44 In many instances it will be an efficient use of resources to bundle together several items in a single review.

⁷ Refer to [Magenta Book](#) for further details on evaluation.

⁸ For details on how to conduct a full PIR, follow the guidance in the [Magenta Book](#).

⁹ At a minimum consider whether a policy has achieved its objectives, to what extent success criteria have been met and whether there have been unintended consequences. Information collected during monitoring should be collated and stakeholder views sought.

¹⁰ Such PIRs are likely to be formally managed as projects.

Chapter 3: Domestic Impact Assessment Process

Step 1: Identify the problem

- 45 In line with all Government appraisals, for Regulations, the rationale for government intervention needs to be identified early in the policy development process.
- 46 Details on rationale for government intervention are provided in the [Green Book](#).
- 47 In relation to Regulation, economic efficiency (e.g. externalities, imperfect information, market power) and equity considerations are the most relevant areas.
- 48 Economic theory is useful at this stage and policy officials are encouraged to consult their departmental economists early in this process.
- 49 Where appropriate, research should be carried out to understand the scope of the issue¹¹. This should enable the following to be identified:
 - i Evidence about the nature of the problem
 - ii The probability that it will occur and its likely frequency
 - iii Who it will impact on
 - iv Who is best placed to manage / resolve the problem

Checklist for step 1

Confirm that there is a problem

If there is a problem, identify it clearly

Consult relevant experts (e.g. economists)

Assess the scale of the problem

Consider who is best placed to manage / resolve the problem

¹¹ For further details refer to the Better Regulation Commission report on '[Risk, Responsibility, Regulation: Whose Risk Is It Anyway?](#)' and the Risk and Regulation Advisory Council's tool on the [risk landscape](#).

Step 2: Specify desired objectives

- 50 The process for setting objectives should follow guidance in the [Green Book](#).
- 51 The ‘Principles of Good Regulation’ state that all Regulation should be:
- i Transparent
 - ii Accountable
 - iii Proportionate
 - iv Consistent
 - v Targeted at cases where action is needed
- 52 These principles require objectives to be clearly articulated. Clear objectives also facilitate consistent enforcement.
- 53 In line with all Government appraisals, objectives should be SMART: Specific, Measurable, Achievable, Relevant and Time-bound.
- 54 Clear objectives are essential for a meaningful Post-Implementation Review (PIR).
- 55 When deciding whether the objectives are achievable, consider the risk of government failure¹².
- 56 If risk remains that government intervention may not improve the outcome, the results should be closely monitored as part of your PIR.

Checklist for step 2

Identify clear policy objectives

Check that policy objectives are achievable

Set out any hierarchy of outcomes

Ensure targets are SMART

¹² This occurs when a government intervention causes a more inefficient allocation of goods and resources than would occur without that intervention.

Step 3: Identify viable options that will achieve the objectives

- 57 The process for creating options for government intervention should follow guidance in the [Green Book](#).
- 58 Also, it is Government policy to regulate only as a last resort, having demonstrated that satisfactory outcomes cannot be achieved by [alternatives](#), self-regulatory or non-regulatory approaches. These options should be considered during this step.
- 59 In the context of Impact Assessment, the number of options will partly be driven by the stage of policy development.
- i **Development and options stages:** A wide set of options should be considered, including alternatives to regulation. You should also identify what policy levers may already be in place.
 - ii **Consultation stage:** All the options considered should be identified, together with their potential for achieving the stated objectives. A shortlist of options should be presented during consultation, with an explanation of the selection process conducted to create the shortlist.
 - iii **Final and enactment stages:** At the final and enactment stages of the Impact Assessment, the preferred option should be identified, along with a short explanation of why it is the preferred option.
- 60 In some cases, more options will be relevant, in others fewer may be sufficient. There is no minimum number of options that must be included, but it is important to demonstrate that the analysis has not jumped to conclusions.
- 61 For domestic policies, all options must be assessed against the status quo or 'do nothing' situation. This will help draw out the implications of no action.
- 62 Where prior decisions (e.g. spending) have set parameters or constraints, within which regulatory options need to be considered, these should be explained.
- 63 When presenting policies to wider Government and stakeholders (i.e. using the IA Template), only genuine policy options¹³ should be presented.
- 64 The cumulative impact of all existing Regulation on a particular industry must be taken into account, together with the impact of new Regulations under consideration.

¹³ This does not mean that radical options (in particular alternatives to regulation) should not be considered.

Checklist for step 3

At early stages, engage widely to create a set of options¹⁴

Consider alternatives to regulation

If alternatives to regulation not pursued, demonstrate they cannot achieve outcomes

For domestic policies, include a 'do nothing' option

Refine the options through development, consultation and final stages

Only present genuine policy options to stakeholders

¹⁴ Consultation should cover all of the relevant stakeholders and not just the most familiar ones. The Risk and Regulation Advisory Council's risk landscape tool can help to identify the groups, organisations that have influence on the issue.

Step 4: Identify the impacts

- 65 As set out in the [Green Book](#), there are a number of issues which are relevant to appraisal and evaluation, including economic, environmental and social issues¹⁵.
- 66 In line with the Government's commitment to mainstream sustainable development in policy making, assessments should recognise that these impacts are interconnected.
- 67 The different parts of society which are likely to be affected also need to be identified, as well as the distribution of impacts between various groups (e.g. industries)¹⁶.
- 68 These impacts should be identified at the early stage of policy development.
- 69 Careful consideration should also be given to possible unintended consequences, such as how things could go wrong or work out better than expected.
- 70 The following questions should be addressed when considering potential impacts (although this is not a complete list of issues to consider):

Economic / Financial

- i How will proposals impact on the market and specifically consumers and businesses? In particular, consider the impacts on small and start-up businesses (consultation is useful here).
- ii If there are costs to business, i) do proposals include exemptions for micro businesses¹⁷ and ii) have any costs under One-in, One-out¹⁸ been offset?
- iii Will all businesses be affected in the same way, or will there be some that benefit, while others bear costs?
- iv What are the expected impacts on the wider economy (e.g. labour market)?

¹⁵ In line with [Green Book](#) guidance, appraisals should take into account all benefits to the UK.

¹⁶ The Equality Duty requires public bodies to have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Equalities Act 2010; advance equality of opportunity between people who share a protected characteristic and those who do not share it; and foster good relations between people who share a protected characteristic and people who do not share it.

¹⁷ Government policy is that, until 31 March 2014, all new regulation which imposes costs on business must contain an [exemption for micro-businesses](#), unless a waiver has been granted.

¹⁸ For further details on the Government's One-In, One-Out policy, please consult the [OIOO methodology](#).

- v What are the impacts on competition? Will the number or range of suppliers be limited? Will their ability to compete be limited or the incentive to compete vigorously be reduced?
- vi Will proposals impact on innovation e.g. new low carbon technologies?
- vii What are the expected financial and resource impacts on other Departments (e.g. the [Justice](#) system)?

Social

- viii Will proposals have an impact on social, wellbeing or health inequalities?
- ix Will proposals influence safety at work or risk of accidents in the community?
- x Will proposals affect the rate of crime or crime prevention or create a new offence/opportunity for crime?
- xi Will proposals affect the levels of skills and education?
- xii Will proposals affect provision of facilities or services that support community cohesion or in other ways that affect the quality of life in the local community?
- xiii Will the impacts on rural areas be different to urban areas? Will there be specific regional or local effects?
- xiv What are the impacts on human rights (right to life, liberty and security, a fair trial and prohibition of torture, slavery, forced labour)?
- xv Do the proposals impact on the responsibilities under the Equality Act 2010 i.e. do they impact on age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation?¹⁹.

Environmental

- xvi Will proposals lead to change in the emission of Greenhouse Gases? This information is required to track performance against Carbon Budgets²⁰.
- xvii Will proposals be vulnerable to the predicted effects of climate change?
- xviii Will proposals lead to a change in the financial costs or environmental and health impacts of waste management?

¹⁹ There is a legal requirement for public bodies to demonstrate they are considering these characteristics in policy making (see footnote 16 above).

²⁰ Carbon budgets are the UK's statutory climate change targets. Further details are available on [DECC's website](#).

- xix Will proposals impact significantly on air quality?
 - xx Will proposals involve any material change to the appearance of the landscape or townscape?
 - xxi Will proposals change the degree of water pollution, levels of abstraction of water, exposure to flood risk?
 - xxii Will proposals affect the number of people exposed to noise or the levels of exposure, or impact on the number of people suffering from nuisances on the streetscene?
- 71 Full guidance on how to assess any impacts identified is available in the [Green Book](#) and in various Departmental guidance documents (referenced in [Annex 1](#)).
- 72 Further details on how to document any impacts identified are contained in the relevant Departmental guidance documents (see Annex 1) and [Chapter 5](#) 'Publication and Quality Assurance' below.

Checklist for step 4

Identify the impacts by issue type

Identify groups affected

Consult detailed guidance available if required

Document impacts in line with relevant guidance

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

Overview

- 73 Valuation of costs and benefits should consider proportionality guidelines outlined in [Chapter 2](#) in relation to analysis levels 4 and 5 (partial and full monetisation).
- 74 Quantifying the costs and benefits of options enables the decision maker to compare options and inform choices between them.
- 75 Quantification of costs and benefits to business is also a central part of the Government's One-in, One-out (OIOO) system²¹.
- 76 The methodology for valuing the costs and benefits of options should follow guidance in the [Green Book](#), including the selection of discount rates.
- 77 You should also consider the issues specific to Regulatory proposals outlined below.
- 78 The [Green Book](#) also includes methodology for the valuation of wider social and environmental costs and benefits for which there may be no market price.
- 79 Departmental economists should help you with the monetisation of costs and benefits in line with the methodology set in the [Green Book](#) and this toolkit.
- 80 Issues of equity, social significance, as well as political considerations, will also influence decisions.

Baseline

- 81 For each option you must present only the costs and benefits that are additional (i.e. incremental or marginal costs and benefits) to those that would have been incurred if no action were taken (i.e. versus the baseline, counterfactual or 'do nothing'²²).

Time period

- 82 In the context of Impact Assessments, the appropriate time period to use when calculating costs and benefits is the length, in years, of the expected life of the policy.
- 83 Where the appropriate appraisal period is not identifiable, a ten-year period should be used for the analysis.
- 84 Where a regulation is subject to a sunset provision the time period should be the expected life of the policy (as above), not the sunset period.

²¹ See paragraphs 93 to 96 below for details.

²² The baseline may involve changes over time irrespective of whether the policy is implemented. For example, you may expect the number of businesses operating in a developing market to increase over time.

Types of cost and benefits

- 85 When assessing costs and benefits, it can be useful to distinguish between various types of impact:
- i **Transition costs and benefits:** these are transient, or one-off costs or benefits that occur, which normally relate to the implementation of the measure
 - ii **Recurring costs and benefits** (excluding transition): these are the costs and benefits that will recur while the policy measure remains in force²³
 - iii **Transfers:** economic transfers should be included as a cost to the organisation bearing the cost and as a benefit to those receiving the transfer
- 86 Total costs and benefits should be expressed in Present Value²⁴ terms.

Direct and indirect costs and benefits

- 87 Relevant costs and benefits are those that arise from the decision at hand, i.e. directly attributable to the policy or intervention of each option (first round effects).
- 88 Indirect impacts (second round effects), including dynamic effects, should be brought into the analysis where they are significant.

Box 1: Illustrative examples of direct and indirect costs and benefits

Direct	Indirect
<p>Smoking ban: costs to pubs, hotels, restaurants etc. due to adapting their premises to ensure patrons do not smoke inside and establishing outdoor smoking areas.</p> <p>Removal of the Default Retirement Age: saving due to businesses no longer having to defend employee appeals against default retirement.</p>	<p>Smoking ban: long term benefit to employers from a healthier workforce. This benefit is indirect because it only occurs if passive smoking is reduced as a result of the regulatory change.</p> <p>Removal of the Default Retirement Age: lower wages costs for business because of an increased labour supply and resulting lower wages. Business will only feel this benefit if the labour supply increases as a result of the response of employees to the regulatory change.</p>

²³ They may occur in every year, or at a different frequency, and the scale of the impact may change over time.

²⁴ For details on how to calculate this, refer to the [Green Book](#).

Regulatory costs

- 89 There are two broad categories for regulatory costs: Administrative Burdens and Policy Costs.
- 90 Administrative Burdens include costs associated with familiarisation with administrative requirements, record keeping and reporting, including inspection and enforcement of regulation.
- 91 The [Standard Cost Model](#) provides a framework for measuring administrative burdens.
- 92 Policy costs are the essential costs of meeting or complying with the policy objectives and include all costs which are not administrative burdens.
- 93 Under OIOO, direct costs include both Administrative Burdens and Policy Costs. However, not all Policy Costs appear as direct expenditure for businesses²⁵.

Box 2: Examples of techniques to monetise Administrative Burdens and Policy Costs

Cost	Technique
Labour costs	Full time equivalent (FTE) costs should be used to estimate the costs of employees' time to the employer and should include pensions, national insurance contributions and allowances as well as basic salaries. ASHE is a useful source.
Costs of new equipment or new production processes	Formal / informal consultation with those likely to be affected might provide the best data.
Collecting information and providing proof of compliance	Use labour costs, plus the cost of new equipment required to do this.
Costs of getting licences	Estimate the fees plus administrative burdens. Enforcement authorities should be able to help with providing estimates.
Costs of extra legal, accountancy or other consultancy advice	Consultation or colleagues' experience might be informative.

²⁵ For example, costs incurred by firms if they are unable to deliver on time due to delays in decisions caused by approval processes required.

One-in, One-out rule

- 94 One-in, One-out (OIOO) is a rule whereby any new regulatory cost introduced (IN) by a Department is, at least, matched by cuts to the cost of existing regulations (OUTs).
- 95 The main objective of the OIOO rule is to bear down on the cost and volume of regulation in the economy, and to make progress toward long-term culture change across Whitehall, encouraging the use of regulation only as a last resort²⁶.
- 96 OIOO records direct impacts on business and civil society organisations only. For in-scope policies, departments must include evidence of these impacts when publishing Impact Assessments.
- 97 For detailed information on treatment of measures which are in-scope of OIOO please refer to the [OIOO Methodology](#) document.

Front line public services

- 98 Regulatory costs for the public sector should be calculated as normal and be made explicit alongside costs to business.
- 99 The cost of Administrative Burdens or information obligations should be calculated using the [Standard Cost Model](#) or equivalent.
- 100 You should show that any burden has been mitigated by demonstrating:
- i Meaningful, early front line engagement in idea and solution development
 - ii Any new regulatory proposal has been considered in the context of the total cumulative burden of Regulation on the relevant front line workers
 - iii Alternative options to regulatory proposals have been thoroughly explored and any preferred option mitigates costs and burdens in the most effective way

Primary vs. secondary legislation

- 101 When Statutory Instruments are directly linked to primary legislation the Impact Assessment should only include additional costs^{27, 28, 29}.

²⁶ This is consistent with the Budget statement in March 2011 which included the ambition and measurable benchmark of 'A lower domestic regulatory burden'.

²⁷ That is, setting out clearly which impacts are due to the primary legislation and which impacts will be the result of expected secondary legislation.

²⁸ This also applies where legislation is laid under powers created by earlier primary legislation or legislation which is itself the subject of an Impact Assessment.

²⁹ Impact Assessments for Statutory Instruments should provide sufficient background on the impacts of the original primary legislation and other related Statutory Instruments to allow a reader to understand what decision a proposal covers.

102 Impact Assessments for primary legislation must set out best estimates for the full legislation, without double counting any expected secondary legislation costs.

Compliance

103 When planning to introduce a Regulation, costs and benefits should assume 100% compliance, unless there is evidence of the contrary³⁰.

104 However, differing levels of compliance should also be investigated through sensitivity analysis.

105 When planning to remove a Regulation, costs and benefits should be based on actual levels of compliance.

106 When calculating enforcement costs these should be based on a realistic assumption of likely compliance and capture impacts on both business and regulators.

Key assumptions, sensitivities and risks

107 In order to reflect the inherent uncertainty of costs and benefits estimates, you may need to provide a range for your costs and benefits estimates. Highlight the factors determining the outcome within any range and how any risks will be mitigated.

108 Whether or not a range is used, a best estimate should be provided. This will be the most likely point in the range (having some detailed analysis of the probability distribution of costs and benefits).

109 In the absence of information on the distribution of costs and benefits, use the mid-point of the range. While information on the distribution is preferable, it may not be proportionate in every case to go into such a depth of analysis.

110 You should identify any specific risks or areas of uncertainty that may impact on the levels of costs and benefits.

111 You should state clearly what main assumptions you have made and these should be tested to explore the sensitivity of your estimates.

Non-monetised costs and benefits

112 Costs and benefits should be recorded in qualitative terms only when full quantification is not possible.

113 The lack of monetisation should not reduce the rigour with which the options are assessed. Multi-criteria analysis is a useful tool to assess non-monetised aspects.

114 The [Green Book](#) (Chapter 5 Box 18) provides a simple example of this tool.

³⁰ This assumption is consistent with the [OIOO methodology](#) and is meant as a simplifying assumption where evidence is not available on compliance.

- 115 Supplementary guidance on the [Green Book](#) website provides instructions on how to carry out a detailed [multi-criteria decision analysis](#).
- 116 However, while helpful, this is still a second best method of analysis compared to quantitative estimates of costs and benefits.

Select the best option

- 117 The approach to selecting the best option should follow the guidance provided in the [Green Book](#).
- 118 In the context of Regulatory proposals, cost benefit or cost effectiveness analysis are the most relevant methodologies.

Checklist for step 5
Identify groups affected
Monetise costs and benefits as far as possible
Clearly highlight direct costs to business
Rigorously assess non-monetised costs and benefits
Explore risks and sensitivities
Use cost benefit or cost effectiveness analysis to select the best option

Step 6: Consider enforcement and implementation issues

- 119 When considering preparing a new Regulation, it is important to consider options for how it will be enforced, taking account of the [Principles of Good Regulation](#) and those set out in the Hampton Report (reflected in the statutory [Compliance Code](#)).
- 120 Any new criminal offences should be reserved for the most serious breaches of legislation³¹.
- 121 Departments should also consider the impact of new enforcement obligations on Departmental resources.

Who will enforce the policy?

- 122 You should consider:
- i Who will enforce the policy? Could others help to enforce the policy?
 - ii Does the issue being addressed through the policy impact nationally, locally or sub-nationally? Is active enforcement required at a these levels?
 - iii What skills, expertise or experience will be needed to enforce this policy? Which organisations possess these skills and expertise?
 - iv What resources can support implementation / enforcement of this policy?
- 123 No new regulator should be created where an existing one can do the work.
- 124 If you decide that active enforcement is required, you must involve the potential enforcement authorities at an early stage. Enforcement costs are likely to constitute a public sector cost and inclusion in the cost-benefit analysis should be considered.
- 125 If local authority regulatory services are to enforce the new policy you must contact the Local Better Regulation Office³².
- 126 If you propose creating a new enforcement body, be clear as to why an existing agency would not be able to carry out enforcement of the new proposals.
- 127 The proposals would need to follow the principles and criteria set out in the Better Regulation Executive's (BRE) guidance on setting up new regulators³³. You will also need approval from HM Treasury and the BRE.

³¹ Departments considering the creation of criminal offences should contact the Ministry of Justice which operates a criminal offences gateway: see offencesgateway@justice.gsi.gov.uk.

³² For advice on regulatory delivery and enforcement, you should contact enquiries@lbro.org.uk.

³³ Email betterregulation@bis.gsi.gov.uk to obtain this guidance.

Hampton review principles³⁴

- 128 Regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most.
- 129 All Regulations should be written so that they are easily understood, easily implemented, and easily enforced, and all interested parties should be consulted when they are being drafted.
- 130 Businesses should not have to give unnecessary information, nor give the same piece of information twice to the same or different regulators.
- 131 The few businesses that persistently break Regulations should be identified quickly and face proportionate and meaningful sanctions. It should be easy to determine non-compliance.
- 132 Government and regulators should provide authoritative, accessible advice easily and cheaply so businesses know what is expected of them.
- 133 When new policies are being developed, explicit consideration should be given to how they can be enforced using existing systems and data to minimise the Administrative Burden imposed.

Checklist for step 6

Identify who is responsible for enforcement and who will make decisions

Consider the [Principles of Good Regulation](#) and the Hampton Principles

Outline the aims and timetable for implementation

Identify stakeholders (who will be involved, who will be more widely affected)

Devise communication strategy (including early warning for those affected)

Consider risk management for the delivery and implementation of each option

Consider how implementation will fit within existing initiatives

³⁴ More guidance on the application of these principles can be found in the assessment framework developed by the National Audit Office and the BRE for the process of Hampton Implementation Reviews.

Step 7: Plan for evaluation and evaluate implemented policy

- 134 A Post Implementation Review (PIR) is a form of evaluation, within the context of Regulation.
- 135 A PIR should be planned and carried out in line with the guidance provided by the [Magenta Book](#).
- 136 PIR is the key input to any statutory review obligation under the Government's policy on sunseting and Government policy on the evaluation of Regulations.
- 137 When a PIR is carried out, its primary focus should be on whether the policy is still required, if it has had the intended effect. Any unintended consequences that may have been observed should also be set out.
- 138 In carrying out a PIR you must take into account the views of stakeholders as to the effectiveness of policy implementation³⁵.
- 139 During an evaluation, the following questions should be considered³⁶:
- i To what extent has the policy achieved its objectives?
 - ii To what extent have the success criteria been met?
 - iii To what extent have there been unintended consequences?
 - iv What are the costs and benefits, in hindsight and going forward?
 - v Is government intervention still required? Or has the market changed as a result of the policy?
 - vi Hence, what scope is there for simplification, improvement or deregulation?
 - vii Do compliance levels indicate that the enforcement mechanism chosen is appropriate?
- 140 Which of these questions are answered will depend on proportionality considerations set out in [Chapter 2](#) 'Proportionate Analysis'. However, all reviews are expected to cover the first three questions at least.

³⁵ This is not meant to reopen the original debate over the policy intent, but to find out whether the policy has been implemented in the most effective and efficient way possible. Those subject to Regulation and those enforcing Regulation are often best placed to answer this question.

³⁶ Chapter 5 of the [Magenta Book](#) provides further guidance on developing evaluation questions.

- 141 Planning the evaluation at the start of the policy development process allows data to be collected before the policy is implemented. This provides the baseline from which to measure the impact.

Checklist for step 7 – during policy development

Plan for your evaluation using the [Magenta Book](#)

Establish what data need to be collected before and during implementation phase

Checklist for step 7 – after implementation

Gather data required during policy implementation phase

Evaluate the policy using a PIR ahead of any deadlines (e.g. sunset dates)

Consult with stakeholders on effectiveness of policy

Chapter 4: Impact Assessments for EU policies

Overview

- 142 You should consider potential impacts for the UK throughout the EU legislative cycle, working with the devolved administrations³⁷ as appropriate.
- 143 This will inform the Government's approach to early influencing and negotiation in Brussels, as well as implementation in the UK.
- 144 The Government's [Guiding Principles for EU Legislation](#) and supporting guidance set out how you should approach all stages of EU policy-making.
- 145 When considering different options, the focus should be on what the Government can genuinely influence and the discretion it has when implementing EU legislation.
- 146 This chapter focuses on EU legislation, but the same principles should be applied to international obligations.

Stage 1: Before Commission proposals come out – early engagement

- 147 Try to anticipate what is in the EU pipeline before the Commission adopts proposals and consider what the impacts of different policy choices could be for the UK.
- 148 Engage with the Commission where possible to try to ensure that future EU measures are justified. Explore whether policy objectives can be achieved through non-regulatory means i.e. alternatives to regulation. The scope for influence will decrease as the EU policy cycle progresses.
- 149 Try to ensure that proposals maximise benefits and minimise risks to the UK.
- 150 Consider sharing your analysis with the Commission while its policy is still fluid. Commission officials generally welcome data for their own Impact Assessments³⁸.

³⁷ See the [Concordat on Co-ordination](#) of European Union Policy Issues.

³⁸ This is especially true where it concerns or comes from more than one Member State or interest group. You can find out about initial Impact Assessments and further planned Impact Assessment work in the roadmaps that accompany most items in the [Commission's Work Programmes](#).

Stage 2: Agreeing UK negotiating lines

- 151 Clearance for the UK position in EU negotiations should be sought via a write-round to the European Affairs Committee (EAC), copied to the Reducing Regulation sub-Committee (RRC) where there is the potential for significant regulatory impacts³⁹.
- 152 To ensure early UK influence, clearance for the UK's approach to negotiations will often be needed *before* Commission proposals are formally adopted⁴⁰.
- 153 Provide analysis of the potential regulatory impacts when seeking clearance for the UK negotiating position⁴¹.
- 154 Provide analysis of the Commission proposal to the EU scrutiny committees in the UK Parliament alongside your Explanatory Memorandum on the Commission proposal or as soon as possible thereafter⁴².
- 155 Your analysis should give a sense of the significance of the proposal. Orders of magnitude rather than detailed quantitative analysis should be sufficient, particularly at the early stage in EU negotiations.
- 156 The analysis should be proportionate to the proposal and time available. The more significant the proposal, the more quantification and in-depth analysis would be expected.
- 157 In EAC write-rounds, include analysis of the potential impacts of the proposed negotiating position. Where you are asking Ministers to consider different negotiating options, give an indication of the *relative* impacts of these.
- 158 Present your analysis succinctly, so it is easy for Ministers to identify the key points. Annex further detail, if necessary.

³⁹ See EAC guidance for further information, including on when collective agreement is needed.

⁴⁰ When advising Ministers on when to seek clearance for the UK negotiating position, officials will need to balance the need for allowing sufficient time to gather intelligence on the likely positions of other Member States and the European Parliament (which will have implications for the UK negotiating strategy), with the need to give the EAC and RRC a meaningful opportunity to influence the approach taken in Council.

⁴¹ Use the checklist at Annex 4 as a guide to the type of issues to consider. The issues listed are not comprehensive and it will not always be appropriate to cover all areas. Discretion should be used in deciding the level of information that will enable Ministers and Parliament to understand potential impacts and take an informed view on EU proposals. This analysis should be included in the 'Regulatory Impact' section of the clearance letter. You should also consider attaching the completed checklist to the clearance letter if additional information would help the EAC to make informed decisions. For opt-in decisions, refer to the JHA opt-in criteria instead. Analysis of impacts of European Commission proposals is not subject to RPC scrutiny.

⁴² Use Annex 4 checklist. This analysis will be published [alongside the Explanatory Memorandum](#) on the Commission Proposal. Provide the analysis to Parliament promptly – scrutiny committees may hold a proposal under scrutiny until they receive an analysis of impacts.

159 Commission Impact Assessments⁴³ can be a useful source of information on the potential impacts of a Commission proposal. However, you should assess whether the Commission has met its own Impact Assessment criteria⁴⁴ and consider whether it would be productive to press for further analysis.

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

160 Once the EU measure has been adopted and published⁴⁵, demonstrate how you are addressing the Government's [Guiding Principles for EU Legislation](#) taking account of revised [Transposition Guidance](#) in implementing Impact Assessments.

161 Set out the options for implementing the EU legislation to help Ministers agree the least burdensome and most beneficial approach. UK businesses must not be put at a competitive disadvantage relative to their EU counterparts.

162 It is Government policy not to go beyond the minimum requirements of EU directives, unless there are exceptional circumstances, justified by a cost-benefit analysis, consultation and subject to Ministerial and Cabinet Committee scrutiny. If you are proposing any gold-plating, make this clear and explain why.

163 Gold-plating that places burdens on business will count as an IN under OIOO⁴⁶. Therefore, an equivalent corresponding OUT would need to be identified.

164 The Government is committed to using non-regulatory alternatives to implement EU obligations wherever possible. Set out whether there is any scope for this – in part or in full. If there is, assess the impacts of such an approach.

165 The Government has committed to using copy-out for transposition where it is available, except where doing so would adversely affect UK interests. If you are proposing not to use copy-out, you should justify this.

166 Directives should be implemented on, and not before, the transposition deadline unless there are compelling reasons for earlier implementation. If you are proposing to implement early, you should justify this.

167 You do not need to include a 'do nothing' policy option unless no action is required to comply with the EU obligations⁴⁷.

⁴³ Commission Impact Assessments are published alongside proposals and the Impact Assessment Board opinion. Go to [List of Impact Assessments](#).

⁴⁴ [Commission Impact Assessment guidelines](#).

⁴⁵ These are published in the Official Journal of the European Union.

⁴⁶ See [OIOO methodology](#) for details.

- 168 Consider including a comparison of the impact on the UK with impacts in other EU countries to demonstrate that UK businesses will not be put at a disadvantage.
- 169 Value the options in line with the methodology set out in the [Green Book](#) and as detailed in [steps 4](#) and [5](#) of the domestic policy making process (see above).
- 170 Allow sufficient time for independent scrutiny of your analysis, so that you are in a position to implement EU legal obligations on time to avoid incurring infractions/fines.
- 171 Legislation which implements EU law must include a statutory duty to review every five years. Try to feed the evidence you gather as part of this review into the Commission's own evaluation.
- 172 The Government's approach is to look at the cumulative impact of new EU measures. When transposing or giving effect to EU legislation, the impact of implementation should be assessed even if there is little scope for discretion.
- 173 The impact of directly applicable EU legislation should be considered where implementing provisions are created to give effect (e.g. enforcement requirements or the exercise of a derogation).
- 174 For directly applicable EU legislation where the Government has no discretion on how to implement, departments will decide whether it would be appropriate to produce an impact assessment in each case.

⁴⁷ Although 'do nothing' may not be a viable policy option, it should be used as the baseline against which costs and benefits are calculated.

Chapter 5: Publication and Quality Assurance

Overview

- 175 When publishing the results of an Impact Assessment, the [IA Template](#) should be used. Details of how to complete the [IA Template](#) are provided in [Annex 3](#).
- 176 Details of when an Impact Assessment must be formally produced and published are contained in the [IA Guidance](#).
- 177 As well as completing the summary sheets in the [IA Template](#), the evidence base section should provide full details of the analysis in Steps 1 to 9 of this IA Toolkit. The level of detail included should follow the principles of proportionality in [Chapter 2](#).
- 178 Further information can be included in Annexes to the [IA Template](#). This may include any relevant analysis of specific impacts identified during [Step 4](#) of the Impact Assessment process ‘identify the impacts’ (e.g. equalities impact analysis).
- 179 The Minister⁴⁸ is required to sign off public Impact Assessments.

Quality Assurance

- 180 It is the responsibility of Departments, in the first instance, to ensure the quality of analysis of their own Impact Assessments.
- 181 Chief Economists should sign off Impact Assessments for the robustness and accuracy of the costs, benefits and impact analysis.
- 182 To facilitate this, Departments are expected to set up robust departmental processes. These could include Ministerial challenge panels, peer group review, consultation with Chief Economists.

⁴⁸ Minister responsible for the policy, or the chair or chief executive of non-ministerial Departments, non-departmental public bodies and other agencies.

- 183 Once approved at Departmental level, the content of the [IA Template](#) is reviewed by an independent body, the Regulatory Policy Committee (RPC)⁴⁹, for quality assurance.
- 184 Departments are encouraged to engage with the RPC on these measures prior to submission of the Impact Assessment to discuss the background to the proposal.
- 185 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](#).
- 186 The RPC asks for a minimum of ten working days to review Impact Assessments and issue an opinion. Turn-around time will depend on the complexity and size of the measure and the RPC's workload at the time.
- 187 Ministers have asked the RPC to prioritise its review of measures that qualify as 'OUTs' under OIOO, or de-regulatory measures with no impact, over 'INs'.

RRC Clearance

- 188 Collective Ministerial clearance through the Reducing Regulation sub-Committee (RRC) is required for all regulatory and de-regulatory measures⁵⁰.
- 189 Where an Impact Assessment is required⁵¹, this must be attached to clearance requests sent to the RRC. The RRC will not consider Impact Assessments with 'red' opinions from the RPC, unless proposals are at consultation stage.
- 190 At consultation stage, Departments can proceed to RRC with 'red' opinions or if an RPC opinion has not been received within 30 working days.
- 191 Impact Assessments may also be scrutinised by Parliamentary committees.

⁴⁹ The RPC is an independent advisory body sponsored by the Department for Business, Innovation and Skills that has been invited by the Government to scrutinise and comment on the quality of analysis supporting policy decisions on new Regulations, and on whether the policy design will ensure the benefits justify the costs. The RPC does not comment on the Government's policy objectives, which are a matter for Ministers, but focuses on the cost-effectiveness of the instruments to deliver them. Further details are available at the [RPC's website](#).

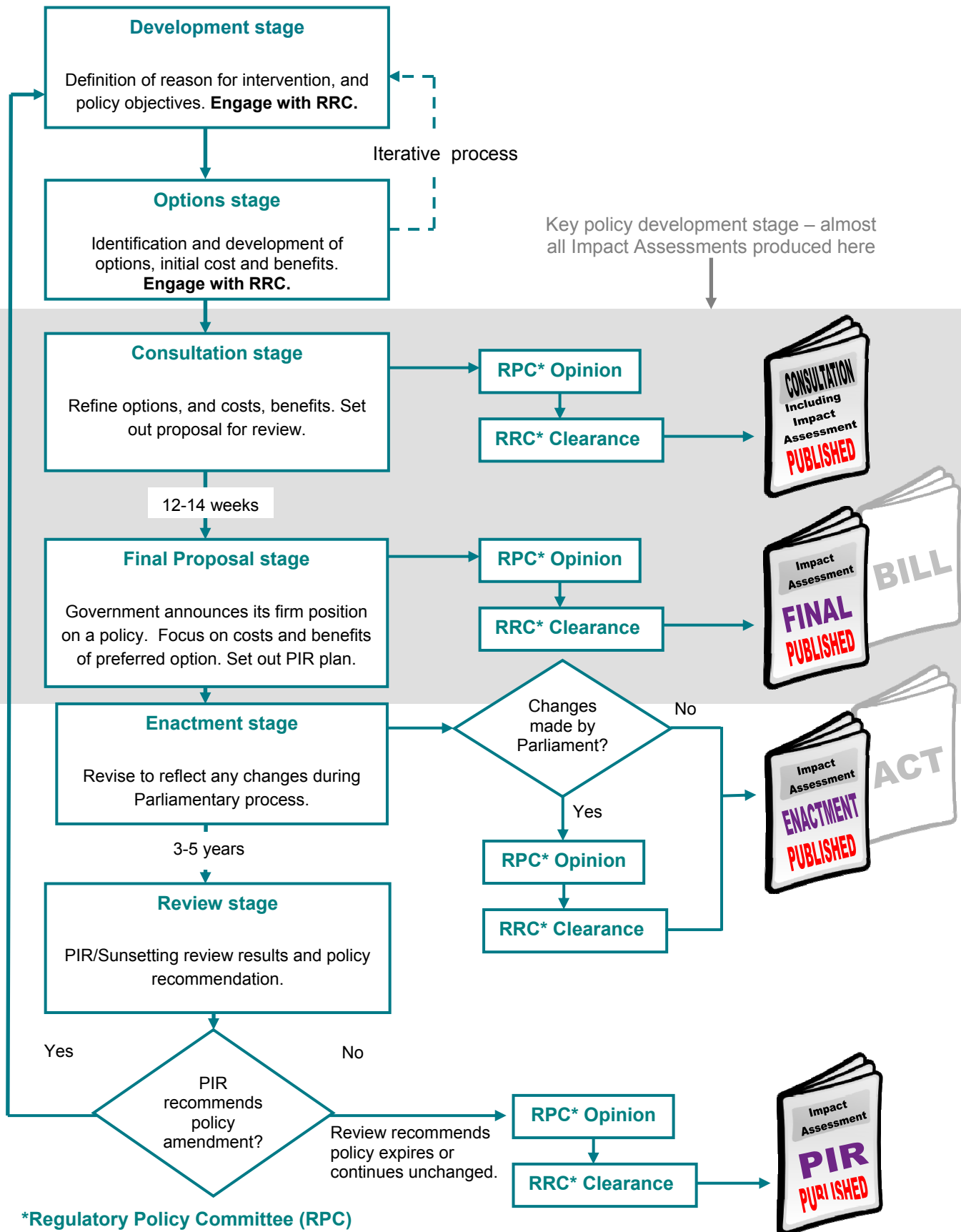
⁵⁰ Policy proposals also require consideration by a cabinet committee where they may raise major policy concerns, are likely to lead to significant public comment or criticism, or where the subject matter affects more than one Department. Policy clearance processes therefore include clearance of consultation, final and enactment Impact Assessments before publication.

⁵¹ See [IA Guidance](#) for when an [IA Template](#) must be completed and published.

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?

192 Full details of what approvals are necessary before an Impact Assessment can be published can be found in the [IA Guidance](#).

Impact assessment flowchart



*Regulatory Policy Committee (RPC)

*Reducing Regulation Committee (RRC)

Impact Assessment Library

- 193 Impact Assessments are available to stakeholders and the general public through their publication on the IA library.
- 194 Departments must place all published Impact Assessments (consultation, final, enactment and PIR) on the IA library website.
- 195 You may also wish to publish the Impact Assessment with its associated documents on your Department's website.
- 196 Impact Assessments relating to primary legislation (i.e. Bills) should be sent electronically to the House of Commons Library (impactassessment@parliament.uk) at all stages. Any enquiries can be emailed to impactassessment@parliament.uk.

Impact Assessments for Bills

- 197 An Impact Assessment should accompany the introduction of a Bill to either House of Parliament⁵².
- 198 The explanatory memorandum to a Bill or Statutory Instrument must include a summary of, or reference to, the Impact Assessment⁵³.
- 199 The enactment stage Impact Assessment must present the impacts resulting from the enacted legislation.
- 200 For all Bills and Statutory Instruments to be debated in Parliament, 50 copies of the Impact Assessment should be sent to the 'Vote Office' and 10 copies to the 'House of Lords Printed Paper Office'. Impact Assessments should also be made available to relevant 'Standing Committees'.
- 201 For European legislation, an Impact Assessment must accompany all explanatory memoranda submitted to Parliament.
- 202 For Private Members' Bills that the Government is planning to support, or is not intending to oppose, where reasonably practicable, produce an Impact Assessment by the date set down for second reading.

⁵² A revised Impact Assessment will be required at each stage of a Bill's passage through Parliament where there are significant changes to the substance of the Bill which change the estimates of the costs and benefits. When Statutory Instruments concern a particular change distinct from the provisions of the primary legislation, a new Impact Assessment should be published in the usual way.

⁵³ You must include a reference to where the complete Impact Assessment can be obtained using the following standard form of words: "The final proposal stage Impact Assessment of the costs and benefits that this Bill would have is available at[insert a list of those places in Parliament where the Impact Assessment is available]"

203 It is also good practice to prepare an Impact Assessment for a Private Member's Bill being opposed, in order to obtain the evidence to justify the objection to the Bill.

Assistance

204 Better Regulation Units in your departments should be the first port of call for assistance on your regulation related questions.

Annex 1: Available Guidance

The [Green Book](#): HM Treasury guidance on 'Appraisal and Evaluation in Central Government'

[Supplementary Green Book](#) guidance: Asset Valuation (Valuation of Public Sector Assets), Competition, Crime, Discounting, Environment (climate change, greenhouse gas emissions, floods and sustainability), Health, Multi-Criteria Decision Analysis, Optimism Bias, PFI (taxation adjustments when comparing PFI with the Public Sector Comparator), Regeneration and the Regions, Risk, Stated Preference Techniques, Transport.

The [Magenta Book](#): HM Treasury 'Guidance on evaluation' for Central Government

BRE Guidance: [OIOO Methodology](#), [Micro-exemptions Guidance](#), EU ([Guiding Principles](#), [Transposition Guidance](#)), [Sunsetting Regulations](#).

Departmental guidance on assessing impacts:

- Statutory [Equalities](#) Duties
- [Competition](#)
- [Small Firms](#)
- [Wider Environmental Issues](#)
- [Health and Well-being](#)
- [Human Rights](#)
- [Justice System](#)
- [Rural Proofing](#)
- [Sustainable Development](#)

Other guidance: [EU Services Directive](#), [Standard Cost Model](#).

Annex 2: Glossary

Act of Parliament or Act: A statute enacted as primary legislation by Parliament.

Administrative Burdens: (often referred to as red tape) Include costs associated with familiarisation with administrative requirements, record keeping and reporting, including inspection and enforcement of Regulation.

BRE or Better Regulation Executive: Part of BIS and leads the regulatory reform agenda across the Government.

Better Regulation Unit: Departmental team which establishes and promotes the principles of good regulation and better policy making, working with the Better Regulation Executive.

Bill: A draft Act of Parliament.

BIS: The Department for Business, Innovation and Skills.

Chief Economist: A Department's lead economist.

Common Commencement Dates: Refers to the Government commitment that Westminster based Regulation bearing on business will be commenced only on either 6 April or 1 October of any year, subject to limited exceptions.

Department: Government department and agencies.

Discount Rate: The annual percentage rate at which the Present Value of a future pound, or other unit of account, is assumed to fall away through time.

Commission: The European Commission.

Executive Agencies: Part of a Department that is treated as managerially and budgetarily separate in order to carry out some part of the executive functions of the Government.

Gold-Plating: Implementation of an EU directive that goes beyond the minimum requirements necessary to comply with the directive.

Government: Government of the United Kingdom.

Green Book: HM Treasury guidance for Central Government, setting out a framework for the appraisal and evaluation of all policies, programmes and projects.

IA or Impact Assessment: Both a continuous process to help the policy-maker fully think through and understand the consequences of possible and actual Government interventions in the public, private and third sectors; and a tool to enable the Government to weigh and present the relevant evidence on the positive and negative effects of such

interventions, including by reviewing the impact of policies after they have been implemented.

IA Guidance: Document setting out the Government's policy on the scope and process of Impact Assessments. It explains what an Impact Assessment is, the types of intervention for which an Impact Assessment is required, and when an Impact Assessment must be prepared and published.

IA Template: Standard template to use when publishing an Impact Assessment.

IA Toolkit: Step-by-step guidance on how to complete an Impact Assessment.

IN: Where a new Regulation is being introduced, or an existing Regulation is being amended which will result in increased direct costs or reduced direct benefits to business.

[Magenta Book](#): HM Treasury guidance on evaluation for Central Government.

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

NPV or Net Present Value: The term NPV is used to describe the difference between the Present Value (see definition below) of a stream of costs and a stream of benefits.

OIOO or One-in, One-out: A rule which means that no new primary or secondary UK legislation which imposes costs on business or civil society organisations can be brought in without the identification of existing Regulations with an equivalent value that can be removed. Regulation which is required to implement EU obligations and public sector are not within the scope of OIOO at this time.

OUT: An OUT is defined as a deregulatory measure whose direct incremental economic benefit to business exceeds its direct incremental economic cost to business. OUTs can be sourced from existing regulations which are removed completely or existing regulations which are recast in order to reduce burdens.

Parliament: Parliament of the United Kingdom.

Policy Costs: The essential costs of meeting or complying with the policy objectives and includes all costs which are not Administrative Burdens. These may include the additional costs involved in purchasing new equipment, maintaining the equipment and undertaking specified training in order to meet the Government's regulatory requirements.

PIR or Post-Implementation Review: Establishes whether implemented Regulations are having the intended effect and whether they are implementing policy objectives efficiently.

Private Members' Bill: Any Bill introduced by members of Parliament and the House of Lords who are not Ministers.

PV or Present Value: The total value of a policy, over the appraisal period, expressed in present terms by means of discounting.

Regulation: A rule with which failure to comply would result in coming into conflict with the law or being ineligible for funding and other applied for schemes. This includes: EU regulations; Acts of Parliament; Statutory Instruments; rules, orders, schemes, regulations etc. made under statutory powers by Ministers or agencies; licences and permits issued under Government authority; codes of practice with statutory force; guidance with statutory force; codes of practice, guidance, self-regulation, partnership agreements with Government backing; approved codes of practice; bye-laws made by Government.

RPC or Regulatory Policy Committee: Established in 2009, tasked with providing independent, wide-ranging, and real-time scrutiny of proposed regulatory measures put forward by the Government.

RRC or Reducing Regulation sub-Committee: A cabinet sub-committee established to take strategic oversight of the delivery of the Government's regulatory framework. It has broad terms of reference to consider issues relating to regulation. This will include scrutinising, challenging and approving all new regulatory proposals.

Sensitivity Analysis: Analysis of the effects on an appraisal of varying the projected values of important variables.

Standard Cost Model: Provides a framework for measuring the Administrative Burdens of Regulation.

Statutory Instrument: The form in which secondary legislation is made in the United Kingdom.

Tax Impact Assessment: Tailored Impact Assessment used to understand the wide range of impacts associated with tax policy options to inform decision making.

Annex 3: How to complete an IA Template

Easy to understand, relate to relevant legislation or regulation. Do not use "Impact Assessment"

Unique departmental acronym + nnnn

Single page at each stage

Total monetised benefit **less** total monetised costs, discounted according to Green Book guidance

Total monetised direct benefit to business* less total monetised direct costs to business*

Equivalent Annual Net Cost to Business (in 2009 prices). See OIOO Methodology for formula

Careful consideration must be given to exemption of these categories (see micro-exemption guidance for further details)

See guidance on Carbon Budgets (link in Annex 1)

<p>Title: _____</p> <p>IA No: _____</p> <p>Lead department or agency: _____</p> <p>Other departments or agencies: _____</p>	<p>Impact Assessment (IA)</p> <p>Date: 01/01/2010</p> <p>Stage: Development/Options</p> <p>Source of Intervention: Domestic</p> <p>Type of measure: Primary legislation</p> <p>Contact for enquiries: _____</p>													
<p>Summary: Intervention and Options</p> <p>RPC: RPC Opinion Status</p>														
<p>Cost of Preferred (or more likely) Option</p>														
<p>Total Net Present Value</p> <p>£m</p>	<p>Business Net Present Value</p> <p>£m</p>	<p>Net cost to business per year (EABC based on 2009 prices)</p> <p>£m</p>	<p>In scope of One-In, One-Out?</p> <p>Yes/No</p>	<p>Measure qualifies as:</p> <p>In/Out/zero net cost</p>										
<p>What is the problem under consideration? Why is government intervention necessary? Maximum of 7 lines</p> <p>Give evidence and nature of the problem, including scale and context; probability of occurrence and likely frequency; who it will impact on; and who is best placed to manage/resolve the problem?</p>														
<p>What are the policy objectives and the intended effects? Maximum of 7 lines</p> <p>State clearly the objectives of the policy and the impacts intended, what the policy is intended to achieve.</p>														
<p>What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) Maximum of 10 lines</p> <p>This information may change throughout policy development and stage at which the IA is published. It is important for non-regulatory options to be considered from the outset.</p>														
<p>Will the policy be reviewed? It will/will not be reviewed. If applicable, set review date: Month/Year</p>														
<p>Does implementation go beyond minimum EU requirements?</p> <p>Yes / No / N/A</p>			<p>Are any of these organisations in scope? If Micro not exempted set out reasons in Evidence Base.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Micro</td> <td style="width: 15%;">< 20</td> <td style="width: 15%;">Small</td> <td style="width: 15%;">Medium</td> <td style="width: 15%;">Large</td> </tr> <tr> <td>Yes/No</td> <td>Yes/No</td> <td>Yes/No</td> <td>Yes/No</td> <td>Yes/No</td> </tr> </table>		Micro	< 20	Small	Medium	Large	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
Micro	< 20	Small	Medium	Large										
Yes/No	Yes/No	Yes/No	Yes/No	Yes/No										
<p>What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)</p>			<p>Traded: _____ Non-traded: _____</p>											
<p><i>I have read the Impact Assessment and am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.</i></p>														
<p>Signed by the responsible Minister _____</p>			<p>Date: _____</p>											

Domestic: Government proposal; **EU:** implementing an EU obligation; **International:** international source (ex. EU)

Name, telephone & e-mail

Red, amber or green

IN – introduction / change leads to increased direct net costs on business. **OUT** – repeal / recast produces direct net benefit to business. **Zero net cost** – regulation introduced which results in net benefit to business

In scope: Legislation with a direct impact on business* unless it falls into one of the exempt categories outlined in the OIOO methodology

Set out PIR date at final stage (normally 3-5 years after implementation)

If your proposal goes beyond minimum EU requirements make the case for this in the Evidence Base. 'N/A' for domestic policies

Date will appear automatically, but can be edited

Provide Department or Agency name leading the policy development

Date IA is published

Stage: see flowchart on page 36

Ensure appropriate statement is selected for the relevant IA stage (see IA Guidance)

State whether these groups are in-scope of the policy

Minister, Chief Executive or chair responsible for the policy signs published Impact Assessments

*businesses and civil society organisations

For each policy option use one 'Analysis and Evidence' page. For an IA covering several parts to a Bill it is sensible to have an overall summary 'Analysis and Evidence' page.

Present Value Base Year:
Normally the year in which estimates are undertaken or policy decisions taken

The constant price year.

To reflect uncertainty, provide estimate ranges of benefits and costs

These are transient, or one-off costs or benefits that occur, which normally relate to the implementation of the measure.

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
COSTS (£m)		Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low		Optional	Optional	Optional	
High		Optional	Optional	Optional	
Best Estimate					
Description and scale of key monetised costs by 'main affected groups' Maximum of 5 lines					
The Best Estimate must be provided and will be the most likely point in the range					
Other key non-monetised costs by 'main affected groups' Maximum of 5 lines					
Ensure that these boxes identify the 'main affected groups'					
BENEFITS (£m)		Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low		Optional	Optional	Optional	
High		Optional	Optional	Optional	
Best Estimate					
Description and scale of key monetised benefits by 'main affected groups' Maximum of 5 lines					
Normally be based on market prices. Other forms of quantification could be used where appropriate					
Other key non-monetised benefits by 'main affected groups' Maximum of 5 lines					
May involve particular industries, sectors, firm size, social groups or regions					
Key assumption/sensitivity/risks Maximum of 5 lines					Discount rate (%)
Should be tested to ensure costs and benefits estimates used for your final recommendation not driven by a particular assumption.					Default discount rate 3.5%
BUSINESS ASSESSMENT (Option 1)					
Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as:	
Costs:	Benefits:	Net:	Yes/No	IN/OUT/Zero net cost	

Total monetised benefit less total monetised costs

All monetised costs and benefits should be expressed in £m

These are the costs and benefits that will reoccur in every year while the policy measure remains in force (although the scale of the impact may change over time). These are expressed as an annual average (over the life of the policy).

Includes all monetised costs and benefits over the life of the policy, expressed in Present Value terms.

See comments re costs above

Following One-in, One-out methodology: Direct impacts include more than just direct expenditure. A regulation which imposes a restriction, or determines how an agent should act/operate e.g. Working Time Regulations, has a direct cost (the opportunity cost of doing something else/differently), although this may not necessarily be direct expenditure.

See page 1 for instructions. This information should be given for each policy option, with only the preferred / most likely option repeated on the front page.

Evidence Base (for summary sheets)

There is discretion for departments and regulators as to how to set out the evidence base. However, it is desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing);
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the IA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business calculations (following OIOO methodology);
- Wider impacts (consider the impacts of your proposals, the questions on pages 16 to 18 of the IA Toolkit are useful prompts. Document any relevant impact here and by attaching any relevant specific impact analysis (e.g. SME and equalities) in the annexes to this template)
- Summary and preferred option with description of implementation plan.

Inserting text for this section:

Replace the notes on this page with the text for the evidence base.

To maintain consistent formatting, apply Styles from the toolbar. The **Paste Without Format** toolbar button can be used to paste text from other documents in the current style here.

It is particularly important that the Evidence Base set out clear evidence that justifies the inclusion in the analysis of any monetised as well as non-monetised cost or benefits. Show how the headline costs and benefits have been generated, by clear and transparent presentation of figures and any assumptions used.

The evidence base should be drafted to make it easily understandable to stakeholders who do not have detailed knowledge of the policy.

You should clearly address all of the viable options and where there is a preferred option, provide clear justification. It may be useful to include reasons for discarding options that are not adopted.

Include a summary of any relevant decision relating to proportionality of analysis (e.g. reasons why certain analyses were not undertaken).

Include links to relevant legislation or publications (e.g. earlier published Impact Assessments).

Maximum 30 pages recommended

Annex 4: Checklist for analysis on EU proposals

Title of EU proposal: Lead dept/agency: Other depts/agencies with an interest: Date:	Lead policy official: [name, email & tel no] Lead lawyer: [name, email & tel no] Lead economist: [name, email & tel no] Lead UKRep desk officer: [name,email&telno]
<p>What are the potential impacts of the Commission proposal on the UK?</p> <p>[Consider the issues below:</p> <p>AFFECTED GROUPS: Indicate the main groups you think are likely to be affected and whether these are in the public/private/voluntary sector/consumers. If the proposal is likely to affect business, indicate the:</p> <ul style="list-style-type: none"> • sectors likely to be affected • scale of sectors (e.g. estimates of the value of the affected sector to the UK economy or number of people it employs) • estimated number of companies • estimated breakdown of these companies by size – micros, SMEs, large businesses <p>COSTS & BENEFITS: Describe how these groups will be affected, whether beneficially/adversely:</p> <ul style="list-style-type: none"> • indicate whether the costs and benefits will be mainly one-off or ongoing • estimate the effects (e.g. approx. 100 hours of management time/1000 licence permit requests), specifying whether any disproportionate burdens could fall on SMEs/micros • give orders of magnitude of the costs, and if possible, benefits (e.g. under £5m p/a) • indicate whether there could be positive/negative impacts on competition <p>ENFORCEMENT: Indicate how costly or difficult the proposed legislation could be to enforce and whether it would be sufficiently flexible for:</p> <ul style="list-style-type: none"> • regulators to adapt enforcement and compliance support to the needs and circumstances of different organisations • organisations that have demonstrated consistent compliance to earn recognition for their efforts e.g. fewer inspections • methods other than state enforcement to be used to demonstrate compliance, including certification, accreditation, independent audit, standard-setting, professional standards <p>LEGAL IMPLEMENTATION/COPY-OUT: Indicate whether the proposal allows sufficient flexibility for the UK to pursue co-regulation/alternatives in transposition; whether it is consistent with the domestic approach; whether existing legislation may need to be amended or whether new legislation could be required to implement the proposal; and whether there could be problems with using copy-out (for proposed directives), if the proposal, as drafted, was copied out into UK implementing legislation.</p> <p>Ministerial sign-off: <i>I have read the analysis above of the potential impacts of this proposal and I am satisfied that, given the significance of the proposal, the time and evidence available, and the uncertainty of the outcome of negotiations, it represents a proportionate view of possible impacts.</i></p> <p>Signed by the responsible Minister: _____ Date: _____</p>	

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URN 11/1112