CONTENTS

What is the purpose of this guidance? ........................................................................................................1

What is an Impact Assessment? .......................................................................................................................2

Do I need to do an Impact Assessment? ..........................................................................................................3

Completeness of analysis: applying the principle of proportionality .............................................................4

When must an Impact Assessment be prepared and published? .................................................................5

Post Implementation Review (PIR) ..................................................................................................................7

Joint Impact Assessments ..................................................................................................................................9

What approval is necessary before an Impact Assessment can be published? ...........................................9

Legal Issues .......................................................................................................................................................10

Regulatory Policy Committee ...........................................................................................................................10

The Impact Assessment Library ........................................................................................................................10

Impact Assessment Flowchart ........................................................................................................................11
What is the purpose of this guidance?

1. This document sets out government policy on the scope and process of Impact Assessments. In particular it will:
   - Help you understand what an Impact Assessment is.
   - Clarify what types of intervention require an Impact Assessment.
   - Specify when and how often an Impact Assessment needs to be completed and published.
   - Set out what approval is necessary before an Impact Assessment can be published.

2. The step-by-step guidance on how to complete an Impact Assessment is provided by the Impact Assessment Toolkit (IA Toolkit). The IA Toolkit is tailored to meet the needs of both policy makers and economists involved in preparing impact assessments. ([www.bis.gov.uk/ia-toolkit](http://www.bis.gov.uk/ia-toolkit))

3. In particular, the IA Toolkit has a section summarising appraisal and evaluation methodologies and techniques that will help you with monetising, as far as possible, the costs and benefits of proposals to be included in the impact assessment. It draws on, and is consistent with the Government’s appraisal methodology set out in the Treasury’s Green Book and its Supplementary guidance- [http://www.hm-treasury.gov.uk/data_greenbook_index.htm](http://www.hm-treasury.gov.uk/data_greenbook_index.htm) and the policy evaluation, as set out in the Magenta Book.

What is an Impact Assessment?

4. An Impact Assessment is both:
   - A tool used by policy makers to assess and present the likely costs and benefits (monetised as far as possible) and the associated risks of a proposal that might have an impact on the public, private or third sector, following Green Book’s appraisal and evaluation techniques.
   - A continuous process, consistent with the policy appraisal cycle, as set out in the Green Book, to help policy makers to fully 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.

5. The Impact Assessment process encourages policy makers to start with the premise that it is always desirable to identify, and as far as possible, assess the impacts of a policy proposal. This will involve identifying clearly the need for intervention first, for example to address a risk of harm to the public, and then using the available evidence, in consultation with relevant stakeholders to explore proposals that best achieve the policy objectives while minimising the costs and burdens imposed in achieving the objective. Good policy making should not start with the solution!

6. Once published, an Impact Assessment allows those with an interest in the policy area to understand:
   - Why the government is proposing to intervene;
   - The main options the government is considering, and which one is preferred;
   - How and to what extent new policies may impact on them;
   - The estimated costs and benefits of proposed measures.
Do I need to do an Impact Assessment?

7. Impact Assessments are generally required for all UK Government interventions of a regulatory nature that affect the private sector, the third sector and public services. They apply regardless of whether the regulation originates from a domestic or international source.

8. Impact Assessments apply to primary and secondary legislation, as well as codes of practice or guidance. They should be undertaken when considering traditional regulations as well as alternatives such as proposals which encourage self-regulation or opt-in regulation and voluntary guidance or proposed codes of practice.

9. Spending proposals do not generally require an Impact Assessment, as they are developed through a business case process. However, where they involve regulation or an administrative burden, an Impact Assessment must be completed. Further information on business case process can be found at [http://www.hm-treasury.gov.uk/data_greenbook_business.htm](http://www.hm-treasury.gov.uk/data_greenbook_business.htm).

10. You should start with the premise that it is always necessary to assess the impacts of a policy proposal, using the Green Book appraisal principles relevant to Impact Assessments. Only when you have a developed idea of what the policy proposal might involve and its impact, can you be reasonably sure that a formal published IA will not be necessary.

11. If you answer ‘Yes’ to any of the following questions then an Impact Assessment is required.

   Will the regulatory proposal:
   
   - Impose additional costs or reduce existing costs on businesses or the third sector (this includes National Policy Statements)?
   - Impose any additional administrative or reporting burden on the public sector or bodies that deliver public services e.g. changes to reporting requirements, adding information burdens on front line services, revisions to criteria for releasing funding, and imposition of new targets?
   - In the absence of imposing additional administrative or reporting burdens, introduce new regulatory costs on the public sector or bodies that deliver public services of more than £5m (annual equivalent costs) or which are likely to attract high levels of political or media interest?
   - Involve some kind of redistribution affecting the public private or third sector – that is, where there is an exchange or ‘transfer’ of costs or benefits from one group to another - even where it does not yield an overall net change in costs and benefits, or a change in administrative costs?
   - Involve seeking collective agreement for UK negotiating positions on EU proposals or other international agreements where the UK is represented at national level?

12. Where an Impact Assessment is required it needs to be published at various points in the policy development cycle – this is covered later in this guidance.

13. An Impact Assessment is not required in the following cases:

   - Where policy changes will not lead to costs or savings for business, public or third sector organisations regulators or consumers;
   - Road closure orders;
   - Changes to statutory fees or taxes covered by a predetermined formula e.g. rate of inflation, or in respect of other changes to taxes or tax rates, where there are negligible associated administrative costs or savings. Note that significant changes to fee structures should be guided by a formal Impact Assessment process.
When a Post Implementation Review (PIR) previously planned is deferred (this will be captured by a less formal process – see Toolkit).

**Completeness of analysis: applying the principle of proportionality**

14. The effort applied at each step of completing an Impact Assessment, in particular the estimation of cost and benefits, should be proportionate to the scale of the costs and benefits, outcomes at stake, sensitivity of the proposal and the time available. A less detailed Impact Assessment may be adequate where a regulatory proposal is likely to affect only a few firms or organisations, or many firms or organisations but only to a negligible degree, and the costs and benefits are likely to be negligible and involve a lighter touch evidence base. By the same token, more data and analysis will be required where the impact is expected to be substantial.

15. As you move through the policy making process and progress the different stages of the accompanying Impact Assessment, the quality of data being used and depth of analysis should be refined to make it more specific to the proposals, and to improve its accuracy. For example, at the development stage of an Impact Assessment it may be necessary to use summary data only when identifying and appraising options. However, at later stages of the Impact Assessment process, the rigour of the analysis should increase – especially before committing significant funds or making major regulatory decisions.

16. The principle of proportionality does not determine whether an IA should be undertaken or a PIR carried out, only the scale of effort required to complete it.

17. The depth of analysis for a Post Implementation Review (PIR) should be proportionate to the likely benefit of conducting the review. A high-impact policy should be subject to a full PIR, including an evaluation of the actual costs and benefits as a result of the policy. In many cases a less detailed review will be appropriate – see later section.

18. The diagram below sets out the depth of analysis that could be carried out during Impact Assessment.

- **Level 1:** Include a description of who will be affected by the proposals. The main groups affected will include business, public sector and consumers;
- **Level 2:** Include a full description of the costs and benefits
- **Level 3:** Quantify the effect (e.g. 1000 planning applications per year, 100 hours of management time, 500,000 new houses built per year).
- **Level 4:** Monetise 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.
- **Level 5:** Monetise fully all costs and benefits

19. Analysis at levels one and two is a minimum requirement and apply in all cases. Levels three and above outline additional analysis which may be appropriate. The question to ask when considering proportionality is whether the Impact Assessment should reasonably provide information at a higher level up the scale. The IA Toolkit illustrates proportionality in more detail.
When must an Impact Assessment be prepared and published?

20. Impact assessment is a continuous process, compatible with the Green Book policy appraisal cycle, to help you fully think through the consequences of possible and actual Government interventions: from the early stages of identifying a policy challenge, through the development of policy options, public consultation, final decision-making, and on to the review of implementation. Review should be carried out to provide the basis for subsequent policy changes and should help identify new policy challenges (perhaps arising from unintended consequences of the intervention itself), before the policy development process begins again.

21. The stages in the Impact Assessment process are summarised and highlighted in Figure 1 below. The stages set out below may be repeated, and therefore may not always be followed sequentially. They are consistent with the broad stages of the policy cycle known as ROAMEF (Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback), as highlighted in the Treasury’s Green Book. They set out a broad indication of what level of analysis is recommended at each stage of the process (see more on this in the IA Toolkit).

22. Whilst the Impact Assessment is a continuous process, there are certain points or stages within this process where an Impact Assessment must be formally produced and published. These are:

- The consultation stage (if a public consultation is carried out);
- The final proposal stage: first when the Government announces its firm position on a single policy option (this will often be when it publishes its consultation response), and again when the proposal enters Parliament;
- The Enactment stage: when the legislation is enacted, (only if changes have been introduced to the final proposal during the Parliamentary process);
- The review stage: when a Post Implementation Review is carried out.
Figure 1: The stages in the Impact Assessment Process:

- **Development stage:** This is broadly equivalent to the Rationale and the Objective stages in ROAMEF. This stage should focus on the definition of the policy problem, the rationale for government intervention, the identification of policy objectives and the gathering of evidence.

- **Options stage:** This is broadly equivalent to the Appraisal stage in ROAMEF. This stage should focus on the identification and development of options, and the testing of these options through engaging with interested parties ahead of formal consultation. There should be initial estimates of costs and benefits. Because direct government intervention may not be the best way of addressing a policy problem or of realising policy objectives, alternatives to traditional regulation (e.g. self-regulation; voluntary codes) need to be properly considered from the outset. The assumptions used for initial estimates should be clearly identified. The main groups likely to be affected by the proposals should also be identified. The Impact Assessment does not need to be published at this stage and will usually be a ‘live’ working document.

- **Consultation stage:** Consultation is also part of the Appraisal stage in ROAMEF. Informal consultation with stakeholders may occur at different points in the policy cycle. This stage refers to when a formal public consultation is published (the code of practice on public consultation has more information about good practice in public consultation ([link](#))). This stage should focus on firming up the options considered, ensuring that there is greater quantification of costs and benefits of each option. You may use the consultation to seek stakeholders’ views on your proposals for a review, or your cost and benefits estimates. When a policy proposal is taken out to public consultation the Impact Assessment must be published.

- **Final Proposal stage:** This stage is broadly equivalent to what ROAMEF describes as “developing a solution” at the end of the Appraisal stage. It should focus on the costs and benefits of the preferred option (the “proposal”). Responses to the consultation may be used to inform the proposal. It should set out the Post Implementation Review plan which outlines when and how the measure will be reviewed, subject to the proportionality principle. The final Impact Assessment must be **published** first when the Government...
announces its firm position on a single policy option (this will often be when it publishes its consultation response), again when the proposal enters Parliament. An Impact Assessment must be published when a Government Bill, or Private Members Bill enjoying government support, is introduced in either House of Parliament. An Impact Assessment must be published when a draft statutory instrument (that imposes or reduces costs on business or the third sector) is laid in Parliament.

- **Enactment stage:** This stage is similar to the Monitoring and Implementation stage in ROAMEF. This stage requires revisions to the previous Final Proposal stage Impact Assessment to reflect the final contents of the act, statutory instrument or other regulatory measure, if changes have been introduced during the Parliamentary process. When the legislation is enacted, the revised Impact Assessment needs to be published. For non-legislative-based measures this corresponds to the implementation of the measure.

- **Review stage:** This stage is broadly equivalent to the Evaluation and Feedback stages in ROAMEF. This stage requires a Post Implementation Review Impact Assessment to evaluate the impact of the implemented policy, and assess any modifications to the policy objectives or its implementation recommended as a result of the review. The Review Impact Assessment must be published. New policy development or a proposed policy change prompted by the post-implementation review should trigger a new Impact Assessment.

23. **Stages for UK IAs on EU measures:** It is important to consider the impacts of European Commission proposals for legislation as early as possible in the policy development process. There are three key stages in the process:

   i. When the Commission publishes its work programme and accompanying roadmaps, departments¹ should estimate impacts as far as possible;

   ii. When the Commission publishes a proposal, departments should produce an Impact Assessment which should accompany correspondence seeking Cabinet Committee clearance on its negotiating position. An Impact Assessment on a proposal must also be submitted to the UK Parliament accompanying the explanatory memorandum;

   iii. When legislation is agreed at EU level, an Impact Assessment should be produced to establish the best approach to UK implementation.

**Post Implementation Review (PIR)**

24. Government expects policymakers to evaluate policies after implementation because such evaluation can yield invaluable insights. Examining the actual impact of policies can show what works, what could be improved, and how others can learn from the approaches used.

25. A PIR Impact Assessment should normally be produced for a policy intervention for which a final Impact Assessment was produced. No PIR or other Impact Assessment is needed when a policy:

   - Does not change costs for private or third sectors; or
   - Imposes an annual cost of <£5mn on the public sector, or
   - Is merely updating a fee in line with inflation.

¹ In this document ‘Departments’ is used as shorthand for ‘Departments and agencies’.

Back to contents
26. This is a ‘comply or explain’ policy:

- In the Enactment stage IA, departments may decide that a PIR will not be carried out. Departments should briefly explain their reason for departing from the normal policy.
- The date for review contained in the Final and Enactment stage IAs is not a binding promise. There may be good reasons for departments to decide nearer the time to change the date for review. In such cases, they should give the reasons behind the decision to delay or forego the planned review.

27. A date for PIR should ordinarily be set out in the Final and Enactment stage IAs. A PIR is normally expected 3-5 years after implementation. Review is not a one-off event and ongoing monitoring of the effectiveness of a policy will provide important information for the review. Even a well-established policy may become ineffective or redundant over time. However, following the first review, further reviews are expected to take place at a much lower frequency, e.g. every 7-10 years. If the measure under review stems from an EU or international source, the date for the review should be set such that findings can feed into any review to be carried out by the European Commission or the international organisation.

28. A Department may also produce additional PIR Impact Assessments for implemented policies that were not subject to a pre-implementation Impact Assessments. This is recommended, for example, when a prediction that a policy will not change costs is subjected to widespread public criticism.

29. In the case of high-impact policy interventions, the following questions should be considered, along with the specific impact tests:

- To what extent has the policy achieved its objectives?
- To what extent have the success criteria been met?
- To what extent have there been unintended consequences?
- Is the mechanism that was expected to link intervention with outcome credible in hindsight?
- Hence, what scope is there for simplification, improvement or deregulation?
- What are the costs and benefits, in hindsight? and going forward?
- Is government intervention still required, in light of changing circumstances?
- Do compliance levels indicate that the enforcement mechanism chosen is appropriate?

30. For low-impact interventions, answering all these questions might be disproportionate. However, all reviews are expected to cover the first three questions at least.

31. Where it is proportionate to carry out a PIR on multiple SIs simultaneously (see toolkit for more detail) the results may be captured on a single PIR IA.

The PIR plan in the Impact Assessment provides a framework where some basic information about any arrangements for the planned PIR can be set out. The IA Toolkit has more detailed information about what conducting a PIR may entail. In addition, the Government Social Research’s Magenta Book provides detailed guidance on social research methods for policy evaluation (http://www.nationalschool.gov.uk/policyhub/magenta_book/).
Joint Impact Assessments

32. For a package of policy proposals that are considered within one single Bill, separate Impact Assessments should be developed to analyse the impact of each specific policy proposal. There should also be a brief overarching Impact Assessment (you may only need to fill in the summary pages of the IA template) that would summarise the total costs and benefits of all proposals included in the Bill. This does not include Finance Bills (i.e. the Budget proposals do not require an overarching IA).

33. When a Bill contains policy measures that are owned by more than one department then a joint Impact Assessment should be prepared signed by a Minister in the lead department.

What approval is necessary before an Impact Assessment can be published?

34. The Minister responsible for the policy (or the Chief Executive of non departmental public bodies and other agencies) is required to sign off public Impact Assessments. In case of joint Impact Assessments, a Minister from the lead department should sign it off. It is important to draw all relevant information to the Minister’s attention to enable them to sign-off the IA.

- **Ministerial Sign-off**: for Consultation stage Impact Assessments:
  “I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options”.

- **Ministerial Sign-off**: for Final proposal/Enactment stages Impact Assessments:
  “I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.”

- **Ministerial Sign-off**: for Review stage Impact Assessments:
  “I have read the Impact Assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the policy.”

35. Chief economists should sign off the robustness and accuracy of the costs, benefit and impact analysis at the different stages; this is an internal sign-off mechanism and does not imply the approval of the policy proposal itself. Departments must facilitate these declarations by involving their economists from the early stages of policy development and by operating sound procedures for advising Ministers. For example, robust departmental processes might include internal sign-off mechanisms; peer group review by economists; use of external panels of key stakeholders or professional experts to review the evidence; or a requirement that chief economists are consulted on all submissions to Ministers that address policy matters that would normally also require an Impact Assessment.

36. Collective Ministerial clearance through the National Economic Council (Better Regulation) Sub-Committee is required, as a matter of course, for policies where the total average annual cost on public, private or third sectors is estimated to be more than £20m. 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. Review stage Impact Assessments do not require formal clearance before publication.

Note: Different arrangements apply for tax measures. Advice on the clearance process is set out at [http://www.cabinetoffice.gov.uk/media/101558/guide_to_cabinet.doc](http://www.cabinetoffice.gov.uk/media/101558/guide_to_cabinet.doc).
37. “Gold-plating” is implementation of an EU directive that goes beyond the minimum requirements necessary to comply with the directive. It is Government policy not to go beyond the minimum requirements of European directives, unless there are exceptional circumstances, justified by a cost-benefit analysis and extensive consultation with stakeholders. [link to Transposition Guide] Any gold-plating must also be explained in the IA. Departments should also seek specific clearance of any “gold-plating” from NEC(BR) Sub-Committee before seeking policy clearance from the relevant Cabinet Committee for the approach to implementation as a whole.

38. When an Impact Assessment is required it must also be sent as part of any primary legislation bid, submitted to the Legislation Cabinet Committee.

**Legal Issues**

39. Following the Impact Assessment process should reduce any risk of legal challenge. Furthermore, the Impact Assessment sets out government views and it is possible it could be used as evidence in challenges against government.

40. You should seek advice from your lawyers on questions of legal risk. Guidance for lawyers on what they should consider in relation to Impact Assessments is available on LION.

**Regulatory Policy Committee**

41. The Regulatory Policy Committee (RPC), an independent advisory body sponsored by the Department for Business, Innovation and Skills, 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, including:

- the accuracy and robustness of the costs and benefits;
- whether the range of policy options assessed support minimising costs and maximising benefits; and
- the degree to which issues of public risk and the practicalities of ensuring compliance are taken into account.

42. The Committee 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. While its role is purely advisory, with responsibility for decision making being retained by Ministers, it can comment publicly on whether the Government has been effective in minimising the costs of measures and maximising the benefits, and on whether the benefits justify the costs.

43. The Impact Assessment is the main evidence on which the RPC bases its assessments. Consequently, where your measure falls within the remit and work programme of the RPC you will need to factor in the involvement of the RPC in the process (see the IA Toolkit for further information on working with the RPC).

**The Impact Assessment Library**

44. All published Impact Assessments are available on the internet at the Impact Assessment Library. [link to be added when available] Guidance for publishing Impact Assessment is provided separately. [link to be added when available]
Impact Assessment Flowchart

1. Is this a road closure order?
   - YES
   - NO
   - Is it a change to statutory fees or taxes covered by a predetermined formula or in respect of other changes to taxes or tax rates, where there are negligible associated administrative costs or savings?
     - YES
     - NO
     - Will the policy change lead to costs or savings for business, public or third sector organisations regulators or consumers?
       - YES / Don’t Know
       - NO
       - Impact Assessment Not Required
         - STOP

2. Development stage
   - Options stage
   - Consultation stage
     - Refine options, costs, benefits and evidence base.
     - Ministerial Sign Off.
     - Collective Ministerial clearance through the National Economic Council (Better Regulation) Sub Committee*
   - 12-14 weeks
   - Final Proposal stage
     - Government announces its firm position on a policy, responding to consultation, and again when the proposal enters Parliament
     - Focus on costs and benefits of option.
     - Ministerial Sign Off.
     - Collective Ministerial clearance through the National Economic Council (Better Regulation) Sub Committee*

3. Enactment stage
   - Revise to reflect changes during Parliamentary process
     - Ministerial Sign Off.
     - Collective Ministerial clearance through the National Economic Council (Better Regulation) Sub Committee*
   - 3 – 5 years
   - Review stage

* Policies where the total average annual cost on public, private or third sectors is estimated to be more than £20m. 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.

Back to contents