

Proportionality guidance for departments and regulators

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Introduction

1. Proportionality in impact assessments (IAs) and post implementation reviews (PIRs) (“regulatory cases”) is about ensuring the appropriate level of resources is invested in gathering and analysing evidence on the impacts of a policy.
2. [The Better Regulation Framework](#) sets out the context for this work when it says that “all new policies, programmes and projects should be subject to a proportionate assessment of costs and benefits. Parliament, especially the scrutiny committees, expect sufficient information on the impact of a measure, whether or not it impacts business...the level of analysis should be proportionate to the problem it is addressing, and reflect the scale or impact of the measure.¹” The Green and Magenta Books published by HM Treasury also form an important part of the background to this work, and the present document has been discussed with the Green Book team and is aligned with that work.
3. The RPC recognises the need to prioritise analytical resources in order to focus on the most important and impactful measures at times of high demand and limited resource.
4. This document illustrates how the RPC applies the Better Regulation Framework guidance in practice and provides an indication of the level of analysis the RPC would like to see from departments². It should be read and consulted alongside the Green and Magenta Books, and does not provide a one size fits all, prescriptive set of instructions for all cases.
5. This document is not a substitute for an ongoing bilateral relationship with the RPC Secretariat but is intended to complement such a dialogue. The RPC is always happy to discuss regulatory scrutiny with departments. The RPC also offers distinct and adaptable training for those who write and consider regulatory cases throughout the year. Especially useful in the overall process is early engagement including **a pre-submission meeting with the RPC and ideally a discussion before detailed analysis has been undertaken**. Areas of interest and concern can be discussed semi-informally and the RPC can offer some suggestions that will assist the drafting process.

¹ Section 1.2

² Whilst aimed at departments, much of the guidance here will be useful for regulatory bodies as well when they submit regulatory cases to the RPC

Level of analysis

6. The RPC expects that a lower level of resource will be applied to evidence gathering and analysis for smaller measures when compared to larger ones. However, analysis and evidence are always required within a regulatory case. Where departments self-certify their EANDCBs, a clear description of the rationale for, and impacts of, the measure and a brief justification of the key assumptions may be useful best practice and help to inform Parliament and the public.
7. A primary consideration is the impact of the measure, which can be measured in a variety of ways. Figure 1 below sets out the principal considerations when determining impact(s). **It is important to note that measures can be high and low impact on different metrics, for example high on non-business impacts but with a comparatively low EANDCB. A measure should be considered as high impact if one of the metrics is met and the overall resulting analysis should be proportionate to that designation.**
8. Figure 2 below shows what the RPC will look for to determine the level of impact of a measure and therefore what constitutes a proportionate level of analysis. **However, proportionality will always remain a matter of judgement because it is neither possible nor desirable to set out exactly what a proportionate level of analysis is in all situations. Each case is always judged on its own merits and the RPC requirements in some cases can go beyond what is described in this indicative guidance.** Early and sustained engagement with the RPC can help lessen any potential problems.
9. Every IA must cover a set of basic elements to allow the RPC to assess its 'fitness for purpose'. The degree of detail required under each of these elements must be decided by the author of the regulatory cases. Even for very large measures, the RPC encourage succinct plain English descriptions of proposals, without omitting potentially important detail or including irrelevant evidence.
10. The level of analysis must be sufficient that it can enable a minimum level of accuracy in quantifiable evidence. The RPC expects to see EANDCBs, as well as the underlying significant direct costs to business, accurate to within £100 million or 5% (whichever is smaller). Minimum proportionate analysis is therefore whatever is necessary to achieve that. Other costs and benefits can be assessed to this level of accuracy if proportionate. Further information on this accuracy requirement is included in annex B below.
11. One key issue with some regulatory case is a lack of evidence and analysis. No matter how low impact the department considers the measure to be, the document needs to be able to convince an independent reader (whether in

government or not) that is the case. In order to do that, evidence to support assessments are crucial, or in its place a rationale for the assumptions being made.

12. Where a department is relying on a minimum amount of evidence/analysis and not seeking to improve the evidence base the regulatory case must explain why, rather than saying 'it is not proportionate to go further' without explanation. Explanations should be framed in terms of the reasons why appropriate information is not available, and that the resources required to gather the information would be disproportionate to the problem at hand.
13. Almost every regulatory case will have individual issues or areas that require a greater amount of detail. For this reason, the RPC does not suggest a word or page limit, nor does the RPC encourage "forced" length with the appearance of rigour. We expect that the policy team developing the regulatory case will be able to assess what detail is needed to be able to accurately assess the policy, and what detail is superfluous.
14. Proportionality in IAs relates to the requirements the RPC has that enable IAs to receive a "green rating", i.e. that the IA is fit for the purpose of enabling the relevant minister to make a decision on whether to proceed with the measure. Many IAs receive green ratings but could still be improved upon in many areas, and some IAs receive "red ratings" (meaning that the IA is not fit for purpose) for evidence gaps that cannot be justified on grounds of proportionality. For comparison, a discussion of some non-exhaustive reasons for red rating are included in the annex at the end of this document.

Figure 1 – Level of Impact

How can you determine the level of impact?

Analyse the expected effects of the measure in qualitative terms and ensure that all impacts have been understood at a qualitative level.

Determine the rough/approximate/order of magnitude size of:

- (a) Equivalent annual net direct cost to business (EANDCB) and;
- (b) Business and societal impact (e.g. net present value (NPV) and net present social value (NPSV)) as estimated in the original IA for PIRs; expected or preliminary values for consultation, final and validation stages.

If EANDCB exceeds de minimis (+/- £5 million), then:

What is the size of the regulated market/no. of entities affected?

Does measure change existing requirements in a fundamental way?

How many different factors need to be considered to understand the impact of the measure?

Is there a high risk of the measure not meeting its objectives?

Is measure likely to have disproportionate impact on one group of businesses (such as small businesses, or businesses in one sector)?

Is measure novel or contentious?

Figure 2 – Determining the level of impact(s)

FULL ROUTE IMPACT ASSESSMENT (and thus PIR)		
High impact	Medium impact	Low impact
<p>A measure should be considered high impact if it has one of:</p> <ul style="list-style-type: none"> ➤ EANDCB greater than +/- £50 million or ➤ NPSV greater than +/- £50 million. <p>And meets ANY of the following attributes:</p> <ul style="list-style-type: none"> ➤ Large number of businesses/individuals/organisations affected (thousands, large proportion of the market) ➤ Introduces a radical change to existing requirements/regulations ➤ Large number of factors need to be considered to estimate the impact of the measure; high degree of uncertainty ➤ High risk of not meeting the objectives ➤ Distributional impacts which would change relative status of the affected parties in a considerable way ➤ Measure is very novel ➤ Measure is contentious 	<p>A measure should be considered medium impact, if it is not high impact but has:</p> <ul style="list-style-type: none"> ➤ EANDCB greater than +/- £10 million but less than +/- £50 million or ➤ NPSV greater than +/- £25 million but less than +/- £50 million. <p>And meets ANY of the following attributes:</p> <ul style="list-style-type: none"> ➤ Considerable number of businesses/individuals/organisations affected (hundreds to low thousands, considerable proportion of the market) ➤ Is a substantial change to existing requirements/regulations ➤ Multiple factors in estimating impact ➤ Objectives are numerous and challenging ➤ Distributional impacts which would be noticeable to affected parties but not radically change their relative status ➤ Measure is novel ➤ Measure could be considered contentious 	<p>A measure should be considered low impact if it has:</p> <ul style="list-style-type: none"> ➤ EANDCB greater than +/- £5 million but less than +/- £10 million and ➤ NPSV less than +/- £25 million. <p>And meets MOST of the following attributes:</p> <ul style="list-style-type: none"> ➤ Small number of businesses/individuals/organisations will be affected (low hundreds and/or low proportion of the market) ➤ Measure introduces a small change to existing requirements/regulations ➤ Impact of the measure can be estimated by considering a small number of factors ➤ Objectives of the measure are limited and/or modest and/or relatively easily achievable ➤ No, or very limited, distributional impacts ➤ Measure is not novel ➤ Measure is not contentious ➤ Measure is permissive

Consultation stage IA

Low impact – consultation stage IA

15. A consultation stage IA on a low impact measure should provide, as a minimum, information necessary for a consultee to understand: i) the justification for, and objectives of, the policy, ii) the differences between policy options and iii) the indicative scale of impacts and uncertainties surrounding it. Excepting where there are largely-evidenced arguments based on resource constraints, typically such IAs should include:

- A clear rationale for intervention, which is plausibly justified. What problem is the regulation is aiming to address? A concise justification for government intervention and its objectives is more important than detailed quantitative evidence.
- A brief description of the counterfactual. What would happen in the absence of the proposed measure – including, briefly, the potential growth of an emerging market?
- A reasonable range of well-described, realistic and feasible options, including non-regulatory and “do nothing” options. The range of options will depend greatly on the policy but the IA should make it very clear why each is being considered.
- A straightforward discussion or analysis of the expected impacts of the options, with estimates (or at least an idea of the scale) where possible. Not all impacts need to be fully monetised. However, the IA should identify and describe the impacts qualitatively.

Estimates should be based on easily accessible evidence. Relying heavily on assumptions is acceptable if these are demonstrably reasonable and the reasoning behind them is set out clearly. The consultation should seek to fill gaps in the evidence, and to test estimates and assumptions with stakeholders.

- Small and Micro Business Assessment (SaMBA).
 - There should be a description of all the businesses likely to be affected and how. The SaMBA should explain clearly, with appropriate evidence, the decision the Department has made with respect to exempting small and micro businesses in scope, and should take into account the fact that present policy is to default to exempting such businesses unless doing so would invalidate the purpose of the policy. A short qualitative description supported by readily available numerical evidence (including the number of SMBs affected) and reasonable assumptions is sufficient for SaMBA here.

Medium impact – consultation stage IA

16. Compared to a low impact consultation stage IA, the RPC would expect to see a more thorough approach, and will expect arguments based on resource constraints to be clearly evidenced. Typically, such an IA should include the following:

- A clear, well evidenced rationale for intervention. There needs to be evidence that there is a problem that needs to be addressed, and an assessment of the scale of the problem. If the scale is unknown at this stage a clear justification for consultation on the problem should be provided.
- A detailed discussion of the counterfactual. Where possible, evidence of the impact of the counterfactual should be assessed.

A more thorough discussion of the “do nothing” option should be provided, including consideration of future developments in the regulated market or sector and relevant risks and uncertainties.

- Consideration of a reasonable range of options, including non-regulatory options. It is crucial to set out very clearly why specific options have been chosen. Where a higher level of impact also results in greater complexity of policy options, a more detailed explanation of the differences between policy options is required. This includes a discussion of the potential unintended consequences and risks of each proposal.
- Detailed analysis of the likely impact of the options, with estimates where possible.
 - Any assumptions should be well-justified. The consultation should have a clear plan to fill gaps in the evidence, and to test estimates and assumptions with stakeholders, which should be described where necessary in the IA.
 - The IA should list and describe impacts of the policy, including wider impacts. The assessment should make it easy to compare the outcomes of different policy options. It should also explain which impacts cannot be estimated and how consultation will be used to gather evidence to support the final stage analysis.
 - Risk and uncertainties related to impacts should be discussed.
 - Not all impacts need to be fully monetised at this stage but a detailed qualitative description of impacts is necessary. Where possible, the IA should also estimate costs and benefits. There should be evidence that the estimate of expected scale is reasonable.

- Sensitivity analysis should be used where estimates are reliant on given assumptions to demonstrate the potential range of the impact.
- SaMBA
 - There should be a description of all the businesses of all sizes likely to be affected and how. The SaMBA should explain clearly, with appropriate evidence, the decision the Department has made with respect to exempting small and micro businesses in scope, and should take into account the fact that present policy is to default to exempting such businesses unless doing so would invalidate the purpose of the policy.
 - A sufficient SaMBA will include: i) an initial consideration of applying exemption and mitigation; ii) a discussion of how much of the policy objective might be sacrificed by applying a partial/full exemption; and how much of the overall cost to business is expected to fall on small and micro businesses. The potential for mitigation measures is key.

High impact – consultation stage IA

17. In this scenario, the RPC would expect to see an IA with a thorough approach, and would be inclined to reject arguments based on resource constraints except in extreme or unusual circumstances. In addition to the requirements for a medium impact consultation stage IA, this would include the following:

- A clear, well evidenced rationale for intervention.
 - The IA should make a convincing argument in favour of the proposal, using economic theory and empirical evidence to back up its claims. It should show that in the absence of the intervention there will be negative outcomes and/or Government objectives will not be met, and that the proposed course of action is generally supported by the evidence.
- A counterfactual discussed in detail. Where possible, evidence of the impact of the counterfactual should be assessed.
 - Significant effort should be put into explaining why the counterfactual has been chosen. This should involve a detailed description of likely future developments in a regulated market or sector. Assumptions made about the future should be clearly stated, logical and based on evidence where possible. If evidence is not available, the IA should provide a clear explanation of how this could be rectified during consultation and scenario-based or sensitivity analysis may be appropriate.
- Detailed analysis of the likely impact of the options, with estimates where possible. Assessments will be based on modelling, which should be fully explained and justified.
- Detailed analysis of the likely impact of the options, with estimates where possible.
 - Formal and detailed evidence is expected to inform estimates at this level of impact. Key assumptions should be well-justified. The consultation should have a clear plan to fill gaps in the evidence, and to test estimates and assumptions with stakeholders.
 - The IA should list and describe impacts of the policy, including wider ones. A missing cost or benefit will be more likely to result in a red-rating. The assessment should make it easy to compare the outcomes of different policy options. It should also explain which impacts cannot be estimated and how consultation will be used to gather evidence to support the final stage analysis.
 - Risk and uncertainties related to impacts should be discussed.

- Not all impacts need to be fully monetised but a detailed qualitative description of impacts is necessary. Where possible the IA should also estimate costs and benefits. There should be evidence that the estimate of expected scale is reasonable at this stage.
- Sensitivity analysis should be used where estimates are reliant on given assumptions to demonstrate the potential range of the impact.
- A description of all the businesses of all sizes likely to be affected and how. The SaMBA should explain clearly, with appropriate evidence, the decision the Department has made with respect to exempting small and micro businesses in scope, and should take into account the fact that present policy is to default to exempting such businesses unless doing so would invalidate the purpose of the policy.
 - A sufficient SaMBA must be included providing: i) initial consideration of applying exemption and mitigation; iii) discussion of how much of the policy objective might be sacrificed by applying a full exemption; and how much of the overall cost to business is expected to fall on small and micro businesses.
 - If it is demonstrably not possible to exempt small businesses from the scope of the policy, the IA should present clear reasoning why this is so using good quality evidence and logical assumptions. The IA should also plan to test during consultation for viability of introducing a small and micro business exemption.
- Although the IA should attempt to provide a reasonably accurate estimation and discussion of the above-mentioned points, since this is still consultation stage, uncertainties over estimates and unavailability of evidence will be understandable. This should be supported by good quality evidence as far as possible – any gaps in evidence should be identified and a plan how consultation could be used to close these gaps presented.

Final stage IA

Low impact – final stage IA

18. A light-touch at this level of impact is appropriate, and the RPC is more likely to be sympathetic to arguments based on resource constraints. IAs should include:

- A clear description of the policy.
- A description of the businesses likely to be impacted and how (i.e. what will businesses do in response to measure, and what will businesses need to do differently as a result of the measure).
- A straightforward analysis of the likely impacts of the measure.
- Estimates and assumptions supported by easily obtainable, but robust, evidence. The IA would use available data sources and easily collectible formal or informal consultation evidence (focuses on key stakeholders, e.g. industry bodies or trade unions; a high number of consultees and/or a high response rate are not required as long as the view of the key players is represented).
- A best estimate of the monetised impact. Indirect impacts do not need to be monetised or discussed in detail but it would be good practice to highlight what they are. Estimating the impact of the policy based solely on assumptions (in the absence of evidence) should be a measure of last resort and should be well justified.
- A focus on qualitative discussion of impacts and mitigation measures, supported by readily available statistics and simple calculations. Only a brief description of mitigation measures should be provided.
- A sufficient SaMBA, with a default towards exemption, including:
 - An indicative assessment of the number of small and micro businesses affected.
 - An assessment of the proportion of the benefit of the policy that would be sacrificed by applying a full exemption; and the proportion of the overall cost to business expected to fall on small and micro businesses. If no such estimates are provided, explain why this is not possible/proportionate. A consideration of some limited mitigation options should also be included.

Medium impact – final stage IA

19. The RPC expects to see a more detailed and evidenced IA here and is less likely to be sympathetic to arguments based on resource constraints as compared to low impact final stage IAs. IAs should include:

- A clear description of the policy.
- A description of the businesses likely to be impacted and how (i.e. what will businesses do in response to measure, and what will businesses need to do differently as a result of the measure).
- Detailed analysis of the likely impacts and the scope of the measure.
- Estimates and assumptions based on robust evidence, including relatively detailed formal consultation which captures the views of a wider range of stakeholders than for low impact. It should draw on a wider range of data sources including academic literature, government and industry reports. It may require the collection of additional data if this is needed to fill key evidence base gaps - or explains clearly why the department has not chosen to do so, if appropriate.
- Data that are relevant, reliable, unbiased and complete.
- A detailed description of any areas where relevant evidence is lacking, why this is the case and what efforts have been taken to gather relevant evidence.
- Identification of the most likely and/or significant risks and uncertainties and their potential effects on the measure's impacts. Low, high and best estimates of impacts if uncertainty is high. Justification for the choice of the best estimate.
- Greater, but possibly not full, monetisation compared to low impact.
- A sufficient SaMBA, with a default to exemption, including a final assessment of the number of small and micro businesses affected. An assessment of the proportion of the benefit of the policy that would be sacrificed by applying a full exemption; and the proportion of the overall cost to business expected to fall on small and micro businesses. If no estimates are provided, explain why this is not possible/proportionate. Mitigation measures including supporting evidence should be presented but it is not necessary to discuss a wide range of alternatives.
- At this level the IA should present a more detailed quantitative analysis of impacts but a complex methodology or modelling is not appropriate.

High impact – final stage IA

20. At this level of impact the RPC expects to see an IA with a thorough approach and would not generally be sympathetic to arguments based on resource constraint. In addition to that needed for a medium impact final stage IA, this would include:

- A clear description of the policy.
- A description of the businesses likely to be impacted and how (i.e. what will businesses do, perhaps differently, in response to the measure).
- The monetisation of all impacts for which this is possible.
- Evidence from a comprehensive formal consultation, using a sample of consultees that is representative of affected businesses and other stakeholders – with high response rates.
- Bespoke data gathered in support of assumptions. This may involve commissioned work.
- Estimates and uncertain assumptions that have been tested with stakeholders and/or are based on robust data. If there is significant uncertainty or risk, this should be explored using sensitivity analysis and/or scenario analysis.
- Assessments that are based on modelling, which should be fully explained and with justifiable methods.
- A clear and well-evidenced assessment of which impacts are within scope of the Business Impact Target (the direct and indirect impacts, and why they have been categorised as such). There also needs to be an analysis of the distribution of impact of the policy.
- A sufficient SaMBA, with a default towards exemption, including a final assessment of the number of small and micro businesses affected. There needs to be detailed consideration of the impact of applying an exemption and mitigation, to support the decision being taken, including:
 - An assessment of the proportion of the benefit of the policy that would be sacrificed by applying a full exemption; and the proportion of the overall cost to business expected to fall on small and micro businesses. If no estimates are provided, IA should explain why it is not possible/proportionate.
 - Mitigation measures (and a clear plan of implementation) should be discussed if it is not viable to exempt small and micro businesses. Estimates of impact should be supported by good quality evidence and, where appropriate, by modelling.

Post Implementation Reviews

This information applies to all PIRs above de minimis

PIRs must provide appropriate evidence to support the decision to renew, revise, remove, or replace the regulation under consideration.

A key part of proportionately in constructing a PIR is ensuring that all data and information generally is collected over time (generally the five-year period as defined in the legislation). This will ensure that analysis can be constructed in an efficient manner using readily available sources and will not be “back-ended” at the end of the review period.

Low impact (£5mn-£10mn EANDCB) – PIR

21. In this scenario, the RPC would normally expect to see a light-touch, low-resource PIR including:

- A clear statement as to whether the measure has met its objectives.
- A light-touch approach to consultation and research. This would normally include an attempted informal consultation with the main affected agents e.g. trade associations, business representative organisations and large firms, and analysis of published data sources.
- Evidence supporting estimates of actual impacts, including business and non-business. The PIR should address issues that may have affected the accuracy of assumptions used in the original IA – if quantitative data are not readily available, a qualitative discussion will be sufficient.
- Conclusions with reference to evidence from key stakeholders and discussion of whether these respondents’ views were representative of industry.
- A consideration and discussion of unintended consequences and the wider effects of the policy.
- A discussion of the scale of any identified problems.

Medium impact (£10mn-£50mn EANDCB)– PIR

22. In addition to the requirements above, this would include:

- A clear statement as to whether the measure has met its objectives.
- A thorough approach to PIR consultation and research, normally including formal and informal consultation of affected agents and analysis of published data sources. A fuller survey with reasonably high response rates to capture outcomes for business should be employed and, where possible, an empirical impact evaluation with a well-designed counterfactual.
- Evidence from more than one data source.
- Conclusions with reference to evidence from stakeholders who are relevant to the policy.
- Consideration and discussion of unintended consequences and the wider effects of the policy.
- Greater focus on scope for amending regulations and discussion of the feasibility and purpose of the proposed amendments. Discussion on whether the assumptions used in the original IA are still the best available.
- A discussion of limitation and uncertainties related to analysis identified in the original IA.
- A discussion of the level of compliance with regulations under review.
- A consideration of lessons for future IAs and, if considered necessary, a re-calculation of the estimates of benefits to business.

High impact (>£50mn EANDCB) – PIR

23. In addition to the medium requirements above, this would include:

- A clear statement as to whether the measure has met its objectives
- A thorough approach to consultation and research, normally including formal and wide-ranging consultation of the affected agents and analysis of published data sources, and commissioning of bespoke research if necessary. A comprehensive survey with high response rates to capture outcomes for business should be employed, as should an empirical impact evaluation with well-designed counterfactual.
- A thorough explanation for the recommendation to renew, revise, remove or replace.
- A rigorous scrutiny of all key assumptions underpinning the original assessment and a detailed analysis of the counterfactual, aimed at identifying methodological errors which might have influenced original impact estimates.
- Detailed consideration of the scope for amending regulations, especially if the original measure was costly to business, and a discussion of the feasibility and purpose of the proposed amendments.
- Conclusions with reference to evidence from a wide range of stakeholders, including industry groups, civil society organisations and independent experts.
- Evidence from a wide variety of data sources e.g. survey/desk research/academic literature/studies etc.
- Consideration and discussion of unintended consequences and the wider effects of the policy.
- A discussion of the limitations and uncertainties related to analysis identified in the original IA.
- For implementing EU requirements, a discussion of other nations' experiences, and evidence sought in relation to this.
- A discussion of the level of compliance with regulations under review.
- A consideration of lessons for future IAs and, if considered necessary, a re-calculation of the estimates of benefits to business.

Annex A – reasons behind EANDCB and SaMBA red rating

These are the main underlying areas the RPC consider when deciding between a green or red rating for both consultation and final stage types of IA. The RPC issues a red rating when it considers that the EANDCB cannot be verified or that the SaMBA is deficient.

Issues which would be likely to invalidate the EANDCB include:

- **The absence of a clear rationale and explanation.** The suggested policy option needs to be described properly and logically. If it is not possible to tell why the policy is needed and what it is intended to achieve, then subsequent analysis of impacts is very likely to be significantly flawed – including the EANDCB.
- **A lack of full, clear and structured descriptions of significant costs and benefits.** A red-rating might result from failing to include a cost/benefit or group of costs/benefits to business, especially if it is significant and could affect the EANDCB. For example, if a new regulation requires businesses to provide their employees with stand-up desks, not including the costs of purchasing these desks would be “missing costs”. Costs and benefits need to be described even if monetisation is not possible. Costs and benefits that do not appear at first sight to be business related need to be carefully thought through, as businesses are often affected by changes that impact all citizens.
- **Missing familiarisation and transition costs.** If an IA does not include calculations of how businesses will familiarise themselves with the regulations and any costs incurred in preparing to comply with the regulations this could result in a red rating as the EANDCB would not be correct.
- **Insufficient evidence to support calculations.** Evidence gaps here could result in a red rating. Evidence should show that the IA, and major direct business impacts, are accurate to within 5% or £100 million (whichever is smaller). As above, a failure to understand social impacts fully may well result in an insufficient EANDCB. It will also, of course, result in an IA which does not inform Parliament and the public as it should.
- **Indirect and direct impacts being confused.** A potentially red-rateable mistake would be to consider direct impacts as indirect or indirect impacts as direct – in either case the EANDCB would be incorrect.
- **Issues with the appraisal period and base year.** Using an inappropriate base year or an incorrect appraisal period can result in incorrect calculations

and thus a red rating due to an incorrect EANDCB. For example, health benefits tend to rely on longer appraisal periods as this is appropriate for quantifying and measuring health benefits.

- **Miscalculating the EANDCB generally.** Above and beyond all of the sub-reasons, the EANDCB needs to be accurate, with mis-calculations leading to a red rating.

Issues with the SaMBA

An insufficient or entirely missing small and micro business assessment is likely to result in a red rating. More detailed information on SaMBA policy is included in a specific guidance document.

For PIRs to obtain a green-rating:

- Sufficient evidence, accuracy and clear explanations as to why to renew/review/retain the policy are as important as in IAs. Similarly costs and benefits need to be properly calculated in the same way as for an IA.
- PIRs need to investigate whether or not the policy outcome has been different from the one anticipated in the original IA and discuss the differences clearly if it has been.

Annex B – accuracy

As set out in paragraph 10, the “The RPC expects to see EANDCBs, as well as significant direct costs to business, accurate to within £100 million or 5% (whichever is smaller). Minimum proportionate analysis is therefore whatever is necessary to achieve that. Other costs and benefits can be assessed to this level of accuracy if proportionate”. This guidance is provided to help support departments in making decisions in relation to the effort and resource that should be applied.

There are several important factors to consider when thinking about ensuring a proportionate approach:

- Analysis must still be based on appropriate methodologies and reasonable approaches informed by an appropriate level of evidence gathering. The principle in relation to accuracy can help guide the scale of analysis into impacts but does not mean inappropriate approaches or methodologies can be used to calculate impacts.
- IAs and PIRs should discuss how issues of accuracy and proportionality have been tackled in the analysis. For example, by discussing the proportionality of improving accuracy (especially where there are increased levels of uncertainty).
- Analysis must still include appropriate justifications for assumptions, especially where they have the potential to have significant impacts on the accuracy of the figures. Where assumptions are likely to have effects of less than 5% on figures this may help guide the amount of evidence used to justify the assumption.
- Care should be taken when considering the compound effects of the accuracy of figures. For example, a relatively simple calculation (such as time x wage x volume) with an error in the three figures of under 5% can lead to an error in the final figure of nearly 15% (e.g. $95\% \times 95\% \times 95\% = 85.7\%$).
- Further, assumptions on different elements such as the 5% above, where the errors all go in the same direction, should not be made to compensate or offset perceived biases without good reason. Thus, an optimistic assumption for one element should not deliberately offset by a pessimistic one on another element (or vice versa) without a clear and very good justification.

More generally, it is not for the RPC to demonstrate that an issue with accuracy could lead to a significant error, but for the IA or PIR to provide sufficient assurance that it will not.