

FOI2016/17535: second email chain for release

From: Pedrotti Tony (RPC) [REDACTED – S40]

Sent: 28 July 2011 14:06

To: [REDACTED – S40]

Cc: [REDACTED – S40] ; Richardson, James – HMT <[REDACTED – S40]

[REDACTED – S40] [REDACTED – S40] ; Hotopp Ulrike (EPA) <[REDACTED – S40] >

Subject: RE: [RESTRICED] RE: Clarification request from the RPC regarding the use of a 2.4 multiplier by the Department of Health

[REDACTED – S40]

Thank you for this clarification - much appreciated.

Tony

Tony Pedrotti

Regulatory Policy Committee

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London, SW1H 0ET

Tel: [REDACTED – S40]

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From: [REDACTED – S40] - HMT [mailto:[REDACTED – S40]]

Sent: 28 July 2011 13:12

To: Pedrotti Tony (RPC)

Cc: [Donald Franklin - DH] [REDACTED – S40]; Richardson, James - HMT; [REDACTED – S40] - HMT; [REDACTED – S40] (AE); Hotopp Ulrike [REDACTED – S40] (EPA)

Subject: [RESTRICED] RE: Clarification request from the RPC regarding the use of a 2.4 multiplier by the Department of Health

Tony (CC for information see list above)

I have clarified the advice on this to deal with possible misunderstandings arising from the different meanings associated with the terms "Impacts" and "Impact Assessments" but the thrust of the advice is unchanged.

The revised wording is given below.

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HMT advise that use of this method of optimising choices within DoH budgets through use of this cost benefit ratio is compliant with the Green Book, but it is not a true measure of a SOCEF and it is not intended to be one. This ratio should not be used outside of the DoH spending optimisation context. It is not an integral part of the cost benefit analysis as such but is a rule of thumb standard against which the results of the CBA are prioritised. It is hard to see how it is applicable to Regulatory IA appraisal other than as described above to optimise the use of DoH budget where a regulation also involves expenditure.

The Treasury recognises that in order to appraise individual proposals within a budget constraint on a consistent basis, it is sensible for departments to adopt appraisal rules that capture the value foregone. The use of a standard estimated

benefit to cost ratio which reflects a department's marginal project benefit and the budgetary impacts is a technically sound approach to capturing the opportunity cost of new proposals. Given that much of its spending is devoted to generating health gains, it is appropriate for the DH to deploy the evidence base regarding respectively the social value of a QALY and the marginal cost of NHS production of a QALY to calculate a marginal B:C multiple, this being the source of the 2.4 multiple currently in use.

This applies only to optimisation within the DoH budget constraint and we advise great caution in applying this multiple elsewhere in DoH (i.e. outside a QALY context), HMT does advise that DoH should use it consistently across all spending proposals that it reviews, and it should apply when assessing both effects on DoH budget and effects on other departments budgets or upon tax revenues. This is to provide a level playing field so to avoiding distortions which might otherwise favour health impacts or favour the DoH budget relative to other government goals and budgets.

.....
I hope this is helpful and am happy to discuss.

PS. Footnote regarding the misunderstandings referred to:-

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they arise from the general use of the term "impacts" verses the special use of the term "impact assessment." The latter IA term is taken in Green Book to refer exclusively to "regulatory" impact assessments as defined by the BRE IA guidance and toolkit.

The term impact assessment in addition to this special meaning has come to be widely used interchangeably for appraisal. The standard Green Book description as used in supplementary guidance has remained that Appraisal is the analytical process recommended by Green Book and that it feeds both "regulatory IAs" on one hand and "spending Business Cases" on the other each of which have their own different guidance and requirements on process. [REDACTED – OUT OF SCOPE]

It would help clarity if "Regulatory" could make its way back into the IA guidance and toolkit titles at some point.

Regards [REDACTED – S40]

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Green Book Web Page
<<http://www.hm-treasury.gov.uk/greenbook>>

Business Case Resources Web page

<http://www.hm-treasury.gov.uk/data_greenbook_business.htm>

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