# Final stage impact assessment

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Title:

…

Type of measure:

…

Department or agency:

…

IA number:

…

RPC reference number:

…

Contact for enquiries:

…

Date:

Prior to measures being laid in Parliament you should prepare the final stage impact assessment (also known as the regulatory impact assessment) to be laid alongside. All sections should be updated and finalised, including the scorecard and evidence base, quantifying impacts where appropriate and proportionate to do so. **This impact assessment is expected to be published and sensitive material, which may include the long list and summary table, should be removed prior to publication.**

## 1. Summary of proposal

Summary of proposal

## 2. Strategic case for proposed regulation

(see Green Book Ch 3.2, 4)

Description of policy problem and overall rationale for intervention:

* What is the problem under consideration?
* What evidence is there to support the problem statement?
* Why is government action or intervention necessary?
* What gaps or harms would occur if government doesn’t intervene?
* If applicable, has a post-implementation review of the existing regulation been undertaken. If so, what were its findings and how does the information the rationale? If not, why not? Has there been evaluation of any previous regulation in this area?

## 3. SMART objectives for intervention

* What are the policy objectives of the action or intervention and the intended effects?
* What are the intended outcomes of intervention?
* Can these be described in a specific, measurable, achievable, realistic and time-limited (SMART), or similar, way?
* Are there any other indicators of success that should be considered?
* How do these objectives align with HMG objectives, for example around growth?

## 4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

* Set out a brief description of the preferred option and explain how it achieves the objectives
* Is this an extension of an existing regulation, or otherwise applies tried-and-tested methods?
* Please provide a logic model, theory of change, or similar process map showing how this intervention will achieve the objectives

## 5. Summary of long-list and alternatives

(see Green Book Ch 4. Long list options may be removed prior to publication of the final impact assessment where it may not be appropriate to include them)

* Summary of long-listing appraisal; please show how the process moved from a long list to a short list
* Include a description of alternatives considered and why they were discarded
* SaMBA and medium-sized business scope: include evidence for how you assessed whether small and micro businesses should be in scope of this policy, as well as a separate assessment for medium-sized businesses of between 49 and 500 employees
* To avoid duplication you do not need to include short list and preferred option which should be covered elsewhere

## 6. Description of shortlisted policy options carried forward

* Summary of shortlisting appraisal; please show how the process moved from a short list to a preferred way forward
* SaMBA and medium-sized business impact: does the preferred way forward have an especially high impact on small and micro businesses? Separately, the same question for businesses with between 50 and 499 employees?
* SaMBA and medium-sized business mitigations: If SMBs are in scope and the impacts on them are expected to be disproportionate please indicate the planned mitigations. Likewise for medium-sized businesses.
* To avoid duplication you do not need to include the preferred option, as it should be covered elsewhere

## 7. Regulatory scorecard for preferred option

Please provide quantitative estimates and qualitative descriptions of impacts under each heading in the following sections. The right-hand column for directional ratings should be based on the description of impact and the sign of the suggested indicator (NPV, NPSV, all impacts): **Green** – positive impact, **red** – negative impact, **amber** – neutral or negligible impact, **blue** – uncertain impact. Please use the colours in the examples shown below, as these are suitable accessible colours. Please see BRF guidance technical annex for definitions.

### Part A: Overall and stakeholder impacts

|  |  |  |
| --- | --- | --- |
| **(1) Overall impacts on total welfare** | | **Directional rating**  **Note: Below are examples only** |
| **Description of overall expected impact** | Provide a qualitative description of the overall expected impact of the regulation on social welfare. Where this is driven by groups other than businesses or households, please specify. | **Uncertain**  **Based on all impacts (incl. non-monetised)** |
| **Monetised impacts** | Total £ NPSV (with ranges)  Add separate lines for large impacts which net off  Please list any significant monetised costs/benefits not covered below | **Negative**  **Based on likely £NPSV** |
| **Non-monetised impacts** | Please list any significant non-monetised costs/benefits not covered below | Choose an item. |
| **Any significant or adverse distributional impacts?** | Yes/No  If there are distributional impacts not flagged below for businesses and households, please specify. | Choose an item. |

|  |  |  |
| --- | --- | --- |
| **(2) Expected impacts on businesses** | | |
| **Description of overall business impact** | Provide a qualitative description of the expected impact on business | Choose an item. |
| **Monetised impacts** | Business NPV (if available) £ Approx net financial cost to business EANDCB £ of which admin costs £  Please indicate if pass through to households has been deducted from these figures  Please indicate any pass through costs from households to business (if available) £ | **Neutral**  **Based on likely business £NPV** |
| **Non-monetised impacts** | Please list any significant non-monetised costs/benefits | Choose an item. |
| **Any significant or adverse distributional impacts?** | Yes/No  Provide a short description of impacts on the following groups, especially if the impacts are disproportionate and how the policy seeks to mitigate these:  Specific business sectors  Regional impacts  Please note SaMBA impacts and mitigations are covered in sections 5 and 6 above as this is red-rateable. | Choose an item. |

|  |  |  |
| --- | --- | --- |
| **(3) Expected impacts on households** | | |
| **Description of overall household impact** | Provide a qualitative description of the expected monetary impact on households (or individuals if more appropriate) directly impacted by the regulation | Choose an item. |
| **Monetised impacts** | Household NPV (if available) £  Approx net financial cost to household EANDCH (if available) £ of which admin costs £ Please indicate if pass through to businesses has been deducted from these figures  Please indicate any pass through costs from business to households (if available) £ | **Positive**  **Based on likely household £NPV** |
| **Non-monetised impacts** | Please list any significant non-monetised costs/benefits | Choose an item. |
| **Any significant or adverse distributional impacts?** | Yes/No  Provide a short description for impacts on the following groups and how the policy seeks to mitigate these: Low income Other impacted groups Regional | Choose an item. |

### Part B: Impacts on wider government priorities

|  |  |  |
| --- | --- | --- |
| **Category** | **Description of impact** | **Directional rating** |
| **Business environment:**  **Does the measure impact on the ease of doing business in the UK?** | In the round, do you expect the measure to impact on ease of doing business in the UK? Key considerations may include:  the impact on the attractiveness of the business environment  the impact on barriers to entry  market concentration and competition  the impact on foreign investment  the scope for businesses to bring innovative products and services to market. | **May work against** |
| **International Considerations:**  **Does the measure support international trade and investment?** | Does the regulation impact on international trade by either directly or indirectly reducing or imposing barriers to exports or imports?  Does the regulation impact on international investment? Has evidence been gathered to understand international best practice and have international impacts been considered?  If trade and investment impacts exist, note that there may be WTO, FTA or broader international obligations applicable. See guidance in evidence base. | **Uncertain** |
| **Natural capital and Decarbonisation:**  **Does the measure support commitments to improve the environment and decarbonise?** | Provide a summary of whether the measure will help to improve the state of [UK natural capital](https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020#a1-non-market-valuation-and-unmonetisable-values) and decarbonisation of the economy (noting these may differ). Where the measure is expected to significantly the environment or [greenhouse gas emissions](https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal) provide quantitative estimates where possible | **Neutral** |

## 8. Monitoring and evaluation of preferred option

Please give a high-level description of when and how the post-implementation review will be carried out, including data to be collected, impacts which will be assessed and policy outcomes to be measured.The questions below are not intended to be a prescriptive nor exhaustive list of areas to cover in the initial plan.

* When do you intend to carry out a post-implementation review of the policy (maximum 5 years)? What is the rationale for choosing this date?
* How will the impact of the new arrangements be monitored?
* What are the main external factors that will have an impact on the success of the intervention?
* How will you assess whether the original objectives have been met, or whether the intervention should be amended? This might include any indicative questions to be answered [see p.31 of the Magenta Book for further guidance].
* How might you assess whether there have been unintended consequences for businesses or households? This includes any disproportionate or unexpected administrative costs.
* What are the monitoring and evaluation provisions in place for any existing/related regulatory measures, and how can they maintain the appropriate flexibility?
* Are there any existing sources of data that could be used to inform the review? Are there any known issues with accessing or collecting the data that is required?
* What circumstances/changes in the market or sector would require the policy to be reviewed sooner or change the preferred option?

## 9. Minimising administrative and compliance costs for preferred option

Please state how you intend to minimise the administrative burdens of complying with the regulation. This should include burdens on businesses and people. It should include factors such as time taken for familiarisation, filling in forms, reporting requirements etc.

## Declaration

Department:

…

Contact details for enquiries:

…

Minister responsible:

…

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.

Sign here

Signed:

Date

Date:

## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

### Price base year:

…

### PV base year:

…

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| This table may be reformatted provided the side-by-side comparison of options is retained | **1. Business as usual (baseline)** | **2. Do-minimum Option** | **3. Preferred way forward (if not do-minimum)** | **4. More ambitious preferred way forward** | **5. Less ambitious preferred way forward** |
| **Net present social value**  (with brief description, including ranges, of individual costs and benefits) | … | … | … | … | … |
| **Public sector financial costs** (with brief description, including ranges) | … | … | … | … | … |
| **Significant un-quantified benefits and costs** (description, with scale where possible) | … | … | … | … | … |
| **Key risks**  (and risk costs, and optimism bias, where relevant) | … | … | … | … | … |
| **Results of sensitivity analysis** | … | … | … | … | … |

## Evidence base

|  |
| --- |
| **[Please delete this box upon submission to the RPC]** [Guidance note] [Departments have the discretion to set out their evidence base – provided the appropriate analysis is included. The below suggested sections will help ensure relevant factors are considered. In addition a number of general principles should be considered: use plain English to ensure the document is accessible to a range of stakeholders; the analysis should be proportionate and consider the relevant impacts; evidence should be developed collaboratively drawing on a range of stakeholder views; evidence should be updated to reflect recent developments, such as consultation responses; where it will help ensure the IA is readable and accessible consider the use of annexes for very detailed or technical information.]  For further guidance please see the [HMT Green Book](https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020), the [Better Regulation Framework](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/735587/better-regulation-framework-guidance-2018.pdf), [Guide to Making Legislation](https://www.gov.uk/government/publications/guide-to-making-legislation) and [RPC case histories](https://www.gov.uk/government/collections/rpc-case-histories)] [Formatting note][Please delete text for this section. Replace the notes on this page with the text for the evidence base.][Text in italics is intended to provide guidance for those completing the IA and should be deleted when completing the template.][To maintain consistent formatting, apply Styles from the toolbar (the main body of text should be Arial, size 12). The Paste Without Format toolbar button can be used to paste text from other documents in the current style.][Continually numbered paragraphs and page numbers make the document easier to navigate and cross-reference throughout. Consistently formatted headings with logical numbering structure (where used). A contents page upon completion of the IA, especially for IAs above 15-20 pages.] **[Please delete this box upon submission to the RPC]** |

### Problem under consideration, with business as usual, and rationale for intervention

* What is the issue being addressed (that is, is there a market failure and what government objective(s) does the proposal aim to meet)?
* What are the current or future harms that are being tackled?
* What sectors / markets / stakeholders will be affected, and how, if the government does intervene?
* Why is government best placed to resolve the issue? Could the issue be resolved without intervention (e.g. through the market, innovation or other stakeholder-led change)?

### Policy objective

* What are the intended outcomes? What will change as a result of intervention?
* Can the objectives / outcomes be described in a SMART (or similar) way?
* What will the indicators of success be?

### Description of options considered

* Use HMT’s Green Book and Business Case Guidance to appraise options against the SMART objectives above, specifically:
  + Outlining the longlist appraisal conducted using Chapter 4 of Green Book.
  + Outlining the shortlist appraisal conducted using Chapter 5 of Green Book, including the BAU as a benchmark and a do minimum option.
* Outline also:
  + What consideration has been given to international comparisons and practices.
  + How the options will deliver the desired outcomes.
  + How the options interact with existing legislative and regulatory requirements.
  + Where options have been considered as part of policy development or a consultation, these should be discussed in the final stage IA as evidence relating to options discarded is an important aspect of the evidence base.

### Summary and preferred option with description of implementation plan

* How will the preferred option be given effect, that is, primary or secondary legislation / will there be transitional arrangements?
* Explain how the intervention would lead to the intended achievement of the policy objective.
* When will the arrangements come into effect?
* Who will be responsible for ongoing operation and enforcement of the new arrangements?
* Does the approach to implementation enable sufficient flexibility and scope for experimentation / piloting / trialling?

### NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)

* Use the appraisal summary table on p8 to summarise the shortlisted options, including:
* Summarise the expected costs and benefits of the proposed approach.
* Give monetised values where possible.
* Summarise how values align with findings received from consultations.
* Include appropriate sensitivity analysis and/or other analytical approaches to risk and uncertainty.
* Shortlist appraisal in line with Green Book primarily uses NPSV as the ‘metric’ along with considering non-monetised impacts. Effects are monetised proportionality, focusing in on the main impacts expected on society as a whole and those important for understanding which options best deliver on the objectives of the intervention. In some cases, it will not be possible to split impacts within the NPSV between households and businesses, rather than society as whole, but it is more likely for regulations that incur cost impacts on a group, particularly businesses, and pass-through/transfers may be relevant. For example, where a regulation has a financial impact on businesses:
  + If the impact is expected to fall all on businesses, with no pass-through to other groups, then the cost should just be registered to businesses in the NPSV and the same for the BNPV.
  + Where potential pass-through is relevant and it is thought businesses may pass the costs on elsewhere, for example to households, the assumptions on pass-through must be outlined clearly and an objective basis given for them. The relevant estimates within the NPSV should be adjusted for pass-through and the same presented in the BNPV and HNPV.

### Costs and benefits to business calculations

* Using analysis within the NPSV, in line with the Framework guidance, analysis should cover the expected costs and benefits of the proposed approach to business. For better regulation framework purposes, “business” is short for business and voluntary and community bodies (VCBs). Assessments of business impacts will, therefore, need to take account of any impacts on VCBs.”
* Costs and benefits should be monetised as far as possible, allowing for the calculation of Business Net Present Value (BNPV) which will include both direct costs/benefits and, as far as they are significant, indirect and behaviour responses (such as pass-through). Departments should also calculate policy and administrative costs of the regulation to business.
* Consideration should also be given to distributional impacts. Does the policy affect businesses across the whole economy or a narrow sector, businesses of a certain size, or a particular region?
* Analysis could also include wider indirect impacts on business / VCBs.
* Include any significant non-monetised effects.

### Impact on small and micro businesses

* Will the measure impact small or micro businesses (SMBs)? Could SMBs be exempted while achieving policy objectives? Would there be any disproportionate burdens on small and micro business?
* If SMBs cannot be exempt and the burdens on SMBs is disproportionate, what mitigation measures to reduce the impact on SMBs could be applied and what is the rationale for the ones chosen?
* What are the overall costs that fall on small/micro business?
* For further guidance please see the [RPC’s guidance on Small and Micro Business assessments.](https://www.gov.uk/government/publications/small-and-micro-business-assessment-samba-guidance)

### Costs and benefits to households’ calculations

* The definition of a household in this context is one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room, sitting room or dining area.
* If it makes more sense, owing to the nature of the policy, to calculate the costs and benefits on individuals, consumers, or some other person grouping, rather than households, this should be done instead and explained.
* Costs and benefits should be estimated and monetised as far as possible: a “direct” impact for households/individuals will include any direct cost/benefits of the policy, and also any pass-through from business which an intended outcome of the policy. The full guidance outlines the sort of pass through which should be shown and gives examples. These costs and benefits should be used to construct Equivalent Annual Net Direct Costs to Households (EANDCH), as well as setting out the key financial impacts on households.
* Consider the distributional impacts of these effects on households. Do they affect certain regions or socio-economic groups in particular?
* Analysis could also include wider impacts to individuals (that is, employees, consumers).
* Include any significant non-monetised effects.

### Business environment

* How will the intervention affect the attractiveness of the business environment which could encourage or hinder investment in the UK?
* How will the intervention affect wider incentives and behaviours that are likely to enable or restrict innovation?
* How will the intervention affect markets where products or services are supplied by private or public organisations? Where impacts are likely to affect competition, Departments should consider completing the Competition and Market Authority’s (CMA) [“competition assessment checklist”](https://www.gov.uk/government/publications/competition-impact-assessment-guidelines-for-policymakers) to supplement their analysis.
* Depts should also think about how the policy affects barriers to entry and market concentration where appropriate.
* How will the intervention affect wider business incentives and behaviours, such as enabling or restricting investment?

### Trade implications

* For measures with impacts on international trade and investment, you need to consider if the regulatory proposal is compliant with international obligations, the broader impacts to the UK’s regulatory environment, and the impact on trade partners if the UK is diverging from existing regulatory approaches. You should consider those impacts in consultation with the Department for International Trade (DIT) to review your RIA and consider whether your measure will require notification to the World Trade Organisation (WTO) or FTA partners. You should also assess how the UK regulatory proposal could interact with regulations that our exporters may face in export markets and whether the regulatory proposal could inhibit or create additional barriers for businesses that would like to export relevant products or services.
* For goods and services regulations, Departments should include an assessment of whether the measure will have different requirements for businesses in the UK compared to those from foreign countries, and demonstrate how the measure is consistent with the UK’s international obligations. Responses should list the international obligations that regulations could interact with to ensure that the overall impacts of regulatory change on trade can be monitored.
* For further guidance, please refer to the FCDO’s Divergence Analytical Framework and DIT guidance (available through your BRU) or contact the DIT Better Regulation Unit ([dit.bru@trade.gov.uk](mailto:dit.bru@trade.gov.uk)).
* For technical barriers to trade, please contact the [TBTEnquiriesUK@trade.gov.uk](mailto:TBTEnquiriesUK@trade.gov.uk). See also [WTO Guidance](https://www.gov.uk/guidance/trading-under-wto-rules)

### Environment: Natural capital impact and decarbonisation

* All policies, where relevant, must have due regard to the [Environmental Principles Policy Statement](https://www.gov.uk/government/publications/environmental-principles-policy-statement/draft-environmental-principles-policy-statement), and demonstrate how the policy will affect the achievement of the [legally binding Environment Targets](https://consult.defra.gov.uk/natural-environment-policy/consultation-on-environmental-targets/supporting_documents/Environment%20Targets%20Public%20Consultation.pdf) set out in the Environment Act.
* To identify and demonstrate impacts on the natural environment, you should appraise those in line with Defra’s supplementary guidance to the Green Book on [Enabling a Natural Capital Approach](https://www.gov.uk/guidance/enabling-a-natural-capital-approach-enca)
* Appraisal and valuation of energy usage and greenhouse gases should be conducted in line with [BEIS’s supplementary guidance to the HMT Green Book on valuation of energy use and greenhouse gas emissions for appraisal.](https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal)
* Where the measure is expected to significantly impact greenhouse gas emissions (either positively or negatively), you may wish to provide quantitative estimates of the CO2 emissions (Million tonnes CO2 equivalent).

### Other wider impacts (consider the impacts of your proposals)

* Document any other relevant impact here and by attaching any relevant specific impact analysis (e.g. equalities, etc.) in the annexes to this template.
* Externalities: consider impacts to public health, defence, national security, animal welfare, systemic risk, market resilience and any other significant effects which are not captured elsewhere.
* Analysis could also include any relevant public sector impacts not covered already.
* This is not an exhaustive list and other considerations may be relevant and important. If so, they should be included.

### Risks and assumptions

* These should be justified and have an objective basis in research, or clear rationale why assumptions are the best proportionally available evidence (especially if using proxies or estimates).
* Where assumptions and evidence sources have been used these should be transparently referenced (e.g. consider whether these assumptions and their source could be presented in a single place to support transparency).
* It should identify where the gaps are in the evidence base, and any uncertainty surrounding the assumptions made in the assessment.
* Provide consideration on how risks will be mitigated.