



**CABINET
OFFICE**

A QUICK GUIDE TO REGULATORY IMPACT ASSESSMENT

- How to get started
- The importance of RIAs
- Where to look for help and advice



What is an RIA? A Regulatory Impact Assessment (RIA) is an analysis of the likely impact of a range of options for implementing a policy change. There is a standard format for RIAs, which is set out in detail in separate guidance entitled '**Better Policy Making; A Guide to Regulatory Impact Assessment**' available from the Cabinet Office Regulatory Impact Unit on the internet at www.cabinet-office.gov.uk/regulation/scrutiny/betterpolicy.htm or by emailing ria.guidance@cabinet-office.x.gsi.gov.uk

What is it all about? The principle of RIA is **evidence-based policy making**. An RIA must set out the risk or problem to be addressed and the options available – including 'do nothing' and any non-regulatory options, such as Codes of Practice, industry standards or information campaigns. It must also set out the likely costs and benefits for each option. A good RIA will answer the question "Is this the best way of achieving the objective?"

The RIA process will help you to:

- think through the full **impact** of your proposals;
- identify and assess **alternative options** for achieving the policy goal;
- ensure your **consultation** exercise is meaningful and reaches the widest possible range of stakeholders;
- inform **negotiations** in the EU;
- determine whether the **benefits justify the costs**; and
- determine whether particular sectors are **disproportionately affected**.

An RIA must finally be signed by the responsible Minister before progressing to any consequent legislation, stating: ***"I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs"***.

What has this got to do with me? In August 1998, the ***Prime Minister announced that no proposal for regulation which has an impact on business, charities or the voluntary sector should be considered by Ministers without a regulatory impact assessment being carried out.*** All government departments and agencies where they exercise statutory powers or make rules with a general effect on others should produce RIAs. The Prime Minister has reiterated this requirement in subsequent versions of the RIA guidance in August 2000 and January 2003.

In other words, if policy change, which may affect business, charities or the voluntary sector, is being contemplated, either at European or domestic level, an RIA setting out all the options under consideration will be needed.

Although the trigger for an RIA is that there could be an effect on business etc, the RIA itself will look at the full range of effects.

When will I need it?

RIAs are an essential policy development tool and it is never too soon to start thinking about them. Initial RIAs can sit alongside policy option submissions to Ministers. They can also provide a helpful framework for discussion when taking early informal soundings with external bodies, for instance with small businesses that might be affected.

RIAs are also *required* to be issued both alongside formal public consultations, at the Green Paper stage, and to accompany Cabinet correspondence when seeking Committee clearance for policy changes, for example the publication of a White Paper. A final RIA *must* be laid in the House alongside legislation. **You will not secure collective Ministerial agreement to proceed without an adequate RIA.**

In the European context, an initial RIA can be used to influence Commission thinking before a proposal is adopted. RIAs are required in order to gain collective Ministerial agreement for a negotiating line, and should accompany the Explanatory Memorandum produced for parliamentary scrutiny. RIAs must also be produced when considering the options for transposition of Directives.

How do I get started?

A good quality RIA will form an important part of your policy-making process. From the outset, make sure that a named individual takes responsibility for the RIA and consider who else to involve. A good first step might be to talk through the policy area under consideration with your Departmental Regulatory Impact Unit (RIU).

Make sure that you have a copy of the full current guidance on RIAs – this takes you through the process chronologically. It includes an RIA template and hints and tips as well as detailed guidance on producing RIAs. You can find the guidance at www.cabinet-office.gov.uk/regulation/scrutiny/betterpolicy.htm or get a copy from your Departmental RIU.

What about the publication of RIAs?

All RIAs published since January 2001 can be accessed via the RIU website at www.cabinet-office.gov.uk/regulation/scrutiny/RegReporting.htm so you may be able to find a copy of a recent RIA produced within your own department, along with contact names of colleagues who have been through the same process.

The final RIA must be published on your department's website and placed in the House Libraries.

Who else will I need to talk to?

The **Departmental RIU** must be your first port of call. If you are unsure who your Departmental RIU is, contact the Cabinet Office RIU helpline number on **020 7276 2198**.

For significant measures, you must also deal directly with the **Cabinet Office RIU**. Significant measures are:

- costs in excess of £20 million;
- issue has high media topicality or sensitivity;
- Better Regulation Task Force report or interest; and
- disproportionate impact on a particular group, eg small firms.

RIAs include a Small Firms' Impact Test. The **Small Business Service** based in the DTI can help you to contact suitable businesses early on to take informal soundings, or to set up a focus group. Their website is at www.sbs.gov.uk and you can contact them on **020 7215 8378**.

RIAs also include analysis of impact on competition. Your **Departmental Economists** can help you to carry out a simple filter analysis, to help decide whether a full competition assessment may be needed. The **Office of Fair Trading** can also provide help and advice on this. Ring them on **020 7211 8500** or email to competition.assessment@oft.gsi.gov.uk

What is in an RIA?

The RIA should be **proportionate** to the likely impact of the proposal. If the proposal is likely to affect only a few firms or many firms but only to a small degree and/or if the benefits are likely to be small, then the RIA should be quite short. Where the impact will be substantial, however, more data and depth of analysis will be required.

The **initial RIA** provides a rough and ready assessment based on what is known. This helps to expose gaps in knowledge and aids the collection of fuller, more accurate information, for example through external consultation. This is then developed into a **partial RIA** containing more detailed policy options and refined estimates of the costs and benefits, and further developed into a **full RIA** after consultation.

The full RIA should identify the:

- **objectives;**
- **risks** that the proposal is addressing and quantify them;
- **options** and **alternatives** to legislation;
- **business sectors** affected;
- **equity and fairness** issues, if any;
- **benefits and costs for each option considered in the partial RIA** and compare them. Don't forget to consider "other" costs and benefits – ie not just those to firms, charities and the voluntary sector but also to consumers/individuals, the public sector, the environment and to the economy at large. Also specify any potential risks associated with each option;
- **distributional impacts**, if any, eg transfers of income or redistribution of opportunities;
- **sectors** which will bear the costs and benefits of each option; and
- **unintended consequences** and **indirect costs**, if any, outlining how they will be addressed.

The full RIA should also include the:

- **Competition Assessment;**
- **Small Firms' Impact Test** and any comments from the Small Business Service;
- **enforcement arrangements** for securing **compliance** with each of the proposed options and your plans for **guidance**;
- **monitoring and evaluating/reviewing** processes for the policy, eg set an appropriate point at which to look back at what the actual costs and benefits were;
- **consultation exercise results**, summarise responses received from different sectors or types of business/body (where these vary) and set out how/whether you have changed the assumptions, costings, and recommendations following consultation;
- **existing requirements** and explain how the proposed options would fit with these;
- **recommended preferred option** giving reasons based on the elements of the RIA, in particular the analysis of the benefit and costs; and
- **signature of the responsible Minister**, it then becomes a **final RIA**.

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