

## ICAEW Proposals for Improving Regulatory Impact Assessments

### What the Government has Done.

This note summarises the requests of the ICAEW to the Cabinet Office to improve regulatory impact assessments and the responding changes made by Government. The requests were formally submitted, in October 2006, in a response to the consultation, 'The Tools to Deliver Better Regulation'. On Monday 2 April the Government published the new Impact Assessment Requirements and Guidance. Our success in having our points incorporated into the new requirements and guidance is summarised in the table below. Naturally real improvements involve better practice as well as better requirements and guidance documentation.

The ICAEW met with Cabinet Office officials before and during the consultation. The ICAEW also initiated, organised and hosted a roundtable with the Cabinet Office and leading bodies (CBI, IOD, FSB, Corporation of London) to establish and underline business consensus behind the proposals.

<b>ICAEW Proposal /ICAEW Answer to Consultation Questions</b>	<b>Success?</b>	<b>How our proposals are incorporated into new Government regulatory impact assessments</b>
<i>Overall objectives</i> - agreeing with Cabinet Office that RIA process needs to be more rigorous. Also requesting it be made more practical and useful, for government and business alike.	YES	The new RIA process certainly is more rigorous. It is also more practical and useful a document to what was produced before.
<i>Changing UK regulatory culture</i> - Improving stakeholder engagement, better clarity of responsibility for impacts and improved availability of expertise are also needed to achieve culture change.	YES (mostly)	Cabinet Office are now consulting on improving stakeholder engagement/consultation. (roundtable with ICAEW already held)  New RIA guidelines makes lines of responsibility for impact clearer for the department, not necessarily for the individual civil servants/teams. Cabinet Office is separately considering the expertise issue.
<i>Purpose of RIAs</i> - Impact assessment should explicitly seek to maximise benefit and minimise cost.	YES	The new Guidelines explicitly state that 'Government's aim is to identify proposals that best achieve its objectives while minimising costs and burdens'. Note that minimising costs has always been lacking.
<i>Proportionate impact on small business</i> - The impact on small business should be made explicitly visible on impact assessment cover sheets and made the clear responsibility of the Department proposing the change; rather than the frequently late Small Firms Impact Test conducted by the Small Business Service after decision have been made.	YES	The new upfront 'Summary and Analysis' page should state the cost for different size organisations or micro, small, medium and large organizations. 'To reduce disproportionate regulator burden faced by micro and small business, careful consideration should be given to exemption of these categories.'

<p><b>Increased dialogue through policy process</b> - Improving the engagement with stakeholders throughout impact assessments should now be a Government priority, if quality and transparency are to be improved.</p>	<p>YES</p>	<p>Cabinet Office have confirmed that improving consultation is their next move forward. They are currently seeking Departments' agreement to consult on</p>
<p><b>Tougher Ministerial sign-off</b> - changed to compliment rather than sit at odds with the BRE's aspirations for impact assessment.</p>	<p>YES (effectively)</p>	<p>Minister now has to sign to say that the RIA represents ' a fair and reasonable view of the expected costs, benefits and impact of the policy'. As well as 'the benefits justify the costs'</p>
<p><b>More structured approach</b> - A framework for how the impact assessment process should proceed with the policy process is required. The ICAEW proposed how this might be done.</p>	<p>YES</p>	<p>New Guidance includes stepwise RIA process, relating to policy development, and calls for 'testing of options through pre-consultation', a key request of the ICAEW..</p>
<p><b>Simpler overview of process</b> - should be included should work.</p>	<p>YES</p>	<p>Achieved through the above.</p>
<p><b>Aspirations for improvements</b> - In order to achieve its objectives for these proposals, the BRE needs to set more aspirational tests of success.</p>	<p>YES</p>	<p>Government acknowledged this point in its response to consultation and the new guidelines go further than initial BRE objectives.</p>
<p><b>Signature of the Chief Economist</b> - agreeing with Cabinet Office proposal to have this on the RIA cover sheet.</p>	<p>YES (effectively)</p>	<p>Though chief economist sign-off will not be on the cover sheet, the new ministerial sign-off effectively requires ministerial advice from senior economists. Economist early involvement is also now recommended.</p>
<p><b>Incorporation of environmental and social benefits and costs</b> - a welcome objective but more thought is needed on the practicalities so that impact assessments are not overloaded. Consideration should be given to referring to parallel longer-term studies.</p>	<p>YES</p>	<p>The practicalities of estimating environmental/social costs have been acknowledged in new RIA guidance.</p>
<p><b>Qualitative evidence</b> - thought should be given to how critical non-quantitative considerations should be brought to attention in the impact assessment document.</p>	<p>YES</p>	<p>The supporting evidence base will be able to include narrative and analytical material.</p>
<p><b>Keeping it simple</b> - Other impact assessment criteria, outside of cost-benefit analysis, should be brought to bear through the use of principles and</p>	<p>YES (effectively)</p>	<p>The new regulatory impact assessment takes a generally practical approach to wider considerations</p>

guidance rather than complex parallel processes.		
<b><i>Training and support</i></b> - needs significantly more thought before new Impact Assessment requirements are implemented.	UNCLEAR	

The press release for the new impact assessment criteria and a link to the new requirements can be found here:

[http://www.cabinetoffice.gov.uk/regulation/news/2007/070402\\_ia.asp](http://www.cabinetoffice.gov.uk/regulation/news/2007/070402_ia.asp)

**April 2007**