

**BERR** | Department for Business  
Enterprise & Regulatory Reform

Sustainability Assessment  
Methodologies and UK Impact  
Assessments

**BRE**  
BETTER  
REGULATION  
EXECUTIVE

# Sustainable Development in the UK

*'To enable all people throughout the world to satisfy their basic needs to enjoy a better quality of life, without compromising the quality of life of future generations'*

- Living within Environmental Limits
- Ensuring a Strong, Healthy and Just Society
- Achieving a Sustainable Economy
- Promoting Good Governance
- Using Sound Science Responsibly

# Impact Assessment

- **History**
  - Cost Compliance Assessments since the late 1980s
  - Regulatory Impact Assessments required since mid 1990s
  - Impact assessment with fixed format introduced in 2007
- **Impact assessment compulsory for most proposals**
  - causing or redistributing costs in the private and third sectors
  - all proposals causing costs in the public sector – above a threshold
  - an IA is required when proposals would not yield an overall net change in costs and benefits but some kind of redistribution or when there is a change in administrative costs
  - collective agreement for UK negotiating positions on EU proposals

# Impact Assessment

- Improve quality of economic and other analysis that underpins policy-making
  - Sharp focus on policy rationale
  - Prominence given to costs and benefits
  - Requirement to specify ex post review date
  - Standard Cost Model
  - Integrated approach maintained - Annexes
- Increase transparency of analysis
  - Fixed template
  - Improved Ministerial Declaration
  - Impact assessment part of consultation and final policy decision
- Embed impact assessments at the heart of policy-making

## Impact Assessment Template

Summary: Intervention & Options		
Department /Agency: Department of Interesting Things	Title: Impact Assessment of Phlogistin reduction	
Stage: Options	Version: #2	Date: 14 May 2007
Related Publications: "The Widget industry strategy"		
Available to view or download at: http://www.abcd.DIT.gov.uk Contact for enquiries: Alan Smitheer Telephone: 20808080808		
<p>What is the problem under consideration? Why is government intervention necessary?</p> <p>The widget industry is responsible for emitting significant quantities of phlogistin, believed to be responsible for phlogistin poisoning. Treating phlogistin poisoning is estimated to cost the community £40-90m pa. Government intervention is necessary as the widget industry does not bear the cost it imposes on the wider community.</p>		
<p>What are the policy objectives and the intended effects?</p> <p>To reduce emissions of phlogistin while retaining a competitive widget industry; Intended effects: Reduce phlogistin emissions to safe levels by the end of 2010.</p>		
<p>What policy options have been considered? Please justify any preferred option.</p> <ol style="list-style-type: none"> <li>No intervention;</li> <li>Voluntary industry code to introduce low-emission widget machines;</li> <li>New standard for low phlogistin emissions widget machines, phased in over three years;</li> <li>Promote production of dephlogisticated widgets through subsidy for new equipment;</li> <li>Introduction of a phlogistin levy to discourage production of phlogistin.</li> </ol>		
<p>When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? May 2010</p>		
<p><b>Ministerial Sign-off</b> For consultation stage Impact Assessments:</p> <p><i>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.</i></p> <p>Signed by the responsible Minister: .....Date:</p>		

Summary: Analysis & Evidence				
Policy Option:	Description:			
COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Widget production is concentrated in Widgetdale, with £40m of total cost expected to be concentrated in this region.	
	One-off (Transition)	Yrs		
	£ 19m	3		
	Average Annual Cost (excluding one-off)			
	£ 3.2m	Total Cost (PV)		£ 82.4
Other key non-monetised costs by 'main affected groups' Use of dephlogisticated widgets is in its infancy, potential increased costs arising from use of light-weight widgets have not been estimated.				
BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' About 5% of households are affected by phlogistin poisoning each year. This measure should save about £30 per household affected each year, or £220m in present value terms for these households.	
	One-off	Yrs		
	£ N/A	0		
	Average Annual Benefit (excluding one-off)			
	£ 54m	Total Benefit (PV)		£ 448m
Other key non-monetised benefits by 'main affected groups' While other costs from phlogistin poisoning are difficult to measure, it is expected that workers in the widget industry will benefit from a safer work environment.				
Key Assumptions/Sensitivities/Risks Proposal assumes 90% compliance by 2010; the benefit of reduced phlogistin poisoning is uncertain, with net benefits estimated at £180 to 514m over 10 years. If there was only 50% compliance, net benefits would be £180 m.				
Price Base Year 2007	Time Period Years 10	Net Benefit Range (NPV) £ 180 - 514m	NET BENEFIT (NPV Best estimate) £ 365m	
What is the geographic coverage of the policy/option?		England & Wales		
On what date will the policy be implemented?		October 2007		
Which organisation(s) will enforce the policy?		Widget Agency		
What is the total annual cost of enforcement for these organisations?		£ 500,000		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ TBA		
What is the value of changes in greenhouse gas emissions?		£ Negligible		
Will the proposal have a significant impact on competition?		No		
Annual cost (€-£) per organisation (excluding one-off)	Micro 136	Small 349	Medium 561	Large 774
Are any of these organisations exempt?		No	No	N/A N/A
Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)				
Increase of	£ 0.3m	Decrease of	£ 1.2m	Net Impact £ -1.9m
Key: Annual costs and benefits: Constant Prices (Net) Present Value				

## Specific Impact Tests

### Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	Results in Evidence Base?	Results annexed?
Competition Assessment	Yes/No	Yes/No
Small Firms Impact Test	Yes/No	Yes/No
Legal Aid	Yes/No	Yes/No
Sustainable Development	Yes/No	Yes/No
Carbon Assessment	Yes/No	Yes/No
Other Environment	Yes/No	Yes/No
Health Impact Assessment	Yes/No	Yes/No
Race Equality	Yes/No	Yes/No
Disability Equality	Yes/No	Yes/No
Gender Equality	Yes/No	Yes/No
Human Rights	Yes/No	Yes/No
Rural Proofing	Yes/No	Yes/No

## Sustainable Development Test

*How does the proposals contribute to the five principals of sustainable development?*

- Communication package *thinksustainable* to help policy makers embed sustainable development in their work
- Web tool to provide a graphical representation of the impact of a policy

## Carbon Impact Assessment

- Quantitative assessment of policy impact in carbon-dioxide equivalent (tCO<sub>2</sub>)
- Shadow price of carbon (SPC) to value greenhouse gas emissions – converted into CO<sub>2</sub>e
- The SPC for a policy starting in 2008 is £26/tCO<sub>2</sub> and rising at 2% per annum
- Defra guidance to help policy officials

## Other Environmental Issues

- HM Treasury Green Book
  - Air Quality
  - Landscape
  - Water
  - Biodiversity
  - Noise
  - Recreational and amenity values for forests
- Emphasis on monetary valuation