

# Series on Integrated Impact Assessment (IIA)

## 4-Example of the Practice of IIA in the United Kingdom

June 2014

This briefing note is the fourth in a series of six focused on the state of the practice of integrated impact assessment (IIA). These documents focus, respectively, on:

1. Overall situation and clarification of concepts
2. Example of the practice of IIA at the European Commission
3. Example of the practice of IIA in France
4. **Example of the practice of IIA in the United Kingdom**
5. Example of the practice of IIA in Northern Ireland
6. Main challenges and issues tied to IIA

### Foreword

Integrated Impact Assessment (IIA) is a decision-support mechanism increasingly being considered by public administrations in industrialized countries. The movement toward the adoption of evidence-based policy has given rise to many forms of impact assessment, reflective of governmental priorities. The need to combine the various impact assessment tools which have multiplied over the years within governments arises from the desire to reduce the administrative burden associated with assessments and to ensure governmental coherence (Achnicht, Rennings, & Hertin, 2009; Radaelli & Meuwese, 2009).

The integration of impact assessment tools is also relevant to the public health sector. Indeed, at a time when the institutionalization of health impact assessment (HIA) within government apparatus is being promoted as a way to improve the health of Canadians (Keon & Pépin, 2008; Health Council of Canada, 2010; Canadian Nurses Association, 2012), it is essential that this new form of impact assessment be positioned within the context of government decision-making processes.

*IIA is a prospective assessment aimed at integrating within a **single conceptual framework** all the intended and unintended effects (usually on the economy, society and the environment) of a new government intervention. Its goal is to combine the various existing impact assessments within a single procedure.*

The series on IIA follows from a study conducted during the summer of 2012 at the request of the Government of Québec, which is exploring this issue. The objective of the study, carried out by the National Collaborating Centre for Healthy Public Policy (NCCHPP) on behalf of Québec's Ministère de la Santé et des Services sociaux (MSSS – the Ministry of Health and Social Services), was twofold: to examine the current state of the practice of IIA in Western countries, along with key issues, and to gather practical examples.

The research methodology was based on two strategies: reviewing the literature and examining case studies. The review focused on scientific articles and the grey literature. This allowed us to identify government initiatives that could shed light on modes of governance and tools used to conduct IIAs, which could be relevant to the Canadian context. Four government initiatives in particular were examined: those of the European Commission, France, the United Kingdom and Northern Ireland. For each of these, a literature review and semi-structured interviews (13 in total) were conducted.

This paper describes the case of the United Kingdom, along with its history, objectives, procedures and the tools used. In addition, the evaluation of the practice is discussed. Particular attention is also focused on the manner in which impact assessments with a single focus were included in the integrated analysis.

## History and scope

The government of the United Kingdom has had long experience with the institutionalization of impact assessment. The practice of RIA (Regulatory Impact Assessment) at the national level began in the late 1990s (National Audit Office [NAO], 2005) and has evolved over time, with a broadening range of dimensions to be analyzed. Thus, in 2005, RIAs contained clauses focused on legal aspects, health, rural communities, racial equality and sustainable development (NAO, 2006). The characteristics of RIAs had begun to resemble those of IIAs, but the official transition from one to the other in 2008 made clear the intended scope of *ex ante* (prospective) assessments. According to the official guide, impact assessments are required for interventions of a regulatory nature having one or more of the following characteristics:

- Imposes additional costs on businesses or on civil society, which are not justified by an increase in the cost of living, taxes, inflation, etc.;
- Imposes a new obligation on or removes an existing obligation from the public sector;
- Introduces administrative burdens of £5M or more;
- Is likely to attract high levels of political or media interest;
- Involves some kind of redistribution affecting the public or private sector;
- Involves a regulatory change (HM Government, 2011a).

## Objectives and principles

An impact assessment is intended to be an ongoing process aimed at helping policy makers to fully reflect on the reasons for government intervention, and to weigh the various options for achieving an objective, taking into account their direct and indirect consequences. It is a tool for policy makers, designed to help them assess and present the costs, the benefits and the associated risks of a proposal that could have an impact on public, private or civil society organizations (HM Government, 2011a). As is the case at the European Commission (see briefing note no. 2)<sup>1</sup>, prospective analysis must consider potential

impacts beyond the confines of the sector to which the new reform (law, regulation, guideline) applies.

## Procedure, methods and tools

The impact assessment process is strongly institutionalized within the government, if we are to judge by its integration into the politico-administrative process, as shown in Appendix 1 below (HM Government, 2011a).

The guidelines stipulate that impact assessment reports must include the following seven elements:

1. Identification of the problem, its scope and the stakeholders concerned with its resolution;
2. The objectives being pursued, their feasibility, as well as the hierarchy of impacts;
3. Possible options and alternative solutions that could replace the intervention;
4. Identification of the impacts of each option, the groups affected, consultations and documentation;
5. A full assessment of the options selected, the cost-benefit, risk and sensitivity analyses; selection of the most desirable option;
6. The implementation process for the most desirable option, the timeline, the stakeholders involved and the communication strategy;
7. The plan for evaluating the intervention's implementation (HM Government, 2011b).

The identification and assessment of impacts (points 4 and 5) constitute the framework of IIAs. The depth of the impact assessment is determined by the principle of proportionate analysis. Based on this principle, five levels of analysis can be identified:

1. Simple identification of winners and losers
2. Full description of costs and benefits
3. Quantification of impacts
4. Partial valuation of costs and benefits
5. Full monetization (HM Government, 2011b).

Finally, several supra-departmental bodies intervene in the process to support the various departments in their assessment work and ensure the quality of processes. Once an impact assessment has been completed and has been approved by the chief economist of the relevant

<sup>1</sup> Available at: [http://www.ncchpp.ca/docs/2014\\_GovInt\\_IIANote2\\_En.pdf](http://www.ncchpp.ca/docs/2014_GovInt_IIANote2_En.pdf)

department, it is forwarded to the Regulatory Policy Committee (RPC), an independent body composed of eight experts, which provides an opinion on whether the proposal is appropriate for the problem at hand and on the quality of the impact assessment (Regulatory Policy Committee, 2012). The opinion of the RPC may be sought throughout the assessment process, which offers a decided advantage to departments, giving them the opportunity to adjust their approach mid-stream (Fritsch, Radaelli, Schrefler, & Renda, 2012). Once it has received a favourable recommendation from the RPC, the department responsible for the bill can forward its impact assessment to a second body, the Reducing Regulation Committee (RRC), to request clearance for a new regulation or for the abolition of an existing one. This supra-departmental body monitors compliance with the “One-in, One-out” rule, which is based on the desire to hold the line on ever-increasing numbers of regulations. Finally, it is worth mentioning the Better Regulation Executive, a body belonging to the Department for Business, Innovation and Skills, whose task is to improve the quality of impact assessments within the Government (HM Treasury, 2012).

## Transition from sectoral impacts

The various pre-existing impact assessments that were required have, for the most part, been incorporated into the process as “specific impact tests” (SITs). Under the new guidelines, these specific tests are to be carried out at the beginning of each impact assessment process. They provide a summary review of possible impacts in a specific number of areas, some of which were the subject of impact assessments before the introduction of IIA. The areas covered by specific tests are equality (in terms of ethnicity, gender, religion, etc.), competition, small businesses, the environment, health and well-being, human rights, justice, rural communities and rural development (UK – Department of Health, 2012). For each of these areas, analysts have access to a guide designed to assist them in assessing whether the proposed regulation could have an adverse impact on the

area being examined. The results of this process must be included in the document sent to the departmental office of the area assessed.<sup>2</sup>

The United Kingdom has been taking health impact assessment (HIA) into consideration since the early 2000s (HM Government & Department of Health, 2004), although its practice has never been strongly institutionalized. An attempt to integrate health into the RIA process in the mid-2000s produced such mixed results that it continued to be considered more or less in parallel with RIAs until its formal integration into the impact assessment process, introduced in 2008. Since that time, health has been one of the eight categories included under the social dimension, to be considered during the summary analysis. The specific test for health boils down to three broad questions designed to help departments decide whether or not it is necessary to further explore the potential impacts of an intervention on the health of the population.<sup>3</sup> If the answers to the test questions indicate that a more in-depth impact assessment is required, then departments must consult the appropriate resource-persons within the Department of Health. Several analytical tools are also made available to them.<sup>4</sup>

The Department of Health commissioned a study conducted by an independent organization to assess how well health concerns were being integrated into impact assessments (Institute of Occupational Medicine, 2010). This study revealed that only 5% of impact assessments (17 out of 310) published between 2007 and 2008 had made use of the specific test for health and that nearly half (151 out of 310) had not taken health issues into account. However, of the sectors that had considered health in one way or another in their impact assessments, the majority demonstrated their ability to correctly assess the determinants of health. The authors of this study also believe that a significant proportion (31%) of the impact assessments that did not consider health impacts, would have benefited from doing so, either because the health impact assessment would have provided additional information of relevance to cost-benefit

<sup>2</sup> An example may be viewed here: <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/c/12-586-consultation-stage-impact-assessment-recast-rohs-directive.pdf>

<sup>3</sup> For further details, the workbook can be consulted here: <http://www.apho.org.uk/resource/item.aspx?RID=69807> (retrieved December 1, 2013).

<sup>4</sup> The guide to assessing health impacts can be accessed here: <https://www.gov.uk/government/publications/green-book-supplementary-guidance-health> (retrieved December 1, 2013).

analyses, or because it would have provided favourable support for the policy option (Institute of Occupational Medicine, 2010). In response to these findings, the Department of Health held a workshop for various departments, with the aim of addressing the identified deficiencies, improving interdepartmental communication and increasing the relevance of reference documents (UK – Department of Health, 2010).

## From theory to practice

The National Audit Office (NAO) has been closely monitoring the integrated impact assessment process since it was first implemented. The evaluations carried out by this independent national auditing office between 2004 and 2010 highlighted the mechanism's most important gaps and weaknesses and proposed appropriate improvements. The main criticisms were related to the quality of assessments. During the first years of evaluation, less than half of the impact assessments carried out received a passing grade (NAO, 2005). In subsequent years, the quality of the practice, and in particular that of quantitative analyses, has improved, owing to the production of more comprehensive practice guides, the provision of training and the establishment of support structures (NAO, 2009). For example, the proportion of impact assessments whose analysis was based on quantitative methods rose from 56% in 2006 to 86% in 2009 for the quantification of costs, and from 40% to 60% during the same period for the quantification of benefits (NAO, 2009; NAO, 2010). However, for the 2008-2009 fiscal year, only 28% of impact assessments were considered fully satisfactory.

The use of specific tests was one of the five main criteria used by the NAO to evaluate the quality of the IIAs carried out from 2006 to 2008. Of the 171 impact assessments conducted in 2008, 78% considered impacts on small businesses, 58% considered social impacts (including legal aspects) and 32% considered environmental impacts (NAO, 2009).

Finally, it is worth noting that the evaluation produced by the NAO in 2010 also examined the usefulness of impact assessments for decision making. Only half of those questioned considered the exercise useful for decision making, given the

unpredictable nature of policies and the political imperatives associated with them (NAO, 2010).

Nevertheless, the key informants interviewed for this study confirmed that the practice of IIA was effectively integrated into administrative processes in the United Kingdom. However, some criticism arose concerning the true integration of the various "impact clauses" other than the regulatory clause. The following comments, made by two IIA practitioners, are indicative of such criticism:

[Integrated] impact assessments are still controversial, and some people would like to see a comeback of separated specific impact assessments.

A problem with IIA is that I don't think it has been developed much further than a sort of screening tool. I think IIA is very much about screening policies or projects that need to be evaluated. [...] From there you can identify which need further work on, or full specific impact assessment. [...] I'm not sure that I have seen an IIA that really takes it well beyond the screening level. But now and for the next years it is going to be the time to develop IIA.

## Conclusion

The practice of integrated impact assessment, while it elicits a great deal of interest from many governments, ultimately remains little used at present. Several issues and challenges are associated with its institutionalization within governments. The 6th briefing note in this series, entitled *Main Challenges and Issues Tied to IIA* (forthcoming) examines the difficulties as well as the benefits of the practice, based on the feedback collected and the literature consulted for the study conducted by the NCCHPP during the summer of 2012.

The present briefing note has focused particular attention on the case of the United Kingdom. There is much to be learned from this case. Not only does the practice of *ex-ante* impact assessment have a long history in the UK government, but it has also benefited from close examination by an independent body dedicated to the evaluation of this government practice. The NAO's studies on the quality of IIAs conducted between 2004 and 2010, allow the challenges associated with the implementation of IIA to be closely reviewed, along with the results of the solutions introduced by the government on an ongoing basis in response to the NAO reports.

Within the broader context of this study, we identified three other European experiences which seemed noteworthy and had been sufficiently studied to enable us to form an account of the effective implementation of such a practice. The table in Appendix 2 provides an overview of the four experiences documented over the course of this study, thus allowing for comparison of the example described in this briefing note with the other situations that were examined.

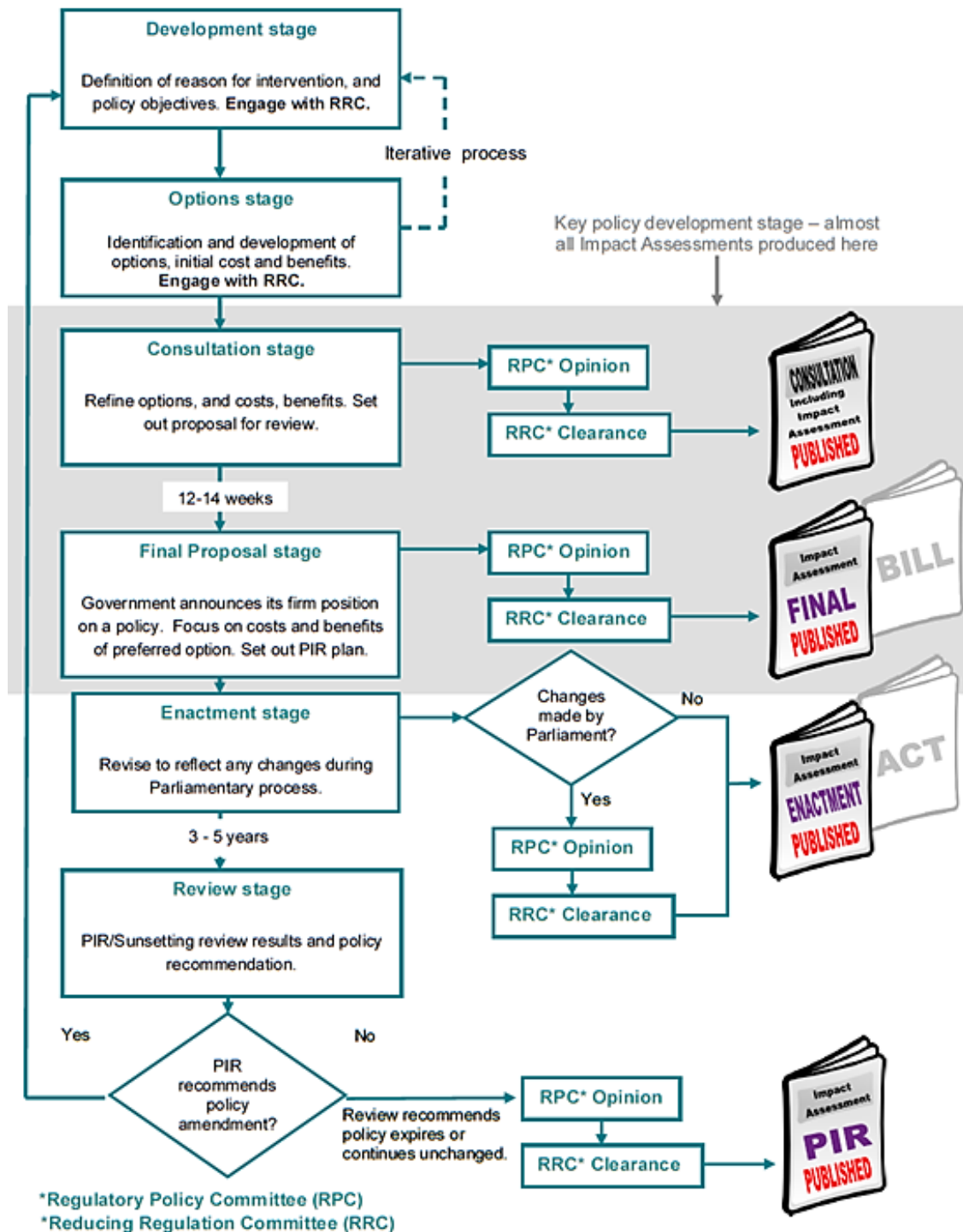
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APPENDIX 1

DIAGRAM OF THE IIA PROCESS IN THE UNITED KINGDOM



Source: HM Government. (2011a). *Impact Assessment Guidance. When to Do an Impact Assessment*. London: Department for Business, Innovation and Skills. Retrieved from: <http://www.bis.gov.uk/assets/biscore/better-regulation/docs/i11-1111-impact-assessment-guidance.pdf>

## APPENDIX 2

TABLE OF EXPERIENCES WITH INSTITUTIONALIZATION OF IIA

|  | United Kingdom  | France   | European Commission   | Northern Ireland   |
|--|---|--|---|--|
| <b>Initiation and scope</b>                        | Expanded Regulatory Impact Assessment (RIA) in 2005; integrated impact assessment in 2008<br>Statutes and regulations   | Initiated in 2004; mandatory since 2009 (anchored in the constitution)<br>For all proposed legislation and government regulations  | Initiated in 2002<br>Legislative and non-legislative projects   | 2004; integrated into the policy development process in 2007<br>For all policies   |
| <b>Objectives and principles</b>                   | Best policy<br>Reduce regulation  | Best policy<br>Reduce intervention   | Sustainable development<br>Best policy  | Best policy<br>Consistency with government objectives  |
| <b>Degree of institutionalization</b>              | Strong<br>Sectors are responsible for analysis<br>Responsibility assigned to a department with an economic vocation<br>Independent body for quality assurance | Strong<br>The General Secretariat of the government is at the centre of the mechanism<br>Sectors are responsible for analysis<br>Inter-departmental midway through process<br>Independent body for quality assurance | Strong<br>Sectors are responsible for analysis<br>Support units in each Directorate-General<br>Inter-service steering group from the beginning<br>Central bodies supervising and ensuring quality control | Weak<br>IIA not mandatory except for equity and sustainable development<br>Policy development guide that integrates all mechanisms |
| <b>Procedures, methods, tools</b>                  | Quantitative (monetization)<br>Public documents   | Quantitative (monetization) and qualitative<br>Public documents  | Quantitative (monetization) and qualitative<br>Public documents   | Equally quantitative and qualitative<br>No obligation to monetize  |
| <b>Transition from sectoral impact assessments</b> | Integrated into the process with the help of test sheets<br>Sectoral guides   | Transition poorly documented   | Integrated into a list of questions<br>Sectoral guides provide support  | Incorporated within a single framework   |
| <b>Evaluation</b>                                  | Ongoing improvement<br>Emphasis placed on quality of economic analyses<br>Asymmetry between dimensions assessed   | Little documented in the literature  | Ongoing improvement<br>Asymmetry between economic aspects and other aspects, but becoming more balanced   | Little documented in the literature  |



**June 2014**

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Editing: Marianne Jacques, Julie St-Pierre, and Michael Keeling, National Collaborating Centre for Healthy Public Policy

Based on preliminary research by Jean-Sébastien Marchand.

**SUGGESTED CITATION**

St-Pierre, L. & Marchand, J.-S. (2014). *Series on Integrated Impact Assessment (IIA). 4-Example of the Practice of IIA in the United Kingdom*. Montréal, Québec: National Collaborating Centre for Healthy Public Policy.

**ACKNOWLEDGMENTS**

This document was produced based on a research report funded by the Ministère de la Santé et des Services sociaux du Québec (Québec's Ministry of Health and Social Services).

The NCCHPP would like to thank Jacques Bourgault (COFAP inc.) and Thierno Diallo (Research Group on Environment and Health, University of Geneva) for their comments on a preliminary version of this document.

The National Collaborating Centre for Healthy Public Policy (NCCHPP) seeks to increase the expertise of public health actors across Canada in healthy public policy through the development, sharing and use of knowledge. The NCCHPP is one of six centres financed by the Public Health Agency of Canada. The six centres form a network across Canada, each hosted by a different institution and each focusing on a specific topic linked to public health. The National Collaborating Centre for Healthy Public Policy is hosted by the Institut national de santé publique du Québec (INSPQ), a leading centre in public health in Canada.

Production of this document has been made possible through a financial contribution from the Public Health Agency of Canada through funding for the National Collaborating Centre for Healthy Public Policy (NCCHPP). The views expressed herein do not necessarily represent the views of the Public Health Agency of Canada.

Publication N°: 2753

This document is available in its entirety in electronic format (PDF) on the Institut national de santé publique du Québec website at: [www.inspq.qc.ca/english](http://www.inspq.qc.ca/english) and on the National Collaborating Centre for Healthy Public Policy website at: [www.ncchpp.ca](http://www.ncchpp.ca).

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ISBN: 978-2-550-88053-0 (FRENCH PDF)  
ISBN: 978-2-550-88054-7 (PDF)

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