

# Impact Assessment, The Home Office

**Title:** Foreign Influence Registration Scheme (FIRS)

**IA No:** HO IA 0447

**RPC Reference No:** N/A

**Other departments or agencies:** N/A

**Date:** 06 July 2023

**Stage:** Enactment

**Intervention:** Domestic

**Measure:** Primary legislation

**Enquiries:**

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**RPC Opinion:** Not Applicable

**Business Impact Target:** Non-qualifying provision

## Cost of Preferred (or more likely) Option (in 2021/22 prices)

<b>Net Present Social Value NPSV (£m)</b>	-14.3	<b>Business Net Present Value BNPV (£m)</b>	-0.5	<b>Net cost to business per year EANDCB (£m)</b>	0.1
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### What is the problem under consideration? Why is government intervention necessary?

The UK's existing state threats legislation is substantially outdated and not reflective of modern day threats from foreign states, which continue to grow. The National Security Act 2023 will ensure our world class law enforcement and intelligence agencies have the modern tools, powers and protections they need to counter those who seek to do the UK harm. Government intervention through this measure aims to deter foreign power use of covert arrangements, activities and proxies by requiring greater transparency around certain activities they direct.

### What is the strategic objective? What are the main policy objectives and intended effects?

The strategic objective of the National Security Act 2023 is to protect homeland security. The intended effect of the Foreign Influence Registration Scheme (FIRS) is to strengthen the resilience of the UK political system against covert influence that is directed by foreign powers, by increasing transparency, and to provide greater assurance around the activities of specified foreign powers or entities. This should create a more challenging operating environment for those who conduct, or intend to conduct, covert activity on behalf of foreign powers which threatens UK national security, with the aim of deterring such activity.

### What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

**Option 1:** Do-nothing. This does not meet the Government's objectives.

**Option 2:** Legislate to introduce a legal obligation for persons to declare certain activity when it is to be undertaken as part of an arrangement with a foreign power. **Option 2 is the Government's preferred option** as it best meets the policy objectives. Non-statutory options were considered but there were no other feasible options.

### Main assumptions/sensitivities and economic/analytical risks

**Discount rate (%)**

3.5

1. Many activities defined as 'political influence' will be carried out through a person's employment.
2. A large number of businesses and individuals will have to familiarise themselves with the scheme across multiple sectors, even if only to confirm they are exempt or out of scope.
3. Familiarisation is likely to be completed by an employee in a Human Resources or legal compliance department.
4. The number of FIRS registrations may be in between those of Australia's and the United States of America's schemes.
5. All familiarisation costs will be realised in the first year of appraisal.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** July 2028

*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.*

Signed by the responsible Minister: \_\_\_\_\_ Date: \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 2

**Description:** Legislation to introduce a legal obligation for persons to register certain arrangements with foreign powers and specified persons.

## FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2021/22	PV Base	2022	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	-11.8	High:	-22.0	Best:	-14.3	Best BNPV	-0.5	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	2.0	9.9	11.8	1.2	0.1
High	6.7	15.3	22.0	1.8	3.5
Best Estimate	2.3	12.0	14.3	1.4	0.5

### Description and scale of key monetised costs by 'main affected groups'

Familiarisation costs to business lie in the range of **£0.1 to £3.5 million** with a central estimate of **£0.5 million**. Registration costs to business lie in the range of **£0 to £1,700 (PV)**, with a best estimate of **£900 (PV)** over 10 years. Costs to the Home Office lie in the range **£11.7 million to £18.5 million** with a best estimate of **£13.8 million (PV)** over 10 years.

### Other key non-monetised costs by 'main affected groups'

There is a risk of negative reputational impacts from inclusion on a public register. Other countries may introduce reciprocal measures to monitor the overseas activities of the UK government. Persons could be prosecuted if engaged in unregistered activity, even if the activity itself is legitimate.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	N/A	N/A	N/A	N/A	N/A
High	N/A	N/A	N/A	N/A	N/A
Best Estimate	N/A	N/A	N/A	N/A	N/A

### Description and scale of key monetised benefits by 'main affected groups'

Benefits were not monetised. It is not possible to attach a monetary value to the transparency benefits of informing the Government and wider public of foreign influence in the UK. It is not possible to monetise the scale or cost of the activities being disrupted and deterred due to a lack of existing tools and evidence combined with the risk of disclosing sensitive operational data.

### Other key non-monetised benefits by 'main affected groups'

Benefits to the public are increased transparency of arrangements people, organisations or business may have with foreign powers to carry out 'political influence' activities. Benefits to operational partners include deterrence and earlier disruption of state threats activity. There may be cost savings if operational resources can be reallocated to other areas.

## BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	0.1	Benefit, £m	0.0	Net, £m	-0.1					
Score for Business Impact Target (qualifying provisions only) £m:					N/A					
Is this measure likely to impact on trade and investment?					Y					
Are any of these organisations in scope?			Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)					Traded:	N/A	Non-Traded:	N/A		

## PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	Y	Are there any impacts on particular groups?	Y
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# Evidence Base (for summary sheets)

## A. Strategic objective and overview

### A.1 Strategic objective

1. The strategic objective of the wider National Security Act 2023 is to protect homeland security. States engage in hostile activities which are persistent and take many forms, including espionage, foreign interference, sabotage, disinformation, cyber operations, and even attempted assassinations. Foreign states are becoming increasingly assertive in how they progress their own objectives and undermine the safety and interests of the UK. At a strategic level, this harmful activity compromises UK national interests, sensitive information, trade secrets and the UK's democratic way of life.

### A.2 Background

2. In 2018, the then Prime Minister announced that the Government would be taking a number of steps to address the threat posed to the UK by the hostile activities of foreign states. In 2020, Parliament's Intelligence and Security Committee (ISC) recommended introducing a foreign agent registration scheme, building on the international precedents in the United States (US). (The Foreign Agent Registration Act 1938) and Australia (The Foreign Influence Transparency Scheme Act 2018).<sup>1</sup>

### A.3 Groups affected

3. Hypothetically, the scheme could impact most sectors in some way. This is because the scheme adopts a largely sector-agnostic approach to the obligation to register, except for where existing legal obligations may apply to exempt certain categories of person or activity from registration, or where exemptions need to be made for activity that is already transparent. In reality, we expect this impact to be limited. The principle of countering covert influence through greater transparency around political influence activities should apply equally and it is the policy view that numerous sector-wide exemptions undermine that principle. However, specific groups that are likely to be affected have been identified through the policy development process and public consultation include:

#### Sectors

- Political lobbying/consultant lobbyists.
  - Management consultancy, advertising and public relations.
  - Representative associations.
  - Cultural institutions.
  - Non-government organisations (domestic and international).
  - Charities (domestic and international).
  - Legal sector (where not covered by the exemption for legal services).
  - Media (where not covered by the exemption for domestic or international news publishers).
  - Other businesses and sectors such as defence.
4. Members of these sectors will only be in scope where they are carrying out, or arranging, political influencing activities at the direction of a foreign power or are carrying out activities as part of an arrangement with a specified foreign power or entity. The scheme has been designed to avoid interference with, or otherwise exempt from registration, those with privileges and immunities as provided by, for example, the Vienna Convention 1961; legal services (including information subject to legal professional privilege); the freedom of the press; arrangements to which the UK is party to; or the letter and spirit of the Belfast (Good Friday) Agreement. Exemptions are explained below.

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<sup>1</sup> [https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721\\_HC632\\_CCS001\\_CCS1019402408-001\\_ISC\\_Russia\\_Report\\_Web\\_Accessible.pdf](https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721_HC632_CCS001_CCS1019402408-001_ISC_Russia_Report_Web_Accessible.pdf)

## **Other affected groups**

- Criminal Justice System (CJS).
- Crown Prosecution Service.
- Devolved Administrations.
- General public in the UK.
- Government departments (see consultation section below).
- Law Enforcement Agencies across the UK and members of these agencies.
- UK intelligence agencies and members of the UK intelligence agencies.
- Perpetrators.

## **A.4 Consultation**

### **Within government**

5. A number of government departments have been consulted throughout the policy development process including:
  - Cabinet Office.
  - Foreign Commonwealth and Development Office.
  - Department for International Trade (Department for Business and Trade).
  - Department for Education.
  - Department for Culture, Media and Sport (Department for Science, Innovation and Technology).
  - Department for Levelling Up Housing and Communities.
  - HM Treasury.
  - Ministry of Defence.
  - Ministry of Justice.
  - UK Law enforcement and intelligence agencies.
  - Crown Prosecution Service.

### **Public consultation**

6. A public consultation on the Legislation to Counter State Threats took place between 13 May 2021 to 22 July 2021.<sup>2</sup> The Home Office conducted sector specific virtual roundtables during this period and ran targeted engagement in July 2022. The consultation provided valuable feedback that helped inform policy development of the measures in the National Security Act 2023, including the Foreign Influence Registration Scheme (FIRS). In total, there were 208 responses – 158 through the online portal and 50 written responses sent direct to a Home Office shared mailbox. Of the 50 more detailed written responses, FIRS made up 20 per cent of the responses' focus. For those written responses that focused on proposals for FIRS, common sentiment included the need for clarity on requirements and definitions, as well as concerns for real world implications for legitimate international research and business.

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<sup>2</sup> <https://www.gov.uk/government/consultations/legislation-to-counter-state-threats>

## B. Rationale for intervention

7. States engage in and orchestrate hostile activities which fall short of general armed conflict but nevertheless undermine the UK's national interests, sensitive information and democratic way of life. The threat from hostile activity by states is a growing, diversifying and evolving one, manifesting itself in several different forms including espionage, foreign interference in our political system, disinformation and cyber operations. Despite the evolution of this threat, the UK's existing legislation, which is aimed at countering state threats, is over 100 years old and does not reflect the nature of state threats in the modern age. The traditional way of viewing states as hostile and non-hostile often overlooks the complexity of modern international relations in an interconnected world, including complex international trade and supply chains.
8. New technologies and their widespread commercial availability have created new opportunities and significant routes for attack, lowering the cost and risk to states of conducting hostile activity in and against the UK. While only a small number of states show the full range of capabilities and a willingness to use them, a large number of countries have both the capability and intent to conduct hostile activity against the UK, in some form.
9. The National Security Act 2023 will deliver measures to strengthen the UK's efforts to detect, deter and disrupt state threats and protect the people, infrastructure, economy and values of the UK from those who seek to do the UK harm.
10. One part of the identified package of counter-state threats measures under the National Security Act 2023 is FIRS. Government intervention through this scheme aims to deter foreign power use of covert arrangements and activities by requiring greater transparency around political influence activities they direct. This will deliver a recommendation of the ISC's 2020 Russia Report and follows the precedents of US and Australian partners.<sup>3</sup>

## C. Policy objective

11. The overall aim of the scheme, to deter foreign power use of covert arrangements, will be applied through two separate scheme objectives and requirements. These are to:
  - **Strengthening the resilience of the UK political system against covert foreign influence.** Openness and transparency are vital to the functioning of UK democracy. Where covert influence is used by foreign powers, directly or through third parties, it undermines the integrity of UK politics and institutions. The scheme will require the registration of 'political influence activities' where they are to be undertaken within the UK at the direction of any foreign power.
  - **Provide greater assurance around the activities of specified foreign powers or entities. The scheme contains a power to specify a foreign power, part of a foreign power, or an entity subject to foreign power control, where the Secretary of State for the Home Department (the Home Secretary) considers it reasonably necessary to protect the safety or interests of the UK.** It would require a person acting within the UK at the direction of a specified power or entity undertaking a specified activity to register with the scheme. It would also require a specified entity to register specified activities being undertaken within the UK with the scheme.
12. These requirements will apply to any person, regardless of nationality, and will be enforced through a range of offences and penalties, as well as powers to request information.
13. Governments around the world, including the UK, seek to progress their interests through the lobbying and influencing of other states. Where this is conducted openly and transparently, it plays a vital part in our democracy and public debate, as well as being essential to international relations.

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<sup>3</sup> [https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721\\_HC632\\_CCS001\\_CCS1019402408-001\\_ISC\\_Russia\\_Report\\_Web\\_Accessible.pdf](https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721_HC632_CCS001_CCS1019402408-001_ISC_Russia_Report_Web_Accessible.pdf)

The Government continue to welcome this. FIRS will play a critical role in encouraging that openness and transparency, while simultaneously deterring foreign powers that wish to pursue their aims covertly.

14. There should be no doubt that those who comply with the registration requirements under FIRS, by being clear and open about who they represent, are supporting the resilience of the UK and its institutions in the face of state threats. The aim is to ensure that the UK public and its democratic institutions are protected from covert influence and better informed as to the scale and extent of foreign power influence in our political affairs.

## D. Options considered and implementation

15. To meet the policy objectives, the following options are assessed in the impact assessment (IA):

- **Option 1: ‘Do nothing’**

Under **Option 1**, there would be no FIRS. The Government believes that doing nothing would leave the UK with an incomplete legislative package that would not sufficiently deal with the modern age threat.

- **Option 2: Create a Foreign Influence Registration Scheme**

### Scheme scope

16. The Government proposes to introduce a FIRS to deliver the objectives and requirements described above. The requirements are explained in fuller detail below:

- **The political influence tier registration requirement.** This would require the registration of defined political influence activities, except where an exemption applies, where they are undertaken at the direction of a foreign power.

17. Certain registered information about the registrant, their arrangement and activity would appear on a public register by way of a government scheme website. The publication of certain information (for example, the nature of the activity, its duration and who it is being undertaken for) provided through this registration requirement, in accordance with UK data protection legislation is necessary to deliver the transparency benefits.

18. The political influence tier will ensure that persons representing foreign powers will be required to be open and transparent about the activities they undertake which are designed to influence UK political decision-making, proceedings and elections. Non-compliance with these new obligations could result in a criminal offence being committed and custodial (maximum of 2 years) or financial penalties.

19. The effect of this provides two benefits. Firstly, it increases the risk to those who seek to engage in covert influence activities for foreign powers, either directly or through third parties. Secondly, it will provide greater transparency to the public regarding foreign influence in UK political affairs. Taken together, the requirement will strengthen the resilience of the UK political system against covert influence.

- **The enhanced assurance measures.** This will be a vital means of understanding the range and scale of activity being undertaken in the UK for specified foreign powers and entities. It would require registration, except where an exemption applies, where activity is to be undertaken within the UK:

- at the direction of a specified foreign power, part of a foreign power, or entity subject to foreign power control, or
- by a specified entity subject to foreign power control.

20. The power will be available for where the Home Secretary considers it necessary to protect the safety or interests of the UK. Use of the power will be limited and subject to parliamentary approval.

21. The enhanced tier is intended to strengthen UK efforts to deter and disrupt a wider range of state threats activity. It will provide three principal benefits:
- a) Firstly, it will increase the risk to those who seek to engage in covert activities for foreign powers, either directly for a specified foreign power or through specified entities. By requiring the registration of relevant arrangements and activities or risk prosecution, the deterrent against engaging in state threats activity is increased.
  - b) Secondly, it will provide alternative options for prosecution where the risk of disclosing sensitive evidence is too great to take forward the prosecution of a more serious state threats offence. The offences under FIRS will include a failure to register an arrangement with a specified foreign power or entity to undertake activity in the UK, or a failure on the part of a specified entity to register activity it is to undertake in the UK before acting. These offences may require fewer sensitive disclosures than offences for espionage or foreign interference and may provide an opportunity to intervene before damage to the UK has occurred.
  - c) Finally, it will provide the Government with greater assurance regarding the scale and extent of activity being undertaken for specified foreign powers and entities.

### **Carve-outs and exemptions**

22. The scheme has been designed to exempt and carve-out from scope the following people, arrangements and activities. This is to ensure the UK meets its existing legal and international obligations, as well as upholds the principles of legal privilege and freedom of the press:

#### **Out of scope or exempt:**

- Individuals to whom privileges and immunities apply in international law as provided by, for example, the Vienna Convention on Diplomatic and Consular Relations (political influence and enhanced tiers).
  - Employees of a foreign power, for example, visiting foreign government officials, military or law enforcement, or those employed by foreign diplomatic missions where they are acting in their official capacity (political influence and enhanced tiers).
  - Public communications activity where it is reasonably clear from the communication that it is made at the direction of a foreign power (political influence tier).
  - Arrangements to which the UK, or a person exercising functions of the Crown, is a party where they are acting within their official capacity (political influence and enhanced tiers).
  - Provision of legal services (political influence and enhanced tiers).
  - Domestic and international news publishers and those in an arrangement with international news publishers for the purposes of publication of news-related material (political influence tier).
  - Provision of essential services to a foreign diplomatic mission or post in the UK, such as those doing building work or providing catering services (enhanced tier only as not relevant to political influence tier).
23. **Option 2 is the Government's preferred option** as it meets the Government's objectives.

## E. Appraisal

24. This section focusses on the costs and benefits of the scheme, highlighting the limitations of the analysis, the costs of setting up and running the scheme, the ongoing costs to businesses and government, and the benefits arising from the scheme.
25. FIRS will introduce two sets of registration requirements: the political influence tier and the enhanced tier. **This assessment only considers the impacts of the political influence requirement.**

### Limitations

26. The main limitation with this analysis arises from the absence of available data concerning the number of people and organisations that are potentially in scope of the scheme. The reasons for this are:
  - The absence of data held within government or outside of government on the number of people who are in a registerable arrangement or engaged in registerable activity. The scope of the scheme needs to be broad enough to deliver its objectives, while avoiding exploitable loopholes through large-scale carve-outs and exemptions. It is difficult to determine how many people are being directed to undertake registerable activities on foreign powers' behalf, or how many people would qualify for an exemption under the scheme. Indeed, one of the objectives of the scheme is to better understand the nature, extent and scale of these activities.
  - There is also a lack of understanding around how likely the positive (such as a harder operating environment) and negative (such as potential reputational effects or regulatory burden) impacts are. For example, the consultation provided qualitative feedback outlining the potential benefits and impacts which could result from implementation of a scheme. Due to the nature of the benefits and impacts, there is no evidence to allow for their quantification. It is also important to note that much of this feedback was provided before the scope and exemptions within the scheme were finalised.

### General assumptions

27. In undertaking this analysis, the Home Office has made a number of assumptions:
  - As per HM Treasury Green Book 2022 guidance, a 10-year appraisal period and a discount rate of 3.5 per cent, are used.<sup>4</sup>
  - A price base year of 2021/2022 and a present value base year of 2022 are used.
  - It is assumed that many activities defined as 'political influence activities' are likely to be undertaken as part of an individual's occupation and so familiarisation and registration will be completed by their Human Resources (HR) or legal compliance department. When calculating these costs, the appropriate hourly wage for HR is used. This is as opposed to using the cost of leisure time if the individual was to familiarise and register outside of working hours.
  - Some persons (individuals and entities), or their activity will be exempt from registering with the scheme. For example, where they are entitled to privileges and immunities in law (for example, through the Vienna Convention 1961) or providing legal services. It is assumed that these individuals, entities (for example, a business) and their HR or legal compliance departments will still have to familiarise themselves to ensure that they are exempt.
  - Once the business or individual has familiarised themselves with the scheme, it is assumed that this knowledge is retained in the following years as part of their business-as-usual.
  - A non-wage uplift of 22 per cent has been applied to hourly salary figures to account for overheads, pension contributions and national insurance payments by employers to account

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<sup>4</sup> The Green Book (2022) - GOV.UK: <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020#presentation-of-results>

for the marginal product of labour, that is, the full cost of an additional employee to an employer.<sup>5</sup>

- Due to the uncertainties inherent in the data discussed earlier, a low, central and high scenario analysis is used. The assumptions contained in this scenario analysis were drawn out of returns from, and conversations with, government departments (see Table 1 below). Typically, scenarios were segmented based on the size of the organisation, where size is determined based on either the number of employees or annual income band. For example:
  - Micro-organisations are defined as businesses with 0-9 employees.
  - Small organisations are defined as businesses with 10-49 employees or charities in the £10,000 to £100,000 income band.
  - Medium organisations are defined as businesses with 50-249 employees or charities in the £100,000 to £1 million income band.<sup>6</sup>
  - Large organisations are defined as businesses with 250+ employees or charities in the £1 million+ income band.
- It is acknowledged that the number of people who will be affected by the scheme's registration and familiarisation is unknown. To capture this uncertainty, scenario analysis is used for how many people would have to familiarise, based on the number of businesses affected. While the underlying assumption varies by sector, the scenario analysis is broadly summarised as:
  - In the low scenario it is assumed that only large organisations and specific relevant institutions are in scope – 17 per cent of the organisations in the high scenario.
  - In the central scenario it is assumed that only medium and large organisations and specific relevant institutions are in scope – 36 per cent of the organisations in the high scenario.
  - In the high scenario it is assumed that all small, medium and large organisations and specific relevant institutions are in scope (including micro-businesses where possible).

## Data

28. Data for this analysis was obtained through a survey sent to government departments and operational partners. These surveys consisted of questions designed to gain information about the impact on departmental sectors as well as the impact on broader government objectives (see paragraphs 4 and 5 for a list of government departments consulted). As the consultation with government departments was carried out before the final scope of the scheme had been agreed, the data may overestimate the impact of the legislation on the private sector.
29. Quantitative data primarily focusses on number of businesses; size of businesses; annual income; and size of sector. Data sources include, but are not limited to:
  - The Charity Commission.
  - Electoral Commission.
  - Department for Digital, Culture, Media and Sport Sectors Economic Estimates.
  - Office for National Statistics Nomis (a database of labour market statistics).
  - Office for National Statistics Annual Business Survey.
30. Qualitative data discusses potential impacts and addresses concerns that are not monetisable.

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<sup>5</sup> RPC short guidance note - Implementation costs, August 2019:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/827926/RPC\\_short\\_guidance\\_note\\_-\\_Implementation\\_costs\\_August\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827926/RPC_short_guidance_note_-_Implementation_costs_August_2019.pdf)

<sup>6</sup> As of Monday 3 October 2022, the presumption against regulation for medium-sized businesses was brought in. These are defined as 50 to 499 employees. However, as this policy is imperative to National Security, then there is a clear justification not to exempt medium-sized businesses from this legislation.

## COSTS

### Set-up costs

#### Costs to government

31. FIRS will result in set-up costs to government comprising of:
  - The setup costs for the IT platform infrastructure required for people to register their information (and for a database to be held by the Home Office).
  - The resource costs for an initial team established to setup the ongoing team that will manage FIRS – the Scheme Management Unit.
32. Whilst this IA only considers the appraisal for the political influence tier, there are some overlapping costs with the enhanced assurance measure. The costs to government, including the set-up and ongoing IT platform infrastructure and resource costs, will provide for both tiers. The primary difference in appraisal will lie with the costs to business which could differ significantly between tiers.
33. The Home Office has undertaken a project to identify potential solution providers for the IT platform infrastructure based upon its specific requirements. The solution providers were assessed and costed, to which a 32% optimism bias was applied.
  - The initial capital cost for setting up the IT platform infrastructure is estimated to be between **£1.8 million and £2.9 million, with a central estimate of £1.8 million, across years 0 and 1** (in 2021/22 prices).
34. The resource costs for the Scheme Management Unit are made up of staff costs. The total costs to the Home Office for employment include base salary, overhead, pension and national insurance payments.
  - The initial setup team is expected to exist for 6 months and consist of between 2 and 7 employees between EO and Grade 7. The costs are estimated at between **£0.1 million and £0.3 million, with a central estimate of £0.1 million, in year 1.**
35. The estimated PV total set-up capital costs to government are between **£1.9 million and £3.2 million, with a central estimate of £1.9 million.**

#### Familiarisation costs to business

36. It is assumed that some individuals employed in the main impacted sectors will need to familiarise themselves with the scheme and its requirements to ensure compliance within their organisation. Table 1 shows the total number of people across all sectors required to familiarise within the low, central and high scenarios, even if they do not themselves have to register (for example, because an exemption applies). As the consultation with Government departments was carried out before the final scope of the scheme had been agreed, these figures may be an overestimate.
37. As discussed in paragraph 27, the low scenarios include only large organisations in the sector, the central scenarios include medium and large organisation in the sector, and the high scenarios include all organisations (micro to large) in the sector.
38. It is possible that there will be additional people that will be affected by FIRS that are not included within Table 1.

**Table 1, Number of people required to familiarise, 2022.**

<b>Sectors</b>	<b>Low</b>	<b>Central</b>	<b>High</b>
Telecoms, Journalism, Foreign Public Broadcasters	200	1,220	8,800
Information Service Activities, Consultancy, Film, TV, Radio	1,510	4,030	15,820
Political Lobbying/Consultant Lobbyists	450	560	670
Management Consultancy, Advertising and Public Relations	3,230	15,940	165,000
Domestic charities and International non-Governmental Organisations	22,760	50,380	104,940
International Organisations and Cultural Institutions	540	810	1,080
International Defence Engagement	2,430	3,030	3,630
Barristers, Regulated and Non-Regulated Legal Service Providers	33,380	57,870	71,540
<b>Total</b>	<b>64,500</b>	<b>133,840</b>	<b>371,480</b>

Source: Consultation with Government departments.

39. Due to the offences and penalties associated with non-compliance with the scheme, organisations that are ultimately out of scope will still need to be aware of the FIRS regulations to ensure they are out of scope, both currently and for future activities.
40. Similarly, while some individuals and entities will be exempt from registering, those individuals and the HR / legal compliance professionals in the organisations they work in will still need to familiarise themselves with the scheme in the first instance.
41. Due to the largely sector-agnostic approach to exemptions, a number of organisations in the sectors shown in Table 1 may only have to familiarise with the scheme to identify that they are not within scope and hence do not need to register.
42. In the absence of available guidance for FIRS, published guidance for the United States of America's Foreign Agents Registration Act (FARA)<sup>7</sup> and Australia's Foreign Influence Transparency Scheme (FITS)<sup>8</sup> have been used to estimate how long the guidance for FIRS will be. This comes to 4,291 words. To account for some variation, it is assumed that the number of words in the low and high scenario will be in the range of  $\pm 20$  per cent.
43. A reading time calculator<sup>9</sup> has been used to estimate how long it would take an individual to read the guidance, with reading speeds of 200, 400 and 700 words per minute used for the low, central and high scenarios, respectively. This provided a low estimate of 5 minutes, a central estimate of 13 minutes, and a high estimate of 37 minutes.
44. It is assumed that, for each organisation operating in a consulted sector, at least one individual (and three for large organisations) will need to familiarise themselves with the scheme, and then will notify relevant employees whose activity may need to be covered by the organisation's registration.
45. A further assumption has been made that this familiarisation will be completed by a member of the HR or legal compliance department.
46. A monetary value is then calculated by multiplying the number of people in scope by the appropriate average hourly wage. The number of people in scope is calculated by multiplying the number of organisations within the main impacted sectors by the number of people within the HR or legal compliance department that will need to read the scheme guidance. For example, in the low scenario, the number of large organisations in that sector is multiplied by three to account for the three HR employees per organisation that will need to read the scheme guidance.

<sup>7</sup> Foreign Agents Registration Act | Frequently Asked Questions (justice.gov): <https://www.justice.gov/nsd-fara/frequently-asked-questions>

<sup>8</sup> FITS Resources | Attorney-General's Department (ag.gov.au): <https://www.ag.gov.au/integrity/foreign-influence-transparency-scheme/fits-resources>

<sup>9</sup> Speed Reading Test Online (readingsoft.com): <http://www.readingsoft.com/>

47. While this is likely to capture a large number of people, many of whom will not need to register with the scheme, due to the associated offence and penalties for non-compliance, they will need to be familiar with the scheme to ensure they are out of scope.
48. An appropriate wage was taken from the Annual Survey of Hours and Earnings (ASHE) 2021 data<sup>10</sup>, and is described as “Human Resources Administrative Occupations” (ASHE Code 4136). This value was then uplifted by 22 per cent to account for non-wage costs, per Regulatory Policy Committee (RPC) guidance<sup>11</sup>.
49. It is assumed that these familiarisation costs will be incurred in the first year of the appraisal period only for most people.
50. Data and assumptions behind the number of organisations included within each scenario was decided through a combination of the commission return and further conversations with government departments.
51. Each additional individual that familiarises themselves with the guidance adds an estimated additional cost of £1.23 to £9.53, with a central estimate of £3.38 (2021/22 Prices) only in year 1. This range is driven by the range in time taken to read the guidance, as per paragraph 43.
52. Total familiarisation costs are estimated to lie in a range of **£0.1 to £3.5 million**, with a central estimate of **£0.5 million** (2021/22 prices) in year 1 only.

**Table 2, Guidance reading calculator driving costs to businesses, 2022.**

Scenario	Number Words	Speed (wpm)	Time (mins)	Comp	Re-read time (mins)	Allowance (mins)	Total time (mins)	Total time (hours)
High	5,149	200	25.7	0.60	10.30	1.00	37.00	0.62
Central	4,291	400	10.7	0.80	2.15	0.50	13.00	0.22
Low	3,432	700	4.9	0.85	0.00	0.00	5.00	0.08

Source: Home Office ReadingSoft Calculator<sup>12</sup>

Note: Comp = comprehension, wpm = words per minute.

53. The central familiarisation cost estimate is skewed towards the low scenario, due to large additional costs from the inclusion of small and micro-businesses (SMBs) and sole traders in the high scenario.
54. There may be SMBs offering niche services within scope and so it is not possible to exclude them completely. This causes significantly higher costs in the high scenario. Due to their absence in the low and central estimates, the estimated costs are considerably lower in these scenarios.
55. Total familiarisation costs could be an under-estimate for a number of reasons:
  - The number of people who initially familiarise themselves with the scheme (see Table 1) will depend on the size of the business. For example, larger businesses may require multiple people to familiarise themselves with the scheme.
  - As the liability for registration lies with any person (which could include an individual acting in their private capacity or an entity), the people identified as having to register will likely also familiarise themselves with the scheme before deciding to make the final decision on whether they need to register.
  - There will be some people that familiarise themselves with the scheme regardless of whether they have been identified as being in scope to register.

<sup>10</sup> Earnings and hours worked, all employees: ASHE Table 14 - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/earningsandhoursworkedallemployeesashtable14-Table14.5a>

<sup>11</sup> RPC guidance note - Implementation costs: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/827926/RPC\\_short\\_guidance\\_note\\_-\\_Implementation\\_costs\\_August\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827926/RPC_short_guidance_note_-_Implementation_costs_August_2019.pdf)

<sup>12</sup> Speed Reading Test Online (readingsoft.com): <http://www.readingsoft.com/>

## Total set-up costs

56. Total set-up costs are in the range of **£2.0 to £6.7 million**, with a central estimate of **£2.3 million** (2021/22 prices). This includes costs to government and familiarisation costs to businesses.

## Ongoing costs

### Costs to government

57. The ongoing costs for FIRS comprise of:
- The IT platform infrastructure including resources costs to run it.
  - The resource costs for the ongoing team that will manage FIRS – the Scheme Management Unit
58. Through the Home Office's project to identify potential solution providers for the IT platform infrastructure, the ongoing costs are estimated between **£0.2 million and £0.4 million, with a central estimate of £0.2 million, a year throughout the appraisal period** (in 2021/22 prices).
59. The ongoing resource costs for the Scheme Management Unit are made up of base salary, overhead, pension and national insurance payments. The Scheme Management Unit will have the following core functions:
- Administration of the scheme. This includes processing registrants and their information; publication of the scheme information and running of the dedicated online webpage and registration portal.
  - Engaging with members of the public. For example, it is likely that members of the public will need support in fulfilling their registration requirements.
  - Responsibility for investigating cases of non-compliance to determine whether a criminal investigation should take place. Issuing information notices to determine a person's registration status. Where it is decided that a criminal investigation should take place, the relevant information and evidence will be passed on to the police.
60. This follows the precedent of the FARA and FITS schemes where a dedicated unit has been established within a government department.
61. The ongoing team will exist for the entire appraisal period (and likely beyond) and is expected to consist of 14 employees between EO and Grade 7. The costs are estimated between **£1.1 million and £1.6 million, with a central estimate of £1.4 million, a year throughout the appraisal period**. The range, at  $\pm 20$  per cent, signifies uncertainty in the number of employees and their grades.
62. The estimated PV total ongoing costs to government are between **£9.9 million and £15.3 million, with a central estimate of £12.0 million**.

### Registration costs to business

63. Persons involved in registrable 'political influence' arrangements will be required to register under FIRS. Registrations are expected to be much higher in the first year.
64. There may be a need to update a registration in the event of a material change to an arrangement or activity. An entry may also need to comply with requests for information issued by the Home Office regarding registered or unregistered arrangements or activity.
65. For reasons outlined previously, an accurate estimate for the number of people (including organisations or individuals) that could be considered in scope to register has not been possible to obtain.
66. Various exemptions will considerably decrease the number of people that are required to register compared to how many will have to familiarise with the scheme.
67. In the absence of any data from a FIRS-style scheme in the UK, the number of registrations reported by two similar schemes, FITS and FARA, is used.

68. It should be noted that comparisons with either FITS or FARA are not a perfect comparison for FIRS, owing to differences in scheme design, exposure to foreign interference, degrees of international collaboration, among numerous other factors. Some important differences to the main elements of the scheme are below. Due to the complexity of the schemes, and the differing jurisdictions to which they are applied, it is very challenging to make like for like comparisons on the below.
- Both FARA and FITS contain a definition of a foreign principal which includes foreign entities as well as foreign governments. In these schemes, activity is registerable where it is directed by a foreign principal. As a result, the potential scope of captured activity is significantly larger than FIRS which solely focuses on foreign power directed activity.
  - FARA requires the registration of a greater range of activities, covering political activities, acting as a public relations counsel, disbursement of things of value and representing the interests of a foreign principal before a US official or agency. To act as an ‘agent’ of a foreign principal takes a broader meaning, including where agency is established indirectly through another person. It does, however, include several more exemptions than FIRS. The registration includes a two-part process where a primary registration is submitted, for example on behalf of an organisation, which is followed by short form registrations for employees engaged in the registerable activity (except where exempt, e.g., a clerk or secretary role).
  - FITS has a similar range of activities (albeit more broadly defined) that are registerable. It also includes a greater range of exemptions than FIRS. The registration includes a light-touch online process, which is to be completed by an organisation if directed or part of an arrangement with a foreign principal, or an individual if acting for a foreign principal as an employee, or in their private capacity.
69. The number of FITS and FARA registrations that would satisfy the FIRS requirements has been analysed and used for the cost appraisal.
70. For FITS, it is estimated that there have been 2 registrations that would be registerable under the political influence tier of FIRS since inception. As FITS commenced in 2019, it is estimated that there would have been, on average and rounded to a whole number, 1 registration per year.
71. For FARA, it is estimated that there have been between 1,776 and 2,146 registrations that would be registerable under the political influence tier of FIRS since inception. As FARA commenced in 1938, it is estimated that there would have been, on average and rounded to a whole number, between 21 and 25 registrations per year.
72. The lower bound estimate used for estimating the costs is the FITS registration of 1 per year. The upper bound estimate used is the upper estimate for FARA registrations of 25 per year. The central estimate is calculated as the midpoint between the lower and upper bounds, at 13 per year under the political influence tier of the scheme.
73. These estimates are then multiplied by the estimated time taken to register with FIRS – 30 minutes – before being multiplied by the uplifted hourly wage of £12.60 for “Human Resources Administrative Occupations” (ASHE Code 4136)<sup>13</sup>, that was previously used for familiarisation costs. This hourly wage was then uplifted by 22 per cent to account for non-wage costs, as per RPC guidance<sup>14</sup>.
74. This wage was chosen as, although some individuals will be engaged in registerable activities, in most instances an individual will be acting in their capacity as an employee of an organisation which will be required to register on behalf of the activities undertaken by employees. It is assumed that registrations will be completed by the HR or compliance teams within the organisation. It is not known what proportion of registrations will be completed by individuals, however it is expected to be a

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<sup>13</sup> Earnings and hours worked, all employees: ASHE Table 14 - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/earningsandhoursworkedallemployeesashtable14>

<sup>14</sup> RPC guidance note - Implementation costs: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/827926/RPC\\_short\\_guidance\\_note\\_-\\_Implementation\\_costs\\_August\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827926/RPC_short_guidance_note_-_Implementation_costs_August_2019.pdf)

minority. An individual will only be required to register where they have their own arrangement with a foreign power and are not representing or servicing an organisation in delivery of its arrangement.

75. Under FIRS there is no annual renewal process. This means that after the first year, when the largest number of registrations are completed, registration costs in the following years will only comprise new entrants or updates to existing registration because of a material change in circumstances. Again, comparisons with FITS and FARA are used for an expected number of new registrations.
76. The time cost of a single registration is expected to be around £7.68.
77. Although registration costs are calculated over a 10-year appraisal period, the lifespan of the scheme has not yet been determined.
78. Total registration costs are estimated to lie in a range of **£0 to £1,700 (PV)**, with a central estimate of **£900 (PV)**, over 10 years.

**Table 3, Registration costs £, (2021/2022 prices), 2022.**

	<b>Low</b>	<b>Central</b>	<b>High</b>
Registration cost	33	851	1,670

Source: Home Office internal estimates

79. There could be additional costs associated with updating a registration in the event of a material change of circumstances. It is unknown what proportion of registrations will need to be updated, or how often, although these costs are estimated to be minimal.
80. These costs will be revisited when more evidence of registrations number under FIRS is available.

#### **Total ongoing costs**

81. Total ongoing costs are in the range of **£9.9 million to £15.3 million**, with a central estimate of **£12.0 million** (2021/22 prices). This includes costs to government and registration costs to businesses.

#### **Non-monetised costs**

82. There are additional costs that are not possible to monetise. These include: discouraging legitimate activities, reputational impact, and reciprocity. These are discussed in Section I on Wider Impacts.

#### **Criminal Justice System costs**

83. Home Office anticipate that there will be a relatively small number of cases per year for FIRS (less than five) as cases will need to meet the evidential threshold for prosecutions. It is estimated that the impact of these measures on such costs will be low.
84. Home Office consider the impact of the measures to be low on prisons. Maximum penalties will not always be met, and prosecutions are likely to take several months to secure.

#### **Total costs**

The total overall cost of FIRS (the capital, familiarisation and registration costs) is estimated to be in a range of **£11.8 to £22.0 million (PV)**, with a central estimate of **£14.3 million (PV)** over 10 years (in 2021/22 prices).

**Table 4, Total costs by category (£ million, PV, 2021/2022 prices).**

	<b>Low</b>	<b>Central</b>	<b>High</b>
Capital (Implementation)	11.75	13.84	18.50
Familiarisation	0.08	0.45	3.54
Registration	0.000	0.001	0.002
<b>Total</b>	<b>11.83</b>	<b>14.29</b>	<b>22.04</b>

Source: Home Office internal estimate, 2022.

## **BENEFITS**

85. It has not been possible to monetise the benefits of the scheme. There are a number of reasons for this:

- It is not possible to monetise the value of increasing transparency around foreign power influence in UK political affairs. Seeking to ensure that decision makers within the UK political system, as well as the general public, are informed about sources of foreign influence. This will strengthen the resilience of the UK's democracy and help tackle covert influence. However, this cannot be realised in monetary terms.
- There is no quantitative information on the scale of the deterrent effect from a scheme like FIRS. Some evidence from other schemes, whilst useful, is specific to both the scheme and the country it regulates.
- The covert nature of state threats activity makes it inherently difficult to estimate. It is not possible to know the scale of the problem in the UK.

86. Instead, qualitative descriptions will outline the intended benefits.

### **Non-monetised benefits**

#### **National Security**

87. An objective of this scheme is to make the UK a harder operating environment for persons to undertake covert activities for foreign powers.

#### **Deterrence**

88. Deterrence refers to persons in the future not engaging in state threats activity due to the scheme.

89. It is anticipated that the political influence tier and penalties for non-compliance will increase the risk to those individuals or entities engaging in covert 'political influence activities' and may deter them from engaging in these activities in the first instance.

90. An inquiry into FITS by the Australian Parliamentary Joint Committee on Intelligence and Security has found that the scheme has caused a behavioural change, with individuals and organisations making transparent their relationships with foreign principals or ceasing to engage in activities that would otherwise require them to register.<sup>15</sup>

91. It is difficult to measure the impact of deterrence resulting from a policy. For example, a drop in the number of active cases opened may be evidence of deterrence or it may be caused by illegitimate actors becoming harder to detect.

92. It is not possible to assign a monetary value to the benefits of deterrence without knowing the cost or scale of covert political influence activities in the UK, or the level of deterrence this scheme could result in.

#### **Disruption**

93. By creating offences around persons carrying out covert/unregistered activity, FIRS will enable operational partners to intervene and disrupt covert activities at an earlier stage than is currently the case.

94. Disruption also refers to that activity being stopped. This includes persons who, upon realising they would need to register, choose to instead cease their activity.

95. This not only has the benefit of stopping covert activities, which could be damaging to UK interests, but also potentially shortening the length of investigations.

96. There is also the possible benefit of unknown actors being identified as subjects of interest as a result of the scheme.

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<sup>15</sup> Submissions – Parliament of Australia (aph.gov.au):

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Intelligence\\_and\\_Security/FITSAAct2018/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Intelligence_and_Security/FITSAAct2018/Submissions)

## Transparency

97. Reports such as the ISC's report on Russia<sup>16</sup> have illustrated the existence and harm of foreign powers and entities attempting to covertly exert influence over the political systems of other countries.
98. The scheme will increase the awareness for government decision makers and the general public around the nature, extent and scale of foreign influence in the UK.
99. By improving transparency around arrangements that individuals have with foreign powers, it may encourage individuals to carry out the necessary due diligence before entering into a relationship with, or undertaking activity for, another individual or organisation.
100. In turn, this transparency may lead to an increased general public confidence that the UK is not subjected to covert 'political influence' from foreign states.
101. It may also provide the opportunity for businesses to build reputations as facilitators for legitimate foreign interest by demonstrating a track record by way of the register.

## NET PRESENT SOCIAL VALUE (NPSV), BUSINESS NET PRESENT VALUE (BNPV), NET DIRECT COST TO BUSINESS PER YEAR (EANDCB)

**Table 5, Summary of costs and benefits, NPSV, BNPV, EANDCB, 10 years (£ million PV, 2022), 2022**

	Low	Central	High
<b>Set-up costs</b>			
Platform costs	1.78	1.78	2.86
Resource costs	0.11	0.11	0.35
Familiarisation costs	0.08	0.45	3.54
<b>Total set-up costs</b>	<b>1.96</b>	<b>2.33</b>	<b>6.74</b>
<b>Ongoing costs</b>			
Platform costs	1.50	1.50	2.75
Resource costs	8.36	10.45	12.54
Registration costs	0.000	0.001	0.002
<b>Total ongoing costs</b>	<b>9.87</b>	<b>11.96</b>	<b>15.29</b>
<b>Total costs</b>	<b>11.83</b>	<b>14.29</b>	<b>22.04</b>
<b>Total benefits</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>NPSV</b>	<b>-11.83</b>	<b>-14.29</b>	<b>-22.04</b>
<b>BNPV</b>	<b>-0.08</b>	<b>-0.45</b>	<b>-3.54</b>
<b>EANDCB</b>	<b>0.01</b>	<b>0.05</b>	<b>0.41</b>

Source: Home Office internal estimate

102. The **NPSV** is estimated to be between **-£11.8 and -£22.0 million, with a central estimate of -£14.3 million**. The **BNPV** is estimated to be between **-£0.1 and -£3.5 million, with a central estimate of -£0.5 million**. The **equivalent annual net direct cost to business (EANDCB)** is estimated to be between **£0.01 and £0.41 million, with a central estimate of £0.05 million**. Further details on the costs to business can be found in section H.

## Value for money (VfM)

103. The policy is expected to meet both the strategic and policy objectives, by delivering a scheme which provides greater transparency and a more challenging operating environment for those who conduct,

<sup>16</sup> HC 632 – Intelligence and Security Committee of Parliament – Russia (independent.gov.uk): [https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721\\_HC632\\_CCS001\\_CCS1019402408-001\\_ISC\\_Russia\\_Report\\_Web\\_Accessible.pdf](https://isc.independent.gov.uk/wp-content/uploads/2021/01/20200721_HC632_CCS001_CCS1019402408-001_ISC_Russia_Report_Web_Accessible.pdf)

or intend to conduct, covert activity on behalf of foreign powers and other foreign actors, which threatens UK national security. The success of this scheme will be assessed on the extent to which activity is disrupted as a direct result of the scheme. However, given deterrence cannot be observed, it is difficult to fully assess the impact of the scheme.

104. The central estimate for NPSV is **-£14.3 million (PV)** driven by the fact that benefits have not been monetised. If these were able to be monetised, the NPSV may be positive. There are also costs that have not been monetised. If these were monetisable, it is possible that the NPSV would be lower than **-£14.3 million (PV)**.
105. The policy is expected to deliver value given that it will make the UK a harder operating environment for those wishing to exert covert political influence in the UK and increases transparency around foreign influence in UK political affairs. It does this by requiring persons to make their arrangements with foreign powers transparent, while also providing the option to pursue offences and penalties through prosecution in relation to those who seek to avoid the scheme's requirements. Given the importance of protecting homeland security and public confidence in parliamentary democracy, the potential benefits could be significant.

### **Impact on micro, small and medium businesses**

106. There is a risk that the scheme may have a disproportionate impact on micro, small and medium businesses (MSMBs). This arises because the scheme does not differentiate between MSMBs and larger businesses. These MSMBs may struggle with the additional regulatory burden (likely only through familiarisation costs) compared to larger organisations that have established HR departments and regulatory compliance procedures. There is a risk that MSMBs, without established regulatory compliance procedures, won't register with the scheme and could then be at risk of prosecution. It is not known how many MSMBs will be in scope of FIRS, however, registrations, regardless of organisational size, are expected to be low.
107. It is not reasonable to exclude MSMBs from the scheme for a number of reasons:
  - Excluding MSMBs would create a loophole, whereby foreign powers could funnel their registerable activity within the UK through MSMBs as a way of avoiding the scheme's registration requirements.
  - It is reasonable to assume that MSMBs are capable of carrying out, or arranging, political influencing activities as part of an arrangement with foreign powers.
  - While FIRS does add to the overall regulatory burden faced by businesses, the impact from familiarising and registering with the scheme is relatively low. Considering estimates of only 1 to 25 active registrations per year, for the majority of businesses (including SMBs) the only cost incurred will be the time spent familiarising with the scheme in the first year.

## **F. Proportionality**

108. Evidence was gathered through survey commissions sent to government departments and operational partners. The evidence used in this analysis uses the returns from both commissions, disregarding the information that is not relevant to the updated scheme.
109. With more time, a more extensive commission could have been sent to departments. It is unlikely that this will have provided comprehensive quantitative data but may have provided improved confidence in the assumptions contained in this analysis. Given the size of the impacts, it is deemed that the quality of the evidence base underpinning the costs and benefits estimates is proportionate.
110. External sector roundtables have been undertaken to capture business-specific issues. These have allowed the Government to better understand the sectors which may be impacted and how the scheme will be practically implemented at a business level.

## G. Risks

111. Analytical risk lies mainly in the quality of data underlying the analysis. This arises from the difficulties in assessing who will be in scope of the scheme and will need to familiarise or register.
112. To mitigate this, scenario analysis has been used to consider low, central and high scenarios where the number of people in scope increases from the low to high scenario. That said, it has still been difficult to identify what the appropriate range should be.
113. Where possible, for familiarisation costs, as many people as possible have been considered whilst still being proportionate. This is because even those that are out of scope or exempt will still need to be aware of the scheme to identify that they do not need to register.
114. The assumption has been made that the HR or legal compliance department will be responsible for familiarising with the scheme as it is unlikely that all employees will read the scheme, particularly considering it will be the responsibility of an entity (for example, an organisation) to register on behalf of its employees.
115. Despite these risks, it is expected that the unquantified benefits will justify the introduction of the legislation.

## H. Direct costs and benefits to business calculations

116. The central estimate for **BNPV is -£0.5 million (PV)** over the 10 year appraisal period, which means that the monetised total costs to businesses outweigh the monetised total benefits to businesses. This is because there are no benefits to businesses. Additionally, as indirect costs to businesses (discussed in section I below) cannot be monetised, the total costs to businesses reported in this analysis is likely an under-estimate. Direct monetised costs to businesses falls into two categories: familiarisation and registration (including updates to registration).
117. Familiarisation costs refer to the value of the time a person spends reading and familiarising themselves with the scheme. The assumption has been made that a member of the HR or legal compliance department would familiarise themselves with the scheme on behalf of the business. For larger businesses it has been assumed that three people will be required to understand the scheme's obligations. A reading speed calculator provided a central estimate of 13 minutes to read the scheme guidance<sup>17</sup>. Combined with an uplifted HR wage of £15.37<sup>18</sup> per hour, the cost per person familiarising is calculated as £3.38. This means that for small and medium businesses, where only one person is assumed to familiarise themselves, the cost incurred as a result of FIRS is £3.38. For large businesses, where three people are assumed to read the scheme guidance, the cost incurred as a result of FIRS is £10.14. Total familiarisation costs are estimated to be in the range of **£0.08 to £3.54 million, with a central estimate of £0.45 million**. These are incurred in the first year only.
118. Registration costs account for the value of the time a person spends registering themselves and their activities with FIRS. Given that it will take 30 minutes to register, the cost per business is £7.68. Total registration costs are estimated to lie in the range **£0 to £1,700** with a central estimate of **£900 (PV)**. These are mostly expected to occur in the first year, but there may be additional costs associated with having to update a registration in the event of a material change or provide additional information at the request of the Home Office.
119. The **total direct cost to business** is estimated in a range of **£0.1 to £3.5 million (PV), with a central estimate of £0.5 million (PV)** over 10 years. As benefits have not been monetised, the **Business Net Present Value (BNPV)** is estimated in a range of **-£0.1 to -£3.5 million (PV), with a**

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<sup>17</sup> Speed Reading Test Online (readingsoft.com): <http://www.readingsoft.com/>

<sup>18</sup> Earnings and hours worked, all employees: ASHE Table 14 - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/earningsandhoursworkedallemployeesashtable14>

**central estimate of -£0.5 million (PV)** over 10 years. The **net direct cost to business (EANDCB)**<sup>19</sup> is estimated in a range of **£0.01 and £0.41 million, with a central estimate of £0.05 million.**

## **I. Wider impacts**

120. In addition to the direct costs to businesses outlined in sections E and H, there a number of wider indirect impacts that may arise as a result of the scheme. It has not been possible to monetise these costs and so qualitative description is used instead to outline some of the potential impacts.

### **Reputational effects**

121. Introduction of the scheme could lead to negative reputational impacts on the economy as it could damage the UK's reputation as an open and welcoming place to invest; study; collaborate, among others.
122. There may also be concern over the publication of some registered information. Firms or individuals conducting legitimate activities could be concerned about being negatively impacted if there was a widespread, albeit inaccurate, perception that the scheme is a register of illegitimate activity.

### **Reciprocity**

123. There are also potential impacts to consider in terms of potential retaliatory action being taken against representatives of the UK abroad. It is possible that certain foreign states may take the implementation and use of the scheme as an opportunity to levy regulations against UK citizens.

## **J. Trade Impact**

124. FIRS is not expected to have an impact on the UK's trading relationship with the rest of the world.
125. It is not anticipated that this registration scheme will impact the ability of overseas businesses and investors to operate in the UK. As the regime aims to strengthen the UK's resilience to covert foreign power influence in our political system, only operators (both national and foreign) who are covertly influencing the UK at the direction of a foreign power, or are in an arrangement with a specified person, and don't register face penalties. For those that need to register, the impact is expected to be minimal because of the low cost and burden required to register with FIRS. Furthermore, appearing on the public register is unlikely to put a company at a competitive disadvantage because they are supporting the scheme's aims and objectives by being transparent.
126. An obligation on companies to register and to have published details of political influence activity does not, in principle, unjustifiably affect their operations in the UK. A foreign service supplier from Ireland would be exempt, and whilst it is not considered that this places that foreign service supplier at a competitive advantage, the exemption is justifiable to honour the spirit of the Belfast Agreement.
127. It is worth noting that the registration scheme does not only apply to foreign businesses but also to domestic businesses, which supply goods and services in the UK.

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<sup>19</sup> The net direct cost to business is defined as the Equivalent Annual Net Direct Cost to Business (EANDCB) and is used by the Regulatory Policy Committee (RPC) to compare costs to business across different regulatory measures.

## **K. Monitoring and evaluation plan**

128. As part of the transparency objectives of the scheme and developing a comprehensive evaluation framework, the Home Secretary will be required to lay an annual report before Parliament with the main information about the scheme, including:
- The number of arrangements registered with the Home Secretary under the political influence tier or the enhanced assurance measure.
  - The number of arrangements registered with the Home Secretary during the relevant period.
  - The number of specified entities who have registered activities.
  - The number of specified entities who have registered activities during the relevant period.
  - The number of information notices issued during the relevant period.
  - The number of persons charged with an offence under FIRS.
  - The number of persons convicted of an offence under FIRS.
129. As discussed in paragraph 85 it has not been possible to monetise the benefits. This is largely due to the fact that it is not possible to monetise the national security or transparency benefits of the scheme given the novelty of such a scheme and consequent lack of data as well as the indicators of success (for example improved deterrence) being difficult to measure. The Government will continue to coordinate with operational partners to ensure continued utility of the scheme.
130. Any review will take a holistic approach and will evaluate the entirety of the scheme's framework and its impact on sectors more broadly.
131. Long-term success of the scheme would mean the policy objectives coming to fruition. That is to say deterring those who seek to engage in covert activity for foreign powers and increasing transparency around the extent of foreign influence on UK political affairs.

## L. Annexes

### Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p><b>Statutory Equalities Duties</b></p> <p>The public sector equality duty requires public bodies to have due regard to the need to eliminate discrimination, progress equality of opportunity, and foster good relations in the course of developing policies and delivering services.</p> <p>In evaluating the impact of the introduction of the new policies set out in the Bill, due consideration has been undertaken to assess any discriminatory impacts on groups with protected characteristics including age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex or sexual orientation.</p> <p>The political influence tier is state agnostic and will have no direct impact on those with the protected characteristic of race or religion and belief, the Government has also considered the potential indirect impact of the measures.</p> <p>The Government has considered the potential for disproportionate impact on particular nationalities, and it is important to note where the foreign power is directing a person to undertake political influence activities, that person could be any nationality. It is plausible that certain foreign powers may be more likely to direct political influence activities and it is possible that they may direct their own nationals to carry out this activity. However, there is not sufficient data to be certain of this and there is also the potential that it may be more practical for foreign powers to direct UK nationals (as those most likely to be based in the UK) to conduct activity on their behalf.</p> <p>The enhanced tier will initially have no foreign powers specified on it and will have no direct impact on those with the protected characteristic of race or religion and belief. The Government has considered the potential indirect impact of the measures on these characteristics.</p> <p>There is a further potential indirect impact on nationals from a specified foreign power. By specifying a certain foreign power on the enhanced tier, which could only be done where it was considered by the Secretary of State to be reasonably necessary to do so to protect the safety or interests of the UK, it could lead to increased stigma for nationals from that foreign power living in the UK in general. It is not possible to fully expand on the equality impact considerations for nationals of any particular country until the enhanced power is at the point of being used. The use of this power is subject to the affirmative procedure in Parliament and the and the potential for its use to create divisions or adverse equality impacts in UK society would undoubtedly be considered by Parliament. Whether or not the use of the scheme for any given power would have negative equality impacts and the extent to which this was justified, would depend on a number of factors.</p> <p>Once the enhanced tier is in use, there are mitigating factors that will reduce any potential impact. There will also be published guidance and a communications campaign to reduce any potential negative stigma that may be attached to the scheme. This will make clear that those who comply with the scheme's requirements are supporting the transparency and national security objectives of the UK.</p> <p>It is important to note that the scheme will be applied equally and fairly to all nationalities and races. Therefore, the Home Office considers these risks to be small and that it can be justified from a national security perspective.</p>	<p><b>Yes</b></p>

<b>The SRO has agreed these summary findings of the Equality Impact Assessment.</b>	
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Any test not applied can be deleted except **the Equality Statement**, where the policy lead must provide a paragraph of summary information on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed.**

## Economic Impact Tests

<p><b>Business Impact Target</b></p> <p>The scheme introduces additional regulatory burden by requiring that a large number of businesses familiarise themselves with the scheme, with a tiny portion of the employees of these businesses requiring to register with the scheme. It is assumed that the majority of businesses will be out of scope of the scheme and so will only have to read the scheme guidance.</p> <p>The scheme has an estimated BNPV of <b>-£0.5 million</b> and a net direct cost to business per year of <b>£0.05 million</b>.</p> <p>There are potential wider impacts to businesses that the Home Office have not been able to monetise. This is the case for benefits too.</p>	<p><b>Yes</b></p>
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<p><b>Small and Micro-business Assessment (SaMBA)</b></p> <p>There is a risk that the scheme will have a disproportionate impact on SMBs as it does not differentiate between SMBs and larger businesses. However, the overall regulatory burden per SMB is likely to be small, with the majority of SMBs not requiring registering with the scheme. The total number of SMBs in scope is unknown.</p>	<p><b>Yes</b></p>
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## Social Impact Tests

<p><b>Justice Impact Test</b></p> <p>Home Office anticipate that there will be a relatively small number of cases per year for FIRS. It is estimated that the impact of these measures will be low.</p>	<p><b>Yes</b></p>
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