

<b>Title:</b> Proposals to introduce a Statutory Register of Lobbyists <b>Lead department or agency:</b> Cabinet Office	<b>Impact Assessment (IA)</b>	
	<b>Date:</b> 27 November 2011	
	<b>Stage:</b> Consultation Stage	
	<b>Source of intervention:</b> Domestic	
	<b>Type of measure:</b> Primary legislation	
<b>Contact for enquiries:</b>		

<b>Summary: Intervention and Options</b>	<b>RPC:</b> RPC Opinion Status
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Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as In
Unknown	None	Unknown	Yes	In

**What is the problem under consideration? Why is government intervention necessary?**

Lobbying – seeking to influence public policy, government decisions or legislation – can improve results by ensuring that those developing and considering the options are better informed about the consequences of alternative ways of proceeding. Lobbying is a perfectly legitimate activity that has been carried out for many years in many different forums by a wide variety of individuals and groups of all sorts. However where lobbying is opaque, this creates a market failure caused by imperfect information that can undermine public confidence in the decision making process and its results.

The Public Administration Select Committee (PASC) launched an inquiry into the lobbying industry in 2007, publishing a report in January 2009 which called for a statutory register of lobbying activity.

Following the May 2010 election, the Coalition Government made a commitment to regulate lobbying through introducing a statutory register of lobbyists and ensuring greater transparency, broadly in line with PASC’s proposals. The consultation paper presents possible scenarios as a starting point for discussion and a series of key questions. It is the Government’s intention to gather evidence on the strengths, weaknesses, costs and benefits of a variety of models before taking a decision on next steps.

**What are the policy objectives and the intended effects?**

The purpose of a statutory register will be to increase transparency by making available to the public, to decision-makers, and to other interested parties, authoritative and easily-accessible information about who is lobbying and on what issues. This will help ensure that those seeking to influence decisions do so in a way that is open to scrutiny, improving knowledge about the process and the accountability of those involved in it.

The consultation paper is intended to generate discussion around initial proposals and questions, and help build a robust evidence base for further action.

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

Lobbying is currently unregulated, and, although the UK Public Affairs Council (an independent body established and funded by the three main lobbying industry bodies) has held a voluntary register since 2010, only the three main industry bodies have registered. The Government believes a significant and influential part of the industry is made up of single operators and small businesses which do not belong to any of those three umbrella groups, and have not provided any information to the UK PAC register. The Government believes, in line with the recommendations of the Public Administration Select Committee, that the arrangements are not sufficiently transparent. The current consultation seeks public views on the possible options for increasing the transparency of lobbying and marks the beginning of a process of discussion and evidence gathering.

Broadly speaking, the Government takes as a starting point for discussion the scenario of an independent body funded by individual registration fees, which would have responsibility for establishing and operating a statutory register. We suggest quarterly updating of the register, which would record information such as the names of individuals and companies carrying out lobbying; the names of their clients; information on the broad value of the work carried out; and a declaration of any public funding they have received and from what source. Penalties will be incurred for non-compliance. The Government asks for responses and views on all of these suggestions, including who should run the register and how it should be funded. We particularly ask for information on the affordability of fees for small businesses.

The Government believes that this outline model provides a good starting point for consultation, balancing transparency against regulatory burden, and being paid for by the lobbying industry rather than imposing costs on the wider taxpayer. Nevertheless, while the Government has made these initial proposals, the consultation paper sets out a series of key questions, the answers to which will shape the final policy. They are:

- What the definitions of “lobbying” and “lobbyists” should be;
- Who should and should not be required to register;
- What information should be provided in the register;
- How often the register should be updated;
- Whether there should be any additional functions linked to the register;
- How the register should be funded;
- What sanctions should operate;
- Who should run the register.

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

Does implementation go beyond minimum EU requirements?			Yes		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A		<b>Non-traded:</b> N/A

***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 1

Description: Scenarios for consultation

## FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Unknown	High: Unknown	Best Estimate: Unknown

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Unknown	Unknown	Unknown
High	Unknown	Unknown	Unknown
Best Estimate			

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

Due to the broad nature of the consultation and the open nature of the proposals, it has not been possible to fully explore the monetised costs of a proposed register. Once key definitions are in place (for example, definitions that capture the scope of the activity to be included in the statutory register) and evidence has been gathered in the consultation process, it will be possible to estimate costs.

UK comparators provide benchmarks of limited applicability for monetised costs to lobbyists, since other registers operate differently. For example, initial and annual registration fees for the General Dental Council's register of dental health professionals vary according to the type of work performed. Dentists must pay £576 per annum (pro rata if joining part-way through the registration year) and dental health professionals £120. This level of fees is approximately in line with current registration fees for the three main lobbying industry bodies, the Association of Professional Political Consultants, the Chartered Institute of Public Relations and the Public Relations Consultants Association.

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

Institutions of Government: none.

Lobbyists: the requirement to register and maintain on a quarterly basis the information on the register. It is anticipated that registration and maintenance will be a minor administrative task.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Unknown	Unknown	Unknown
High	Unknown	Unknown	Unknown
Best Estimate			

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

Due to the broad nature of the consultation and the open nature of the proposals, it has not been possible to fully explore the monetised benefits of a proposed register. Once key definitions are in place (for example, definitions that capture the scope of the activity to be included in the statutory register) and evidence has been gathered in the consultation process, it will be possible to estimate benefits.

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

Institutions of Government: greater transparency in their interactions with lobbyists, leading to greater public confidence in decision-making processes.

Lobbyists: greater perceived legitimacy of the essential role lobbying plays in the decision-making processes of institutions of Government.

Key assumptions/sensitivities/risks

Discount rate (%)

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: Unknown	Benefits: Unknown	Net: Unknown	Yes	IN

# Evidence Base

## Introduction

Following the May 2010 election, the Government said, in *The Coalition: Our Programme for Government*:

*We will regulate lobbying through introducing a statutory register of lobbyists and ensuring greater transparency.*

The Government's aim is to increase the information available about lobbyists and lobbying without unduly restricting lobbyists' freedom and ability to represent the views of the businesses, groups, charities and other individuals and organisations they represent to Ministers and other decision-makers. This commitment is part of the Government's wider transparency agenda, but also seeks to address a real problem identified by the Public Administration Select Committee in their 2009 report.

## Initial Proposals

Broadly speaking, the Government's initial proposals are that a statutory register should be established and operated by an independent body, which will be funded by individual registration fees (although micro businesses and start-ups will likely be exempted from payment). This body will not take on broader regulatory functions, such as carrying out investigations or auditing the information on the register. The register will be updated quarterly, and will record the names of individuals and companies carrying out lobbying; the names of their clients; information on the broad value of the work carried out; and a declaration of any public funding they have received and from what source. Penalties will be available for non-compliance.

### Micro-businesses

The Government committed to implementing a moratorium on new domestic regulation for micro-businesses for a three year period, starting on 1 April 2011. As a significant proportion of the lobbying industry is made up of sole operators and micro-businesses, the Government has disapplied the moratorium to these proposals, but has committed to keeping the regulatory burden and cost to micro-businesses as small as possible.

### Regulation and New Offences

The Government believes that the operator of the statutory register should, in conjunction with the industry and other interested parties, decide on the format or formats in which information is to be provided and published. The operator should take reasonable steps to check that it has accurately reproduced the information those registering have supplied, and work with them to improve the overall quality and usefulness of their entries. However, ultimate responsibility for the information published should lie with those required to register and not the register's operator. For this reason, it is not proposed that the operator should be given the responsibility or power to carry out investigations or audits of the information for publication. The Government supports the industry's efforts to improve lobbying practice, and to develop a code of conduct that helps lobbyists perform to the highest possible standards. However, it thinks that this is a matter for the industry itself, not for the holder of the register. It is reasonable to expect that this will limit the cost of running the body that will operate the register.

The Government suggest in the consultation document that new offences might be created as sanctions against non-compliance, along the lines of those in the Companies Act 2006 for failure to provide accounts, or knowingly making a false statement. The final form of any offences and the level of

penalties that could be imposed is the subject of consultation. It seems likely that there will be an additional cost to the Justice system, but this cost is difficult to quantify with any degree of certainty for the reasons we note above.

## Costs

Due to the broad nature of the consultation and the open nature of the proposals, it has not been possible to fully explore the costs of a proposed register. Without a finalised definition of lobbying, the coverage of the register is difficult to quantify, and the costs associated with the register. Based on their definition of lobbying, UKPAC have estimated the possible coverage of a statutory register. That data suggests the register would cover around 275 organisations, who between them will have around 1500 staff engaged in lobbying. Its characterisations and calculations are summarised in the table below.

Type of organisation	Number of organisations	Employees engaged in lobbying (total)
Public affairs specialists	100	1000
Companies with in-house staff	60	100
Charities/voluntary sector	40	120
Unions	30	50
Trade associations	25	50
Law practices	20	50
Others		130
Total	275	1500

The consultation asks whether those who lobby on their own behalf should be covered, with the presumption that they should not be required to register. The consultation also asks if charities, unions and trade associations should be covered.

The consultation proposes that the register is funded by the lobbying industry, along the same lines as other regulatory bodies such as the General Dental Council's register of dental health professionals and the SRA for solicitors; however the Government proposes that micro-businesses and start-ups should be exempt from registration fees.

## Alternative Solutions

Lobbying is currently unregulated, and, although the UK Public Affairs Council (an independent body established and funded by the three main lobbying industry bodies) has held a voluntary register since 2010, registration rates remain low. The Government believes, in line with the recommendations of the Public Administration Select Committee, that the current arrangements are not sufficiently transparent, and therefore that the no-change option is not viable.

The Government believes that the outline model set out in its proposals provides a good starting point for consultation, balancing transparency against regulatory burden, and being paid for by the lobbying industry rather than imposing costs on over-stretched public finances. Nevertheless, while the Government has made these initial proposals, the consultation paper sets out a series of key questions, the answers to which will shape the final policy. They are:

- What the definitions of "lobbying", "lobbyists" and the relevant "area of operations" in which lobbying takes place should be;
- Who should and should not be required to register;
- What information should be provided in the register;
- How often the register should be updated;
- Whether there should be any additional functions linked to the register;
- How the register should be funded;
- What sanctions should operate;

- Who should run the register.

Different answers to these questions would create very different models for a statutory register. The Government will take all responses and suggestions into account before bringing forward legislation, which will be fully debated by Parliament before it becomes law.

## **Analysis**

The consultation document is intended to generate debate and draw in the widest possible set of responses. It is not a finalised statement of policy and may be changed in almost every respect if the response to the consultation suggests that this is appropriate. Before the introduction of draft legislation a more extensive and detailed impact assessment will be carried out on the final proposals for introducing a statutory register of lobbyists.

To assist in the development of the policy, the Government is looking to gather information on the strengths, weaknesses, costs and benefits of the proposed model and a variety of alternative models before taking a decision on next steps. Data relating to following issues would be particularly useful in building a robust evidence base: the numbers of micro and start-up lobbying organisations; the numbers of 'in-house' lobbyists within larger organisations and the proportion of their time spent on lobbying activities; the amounts typically spent by organisations of different scales on lobbying, both on specific issues and in total per annum; the proportion of lobbying activities carried on a non-professional (i.e. not paid-for) basis. We will also be looking to explore the broader impact of the proposals, and any alternative models, on charities and small businesses.