

Title: Third Party Campaigning in Elections (as part of the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill) IA No: Lead department or agency: Cabinet Office Other departments or agencies:	Impact Assessment (IA)		
	Date: 15/07/2013		
	Stage: Development/Options		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: Oliver Phillips- 020 7271 6385			

Summary: Intervention and Options	RPC Opinion: Awaiting Scrutiny
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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, Measure qualifies as One-Out?
-£2.7m	-£1.1m	-£0.1m	Yes
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What is the problem under consideration? Why is government intervention necessary?

There is a perception of a lack of transparency in the way that third parties campaign in elections including a view that not all expenditure is captured, undermining public confidence in the democratic system. In 2010 the largest 10% of third party organisations spent more than the remaining 90% combined, fueling a perception of undue influence. Without stronger reporting and spending regulations, the behaviours underlying this perception will continue to damage the legitimacy of the system of government.

What are the policy objectives and the intended effects?

The proposals in relation to third parties will provide for a greater degree of transparency by making the spending, donations and reporting regime more comprehensive and which in part mirrors controls on political parties. By introducing spending controls the policy is also intended to curb perceptions of undue influence.

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

At this stage the options considered are:

Option 0- Do nothing;

Option 1 - Implement the package of eleven measures: amend legislation to address the transparency gaps in current legislation.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro No	< 20 No	Small No	Medium No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: N/A		Non-traded: 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: Chris Smith Date: 16/7/13

Summary: Analysis & Evidence

Policy Option 1

Description: Implement the package of eleven expenditure transparency measures: amend legislation to address the transparency gaps in current legislation.

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£1.1m	High: -£4.4m	Best Estimate: -£2.7m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£0.7m	£0.1m	£1.1m
High	£1.2m	£0.5m	£4.4m
Best Estimate	£1.5m	£0.3m	£2.7m

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

It is estimated that around 10% of third party organisations will see their expenditure capped reducing expenditure by a total £650,000 in General Election years. There will also be a small administrative cost to registered third party organisations (between £0- 800) and some small third party organisations may further be brought into regulatory regime creating further compliance costs. The Electoral Commission enforcement costs are also expected to rise by between £0- £390,000 annually.

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

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BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£0	£0	£0
High	£0	£0	£0
Best Estimate	£0	£0	£0

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

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

Collecting, publishing and scrutinising more information on third party spending is expected to increase transparency. Capping spending is also expected to curb the perception of undue influence at elections. The £650,000 has been tallied, for the purposes of this impact assessment, as a cost to organisations but it is also a benefit to society as it curbs undue influence.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
Assumes that the number of third party organisations will be between 30- 60 in 2015 and 2020.		
Assumes that real expenditure of third party organisations would otherwise remain similar to 2010.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: £0.1m	Yes	NA
Benefits: £0		
Net: -£0.1m		

Evidence Base (for summary sheets)

The policy issue and rationale for Government intervention

Policy Issue:

There is a perception of a lack of transparency in the way that third parties campaign in elections, including a perception that not all expenditure is captured. This undermines public confidence in the democratic system.

There is also a further perception of undue influence where large third parties are spending disproportionately.

At present third parties are subject to a different regulatory regime than registered political parties. For instance, the definition of controlled expenditure for third parties is different and less extensive than the definition of campaign expenditure for registered political parties. This means that the regulatory regime may not catch certain spending by third parties, which they may undertake to influence the political system. The reporting regimes for third parties are also different from registered political parties. As a result, to ensure the regulatory regime is sufficiently transparent and robust, the Government intends to legislate to introduce a more comprehensive spending, donations and reporting regime for third parties. This will help underpin and maintain trust in the regulatory regime.

Rationale for Intervention:

Without the proposed legislative changes, there will continue to be a lack of transparency in the way that third parties spend in election campaigns. In addition, there is the potential for monies to be spent by third parties which do not fall within the definition of campaign expenditure and thus not subject to the regulatory regime. This is an issue that has been raised by the regulator, the Electoral Commission, who have recommended that the definitions of controlled expenditure for political parties and third parties are aligned. Without the proposed changes it is unlikely that there will be any improvement to the public perception of the robustness of the regulatory regime governing election campaigning.

Policy objectives and intended effects

The proposals in relation to third parties will provide for a greater degree of transparency by introducing a more comprehensive spending, donations and reporting regime, one that in part mirrors controls on political parties. Publishing requirements between political parties and third parties will be more closely aligned. In addition, the registration threshold will be lowered to

capture more third parties campaigning in elections, while a more comprehensive spending regime will be introduced to ensure that third parties cannot overly target specific areas or seats and hence cannot exert undue influence within the political system.

Policy options considered, including alternatives to regulation

At this stage the options considered are:

1. **Do nothing;**
2. **Implement the package of eleven expenditure transparency measures** - amend legislation to address the transparency gaps in current legislation.

Impact of 3rd party funding measures

The eleven third party measures contained in the bill will:

1. Ensure that all third party expenditure is captured so that third party expenditure is fully reported to the Electoral Commission and published for full regulator and public scrutiny;
2. Reduce the level of expenditure which third parties can incur and ensure that undue influence is not exerted with very large or targeted third party expenditure; and
3. Require third parties to keep new records which they must report to the Electoral Commission.

The measures, their costs and their benefits are laid out subsequently in more detail. In summary however the key impacts are:

- At the last General Election the largest 10% of third parties spent more than the remaining 90% combined. This, and the fact that third parties could concentrate their spending almost freely in given constituencies, gives rise to the perception of undue influence. Reducing the level of expenditure is expected to reduce this perception of undue influence. It is expected that this will lead to a reduction of around £650,000 of expenditure (2013/14 price terms) in 2015.
- Third parties spending between £5,000 - £10,000 in England and £2,000- £5,000 in Scotland and Wales will also be brought into the reporting regime increasing transparency of smaller spenders.
- The expenditure of all registered third parties will be more transparent because expenditure by third parties on campaigns will be more fully captured and reported;
- The Electoral Commission will have a duty to monitor and take all reasonable steps to secure compliance with these provisions. The

Electoral Commission already has an enforcement team in place, although we estimate that there may be a need to expand this team at a projected cost between £0- £390,000 (2013/14 price terms) from 2014 onwards.

- There will be a small administrative cost for registered third party organisations for capturing and recording this new information- an estimated cost of between £0- 800 per organisation. There will also be an administrative cost to bringing smaller third party organisations into the reporting regime.

Monetised costs

As these measures will amend the requirements of third parties and political parties, rather than entirely new requirements, it is anticipated that the impact on these organisations will be generally small. In many cases third parties are likely to adapt their business model and incorporate the changes into their existing model rather than undertake new burdens to comply. Indeed 36% of third party organisations in England in 2010 registered voluntarily, despite spending below the £10,000 threshold that presently necessitates registration, strongly suggesting that the existing framework does not impose a significant burden.

The 'low estimate' in summary table 1.1 reflects this and all other costs are laid out in the table below. The methodology is outlined in annex C. Note that the lowest refers in all cases to the low cost estimate while the high estimate refers to the highest cost estimate.

Table 1.1- Summary of monetised impacts of the eleven 3rd party measures (£; 2013/14 price)

Proposal	Number of organisations affected		Highest real cost per organisation (2015)	2015 compliance cost (2013/14 price terms)			2015 Expenditure capped; (2013/14 price terms)	10 year total (NPV terms; 2013/14 prices)			
	Central	High		Low	Central	High		Low	Central	High	
Capturing expenditure											
Strengthen the "acting in concert" provisions between third parties and political parties, to help ensure that third party expenditure to support or on behalf of political parties is more accurately captured.	3	34	£99	£0	£300	£3,400	£0	£0	£0	£-400	£-4,700
Amending the definition of "election material" so that the scope of campaign expenditure for third parties is expanded.	30	60	£283	£0	£8,500	£17,000	£0	£0	£0	£-13,300	£-26,600
Spending limits											
Introducing a constituency spending limit of £9,750 in England, Scotland, Wales, and Northern Ireland. Introduce a limit of £5,850 for all constituencies in the period from dissolution of Parliament to the date of the poll.	30	60	£26	£0	£800	£1,600	£0	£0	£0	£-700	£-1,400
Requiring third parties to register with the EC as a 'recognised third party' if they plan to spend more than £5,000 on 'election material' in England or £2,000 for S, W and NI.	0	30	£2,187	£0	£0	£65,600	£0	£0	£0	£0	£-100,500
Increasing the "candidate" limit on third party expenditure from £500 to around £700 (reflecting inflation).	Deregulatory measure- see annex D.										
Reducing the national spending limits for third parties.	30	60	£18	£0	£ 500	£ 1,100	£0	£650,000	£-1.1m	£-1.1m	£-1.1m
Record keeping and enforcement											
Placing a duty on the EC to take all reasonable steps to secure compliance with these provision	Electoral Commission (the regulator) impacted only- Annual cost - £0 - £390,000 (2013/14 price terms) from 2014 onwards.										
Requiring expenditure by third parties campaigning for or against candidate to be recorded and available upon request.	Negligible cost. See Annex D										
Requiring greater transparency in relation to third party donations so that it reflects the regime applied to registered parties.	30	60	£106	£0	£3,200	£6,400	£0	£0	£0	£-4,500	£-8,900
Requiring third parties to publish accounts on the same basis as political parties.	30	60	£318	£0	£9,500	£19,100	£0	£0	£0	£-14,200	£-28,500
Expanding the registration requirements for third parties to require them to publish a list of board members.	30	60	£44	£0	£1,300	£2,600	£0	£0	£0	£-2,000	£-4,000
Total				£0	£24,100	£116,800	£650,000	£-1.1m	£-2.7m		£-4.4m

The impact of the 11 third party funding measures

This section describes the eleven individual measures which impact on registered third parties, their impact and the read across to the costs the regulations create. Annex D outlines the impact on unregistered parties.

Measure 1: Strengthen the “acting in concert” provisions between third parties and political parties, to help ensure that third party expenditure to support or on behalf of political parties is more accurately and comprehensively captured.

What does the measure do: Presently political parties may receive donations in kind – i.e. non-cash donations or gifts - from third parties. This is recorded as notional expenditure under the political party’s campaign expenditure return.

However, the measure proposes that where a third party specifically supports a political party, the spending incurred by the third party must then count against the expenditure limits of both the third party and the political party. This provision would apply where a third party wishes to incur spend above a certain limit, at which point it must have the political party’s authorisation to do so.

The third party must therefore seek permission if it wishes to campaign in support of a political party and incur spend above £31,980 in England, £3,540 in Scotland, £2,400 in Wales and £1,080 in Northern Ireland; expenditure above these limits, provided it is authorised, will then also count against the political party’s limit. If a registered party does not wish the third party’s campaigning activities to count towards their limit, they would not authorise them to do this.

Impact of the measure: This would require political parties to write to third parties who contacted them to formally tell them where they did not wish to co-ordinate their activities. The expenditure of all registered third parties will be more transparent because expenditure by third parties on campaigns will be more fully captured and reported.

Political parties would therefore incur a small administrative cost from familiarising themselves with the legislation and identifying and writing to third parties with whom they could be associated but are not actually co-ordinating, as well as writing a formal letter of agreement to those with whom they are happy to work.

It is not expected that this would restrict spending by political parties, only clarify the arrangements and improve transparency.

Administrative cost drivers: Familiarisation time is estimated to be only 2 hours as the new measure is similar to existing legislation, while a further half a day is prudently assumed for identifying associated organisations and writing to them. As there is no need to calculate or provide any financial information, no calculation cost has been assumed, nor is it assumed that there will be any significant senior time in checking it as it is a straightforward task.

Table C.1- Administrative cost to political parties of measure 1 (£ per political party; 2013/14 price terms)

Activity	Duration (hours)	Non-form filling related cost
Familiarisation with the information obligation	2	£35
Assessment and writing	3.5	£62
All	5.5	£97

Assumptions:

Assumes that all work is undertaken by administrators; assumes no further familiarisation cost beyond the first year of implementation; figures may not add due to rounding.

Cost calculation

2015 impact on third parties formula: (number of political parties x administrative burden per party) + (number of letters sent from political parties to third parties x cost of 1st class recorded delivery)

High: $(34 \times £97) + (40 \times £1.70) = £3,400$

Central: $(3 \times £97) + (5 \times £1.70) = £300$

Key assumptions:

High estimate assumes that all 34 political parties who spent more than £1 in 2010 each familiarise themselves with the legislation and undertake work to identify relevant third parties. For the central estimate it is assumed that only the largest three parties undertake to familiarise themselves with the legislations (as they represent the majority of all electoral expenditure) and

For the high estimate it is conservatively assumed that each organisation will receive a letter of authorisation for each area of the UK in which they intend to exceed the acting in concert threshold. In 2010 this threshold was exceeded by organisations in 40 locations and 40 letters are therefore assumed for the high estimate. The central estimate assumes that only five organisations who directly donated to the parties received a letter (as these parties would be very likely to be seen as 'reasonably' affiliated).

Measure 2 - Amending the definition of "election material" so that the scope of campaign expenditure for third parties is expanded

What does the measure do: At the moment the definitions of controlled expenditure between third parties and recognised political parties vary. For example, for third parties controlled expenditure is defined as election materials which can reasonably be regarded as intended to procure electoral success for a particular registered party or parties, the policies of a particular party or parties or candidate(s). For recognised political parties, controlled expenditure is defined as:

- Party political broadcasts;
- Advertising of any nature;
- Unsolicited material addressed to electors;
- Any manifesto or other document addressed to electors;
- Market research or canvassing;
- Provision of any services or facilities in connection with press conferences or other dealings with the media;
- Transport; and

- Rallies and other events.

This measure will align the definition of controlled expenditure, so that for third parties, controlled expenditure will mirror the list above with the exception of party political broadcasts (to which third parties are not entitled)

So, for example, Third Party A did not have to declare its expenditure for press conferences when it campaigned in 2010, where the political parties did. In 2015 however both would have to declare their expenditure for press conferences.

Impact of the measure: This would require a registered third party organisation to record and report some additional expenditures.

The expenditure of all registered third parties will be more transparent because expenditure by third parties on campaigns will be more fully captured and reported.

Political parties would therefore incur a small administrative cost from familiarising themselves with the legislation and recording and providing evidence of this additional expenditure.

There would also be a slight increased cost for the regulator, the EC, who would have to process these returns.

Administrative cost drivers: A day of additional information recording is assumed to capture the additional information required. Two hours are assumed for familiarisation with the legislation as it is a relatively clear and simple requirement. Four further hours are assumed for presentation.

As there is no need to calculate or provide any financial information no calculation cost has been assumed. As it is very similar to existing reporting, it is not believed that it will require any additional checking time.

Table C.2- Administrative cost to third parties of measure 2 (£ per third party organisation; 2013/14 price terms)

Activity	Duration (hours)	Non-form filling related cost
Familiarisation with the information obligation	2	£35
Information retrieval	7	£124
Presentation of figures	4	£125
All	13	£283

Assumes that all work is under taken by administrators; assumes no further familiarisation cost beyond the first year of implementation; figures may not add due to rounding.

Cost calculation

2015 impact on third parties formula (used for EANCB): (number of political parties x administrative burden per party)

High: (60 x £283) = £17,000

Central: $(30 \times £283) = £8,500$

There will also be slight costs for the Electoral Commission as they will need to process more forms. The total costs to the EC are outlined in annex E.

Measure 3 - Introducing a constituency spending limit of £9,750 in England, Scotland, Wales, and Northern Ireland. Introduce a limit of £5,850 for all constituencies between dissolution of Parliament and General Election.

What does the measure do: Presently third parties must limit their expenditure to £793,000 in England, £108,000 in Scotland, £60,000 in Wales and £27,000 in Northern Ireland but are free to spend any amount in a constituency up to these limits.

This measure will limit the amount which can be spent per constituency in England, Scotland, Wales or Northern Ireland to £9,750. Moreover third parties will not be able spend more than £5,850 in any constituency between the dissolution of Parliament and polling day.

So, for example, Third Party A would have been able to spend £108,000 (its entire expenditure for the whole of Scotland in 2010) in Constituency A in 2010 but in 2015 it would only be able to spend £9,750 there in total, of which only £5,850 between the dissolution of Parliament and polling day.

Impact of the measure: This would require registered third party organisations to cap their per constituency spending.

Registered third parties would therefore incur a very small administrative cost from familiarising themselves with the change to the legislation.

Capping constituency expenditure is expected to reduce this perception of undue influence. Currently third parties in England are permitted to spend up to a disproportionate £793,000 in a single constituency which is potentially distortionary.

Between 0 – 50% of third party organisations will need to redirect some of their expenditure as a result of this expenditure limit (central estimate 10%).

Administrative cost drivers: This is a simple change to existing legislation but will require a degree of familiarisation from third parties if they are to comply with the proposed constituency and national spending limits and accurately provide the required spending returns. Third parties will be required to attribute cost in some cases across 650 constituencies, though a return is only required where constituency spend breaches £5,850.

Cost calculation

2015 impact on third parties formula (used for EANCB): (third party organisations x administrative burden per party)

High: $(60 \times £26) = £1,600$ (2013/14 price terms)

Central: $(30 \times £26) = £800$ (2013/14 price terms)

Additional impact on third parties (not used for EANCB):

As there is no data presently available for third party spending by constituency the impact of this has been estimated by drawing on the expenditure returns from England, Scotland, Wales and Northern Ireland, the only current geographies for which this information is recorded. The smallest reporting geography in the UK, Northern Ireland, has 18 constituencies but only one third party organisation in 2010 spent more than £5,850 in all Northern Ireland suggesting a limited concentration of spending. If this was spread evenly across all 18 constituencies no campaign would breach the threshold and we therefore assume for the lower estimate that no campaigns will be affected in 2015. For the central estimate it is assumed that 10% of campaigns are affected (as 1 in 10 campaigns in Northern Ireland in 2010 could have breached the limit if they were perfectly concentrated in one constituency).

As Northern Ireland may not be representative of the whole of the UK however we assume, for the higher limit, that 50% of campaigns would be affected by this measure because 50% of distinctly recorded geographical campaigns¹ across the whole UK are known to spend over £5,850 in 2010.

Measure 4 - Requiring third parties to register with the EC as a 'recognised third party' if they plan to spend more than £5,000 on campaigning in England or £2,000 for S, W and NI

What does the measure do: Presently third parties must register with the Electoral Commission if they spend over £10,000 in England or £5,000 in Scotland, Wales or Northern Ireland.

This measure will lower the threshold for registration so third parties will need to register if they instead spend over £5,000 in England, or £2,000 in Scotland Wales or Northern Ireland.

Impact of the measure: This would require a minority of unregistered third parties to register and thus become subject to the regulatory framework as a whole.

This will increase the transparency of the overall regulatory framework as smaller spenders would also be brought into it.

This will not create any new administrative costs for presently registered third parties but it may bring new registered third parties into the regulatory framework.

Administrative cost drivers: The number of third party organisations which register below the thresholds required for registration is already disproportionate to other organisations (36% of total registrations in England were below the £10,000 threshold). For the central estimate it is therefore assumed that the number of third party organisations remain the same (30). For the high estimate it is conservatively assumed that a further 30 would become registered who would then become subject to the regulatory framework laid out by the Political Parties, Elections and Referendums Act 2000 (as amended).

¹ A distinctly recorded geographical campaign is defined for these purposes as a campaign by a third party that is recorded as being in a different part of the UK. So for example Vote-OK would be defined as having two distinct campaigns because it recorded spending in 2010 in both England and Wales.

It is assumed that it will take new third party organisations registering three days to familiarise themselves with the regulatory framework, considerably longer than the other measures because these organisations will not already be familiar with the framework. It is also assumed that a further day of assessment of regulatory requirements is needed and that a further week of retrieving the information is necessary. A further 42 hours is assumed for then calculating, checking the expenditure information and then submitting and publishing it.

This is conservatively assumed that this is cumulative with the other measures.

Table C.4- Administrative cost to third parties of measure 4 (£ per third party organisation; 2013/14 price terms)

Activity	Duration (hours)	Cost (£; 2013/14 price terms)
Familiarisation with the information obligation	21	£ 371
Information retrieval	35	£ 618
Assessment	7	£ 124
Calculation	14	£ 436
Presentation of figures	7	£ 124
Checking	7	£ 269
Reporting/submitting information	14	£ 247
All	105	£ 2,187

Key assumptions:

Assumes that all work is under taken by administrators except for checking which is undertaken by a senior manager and calculation which is assumed to be undertaken by an accountant; assumes no further familiarisation cost beyond the first year of implementation; figures may not add due to rounding.

Cost calculation

2015 impact on third parties formula (used for EANCB): (third party organisations x administrative burden per party)

High: (30 x £2,187) = £ 65,600 (2013/14 price terms)

Central: (0 x £2,187) = £0 (2013/14 price terms)

Measure 5 - Increasing the “candidate” limit on third party expenditure from £500 to around £700 (reflecting inflation since limit was last increased in 2000) – affects only unregistered third parties and is described in annex D.

Measure 6 – Reducing the national spending limit for third parties

What does the measure do: Presently third parties must limit their expenditure to £793,000 in England, £108,000 in Scotland, £60,000 in Wales and £27,000 in Northern Ireland. In 2010 only one organisation spent within £100,000 of the cap in England.

This measure will reduce the limit to £319,800 in England, £35,400 in Scotland, £24,000 in Wales and £10,800 in Northern Ireland.

Impact of the measure: This would require registered third party organisations to cap their expenditure up to these new regional limits.

Capping expenditure is expected to reduce this perception of undue influence. At the last General Election the largest 10% of third parties spent more than the remaining 90% put together.

Third parties would therefore incur a very small administrative cost from familiarising themselves with the change to the legislation.

If spending patterns are similar to 2010, the amount which is spent by 15% of third party organisations would be subject to the cap reducing total spending by £650,000 (cash terms).

Administrative cost drivers: We have conservatively estimated that this would take an hour of an administrator's time at a cost per third party organisation of £18. For the EANCB calculation this is assumed to be incurred only in 2015 and not other general elections.

Cost calculation

2015 impact on third parties formula (used for EANCB): (third party organisations x administrative burden per party) + donations capped in 2010 (uprated to 2015 prices)

High: (60 x £18) + 650,000 = £651,100 (2013/14 price terms)

Central: (30 x £18) + 650,000 = £650,500 (2013/14 price terms)

Assumes that capped political donations are included in the EANCB calculator. We will resolve this in the final IA.

Measure 7- Placing a duty on the Electoral Commission to monitor and take all reasonable steps to secure compliance with these provisions.

Measure 7 will enhance the monitoring and enforcement powers of the Electoral Commission which will improve transparency and confidence in the regulatory regime, ensuring that all expenditure is accounted for. The impact on the Electoral Commission is outlined in annex E.

Measure 8 - Requiring expenditure by registered third parties campaigning for or against a candidate to be recorded and available upon request- affects unregulated third parties and is described in annex D.

Measure 9 - Requiring greater transparency in relation to third party spending and donations so that it reflects the regime applied to registered parties such as pre-poll declarations of donations.

What does the measure do: Presently registered third parties are permitted to submit a single expenditure/ donations return to the Electoral Commission (post election).

This measure will require third parties to submit a quarterly reporting of donations during the regulated period and weekly reporting of donations between the dissolution of Parliament and polling day. This requirement for donation reporting will align the framework for third parties to that of registered political parties; as well as the requirement for a retrospective spending and donation report after the General Election.

So, for example, Third Party A presently may currently submit only one return outlining and providing receipts and information on any donations they received once, post election. This measure will mean that Third Party A would, if they registered for the 2015 General Election, have to submit a report on any donations they received prior to the 2015 poll.

Impact of the measure: This would require registered a third party organisation to provide donations information in advance of the UK Parliamentary election.

The donations information of all registered third parties will be more transparent as it will be reported in a more timely manner.

Registered third parties would therefore incur a small administrative cost from familiarising themselves with the legislation

Administrative cost drivers: Familiarisation cost is estimated to be 2 hours of administration time as the new measure is relatively simple to understand. A further 4 hours is conservatively assumed for submitting a separate report on pre-poll donations as this is information that is already collected and submitted (the primary administrative difference is that this information will now need to be provided in advance of the election).

Table C.9- Administrative cost to third parties of measure 9 (£ per third party organisation; 2013/14 price terms)

Activity	Duration (hours)	Cost (£; 2013/14 price terms)
Familiarisation with the information obligation	2	£ 35
Reporting/submitting information	4	£ 35
All	6	£ 106

Key assumptions:

Assumes that all work is under taken by administrators; assumes no further familiarisation cost beyond the first year of implementation. Figures may not add due to rounding.

Cost calculation

2015 impact on third parties formula in 2015 (2013/14 price terms); used for EANCB):

(Number of third party organisations x administrative burden per party)

High: (60 x £106) = £6,400

Central: (30 x £106) = £3,200

There will also be slight costs for the Electoral Commission as they will need to process more forms. The total costs to the EC are outlined in annex E.

Measure 10- Requiring third parties to publish accounts on the same basis as political parties

What does the measure do: Presently registered third parties are not required to publish accounts in the same way as political parties leading to a lack of transparency and comparability with the accounts of political parties. This measure will require third parties to publish accounts when they provide their post-election report to the Electoral Commission.

Impact of the measure: This would require registered third party organisations to publish accounts when they provide their post-election report to the Electoral Commission. Those third parties who provide accounts under another statutory framework, such as company law, may publish this information in another account and would not need to publish it separately due to this regulation. Additionally, individuals would be excluded from publishing accounts. The expenditure of all registered third parties will be more transparent as a result because expenditure by third parties on campaigns will be more fully captured and reported. Registered third parties would therefore incur a small administrative cost from familiarising themselves with the new requirements of the legislation and then presenting accounts in the same way as political parties.

Familiarisation cost is estimated to be 4 hours of administration time as the requirements of the measure are relatively more challenging. A day is conservatively assumed for laying out the accounts in line with political parties and half a day is assumed for publication. Two further hours are assumed to be required for an accountant to check the presentation of the statistics.

Table C.10- Administrative cost to third parties of measure 10 (£ per third party organisation; 2013/14 price terms)

Activity	Duration (hours)	Cost (£; 2013/14 price terms)
Familiarisation with the information obligation	4	£ 71
Presentation of figures	7	£ 124
Checking	2	£ 62
Reporting/submitting information	3.5	£ 62
All	16.5	£ 318

Key assumptions:

Assumes that all work is under taken by administrators except for checking which are assumed to be undertaken by accountants; assumes no further familiarisation cost beyond the first year of implementation.

Figures may not add due to rounding.

Cost calculation

2015 impact on third parties formula in 2015 (2013/14 price terms) ; used for EANCB):

(Number of third party organisations x administrative burden per party)

High: (60 x £318) = £19,100

Central: (30 x £318) = £9,500

Measure 11 - Expanding the registration requirements for third parties to require them, on registration as a third party, to publish a list of board members.

What does the measure do: Presently, registered third parties are not required to publish a list of board members and this measure will require them to do so.

Impact of the measure: This would require a registered third party organisation to publish a list of board members – although individuals registering as a third party would be excluded from this measure.

This provision will be more transparent as at the time of registration there will be more details concerning the individuals involved with a registered third party.

Registered third parties would therefore incur a small administrative cost from familiarising themselves with the legislation and publishing the information.

Administrative cost drivers: Familiarisation cost is estimated to be 0.5 hours for this very simple requirement with a further 2 hours are assumed to publish the details as it is assumed that this will be published alongside other information.

Table C.11- Administrative cost to third parties of measure 11 (£ per third party organisation; 2013/14 price terms)

	Duration (hours)	Cost (£; 2013/14 price terms)
Familiarisation with the information obligation	0.5	£9
Reporting/submitting information	2	£35
All	2.5	£44

Key assumptions:

Assumes that all work is under taken by administrators; assumes no further familiarisation cost beyond the first year of implementation.

Cost calculation

2015 impact on third parties formula in 2015 (2013/14 price terms) ; used for EANCB):

(Number of third party organisations x administrative burden per party)

High: (60 x £44) = £2,600

Central: (30 x £44) = £1,300

Annex A Standard cost model

For each of the eleven measures the time taken for each process outlined below is assessed.

Table A.1 The standard cost model

Activity	Duration (hours)	Form filling related cost		Non-form filling related cost		Total	
		£	%	£	%	£	%
Familiarisation with the information obligation	X	x	x	x	x	x	x
Information retrieval	X	x	x	x	x	x	x
Assessment	X	x	x	x	x	x	x
Calculation	X	x	x	x	x	x	x
Presentation of figures	X	x	x	x	x	x	x
Checking	X	x	x	x	x	x	x
Correction	X	x	x	x	x	x	x
Description	X	x	x	x	x	x	x
Settlement/payment	X	x	x	x	x	x	x
Internal meetings	X	x	x	x	x	x	x
External meetings	X	x	x	x	x	x	x
Inspection by public authorities	X	x	x	x	x	x	x
Correction resulting from inspection by public authorities	X	x	x	x	x	x	x
Training	X	x	x	x	x	x	x
Copying, distribution, filing, etc.	X	x	x	x	x	x	x
Reporting/submitting information	X	x	x	x	x	x	x
All	X	x	x	x	x	x	x

Table A.2 Labour costs underpinning the costings (2013/14 price terms)

	Mean hourly pay 2011 (ASHE)	Inflated to 2013 prices	Inflated to 2013 prices+ employer national insurance contributions	Inflated + 30% overhead+ NICS
Administrative occupations	£11.99	£12.42	£13.57	£17.65
Corporate managers and directors	£25.52	£26.43	£29.52	£38.37
Chartered and certified accountants	£20.79	£21.53	£23.94	£31.13

It is assumed that administration is undertaken by staff with a mean wage for administrative occupations, checking is undertaken by corporate managers and directors earning the mean for

their profession, and accountancy specific activities are undertaken by chartered and certified accountants likewise earning the mean (ASHE 2012).

It is further assumed that these mean wages rise in line with 2013/14 prices and that employers pay a further employer national insurance rate of 13.8% above the primary threshold of £149 in 2013/14 and a 37 hour week and further 30% in other overheads.

Annex B Controlled expenditure by registered third parties at the 2010 UK Parliament election

(Source: Electoral Commission)

Third Party	Expenditure (£)				
	England	Scotland	Wales	Northern Ireland	Total
38 Degrees	7,748	671	420	168	9,007
A Minority Pastime Limited	10,969	0	0	0	10,969
Community	0	0	0	0	0
Evershed Patrick Mr	14,056	0	0	0	14,056
IFAW in Action	169,440	18,756	12,716	5,722	206,634
Independent Network Campaign Ltd	42,494	3,903	3,189	1,434	51,020
May Brian Harold Dr	151,948	0	0	0	151,948
Muslim Friends Of Labour	0	0	0	0	0
National Union of Teachers	107,629	0	14,307	0	147,130
Political Animal Lobby Limited	149,763	9,739	13,041	0	172,543
Public and Commercial Services Union	55,469	20,699	5,231	3,394	84,794
Searchlight Information Services Ltd	310,634	4,515	4,082	0	319,231
Sentinel Publications Limited	0	0	0	0	0
The Board of Deputies of British Jews Ltd	0	0	0	0	0
The Campaign to End all Animal Experiments	4,916	540	360	180	5,996
The Democratic Reform Company	241,419	33,142	20,967	4,461	299,989
The League Against Cruel Sports	47,298	10,448	3,550	1,597	62,893
The Young Britons' Foundation	113,044	11,350	7,218	3,248	134,860
Uncaged Campaigns Ltd	6,518	696	471	0	7,685
Union of Construction, Allied Trades and Technicians	12,469	2,500	0	0	14,969
Union of UEA Students	0	0	0	0	0
UNISON - The Public Service Union	671,167	-	699	-	671,866
Unite	11,850	2,539	2,539	0	16,928
Unite Against Fascism	30,551	2,872	1,436	0	34,859
USDAW	4,101	544	296	0	4,941
Vote Cruelty Free	12,578	1,381	920	460	15,339
Vote For A Change Ltd*	515,850	20,021	13,574	6,109	555,554
	481,548	52,692	35,906	16,159	586,575

Vote-OK	18,188	0	957	0	19,145
Wales TUC	0	0	4,298	0	4,298
Wight Robin Mr	6,100	0	0	0	6,100
Total	2,719,305	144,316	110,272	26,773	

* *Following a case review regarding the Vote for a Change expenditure return. Vote for a Change submitted additional information on expenditure since the original return. Following further enquiries, further information was provided. The figures and downloadable files in the top row constitute the original return - those in the second row show the amended information.

Annex C Methodological note:

All costs have been calculated by multiplying an estimate of the administrative cost per organisation (derived from the Standard Cost Model) by the number of organisations impacted (derived from data published by their regulator, the Electoral Commission).

Calculating the administrative cost of each measure: Measures to ensure that expenditure is captured and require new record keeping will require a small amount of ongoing administration to ensure that everything is properly recorded or captured. For all eleven measures we used the Standard Cost Model to assess the additional time taken for each new burden and multiply it by the relevant wage (see annex A).

We have also used the Standard Cost Model to assess familiarisation costs for all measures. In all cases the most relevant professional group has been applied from ASHE and an administrative uplift of 30% and employer national insurance contribution has been added to ensure that no unit costs are unaccounted for.

Calculating the number of organisations: Seven of the eleven measures will require some action or behaviour change from registered third party organisations. Currently third party organisations are legally obliged to register if their campaign expenditure exceeds £10,000 with the regulator and the published list of all third party organisations from the 2010 General Election is outlined in annex B. As outlined in annex B there were 30 registered third party organisations in 2010 and this has been used to calculate the central estimate for all relevant measures. Measure five however lowers the threshold for registration in England from £10,000 to £5,000 and from £5,000 to £2,000 in Scotland Wales and Northern Ireland so the number of registered third parties may rise. We estimate however that this rise will not be significant because a disproportionate number of third parties already register below the threshold (36% of all registrations in England are below £10,000). For the upper estimate we have therefore conservatively assumed that there will be 60 organisations registered.

Only one measure, measure 1, will create a regulatory burden for political parties and for these calculations we have therefore used the number of registered parties published by the Electoral Commission to calculate the number of organisations affected. According to the Electoral Commission there are 392 registered political parties of which only 34 spent more than £1. The great majority of spending in 2010 was conducted by three: Conservative Party, the Labour party and the Liberal Democrats.

One measure, measure 7, relates solely to the regulator and is dealt with outside the EANCB calculation (see annex E). The final two measures, measures 5 and 9, impact on third parties which spend sufficiently little to remain unregistered and on which there is therefore no volume information available. Measure 5, however, is deregulatory and measure 9 requires no burdensome activity so the net effect is expected to be negligible if not positive. The treatment of this is discussed in Annex D.

Annex D- impact on unregistered third parties: Measures 5 and 9

Presently, a third party who campaigns for or against a candidate in a constituency is permitted to spend no more than £500.

What do the measures do: measure 5 raises the spending limit for a third party who campaigns for or against a candidate in a constituency from £500 to £700. This increase reflects increases in inflation since 2000. Measure 9 places an obligation on third parties campaigning for or against a candidate in a constituency to keep records of spending between £200 and £700 which they are required to produce upon request by the returning officer, police or Electoral Commission.

Net Impact of the measure: Measure 5 is deregulatory because it permits organisations to spend more. By contrast, measure 9 is regulatory because it requires third parties campaigning for or against a candidate to retain receipts after the first £200 of expenditure. The net regulatory impact per third party organisation is expected to be negligible, if not slightly deregulatory, because keeping receipts of expenditure does not require a significant amount of time.

As these third parties are unregistered, their details are not recorded and we are unable to estimate the number of unregistered third parties but, as the net impact per unregistered individual is negligible, these measures will not impact on the overall EANCB.

Annex E- impact on the regulator (the Electoral Commission)

As the regulator, the Electoral Commission has a duty to monitor and take all reasonable steps to secure compliance with these provisions. In addition, it will be required to process more information from recognised third party organisations from the following measures:

- Measure 1 – To accurately capture which third parties are incurring targeted controlled expenditure, the Electoral Commission will be required to record and publish letters of spending authorisation from political parties.
- Measure 2- Expanding the definition of “election material” will require third parties to submit more expenditure information for the Electoral Commission to scrutinise;
- Measure 3- Will require additional information on spending returns as third party organisations will need to demonstrate compliance with constituency limits.
- Measure 4- Lowering the expenditure threshold for registration will increase the number of third parties seeking registration, and the Electoral Commission will have to process these applications.
- Measure 9- aligning the transparency regime with that of political parties will create more forms for the EC to process as third parties will also have to submit donation information on a quarterly basis during the regulated period, and on a weekly basis between the dissolution of Parliament and polling day, rather than one return after the election;

The Electoral Commission employs 8 members of staff to investigate and enforce all party and election finance rules, of which third party campaigning is one element (http://www.electoralcommission.org.uk/data/assets/pdf_file/0014/154121/Commission-org-chart-February-2013-without-names.pdf). To ensure that the range of costs are accurately captured we assume, for the central estimate, that the electoral commission requires a further 6 members of staff to fulfil this duty. For the upper estimate we assume that there will be additional wage, seminar and systems costs which could double this central estimate. As the Electoral Commission already has an enforcement team it is also possible that this could be absorbed and thus zero additional cost is assumed for the low estimate.

Applying the ONS average wage, uplifted by employer national insurance and other overheads, implies therefore a cost range of between £0-£390,000 (2013/14 price terms) annually, with a central estimate of £195,000. It is anticipated that this would also cover any additional costs from additional processing.

Formula (ONS weekly wage for public sector x 52 x the estimated number of new staff) x (1+ administrative uplift + employee national insurance rate).

Upper estimate = (£448 x 52 x 6) x (1 + 30% + 10%) = £195,000

Central estimate = (£448 x 52 x 6 x 2) x (1 + 30% + 10%) = £390,000

Low estimate = £0

As a public sector organisation the Electoral Commission is not counted towards the EANCB.

Annex F – Equality Assessment

For the 2010 General Election, 30 third parties were recognised by the Electoral Commission. These groups represented a wide range of causes including animal welfare groups, tactical voting groups, rural campaign groups, religious groups, individuals and trade unions. There is no robust equalities data covering these groups, however we do not believe that these proposals will have an adverse equalities impact, based on the wide range of groups that are registered with the Electoral Commission in 2010.

