

Modern Slavery Act – Transparency in supply chains

Home Office

RPC rating: fit for purpose

Description of proposal

The Home Office proposes to require businesses to be open and transparent about what they have done to ensure there is no modern slavery in their supply chains. To achieve this, the proposal introduces a provision in the Modern Slavery Act, which will require businesses above a certain level of annual turnover to publish a supply chains transparency statement. This will set out what a business has done to ensure there is no slavery or trafficking in its supply chain or organisation.

Impacts of proposal

Under the proposal, the transparency statements can take any form or be of any length. As such, businesses will have control over the kind of statement that they produce. The IA explains that the costs result from producing a transparency statement and publishing it online. The Home Office estimates its preferred option will cost 9,000 businesses on average £195 in year one, falling to £156 subsequently. This results in a total cost to business of £12.5 million over ten years (NPV).

The IA sets out a number of non-monetised benefits. The Department explains that the measure will ensure businesses can compete fairly, enable consumers to make more informed choices and improve investor confidence. It also claims that the measure could help reduce the incidence of modern slavery.

Quality of submission

Overall, the impact assessment provides a comprehensive analysis of the costs of the proposal. However, the evidence supporting the likely benefits is weaker.

The IA provides a number of options regarding the most appropriate turnover threshold. This determines how many businesses would be affected by the requirement. The Home Office consulted stakeholders with three possible annual turnover thresholds: £36 million, £60 million and £100 million. The IA states that 79% of those consulted favoured the preferred lowest threshold, as this would provide a level playing field and would provide a consistent approach aligned with other UK legislation such as the Companies Act 2006.

The IA would benefit from providing a breakdown of the size of those businesses that supported a lower, as opposed to higher, threshold. However, the IA provides sufficient evidence to support the assumptions, with significant input from a wide

range of large businesses. The IA would also benefit from a fuller explanation of the potential cost of familiarisation to businesses.

The main benefits appear to occur via improving transparency, leading to improved consumer and investor confidence. There is very little evidence presented to suggest that this increased transparency will lead to any significant reduction in the incidence of modern slavery.

The RPC notes that it did not have an opportunity to assess a pre-consultation stage IA, despite the Home Office undertaking a consultation between February and May 2015. Nonetheless, the Home Office has provided a well-reasoned and detailed IA for assessment.

Other comments

The proposal requires large businesses to provide a statement of transparency. The IA explains that there is no direct impact on small or micro businesses as these businesses are fully exempt. The RPC is satisfied with this assessment.

Initial departmental assessment

Classification	IN
Equivalent annual net cost to business (EANCB)	£1.14 million
Business net present value	-£12.5 million
Societal net present value	-£12.5 million

RPC assessment

Classification	IN
EANCB – RPC validated	£1.14 million
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman