

Final Stage Impact Assessment

Title: National Security (State Threats) Bill

Type of measure: Primary Legislation

Department or agency: Home Office

IA number: HO IA 1032

RPC reference number: ...

Contact for enquiries: stlegislationteam@homeoffice.gov.uk

Date: ...

1. Summary of proposal

1. The Home Office is introducing a new State Threats Designation Power that will allow the Secretary of State for the Home Department (Home Secretary) to call out the most egregious bodies engaged in foreign power threat activity, while also enhancing the ability of our law enforcement and intelligence agencies to disrupt and deter bodies of acute concern to national security. The power will be created through primary legislation, with secondary legislation used to bring individual designations into force.
2. The National Security Act 2023 (NS Act 2023) was introduced to respond to the evolving nature of foreign state threats, with a suite of measures and powers made available to law enforcement and intelligence agencies. This new measure goes further and addresses a number of issues identified by Jonathan Hall KC, the government's Independent Reviewer for State Threats Legislation (IRSTL), in his May 2025 report¹. That report recommended, among other matters, the introduction of a 'State Threats Proscription-like Power', equivalent to terrorism proscription under the Terrorism Act 2000 (TACT 2000)².

¹ 19.5.25-State-Threat-and-Terrorism-report-1.pdf: <https://terrorismlegislationreviewer.independent.gov.uk/wp-content/uploads/2025/05/19.5.25-State-Threat-and-Terrorism-report-1.pdf>

² 19.5.25-State-Threat-and-Terrorism-report-1.pdf (page 14) – States and Terrorism: <https://terrorismlegislationreviewer.independent.gov.uk/wp-content/uploads/2025/05/19.5.25-State-Threat-and-Terrorism-report-1.pdf#page=14>

3. The State Threats Designation Power will enable the designation of both state and non-state bodies (proxies) that carry out Foreign Power Threat Activity³ against the UK or its interests. It will establish multiple offences that arise from the designation of bodies, including offences for those who assist or obtain material benefits from a designated body (building on sections 3 and 17 of the NS Act 2023⁴) and an offence of supporting a designated body (inspired by section 12 TACT 2000).
4. Designating a body will provide law enforcement and intelligence agencies with a greater ability to disrupt and prosecute those working in concert with and supporting designated bodies. New offences are also likely to create a deterrent effect towards activities associated with designated bodies, contributing to a much tougher operating environment for hostile state actors in the UK. The government's *Plan for Change*⁵ emphasises that protecting national security is not only essential for protecting the UK but also integral to pursuing other missions, including enabling long-term economic growth.

2. Strategic case for proposed regulation

5. Following the 2024 General Election and based on a manifesto commitment to deal with state threats in the same way as terrorism, the previous Home Secretary commissioned Jonathan Hall KC to review which terrorism powers could be emulated under state threats legislation. Mr Hall KC's report was published in May 2025.
6. The problem under consideration is that the UK faces acute national security threats from states that seek to undermine and destabilise the UK. Whilst the NS Act 2023 introduced a comprehensive framework and suite of tools for countering such threats, it does not allow the government, law enforcement and intelligence agencies to take specific and targeted action to disrupt the most egregious actors carrying out harm. Although the terrorism proscription regime under TACT 2000 allows the government and partners to respond to non-state actors, it was argued by Jonathan Hall KC⁶ that TACT 2000 was never intended to be used in relation to state bodies. Proscribing state bodies is particularly problematic as its effect is to 'ban' membership, which may conflict with both domestic and international law.
7. In October 2025, the Director General of MI5 announced⁷ that state threats against the UK are escalating and that there had been a 35 per cent increase in investigations for state threat activity since the previous year. He provided examples of state threat activity orchestrated by Iran, Russia, and China on UK soil. For example, he referred to five men convicted in July 2025 of setting fire to an East London warehouse containing

³ Section 33 of the National Security Act 2023 - <https://www.legislation.gov.uk/ukpga/2023/32/section/33>

⁴ Section 3 of the National Security Act 2023: <https://www.legislation.gov.uk/ukpga/2023/32/section/3>

Section 17 of the National Security Act 2023: <https://www.legislation.gov.uk/ukpga/2023/32/section/17>

⁵ Change Labour Party Manifesto 2024: <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

⁶ 19/05/2025 State Threat and Terrorism report 1, paragraph 2 – States and Terrorism: <https://terrorismlegislationreviewer.independent.gov.uk/wp-content/uploads/2025/05/19.5.25-State-Threat-and-Terrorism-report-1.pdf#page=3>

⁷ MI5 Director annual threat update: <https://www.mi5.gov.uk/director-general-sir-ken-mccallum-gives-threat-update>

supplies for Ukraine, directed by Russia⁸. Elsewhere, he revealed how MI5 had tracked more than 20 Iranian-backed plots in the previous year. He also emphasised the serious threat from China, particularly through espionage, foreign interference, and transnational repression. This is backed up by the multiple charges and convictions so far made under the NS Act 2023. There is a clear need for the government to stop the most egregious bodies acting on behalf of foreign powers.

8. Government action is necessary to reduce the risk of state threats in the UK and address the legal issues identified by Jonathan Hall KC. Government intervention enhances operational capability, building on the powers created in NS Act 2023 and allowing for further disruption of designated bodies. Additionally, intervention is necessary to adapt to the evolving state threats picture and future-proof against a growing number of malign states. While the NS Act 2023 was a strong foundation in reflecting the modern, complicated picture of state threats, legislation must continue to be agile in addressing non-traditional, hybrid threats from a range of states and actors.
9. It is difficult to quantify what gaps or harms would occur if the government does not intervene. Whilst existing powers under the NS Act 2023 already exist to deal with state threat activity, this new power will provide improved opportunities to disrupt and deter state threat actors. For example, the offence of supporting a designated body will provide a lower threshold for intervention without having to prove an existing NS Act 2023 offence. Disrupting support for designated bodies should also help reduce the risk of harmful activities taking place further down the line. The offences of assisting and obtaining material benefits from a designated body are intended to make prosecutions easier in relation to non-state proxies. Elsewhere, individuals and businesses may refrain from or be deterred from certain behaviours due to the threat of prosecution. In terms of the bodies themselves, whilst some may be undeterred by being designated, others may refrain from activities or efforts to cause harm to the UK.
10. While it is difficult to assess the causal impact this specific policy will have, mitigating the risk of state threats in the UK could prevent significant harm. For example, a hypothetical power outage, caused by multiple power substations being simultaneously disabled by a state actor, could cost an estimated £29 billion.⁹
11. In determining how to intervene, comparative international approaches were considered. For example, the United States legal system does not draw a distinction between state threats and terrorism in the way Jonathan Hall KC described the UK's system. It has done this by designating multiple state bodies as Foreign Terrorist Organisations¹⁰. Australia has taken a similar approach by introducing legislation concerning state-sponsored terrorism to respond to a state body¹¹. However, whilst it is important to draw on international approaches, especially from close partners, Jonathan Hall KC opined there is no need to create a similar power and that his recommendation

⁸ Men who organised Russia-backed arson at London warehouse jailed | Counter Terrorism Policing: <https://www.counterterrorism.police.uk/men-who-organised-russia-backed-arson-at-london-warehouse-jailed/>

⁹ Cambridge Centre for Risk Studies, Integrated Infrastructure: Cyber Resiliency in Society. Mapping the Consequences of an Interconnected Digital Economy: <https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/crs-integrated-infrastructure-cyber-resiliency-in-society.pdf>

¹⁰ Foreign Terrorist Organizations - United States Department of State: <https://www.state.gov/foreign-terrorist-organizations>

¹¹ State sponsors of terrorism: <https://www.nationalsecurity.gov.au/what-australia-is-doing/state-sponsors-of-terrorism>

sufficiently covers the activities captured under those regimes¹². This reflects his wider analysis on the foundations of TACT 2000 and its intended purpose of disrupting non-state bodies conducting terrorist activities. The government has instead chosen a novel approach which respects the boundaries of domestic and international law.

3. SMART objectives for intervention

12. The objective is to protect homeland security by making the UK a harder operating environment for state and state-linked bodies. Introducing new criminal offences that apply to designated bodies is aimed at reducing the amount of state threat activity carried out by them. The offences disrupt bodies by criminalising support, assistance and obtaining material benefits from them, whilst serving as a deterrent for such conduct.
13. In particular, the offences of assisting and obtaining material benefits from a designated body are aimed at making prosecutions more straightforward and efficient under the NS Act 2023 by treating designated bodies in the same way as foreign intelligence services. This will be particularly beneficial in relation to non-state proxies, where at present a link to a foreign intelligence service can be difficult to prove in court and sensitive national security intelligence more likely to be disclosed.
14. The intended outcomes are:
 - Improved capability of law enforcement and intelligence agencies to disrupt state threats activity – new offences should provide greater opportunities to investigate, intervene and successfully prosecute those working for or on behalf of designated bodies.
 - Increased public awareness of the power and designations – government communications, media attention and prosecutions should help to raise awareness of the power and designations under it. This is likely to deter some individuals tempted to work for or on behalf of designated groups from carrying out state threat activity. In the case of businesses, guidance produced following Royal Assent should encourage greater vigilance with regards to dealings with designated bodies and reduce assistance due to the risk of prosecution.
 - Reduced ability of designated bodies to operate in the UK – this is an overarching intended outcome flowing from an increased capability of disrupting groups and the deterrent effect created by public awareness of the power and designations. Collectively, this should make the UK a much tougher operating environment for designated bodies.

The timeframes for these intended outcomes will run from Royal Assent.

¹² 19.5.25-State-Threat-and-Terrorism-report-1.pdf (paragraph 5.38): <https://terrorismlegislationreviewer.independent.gov.uk/wp-content/uploads/2025/05/19.5.25-State-Threat-and-Terrorism-report-1.pdf#page=20>

15. The objectives can be described in a specific, measurable, achievable and time-limited (SMART) way:

Specific

The measure disrupts designated bodies by criminalising support and assistance for them, restricting recruitment and operations. It also aims to increase the efficiency of prosecutions under NS Act 2023 through the offences of assisting and obtaining material benefits from a designated body.

Measurable

Official statistics around the offences of supporting, assisting and obtaining material benefits will be recorded by law enforcement and the Home Office, including how many charges and convictions in relation to each designated body. Convictions are also likely to increase as a result of easier prosecutions. The effect on prosecutions may also be measured qualitatively through engagement with the Crown Prosecution Service (CPS).

Achievable

Law enforcement and intelligence agencies will engage with the Home Office and may receive internal training regarding appropriate use of the new offences. These stakeholders have been engaged throughout the policy development process and will continue to be throughout bill passage and following Royal Assent.

Realistic

The Home Office expects fewer than 10 designations in the first year of use based on discussions with law enforcement and intelligence agencies whereby the Home Office tested the potential use of the power in a hypothetical exercise. The CPS will already be familiar with NS Act 2023 offences (two of the new offences are modelled off sections 3 and 17) for which there have been a number of previous convictions.

Time limited

Official statistics on charges and convictions for new offences will be recorded twice a year following Royal Assent.

Notwithstanding this, it is important to emphasise the difficulty of measuring the deterrent effect the new offences would have, despite being an important objective for this power. For example, if there are strong public communications around the power and designations, individuals are likely to be deterred from acting on behalf of designated bodies for fear of being charged and prosecuted. However, there is no clear way of recording an absence of activity.

16. Law enforcement and intelligence agencies will be able to assess the value of a new power after it has been implemented for a period. The power could be used as a diplomatic tool in foreign state relations, thereby advancing UK interests in several areas (for example, trade and business whereby the threat of designation could discourage state threat activity via proxy bodies which provide a net benefit to society. It could also improve supply chain resilience and continuity as well as investor confidence).

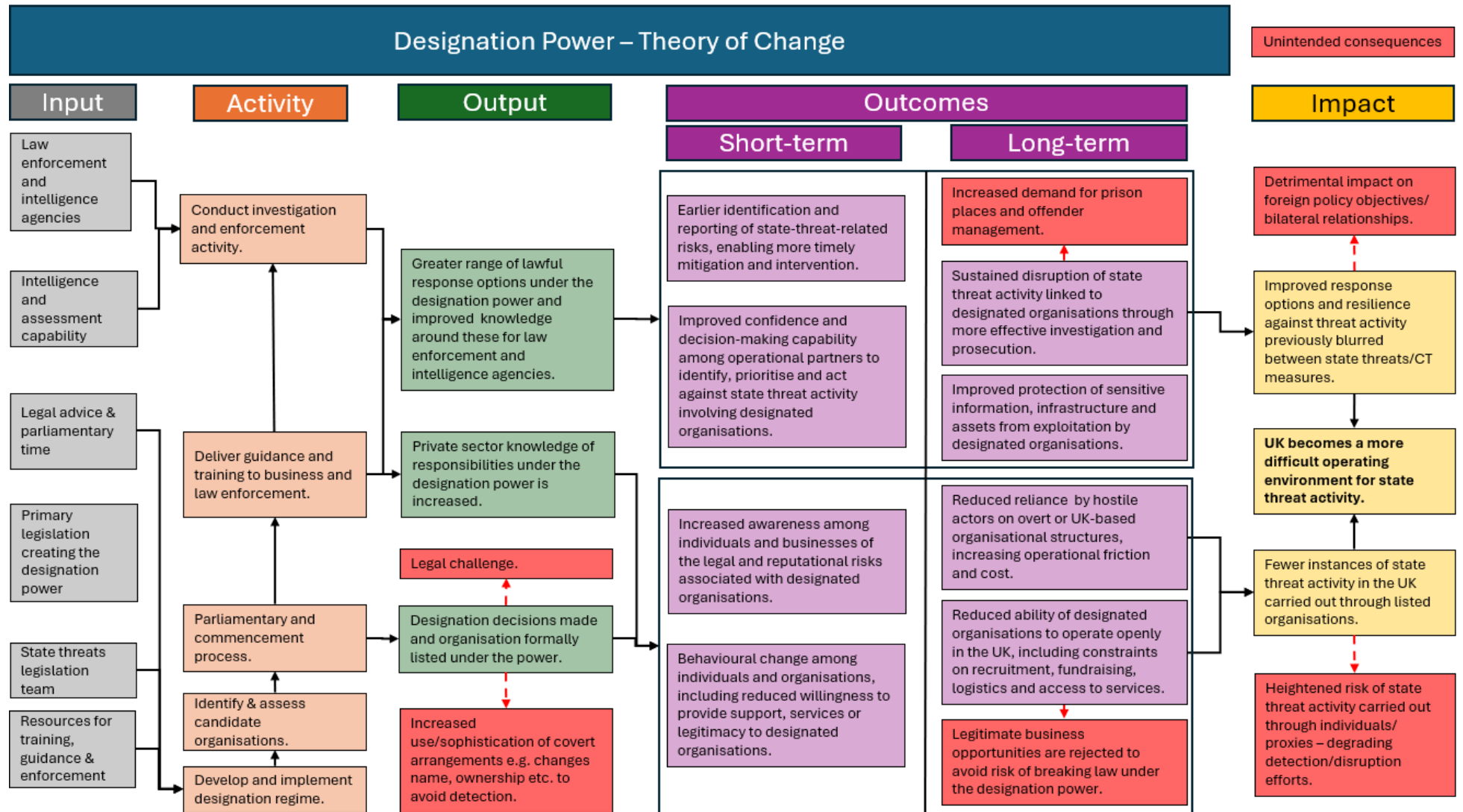
17. These objectives align with wider government objectives. The government's *Plan for Change*¹³ emphasises that protecting national security is not only essential for protecting the UK but also integral to pursuing other missions, including enabling long-term economic growth. Stability reduces systemic risk and uncertainty, which encourages investment and attracts skilled talent, both critical for improving productivity and GDP per capita. Protecting critical infrastructure also lowers borrowing costs for government and businesses, allowing greater investment in sectors like transport and energy that deliver high returns for growth and quality of life.
18. Equally, countering hostile activity safeguards knowledge assets and the integrity of institutions, ensuring strong incentives for research and innovation. This helps maintain the UK's comparative advantage in emerging industries and supports its position in the global financial order, which underpins currency strength and creditworthiness. By supporting macroeconomic stability and reducing vulnerability to shocks, these measures create the conditions for sustainable prosperity rather than constraining economic openness.

4. Description of proposed intervention and explanation of the logical change process whereby this achieves SMART objectives

19. Intervention through introducing primary legislation and creating a new power to designate bodies with criminal offences attached is the preferred option to address this problem. This will create a power for the Home Secretary to designate a body believed to be engaged Foreign Power Threat Activity, following which law enforcement and intelligence agencies will have an enhanced ability to disrupt and prosecute state threat actors.
20. This is a new measure that will be introduced through primary legislation. Law enforcement and intelligence agencies already have powers and capability to deal with foreign state threats within NS Act 2023, but new offences mean they will be able to intervene under different circumstances. It has been inspired by TACT 2000 in creating an equivalent power to terrorism proscription but has taken into account domestic and international law considerations alongside the nuances of state threats to create a novel power. A theory of change is set out on the following page, showing how the preferred option will achieve the objectives.

¹³ Change Labour Party Manifesto 2024: <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf>

Figure 1: Designation power theory of change.



5. Summary of long-list and alternatives

22. Four options were considered and have been assessed against the following critical success factors (CSFs):

- a) Strategic fit – how well the option provides holistic fit and synergy with other strategies, programmes and projects.
- b) Potential value for money – how well the option optimises social value in terms of potential costs, benefits and risks.
- c) Potential affordability – how well the option can be financed from available funds.
- d) Potential achievability – how well the option is likely to be delivered given an organisation’s ability to respond to the changes required.

23. The options were:

Option 0 - ‘Do nothing’

Option 1 - Introduce a state threats designation power (preferred option)

Option 2 - Replicating terrorist financing offences for state threats

Option 3 - Introducing a new civil recovery power for state threats

Rating against Critical Success Factors

	Option 0 (Do nothing)	Option 1 (preferred)	Option 2	Option 3
Strategic fit	R	G	A	A
Potential value for money	G	G	R	R
Potential affordability	G	G	A	A
Potential achievability	G	G	A	A

RAG key: **Green** = fit for purpose (meets the critical success factor). **Amber** = partially fit for purpose (partially meets the critical success factor; issues/risks to address). **Red** = not fit for purpose (does not meet the critical success factor).

Option 0 – ‘Do nothing’

24. This option met CSFs for potential value for money, affordability and achievability as the Home Office would not be legislating to address the problem. However, it did not meet the strategic fit as it does not help towards introducing a ‘State Threats Proscription-like Power’. As the business-as-usual option, it was shortlisted.

Option 1 – Introduce a state threats designation power (preferred option)

25. This option met CSFs for strategic fit, given it directly addresses Jonathan Hall KC’s recommendation which the government committed to implementing in Parliament. Value for money and affordability were also met, given the potential negative impact of hostile activity from designated bodies, strategic fit of the measure in comparison to other options, and relatively low associated costs with the legislation. See section 7 for further detail. Option 1 also met the CSF for achievability, given there has been an expectation from Parliament and the public that this power is developed. The power was

also modelled on terrorism proscription which aided its development. Given the CSF's considered, option 1 was shortlisted. These factors are expanded upon further in section 6.

Option 2 - Replicating terrorist financing offences for state threats

26. Jonathan Hall KC, the IRSTL, has recommended exploring further the possibility of replicating existing terrorist financing offences (sections 15 to 18 TACT 2000) for state threats.¹⁴ This could provide law enforcement and intelligence agencies with enhanced powers to disrupt and prosecute those funding state threats activity, contributing to a tougher operating environment for bodies intent on carrying out harm against the UK.
27. This option could have satisfied the strategic fit CSF by providing further avenues to reduce state threats harm. The terrorist financing offences under TACT 2000 have proven successful and there is not an equivalent regime under state threats.
28. However, targeting the financing of state threat activity was considered too narrow an approach to meet the strategic fit CSF. The disruptive impact that new criminal offences might achieve (via the preferred option) was met through this option, failing to address the issue highlighted by Jonathan Hall KC. Pursuing an option that is likely to require the creation of a new reporting regime, as suggested by Mr Hall KC, and consequently new obligations and costs on businesses was not considered good value for money to meet that CSF.
29. However, if this option had helped achieve the government's objective, it could have met the affordability CSF (costs were not fully explored) and achievability CSF given Mr Hall KC's report was published over a year ago. This option was ultimately rejected for not helping to address the issue highlighted by Mr Hall KC in enabling targeted disruption against bodies conducting state-based security threats.

Option 3 - Introducing a new civil recovery power for state threats

30. A new civil asset recovery power could have been explored for assets linked to foreign power threat activity. Whilst it could have broader use within state threats investigations, it could specifically provide law enforcement and intelligence agencies with a new power to quickly recover assets likely to contribute to harm inflicted by designated bodies. The assets in theory would not require a criminal link for partners to intervene, as currently required under the Proceeds of Crime Act 2002 (POCA 2002)¹⁵.
31. This could have met the strategic fit CSF, similarly to option 2, by providing further avenues to reduce state threats harm through preventing assets being used to fund it.
32. However, a new civil recovery power was also considered too narrow and not as disruptive as criminal offences to meet the strategic fit CSF. Pursuing this option was unlikely to meet the potential value for money CSF as it would impose further costs and obligations on law enforcement using the power, although might have met the affordability CSF. Whilst the option was not fully explored, it may not have met the achievability CSF due to the much lower threshold for intervention it proposes, whilst still needing to comply with domestic and international legal obligations. This option was

¹⁴ State Threats and Terrorism Report « Independent Reviewer of Terrorism Legislation:

<https://terrorismlegislationreviewer.independent.gov.uk/state-threats-and-terrorism-report/>

¹⁵ Proceeds of Crime Act 2002: <https://www.legislation.gov.uk/ukpga/2002/29/contents>

ultimately rejected for not helping to address the issue highlighted by Mr Hall KC in enabling targeted disruption against bodies conducting state-based security threats.

Non-Regulatory options

33. Non-regulatory options were considered including amending guidance (non-conductive grounds guidance under the Immigration Rules), improved public communications on the threat of state actors and better use of existing powers without further legislation. These approaches were discounted because they would not create any new legal or operational avenues for targeting bodies of concern and establish criminal offences. As a result, they would rely on voluntary compliance, provide limited new disruption and deterrence, and would not address the legal and operational gap identified by Jonathan Hall KC. They were therefore not considered sufficient to meet the policy objective of enabling targeted disruption of the most egregious state-linked bodies.

6. Description of shortlisted policy options carried forward

Two options have been considered:

Option 0: 'Do nothing'

34. This is the businesses-as-usual baseline against which all other options have been assessed.

Option 1: Introduce a State Threats Designation Power through primary legislation – this is the government's preferred option.

35. This policy could affect businesses in the UK, such as financial institutions, who receive, hold or transfer funds for, or on behalf of designated bodies. The offences of assisting and obtaining material benefits from a designated body will be broad in nature (like sections 3 and 17 NS Act 2023) and could potentially capture a wide range of behaviours from individuals and businesses (regulated and non-regulated).
36. The extent of these impacts would depend on the nature of the designated body in question, and the number of bodies the Home Secretary chooses to designate in each year of the appraisal period. This means that it is not possible to know how many businesses will be affected by this policy, and to what extent. As such, the impacts of this policy are highly uncertain.
37. Individuals and businesses will be encouraged to be vigilant and inform the National Crime Agency (NCA) where there is a risk of assisting or obtaining material benefits from a designated body. In practice, it is unlikely that a designated body would keep money with a UK bank as their name and activities would be in the public domain (state threat actors generally act covertly). A bank and/or its employees would also be unlikely to know whether a customer or potential customer is a member of a designated body based on open-source information available to them.
38. While banks are more likely to be affected by this policy than businesses in other sectors, banks are also likely to already be aware of their obligations and duties under POCA 2002, compared with other businesses. Guidance will be provided to businesses following Royal Assent to explain how this power may affect them.

39. One of the most significant costs of this policy, though highly uncertain, is likely to be the administrative cost associated with businesses becoming familiar with the policy, and reporting and stopping business arrangements with a newly designated body. An example of a business affected by these provisions would be a UK bank receiving funds from a designated body. Following the designation, the bank or an employee of the bank could be at risk of committing the offence of obtaining material benefits from a designated body if they know or ought to reasonably know they have received funds from a designated body.
40. Other scenarios might include where a bank is already holding funds for a body that is only subsequently designated, or where a designated body attempts to transfer funds away from a bank account. In the former situation, continuing to hold funds despite knowing a group is designated might constitute as assisting a designated body, whilst in the latter situation, enabling a designated body to access funds may also count as assisting a designated body.
41. The bank/employees would be encouraged to submit a Defence Against Money Laundering (DAML) Suspicious Activity Report (SAR)¹⁶ to seek permission from the NCA to deal with property that could be considered 'criminal property' under POCA 2002. This would temporarily freeze access to funds for seven days until law enforcement and intelligence agencies have assessed whether those funds are supporting state threat activity (in which case further action would be taken). The DAML SAR serves as a statutory defence against principal money laundering offences under POCA 2002.
42. Alternatively, there is an existing obligation on regulated businesses to submit a SAR when they know or suspect or have reasonable grounds for knowing or suspecting that money laundering or terrorist financing has occurred. This does not automatically freeze assets as with DAML SARs but is for intelligence purposes. It is possible that a SAR may have already been submitted in relation to certain property and that it may be unnecessary to submit an additional SAR or DAML SAR. To illustrate the current scale of submissions, in 2024/25, there were over 57,000 DAML SARs submitted.¹⁷
43. Given the nature of proscription under TACT 2000, for which orders are fast-tracked through Parliament under secondary legislation, the immediate impact on businesses affected could be widespread. Also, given the broad nature of some of the proposed offences, for example assisting a designated body, the number of businesses affected could be large. It is important that the scope of these offences have been appropriately designed and that decisions taken by the Home Secretary are well-considered, taking into account the interests of businesses.
44. Constraining activity linked to designated bodies is intentional and the ceasing of that activity does not constitute an economic cost, as it is considered illegitimate. However, there is a risk that legitimate business activity is reduced through a more cautious approach to assessing counterparties who are perceived to be associated with a designated body. This is expected to be minimal given designations will be clearly defined and scoped.

¹⁶ Suspicious Activity Reports - National Crime Agency: <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/suspicious-activity-reports>

²² SARs Annual Report (April 2024 to March 2025): <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/786-sars-annual-report-2025/file>

45. While there will still be uncertainty, there will be fewer unknowns when assessing the impacts at the point at which a body is designated. At this stage, indicative familiarisation and administrative costs to business have been monetised (see section 7). The Evidence Base provides indicative estimates of impacts associated with designation, however, estimates are highly uncertain and further analysis of impact of designating specific bodies, where possible, will be considered when bodies are designated.
46. In terms of resourcing from a Home Office perspective, it is expected a small casework team is likely to be needed (two FTE) for overseeing implementation, including the decision-making process, appeals and the effectiveness of designations.
47. Overall, this option meets the strategic fit CSF as the Home Office is addressing the fundamental issue diagnosed by Jonathan Hall KC, the IRSTL, a recommendation the government is committed to. The Home Office is developing state threats legislation in line with the strategy outlined in the government's manifesto¹⁸, to take the approach for dealing with terrorism and apply it to state threats. An equivalent regime to terrorism proscription under TACT 2000 can only be achieved through primary legislation.
48. The Home Office has developed the policy on this since the IRSTL's recommendation last year in sync with the expected Bill introduction date. Given that costs are expected to be relatively low and proportionate to the overarching outcome of reducing state threat activity, this option satisfies the value for money, affordability and achievability CSFs.

Description of benefits

49. The proposed powers that this measure would create through new criminal offences will directly target the most egregious bodies. Law enforcement and intelligence agencies have expressed that there would be value in introducing this power in addition to what is already available to them, particularly in relation to non-state bodies through the assisting and obtaining material benefits offences described above. Introducing this power could disrupt a designated body's ability to carry out harm against the UK or its interests. The benefit of disruption and the savings to law enforcement from intended easier prosecutions have not been monetised due to high uncertainty.
50. This option implements a recommendation from Jonathan Hall KC, the IRSTL, in his May 2025 report and address a fundamental legal conundrum that has affected multiple governments¹⁹. This would mean avoiding risk of legal challenge by not proscribing state bodies under terrorism legislation.

Small and micro, and medium-sized business assessment (SaMBA)

51. Exempting small, micro and medium-sized businesses from the State Threats Designation Power was considered, as the default starting position, alongside evidence and expertise on the size of businesses vulnerable to state threat activity. Available evidence suggests that small businesses are just as likely to be affected as large ones²⁰. This indicates that such an exemption would materially undermine the policy objectives and reduce the effectiveness of the regime.

¹⁸ Labour Party's 2024 General Election Manifesto "Strong Foundations": <https://labour.org.uk/change/strong-foundations/>

¹⁹ State Threats and Terrorism Report « Independent Reviewer of Terrorism Legislation: <https://terrorismlegislationreviewer.independent.gov.uk/state-threats-and-terrorism-report/>

²⁰ Small organisations guide to cyber security | National Cyber Security Centre: <https://www.ncsc.gov.uk/collection/small-organisations-guide-to-cyber-security>

52. Intelligence and operational experience indicate that foreign powers and state-linked proxy bodies routinely seek to operate through intermediaries and service providers, including smaller and newly established businesses, to reduce visibility and avoid scrutiny. Exempting businesses based on size would create clear opportunities for regulatory arbitrage, creating an incentive for hostile actors to structure activity to fall below exemption thresholds.
53. This assessment is consistent with experience under comparable national security and financial integrity regimes, including sanctions, counter-terrorism financing and anti-money laundering frameworks, which do not exempt businesses on the basis of size. In these regimes, obligations are applied on the basis of activity and risk rather than organisational scale, reflecting the fact that smaller businesses can present equivalent risk pathways.
54. The cost of familiarisation with the guidance being produced is expected to be low, given regulated businesses should already be aware of their obligations to comply with anti-money-laundering procedures and submit Suspicious Activity Reports (SARs) where they know or suspect money laundering or terrorist financing²¹. However, it is likely that micro businesses where there are fewer employees with less resources and time available will be disproportionately affected by familiarisation.
55. It is important to note that this policy does not place a new regulatory burden on businesses. It does, however, encourage an increase in diligence and submissions of DAML SARs. Submitting DAML SARs is a relatively straightforward process, taking around half a day for one person to complete online. The Home Office worked with the National Crime Agency (NCA) to explore whether the costs to businesses could be quantified. However, this has not been possible due to a lack of consistent and reliable data.
56. The NCA highlighted a range of challenges arising from differences in business size and operational structure. Larger bodies often have well-established anti-money laundering (AML) programmes and may use automation or dedicated teams to manage SAR submissions, making it difficult to separate the specific cost of a DAML SAR from wider compliance costs.
57. In contrast, smaller firms typically rely on manual processes and may not have a dedicated AML function, meaning costs are more strongly influenced by the time needed for internal investigation and reporting, and can vary significantly. Attempts to identify standard cost assumptions or proxies were not successful, as there is no consistent data on time spent, staff seniority, or system use across firms. This variation means that any central estimate would not be reliable.
58. While it is possible that smaller businesses may face a proportionately higher impact due to fewer resources and less automation, overall business costs are expected to be low (see section 7).
59. Instead of exemption, the policy adopts a proportionate approach to managing impacts on smaller businesses through mitigations, including clear guidance, targeted communications and reliance on existing reporting mechanisms with which many businesses are already familiar. This approach is considered a more effective and

²¹ Part 7 of the Proceeds of Crime Act 2002 establishes a general duty to submit a SAR and a requirement to submit a DAML SAR when proceeding with an activity that risks committing an anti-money laundering offence - <https://www.legislation.gov.uk/ukpga/2002/29/part/7>

proportionate means of meeting the policy objectives while minimising unnecessary burdens on business.

60. Overall, when assessing the costs and benefits of intervening through primary legislation, **Option 1 is the preferred option**. Intervening through primary legislation addresses a longstanding legal problem and implements one of Jonathan Hall KC’s recommendations, whilst enhancing the powers already available to law enforcement and intelligence agencies. The government will be able to demonstrate its commitment to dealing with state threats in the same way as terrorism. Whilst there are some unknown costs, particularly to businesses, it is considered that any designations will be necessary and proportionate to contributing to the overarching aim of protecting national security by making the UK a tougher operating environment for bodies of concern.

7. Regulatory scorecard for preferred option

Please provide quantitative estimates and qualitative descriptions of impacts under each heading in the following sections. The right hand column for directional ratings should be based on the description of impact and the sign of the suggested indicator (NPV, NPSV, all impacts): **Green** – positive impact, **red** – negative impact, **amber** – neutral, negligible, or no impact, **blue** – uncertain impact. Please use the colours in the examples shown below, as these are suitable accessible colours. Please see BRF guidance technical annex for definitions.

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
Description of overall expected impact	<p>The overall impact of the preferred option is expected to be net Positive. This is due to the non-monetised benefits of the policy being expected to exceed the monetised and non-monetised costs.</p> <p>The policy is expected to generate public safety and national security benefits through improved disruption and deterrence of bodies engaged in state threat activity. This includes reducing the likelihood and impact of harmful activity in the UK, as well as enhancing the ability of law enforcement and intelligence agencies to take timely and effective action. These benefits are inherently difficult to quantify, as they relate to avoided harms, deterrence effects, and operational improvements.</p> <p>The policy is also expected to deliver legal and operational benefits, including a reduced risk of inappropriate use of terrorism legislation for state actors, and a lower evidential burden in certain prosecutions, which should improve efficiency within the criminal justice system (CJS).</p> <p>These benefits are set against monetised costs (primarily CJS costs and business familiarisation costs) and a range of non-monetised costs (see below). On balance, given the potentially high cost of state threat incidents, even low levels of avoided harm are expected to outweigh these costs. See breakeven analysis for further detail.</p>	<p>Positive</p> <p>Based on all impacts (incl. non-monetised)</p>

Monetised impacts	<p>A total range of -£5.5 million to -£10.5 million Net Present Social Value (NSPV), with a central estimate of -£6.8 million, is expected from the preferred option over the 10-year appraisal period. This comprises of a central estimate of -£0.8 million to business through familiarisation costs, -£1.4 million in Home Office staff costs and -£4.6 million through the CJS.</p>	<p>Negative Based on likely £NPSV</p>
Non-monetised impacts	<p><u>Costs</u></p> <p>It is possible there is an uptick in cases at the Proscribed Bodies Appeal Commission (POAC) given the Home Office propose expanding its jurisdiction to state-linked bodies under this power. Whilst a monetised figure is hard to realise for this power as its remit is not yet fully decided, there have only been a few cases that have been heard by POAC under terrorism proscription since 2000. The Home Office does not expect a significant uptick in cases. These also have the benefit of not going to Judicial Review which would worsen the protection of sensitive information, and cost more.</p> <p>Law enforcement and intelligence agencies may provide internal training to improve their ability to carry out investigations under new offences, however this has been non-monetised as the government has not committed to providing this.</p> <p><u>Benefits</u></p> <p>The non-monetised benefits of the preferred option are expected to be significant but cannot be reliably quantified due to the uncertainty associated with avoided national security harms and behavioural responses. These impacts can be understood through both direct operational effects and wider system and behavioural effects, consistent with the policy's theory of change.</p> <p>The first order impacts arise from improved capability of law enforcement and intelligence agencies to investigate, prosecute and disrupt state threat activity under a more appropriate legislative framework. The introduction of a designation power addresses a gap in the current legal framework identified by the Independent Reviewer (Jonathan Hall KC), providing a clearer basis for tackling state-linked bodies. New offences reduce evidential barriers in specific cases and enable more timely and effective enforcement action. This is expected to increase the likelihood of successful investigations and prosecutions and enable earlier disruption of activity conducted by state or state-backed bodies.</p> <p>The policy generates second-order impacts. Establishing this legislative framework reduces reliance on terrorism legislation for state threats, lowering the risk of legal challenge and reducing operational inefficiencies associated with inappropriate legal routes. This may result in cost savings across the CJS, although these cannot be reliably quantified.</p> <p>The policy is also expected to generate deterrence effects. The act of designating bodies, alongside associated offences, is expected to deter individuals, businesses and proxy actors from engaging with state-linked bodies. This may reduce financial, logistical and operational support to such bodies, although the scale of deterrence cannot be directly observed.</p>	<p>Positive</p>

	<p>More broadly, by constraining the ability of designated bodies to operate through UK-based networks, the policy is expected to contribute to improved resilience of economic and institutional systems. This includes reducing exposure to hostile activity, supporting confidence in UK institutions and contributing to a more stable operating environment for legitimate economic activity.</p> <p>Taken together, these effects are expected to result in a more challenging operating environment in the UK for state and state-backed bodies. In line with the theory of change and Independent Reviewer's recommendations, this contributes to the overall policy objective of reducing state threat activity and improving national security outcomes as outlined in the government's <i>Plan for Change</i>. Given the potentially high cost of state threat incidents, even modest improvements in disruption or deterrence are expected to generate substantial societal benefits, although these cannot be precisely estimated. See breakeven analysis for further detail.</p>	
Any significant or adverse distributional impacts?	No significant or adverse distributional impacts are expected as a result of this measure.	Neutral
(2) Expected impacts on businesses		
Description of overall business impact	The business impact of the proposed measure is expected to be negative. Costs to business arise from monetised familiarisation costs, and non-monetised DAML/SAR submission costs. Non-monetised benefits include reduced risk of unlawfulness by designating bodies carrying out State Threat activity against the UK and its interests.	Negative
Monetised impacts	<p>Business NPV is expected to range between -£0.2 million and -£3.2 million, with a central estimate of -£0.8 million. All these costs are expected to land in the first year of the 10-year appraisal period.</p> <p><u>Familiarisation Costs</u></p> <p>Due to the offences and penalties associated with non-compliance, businesses that do not engage with designated bodies will still need to familiarise themselves with the State Threat Designation Power provisions to ensure they are compliant, both currently and for future activities.</p> <p>The low scenario includes only large organisations, the central scenario includes medium and large organisation, and the high scenario includes micro to large organisations.</p>	Negative Based on likely business £NPV
Non-monetised impacts	Non-monetised benefits include reduced risk of law-breaking and reputational damage to business from carrying out business with designated bodies. Public statements against bodies involved in state threat activity against the UK and its interests should reduce the risks that businesses unintentionally carry out work for these bodies and risk prosecution or reputational damage.	Positive

	<p>Non-monetised costs include the risk of legitimate business activity being halted because businesses perceive there to be a risk of law breaking under the power. Ideally, appropriate guidance will minimise this risk, however this cannot be fully mitigated due to the breadth of potential business activity. There is also a risk of second order effects impacting legitimate UK business activity. This may arise through wider market responses, such as reduced participation in certain sectors or knock on effects to intermediaries and supply chains. These indirect effects could dampen activity beyond those directly affected by the power. Due to the limited information available on the scope of these, this cost is non-monetised.</p> <p><u>DAML/SAR Costs</u></p> <p>The Home Office considered the limited evidence available to this incremental administrative cost of DAML/SAR submissions as minimal and not reliably monetisable, however still aimed to provide a sensitivity bound estimate to transparently evidence the likely minimal scope of costs to businesses around DAML/SAR submissions. The cost range in the annex should be treated as indicative to the overall expected proportion of cost to businesses, which The Home Office expect to be minimal.</p>	
<p>Any significant or adverse distributional impacts?</p>	<p>No, it is not expected that the proposed measure will cause any significant or adverse distributional impacts to business.</p>	<p>Neutral</p>
<p>(3) Expected impacts on households</p>		
<p>Description of overall household impact</p>	<p>The proposed legislation is expected to generate benefits for households by deterring and reducing the risk of designated bodies operating in the UK, reducing the risk of harm to UK citizens.</p> <p>The positive impact of reduced State Threat activity on businesses through knowledge assets safeguarding and the improved integrity of institutions will help protect employment, wages and gross value added (GVA) to the local economy.</p>	<p>Positive</p>
<p>Monetised impacts</p>	<p>N/A</p>	<p>Neutral</p> <p>Based on likely household £NPV</p>
<p>Non-monetised impacts</p>	<p>The non-monetised benefits include improved ease in the prosecution process resulting in reduced cost to law enforcement and intelligence agencies, reducing the taxpayer burden/allowing reallocation to other matters of public safety. Public safety should also increase as the proposed measure is expected to deter the involvement of UK entities with designated bodies as well as enhance the ability of law enforcement and intelligence agencies to disrupt and deter bodies of acute concern to national security. This should have a positive impact on public safety as well as perceptions of safety, although these are non-monetisable. Economic benefits also arise through improved business safety leading to protected employment and wages for UK workers.</p>	<p>Positive</p>

Any significant or adverse distributional impacts?	No, it is not expected that the proposed measure will cause any significant or adverse distributional impacts to households.	Neutral
---	--	----------------

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	The impact of this measure on the business environment is uncertain. Whilst there are some familiarisation costs to business and increased administrative burden through DAML/SAR submissions which may increase barriers to entry, it also makes the UK business environment a safer place to operate, which improves the attractiveness of the business's environment. There is a risk of a chilling effect on economic partnerships due to increased caution in engaging with partners, particularly unknown/new partners. Clear guidance on the measure should minimise the impact of this risk. Overall, impacts to the business environment are expected to be minimal.	Uncertain
International Considerations: Does the measure support international trade and investment?	There is a risk that designation decisions have detrimental effects on foreign policy objectives, however, this will likely be factored into designation decisions and is not expected to significantly impact international trade. This is unmonetised due to high uncertainty.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	There is not expected to be an environmental impact of the legislation.	Neutral

8. Monitoring and Evaluation Plan

61. The Home Office will implement a monitoring and evaluation (M&E) plan to assess whether the State Threats Designation Power achieves its objectives: to protect homeland security by making the UK a harder operating environment for state and state-linked bodies. This will be achieved through new criminal offences which should improve the ability to disrupt, prosecute and deter state threat activity by designated bodies, reducing the overall amount of state threat activity against the UK.
62. M&E research questions and implementation plans will be kept in review as the policy is implemented. This is to ensure any issues in data availability, counterfactuals etc. can be mitigated be worked around.

63. The M&E approach will address the following core questions:
- To what extent has the power contributed to disruption and deterrence of state threat activity?
 - How has it improved operational effectiveness across law enforcement and intelligence partners?
 - Has it reduced the operational capability of designated bodies?
 - What unintended consequences have emerged, particularly to the UK business environment, and do these disproportionately affect smaller businesses? How can these be better mitigated going forward?
64. The M&E plan will be grounded in the power's theory of change (Figure 1). Evidence will be triangulated across data sources, trends over time, and qualitative insights to appropriately reflect the complexity of the national security environment, the novel nature of the power, and the limited baseline data available. These gaps will be mitigated through mixed-methods evaluation, including:
- Process evaluation addressing the implementation and use of the power
 - Impact evaluation based on trends and outcomes over time
 - Case studies of individual designations
65. The M&E plan will focus on outcomes derived from the theory of change (Figure 1), including:
- Outputs: Number and type of designations, operational use of powers, number of charges and convictions under new offences, and associated guidance, training and communications activity
 - Short-term outcomes: Increased awareness and behavioural change (for example, reduced engagement with designated bodies, increased reporting from businesses to NCA).
 - Long-term outcomes and impacts: Increased disruption and enforcement action, reduced operational capability of designated bodies, and reduced harm from state threats.
66. Data will be drawn from law enforcement and intelligence agencies, the Home Office casework function, the NCA, the CPS, and other relevant sources.
67. Success will be defined as evidence that the power:
- Enhances disruption and enforcement activity
 - Improves investigative and prosecutorial effectiveness
 - Constrains the operation of designated bodies
 - Supports wider national security outcomes
68. The Home Office will monitor unintended consequences, including displacement of activity and impacts on legitimate business behaviour.
69. M&E governance will sit with the Home Office, supported by a dedicated casework function and cross-government partner input. The Independent Reviewer of State Threats Legislation (IRSTL) is expected to provide external scrutiny and further

recommendations as new offences will sit within their remit under section 63 of the NS Act 2023²².

70. Monitoring will be ongoing from Royal Assent. A Post Implementation Review (PIR) will be completed before the end of Parliament in 2029, assessing effectiveness, costs and benefits, and identifying any required changes. Early findings will be used iteratively to refine implementation and improve the effectiveness of the regime.

9. Minimising administrative and compliance costs for preferred option

71. Steps that could be taken to minimise burden:
 - **Clear guidance/communications.** Highlight the most common types of behaviours and industries that might be at risk of assisting or obtaining a material benefit from listed bodies and explaining how risk of prosecution can be avoided, that is, submitting a DAML SAR which banks should already be familiar with in line with their obligations under POCA 2002. This could reduce familiarisation and training costs.

²² Section 63, National Security Act 2023: <https://www.legislation.gov.uk/ukpga/2023/32/section/63>

Declaration

Department: Home Office

Contact details for enquiries:

James Fair James.Fair@homeoffice.gov.uk

Director: Peter Vassilas (on behalf of Cathryn Ellsmore)

Minister: ...

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: Sign here

Date: Date

Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year: 2026/2027

PV base year: 2026/2027

This table may be reformatted provided the side-by-side comparison of options is retained	Option 0: 'Do nothing' Business as usual (baseline)	Option 1: Introduce a State Threats Designation Power through primary legislation (preferred option)
Net present social value (with brief description, including ranges, of individual costs and benefits)	NA – no change in relation to baseline	A total range of -£5.5 million to -£10.5 million Net Present Social Value (NSPV), with a central estimate of -£6.8 million, is expected from the preferred option over the 10-year appraisal period. This comprises of a central estimate of -£0.8 million to business through familiarisation costs, -£1.4 million in Home Office staff costs and -£4.6 million through the CJS. These costs are expanded upon further in the evidence base section below.
Public sector financial costs (with brief description, including ranges)	NA – no change in relation to baseline	<p>Total CJS costs over the next decade range from -£4 million to -£5.9 million, with a central estimate of -£4.6 million.</p> <p>The costs to the CJS depend on the number of expected future offences and include legal aid, court costs and prison costs, some of which are subject to optimism bias.</p> <p>Given the limited number of appropriate proxy offences, the proportion of section 11, 12 and 13 offenses of total TACT 2000 offences are used as a proxy to estimate CJS costs through NS Act 2023 offences. The low scenario uses the last 10-year average, the central scenario uses the last five-year average, and the high scenario uses the last three-year average.</p> <p>Total Home Office costs across the appraisal period comprise only of staff costs: 1 FTE G7 and 1 FTE SEO. This is estimated to cost -£1.4 million.</p> <p>The Ministry of Justice (MoJ) Outcomes by Offense data tool shows prosecutions for section 11, 12 and 13 of TACT 2000 as prosecuting 55 individuals and convicting 52 from June 2011 to June 2025.²³</p>

²³ Suspicious Activity Reports - National Crime Agency: <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/suspicious-activity-reports>

Significant un-quantified benefits and costs

(description, with scale where possible)

Benefits: The positive non-monetised benefits of the proposed measures are expected to be significant but cannot be reliably quantified due to uncertainty associated with avoided national security harms and behavioural responses.

These benefits can be understood in terms of direct (first-order) and wider (second-order) effects.

First-order effects arise from the improved ability of law enforcement and intelligence agencies to investigate, prosecute and disrupt state threat activity under a more appropriate legislative framework. The designation power addresses a gap in existing legislation identified by the Independent Reviewer, providing a clearer basis to target state-linked organisations. This reduces evidential barriers in specific cases, increases the likelihood of successful prosecutions and enables earlier disruption of activity.

Second-order effects arise through wider system and behavioural changes. Establishing a bespoke legislative framework reduces reliance on terrorism legislation, lowering the risk of legal challenge and improving operational efficiency within the CJS. The policy is also expected to generate deterrence effects, discouraging individuals, businesses and proxy actors from engaging with designated bodies, thereby limiting financial and operational support. More broadly, constraining the ability of such bodies to operate in the UK contributes to a more resilient economic and institutional environment.

Taken together, these effects are expected to create a more challenging operating environment for state and state-backed entities in the UK, contributing to improved national security outcomes.

Costs: In terms of ongoing costs, there may be an uptick in cases at the POAC since the Home Office propose expanding its jurisdiction to bodies under this power. Whilst a monetised figure is hard to realise for this power as its remit is not yet fully decided, there have only been a few cases that have been heard by POAC under terrorism proscription since 2000. The Home Office do not expect a significant uptick in cases as a result. These also have the benefit of not going to Judicial Review which would worsen the protection of sensitive information, and cost more.

Law enforcement and intelligence agencies may provide internal training to improve their ability to carry out investigations under new offences, however this has been non-monetised as the government has not committed to providing this. There is also uncertainty on the nature of the training for example, how it is delivered, what capacity the government has and how often it is delivered. Non-monetised costs include the risk of

		legitimate business opportunities are rejected/avoided to reduce risk of law breaking under the power. Ideally, appropriate guidance will minimise this risk, however this cannot be fully mitigated due to the breadth of potential business activity.
<p>Key risks (and risk costs, and optimism bias, where relevant)</p>	<p>Gap in legislation. Without introducing this power, the fundamental legal problem that Jonathan Hall KC acknowledged would still exist, and the Home Office would be failing to implement his recommendation. The Home Office could continue to proscribe state or state-linked bodies under counter terrorism legislation, but would risk successful legal challenge, financial and reputational cost. Even those bodies that can be proscribed under terrorism legislation but are an awkward fit could create problems in terms of using inappropriate powers to deal with groups, as well as failing to properly attribute blame to regimes.</p>	<p>Key assumptions include a limited number of designations. There is uncertainty around behavioural responses and scale of impact, which is addressed through sensitivity analysis and non-monetised assessment. Risks are mitigated through targeted design, clear guidance, review mechanisms and post-implementation evaluation.</p>

Results of sensitivity analysis

NA – no change in relation to baseline

Breakeven Analysis

Breakeven analysis has been conducted using the previous examples of the cost of State Threat activities carried out in the UK. The attacks considered were highly un-sophisticated and localised, meaning that the potential cost of future state threat activity (which the State Threat Designation Power seeks to mitigate) would likely highly exceed these costs to the government/society.

Based on internal estimates the Home Office conclude that if even 1 or 2 state threats incidents were prevented across the 10-year appraisal period, the policy would achieve breakeven in terms of NSPV.

Evidence Base

Problem under consideration, with business as usual, and rationale for intervention

1. The intervention addresses a gap in the UK's legislative framework for countering state threats. While the NS Act 2023 provides a comprehensive suite of offences and powers, it does not include a mechanism to designate state or state-linked bodies and attach clear criminal consequences to association with them. Existing terrorism proscription powers under the TACT 2000 are not designed for use against state bodies and pose legal and policy risks if applied in this context.
2. Under business as usual, the government would continue to rely on existing NS Act 2023 offences and, where necessary, terrorism legislation. This would leave a gap where the most egregious state-linked bodies cannot be disrupted through a targeted, legally comprehensive designation mechanism, increasing the risk of continued national security, economic and institutional harms. These include espionage, sabotage, foreign interference and associated economic disruption.
3. State threats are a shared national security problem that affects everyone, rather than just individuals. Because information about these threats is often incomplete or unevenly distributed, and their effects spread across society, they cannot be effectively managed by markets, voluntary efforts, or innovation alone. Government intervention is necessary and proportionate, as only the state can designate bodies, create criminal offences and coordinate intelligence-led responses.

Policy objective

4. The policy objective is to reduce the ability of organisations engaged in state threat activity to operate in the UK, by disrupting their activities and strengthening the effectiveness of investigation and prosecution. In doing so, the policy contributes to wider government objectives on national security, public safety, and maintaining confidence in the UK's legal and economic environment. The policy is expected to support increased disruption of state threat activity, improved ability for law enforcement and intelligence agencies to investigate and prosecute relevant offences and reduced operational capability of designated bodies within the UK. It is also expected to contribute to deterrence by discouraging individuals and organisations from engaging with state-linked entities.

Description of options considered

5. Options were appraised in line with HM Treasury's Green Book and Better Regulation Framework²⁴. A longlist appraisal (Green Book, Chapter 4) considered a range of options:
 - Option 0: 'Do nothing' (business as usual)
 - Option 1: Introduce a state threats designation power (preferred option)
 - Option 2: Replicating terrorist financing offences for state threats
 - Option 3: Introducing a new civil recovery power for state threats

²⁴ Department for Business and Trade: Better Regulation Framework 2023
<https://assets.publishing.service.gov.uk/media/67587ba55a2e4d4b993bfa83/better-regulation-framework-guidance-2023.pdf#page=52>

6. Options were assessed against critical success factors including strategic fit, potential value for money, potential affordability and potential deliverability. Options 2 and 3 were discarded. See section 5 for further detail.
7. A shortlist appraisal (Green Book, Chapter 5) retained:
 - Option 0: 'Do nothing' (business as usual)
 - Option 1: Introduce a State Threats Designation Power.

Option 1 is the government's preferred option.
8. The business-as-usual option was retained as the benchmark. Option 1 best addresses the identified legal and operational gap while remaining targeted and proportionate. Comparable designation-style approaches exist in allied jurisdictions, with no evidence of significant adverse economic impacts when appropriately scoped. The preferred option complements existing legislative frameworks, particularly NS Act 2023, and avoids inappropriate reliance on terrorism legislation.

Summary and preferred option with description of implementation plan

9. The preferred option is the introduction of a State Threats Designation Power through primary legislation, with individual designations brought into force through secondary legislation. No transitional arrangements are required given the nature of activities the power is designed to target, although guidance will be issued to support understanding and compliance. The intervention achieves the policy objectives by enabling targeted designation of bodies of acute national security concern, attaching criminal consequences to association with those bodies, and lowering evidential barriers for assisting and obtaining material benefits from a designated body offence.
10. The power will come into effect from Royal Assent. The Home Office will be responsible for operation of the designation regime, with enforcement by operational partners. The framework is case-specific and reviewable, allowing flexibility as the threat picture evolves.
11. The appraisal uses Net Present Social Value (NPSV) as the primary metric, alongside non-monetised impacts, in line with the Green Book. A total range of -£5.5 million to -£10.5 million Net Present Social Value (NSPV), with a central estimate of -£6.8 million, is expected from the preferred option over the 10-year appraisal period. This comprises of a central estimate of -£0.8 million to business through familiarisation costs, -£1.4 million in Home Office staff costs and -£4.6 million through the CJS.
12. Total CJS costs over the next decade range from -£4 million to -£5.9 million, with a central estimate of -£4.6 million. The costs to the CJS depend on the number of expected future offences and include legal aid, court costs and prison costs, some of which are subject to optimism bias. Given the limited number of appropriate proxy offences, the proportion of section 11, 12 and 13 offences of total TACT 2000 offences are used as a proxy to estimate CJS costs through NS Act 2023 offences.
13. The low scenario uses the last 10-year average, the central scenario uses the last 5-year average, and the high scenario uses the last 3-year average. The MoJ Outcomes

by Offense data tool shows prosecutions for section 11, 12 and 13 of TACT 2000 as prosecuting 55 individuals and convicting 52 from June 2011 to June 2025.²⁵

14. Total Home Office costs across the appraisal period comprise only of staff costs: 1 FTE G7 and 1 FTE SEO. This is estimated to cost -£1.4 million over the 10-year appraisal period.
15. Incremental administrative costs associated with DAML SAR submissions cannot be reliably monetised due to uncertainty and is presented through sensitivity analysis. Non-monetised benefits include reduced national security risk, improved operational effectiveness, deterrence, and avoidance of legal challenge risks associated with misuse of terrorism legislation. Sensitivity analysis and scenario ranges are used to address uncertainty.

Costs and benefits to business calculations

16. Business impacts arise primarily from familiarisation with the new power and limited incremental reporting activity where businesses interact with designated bodies. These impacts are expected to be low, proportionate and targeted, rather than sector-wide. Potential pass-through to households is not expected to be material. Business impacts are reflected in the Business Net Present Value (BNPV) and associated narrative.
17. This includes costs to businesses for familiarisation and DAML SAR submissions. Familiarisation costs were determined by combining internal Home Office expected guidance length assumptions with the corresponding reading burden times to ONS salary data. This was then applied to the total businesses in scope. Due to uncertainty on expected scope of businesses, the Home Office elected to use the same scope as that in the Foreign Influence Registration Scheme (FIRS), with the addition of banks. See Table 1 below for further detail.
18. Given designation is designed for a much narrower purpose, and not all businesses are likely to require familiarisation, this is expected to be an overestimate. 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 this sector.

²⁵ Suspicious Activity Reports - National Crime Agency: <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/money-laundering-and-illicit-finance/suspicious-activity-reports>

Table 1: Number of people required to familiarise with FIRS

Sectors	Low	Central	High
Telecoms, Journalism, Foreign Public Broadcasters	200	1,200	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
Banks	354	354	354
Total	64,854	134,194	371,834

Source: Foreign Influence Registration Scheme Impact Assessment²⁶

19. As discussed in Section 6, the number of businesses that may be required to submit a DAML/SAR following a designation at secondary legislation, and associated costs are subject to significant uncertainty, due to the absence of direct precedent for this specific power. Due to the limited evidence available, the Home Office concluded that this incremental administrative cost cannot be monetised reliably. Instead, sensitivity-based scenarios have been estimated to transparently evidence the likely scale of costs.
20. Impacts of a designation are likely to be concentrated within a network of counterparties and service providers associated with the designated body, rather than a sector-wide effect. Under the low-impact scenario, it is assumed that approximately 10 businesses per designation submit a DAML/SAR, reflecting limited UK exposure and a small number of direct counterparties. The central scenario assumes 100 businesses per designation, reflecting a more typical network of financial institutions, professional service providers and intermediaries (for example banks, accountants, lawyers, landlords and IT providers). The high-impact scenario assumes up to 1,000 businesses per designation, representing an upper bound in which a complex organisational structure and indirect relationships significantly increase the number of affected counterparties. Total SARs in 2024/25 were around 800,000, with 57,000 of these being specifically DAML SARs.
21. When combined with a projected administrative burden of approximately half a working day per DAML SAR, and an assumption of five designations per year over the ten-year appraisal period, the costs range between £30,000 and £3,000,000, with £300,000 as the central estimate. As a proportion of annual DAML SARs in FY 2024/25, this would be less than one per cent.
22. The wide range reflects the uncertainty in the number of businesses affected. However, given the central scenario still results in a low cost over the appraisal period, it was not

²⁶ <https://www.gov.uk/government/publications/national-security-bill-overarching-documents/impact-assessment-foreign-influence-registration-scheme-accessible#impact-assessment-the-home-office>

considered proportionate to carry out further research in this area (particularly as there would still be a high level of uncertainty until the measure is introduced and monitored).

Impact on small and micro businesses

23. Small and micro businesses were considered for exemption in line with SaMBA guidance, but exemption was rejected because it would materially undermine the effectiveness of the regime and create opportunities for regulatory arbitrage. Small and micro businesses operate in sectors relevant to state threat activity and may be used as intermediaries by hostile actors.
24. While small and micro businesses may experience a slightly disproportionate impact due to having fewer staff, particularly those specialising in legal or regulatory affairs which may result in increased burden on non-expert staff, these impacts are expected to be small and are mitigated through clear guidance and reliance on existing reporting mechanisms. Larger businesses are expected to have a relatively smaller burden due to having specialist legal and/or regulatory affairs teams.

Costs and benefits to households' calculations

17. There are no significant direct financial impacts on households. Indirect benefits include improved public safety, reduced risk of economic disruption and protection of employment and incomes through reduced exposure to state threat activity.
18. The positive impact of reduced State Threat activity on businesses through knowledge assets safeguarding and the improved integrity of institutions will help protect employment, wages and GVA to the local economy – improving outcomes for households.

Business environment/Trade implications/Environment

19. The measure is expected to have a minimal net impact on the business environment. While some compliance costs arise, these are offset by improved security, stability and confidence. No significant impacts on competition, trade, natural capital or decarbonisation have been identified, and the measure is consistent with the UK's international obligations.

Risks and assumptions

20. There is a risk of second order effects impacting legitimate UK business activity. This may arise through wider market responses, such as reduced participation in certain sectors or knock on effects to intermediaries and supply chains. These indirect effects could dampen activity beyond those directly affected by the power. Due to the limited information available on the scope of these, this cost is non-monetised.
21. There is a risk that designation decisions could risk undermining foreign policy objectives, however, this will likely be factored into designation decisions and is not expected to significantly impact international trade. This is non-monetised due to high uncertainty.
22. There is a risk that sustained use of the designation power may increase the prevalence of sophisticated covert activities taking place, for example changes name, ownership, proxies etc. to avoid detection. There is no available evidence to quantify this risk.
15. There is a risk of familiarisation costs to individuals being required. Due to the limited information available on the scope of these, this cost is non-monetised.

Annex

To include any other relevant information (for example, consultation response, large data tables, detailed methodology or technical notes, specific impact tests especially SaMBA and Family Impact Test – ensure policy colleagues have an Equality Statement (strongly encourage publication of this – note **the summary findings paragraph in the IA is mandatory**) and/or Justice Impact Test and/or New Burdens Assessment and/or Primary Authority, if these are required.)

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>The SRO has agreed these summary findings.</p> <p>The State Threats Designation Power does not directly or indirectly negatively impact individuals holding protected characteristics. The offences introduced apply to all individuals in the UK and are part of an actor-agnostic power which can be applied to any body linked to a foreign power. Any individual is capable of carrying out an offence under the power e.g. assisting a designated body or supporting a designated body. Safeguards and defences have been included in the offences to reduce the risk of indirect discrimination following a designation. For example, the support offence requires that support of a designated body needs to be for a prejudicial purpose, to protect free speech under domestic and international law.</p> <p>However, in the event of indirect discrimination, mitigations that might be taken by the Home Office include sector-specific communications that will allow individuals to alter their behaviour, so they are less likely to engage an offence. Other potential mitigations are encouraging law enforcement to update or introduce new guidance for staff so they are aware of how their conduct could impact certain protected groups. Finally, future recommendations from the IRSTL on the operation of the State Threats Designation Power may lead to improved outcomes for protected groups.</p>	<p>Yes</p>