

Economic Note	Number: HO EN 1056
Title of regulatory proposal	Counter-Terrorism Amendment to the Modern Slavery Act 2015
Lead Department/Agency	Home Office
Expected date of implementation	July 2026
Origin	Domestic
Date	26/02/2026
Lead Departmental Contact	CrimeandPolicingBillTeam@homeoffice.gov.uk
Departmental Assessment	GREEN
Rationale for intervention, objectives and intended effects The measure aims to ensure consistent and effective prosecution of serious terrorism offences by removing access to the Modern Slavery Act 2015 statutory defence, which currently applies to some terrorist offences but not others. This change closes a potential loophole, reduces delays caused by assessing defence claims, and strengthens the ability to bring timely terrorism prosecutions. It follows earlier recommendations from the Independent Reviewer of Terrorism Legislation and concerns raised by operational partners about the defence's impact on cases. The intended effect is to provide clearer, more reliable prosecution outcomes while retaining safeguards for genuine victims of modern slavery through existing prosecutorial decision-making.	
Policy options (including alternatives to regulation) Option 0: 'Do nothing' – continuation of current regulatory regime. Option 1: Legislate to amend Schedule 4 of the Modern Slavery Act 2015 to include the terrorism offences listed in Schedule 1 of the Terrorism Offenders (Restriction of Early release) Act 2020; this is the government's preferred option.	
Costs and benefit summary The preferred option generates various costs relating to the prosecution and imprisonment of individuals who are found guilty of the added offences. Benefits include the improved risk management of terrorism-risk individuals as well as legal cost savings from strengthening prosecutors' ability to prosecute offenders.	
Risks Total costs cannot be monetised due to data constraints regarding the volume of potential cases. Instead, only costs and benefits per prosecuted individual are presented, meaning the scale of costs to the UK taxpayer are not fully captured by this appraisal. Based on anecdotal evidence, the Home Office believes that the volume of offenders is relatively small.	

Total Cost (£m PV)	Transition Cost (£m Constant)	Cost to Business (£m PV)	
Omitted	Omitted	0	
Total Benefit (£m PV)	NPSV (£m PV)	BNPV (£m PV)	EANDCB (£m PV)
Omitted	Omitted	0	0
Price Base Year	PV Base Year	Appraisal period (Years)	Transition period (Years)
2026/27	2026/27	10	1

Departmental sign-off (SCS):	Lee Dobinson	Date: 26/02/2026
Chief Economist sign-off:	Tim Laken	Date: 24/03/2026
Better Regulation Unit sign-off:	Emma Kirk	Date: 24/03/2026

Evidence Base

A. Policy objectives and intended effects

1. The main objective of the intervention is to enable more consistent prosecution processes by removing access to a legal defence on modern slavery grounds that is currently only available for some, but not all, serious terrorism offences. Intervening will ensure that all serious terrorism offences fall beyond the scope of this legal defence so that no defendant of a serious terrorism offence can rely on it.
2. Intervening in this way should also reduce the risk of delays to terrorism prosecutions that arise when prosecutors must assess the credibility of a defendant's claim to the legal defence; and reduce risk to the prosecution itself, for those cases where delays would mean it would no longer be in the public interest to bring charges.
3. This intervention will not remove protections for victims of modern slavery, as prosecutors will still need to consider modern slavery concerns when deciding whether it is appropriate to bring terrorism charges against someone.
4. See below for detail on Section 45 and Schedule 4 of the MSA 2015:
 - Section 45 of the Modern Slavery Act 2015 provides a statutory defence for victims who commit offences because they were compelled through slavery or exploitation (in the case of adults) or as a direct consequence of exploitation (in the case of children). The defence aims to ensure genuine victims are not wrongly criminalised and feel able to cooperate with law enforcement.
 - Schedule 4 lists serious offences, such as murder, manslaughter, kidnapping, serious violence, firearms and explosives offences, rape, and slavery/trafficking offences, for which the Section 45 defence cannot be used. Schedule 4 exists to prevent misuse of the defence in the most serious cases, while leaving prosecutors able to consider modern slavery concerns when deciding whether charging is appropriate.

B. Policy options considered, including alternatives to regulation

5. There are two options under consideration:

Option 0: Do-nothing

6. Do not legislate to amend Schedule 4 of the Modern Slavery Act 2015 (MSA 2015) to include the terrorism offences listed in Schedule 1 of the Terrorism Offenders (Restriction of Early release) Act 2020¹ (TORER 2020).
7. Doing so would mean that the prosecution process remains inconsistent for all serious terrorism offences allegedly committed as a result of modern slavery, with the majority of serious terrorism offences falling within scope of the statutory defence at section 45 of the MSA 2015.

Option 1: Legislate to amend Schedule 4 of the MSA 2015 to include the terrorism offences listed in Schedule 1 of the TORER Act 2020.

8. Doing so would remove all terrorism offences punishable with imprisonment for life or for greater than two years² from the scope of the statutory defence at section 45 of the MSA 2015.

¹ Schedule 1, Terrorist Offenders (Restriction of Early Release) Act 2020 – [legislation.gov.uk](https://www.legislation.gov.uk/ukpga/2020/3/schedule/1), 2020: <https://www.legislation.gov.uk/ukpga/2020/3/schedule/1>

² Section 247A(2)(a) of the Criminal Justice Act 2003 – [legislation.gov.uk](https://www.legislation.gov.uk/ukpga/2003/44/section/247A), 2020: <https://www.legislation.gov.uk/ukpga/2003/44/section/247A>

9. The department has not identified a non-regulatory option to deliver the preferred outcome of intervention. The preferred outcome can only be achieved by amending existing legislation via a statutory instrument laid in Parliament.

C. Past evaluations and rationale for government intervention

10. The previous government agreed to the department's recommendation to undertake a review of Schedule 4 (offences to which defences in section 45³ does not apply) of MSA 2015⁴, which includes its operation in relation to terrorism prosecutions. This work was paused during the pre-election period in May 2024 and was deprioritised following the election of the current government. The department is yet to undertake the review.
11. The previous government also agreed to the department's advice to accept a recommendation from the Independent Reviewer of Terrorism Legislation (IRTL)⁵ to add all terrorism offences to Schedule 4, thereby removing them from the scope of the statutory defence at section 45 of MSA 2015. Work to implement this recommendation was paused for the same reasons as those in relation to the Schedule 4 review.
12. However, in May 2023, the department engaged relevant partners including Counter Terrorism Policing (CTP) and the Crown Prosecution Service (CPS) to discuss the department's approach to implementing the recommendation. Both organisations highlighted the detrimental impact that use of the section 45 defence can have on terrorism prosecutions, although there are no centrally recorded instances of section 45 being used as a defence in terrorism-related trials.
13. The department has engaged the IRTL on the proposed offences to add to Schedule 4. The IRTL has confirmed that the approach to add those listed in Schedule 1 to the TORER 2020 is proportionate.

D. Appraisal

14. It has not been possible to monetise the total costs of the legislation meaning that the appraisal cannot provide a traditional cost benefit analysis of the legislation
15. This is a result of the uncertain volume of potential prosecutions. The department has been unable to estimate the potential volume of prosecutions as:
 - There are no centrally recorded instances of section 45 of MSA 2015 being used as a defence in terrorism-related trials, and;
 - There are no suitable proxies available to reliably demonstrate the volume of potential prosecutions.
16. For this reason, the legislation's impact on the legal system and prisons cannot be reliably monetised. Instead, costs and benefits **per prosecuted offender** have been presented below, as suitable estimates of unit costs are available.

³ Section 45, Modern Slavery Act 2015 – [legislation.gov.uk](https://www.legislation.gov.uk/ukpga/2015/30/section/45), 2015:
<https://www.legislation.gov.uk/ukpga/2015/30/section/45>

⁴ Schedule 4, Modern Slavery Act 2015 – [legislation.gov.uk](https://www.legislation.gov.uk/ukpga/2015/30/schedule/4), 2015:
<https://www.legislation.gov.uk/ukpga/2015/30/schedule/4>

⁵ Response to the 2021 annual report on the operation of the terrorism acts by the Independent Reviewer of Terrorism Legislation (accessible version) – Gov.uk, 2024:
<https://www.gov.uk/government/publications/response-to-the-report-on-the-terrorism-acts-in-2021/response-to-the-2021-annual-report-on-the-operation-of-the-terrorism-acts-by-the-independent-reviewer-of-terrorism-legislation-accessible-version>

Assumptions and broad approach to this appraisal

17. This measure is expected to be implemented in July 2026; costs are assumed to be incurred for remaining nine months of the financial year 2026/27. Ongoing costs occurring in the first year are therefore 75 per cent of subsequent years. Transition costs are incurred in full.
18. This EN summarises the impacts of the above legislative measure on affected individuals and groups in the UK. The costs and benefits are compared to the 'Do nothing' option. These impacts have been assessed using HM Treasury Green Book guidance⁶.
19. This appraisal assumes there are four cohorts of offenders that this measure applies to and has outlined how costs and benefits differ between the Cohorts:
 - In the absence of the proposed legislation, **Cohort A** consists of offenders who would not have been prosecuted previously, as the offence committed was not excluded by Schedule 4 of the MSA 2015. With this legislation nullifying the section 45 defence for these offences, it is assumed that these offenders would be prosecuted and convicted instead.
 - In the absence of the proposed legislation, **Cohort B** consists of offenders who would have been prosecuted previously but would have successfully used the section 45 defence at trial, to avoid conviction. With the new legislation nullifying this defence, these offenders would be convicted instead⁷.
 - In the absence of the proposed legislation, **Cohort C** consists of offenders who would have unsuccessfully used the section 45 defence to avoid conviction. These offenders are convicted regardless of the legislation.
 - In the absence of the proposed legislation, **Cohort D** consists of offenders who would have successfully used the section 45 defence to avoid conviction for a terrorism-related offence; however, are convicted of other offences at the same trial. As a result, these offenders are potentially given greater or additional custodial sentences.

Table 1: Prosecution and conviction outcomes per offender cohort under Option 0 and Option 1

	Option 0		Option 1	
	Prosecuted	Convicted	Prosecuted	Convicted
Cohort A	No	No	Yes	Yes
Cohort B	Yes	No	Yes	Yes
Cohort C	Yes	Yes	Yes	Yes
Cohort D	Yes	No (but convicted of other offences)	Yes	Yes

Source: Home Office, 2026

⁶ The Green Book (2026) – HM Treasury, 2026:
<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2026>

⁷ In the year ending September 2024, 85 out of 86 of terrorism-related trials resulted in convictions. As a result, it is assumed that the number of Cohort B offenders is very low. As found at:
 Operation of police powers under TACT 2000, to September 2024 – Home Office, 2024:
<https://www.gov.uk/government/statistics/operation-of-police-powers-under-tact-2000-to-september-2024>

20. Due to the absence of centrally recorded data or reliable proxies, the Home Office cannot provide estimates of the size/prevalence of offender Cohorts, consequently estimates are not provided for the weighted “average” offender.
21. Ranges are used, where appropriate, to account for uncertainty in the modelling. In the presentation of this analysis, given the stated assumptions, central values reflect the scenario that is estimated to be the most likely to occur. Low and high values refer to extreme scenarios which have a possibility of occurring, although unlikely, providing best- and worst-case scenarios.
22. The following assumptions have been used for this appraisal:
- Monetised costs and benefits are stated in 2026/27 prices.
 - The Net Present Cost (NPC) and Net Present Benefit (NPB) **for the average offender in each Cohort** has been calculated for a ten-year period starting in 2026/27. A Net Present Social Value (NPSV) **for the average offender** is also provided below in Table 4.
 - A discount rate of 3.5 per cent is used when calculating economic costs.
 - Data is taken from the Home Office, Ministry of Justice (MoJ), and CPS.
 - The average custodial sentence for a terrorism-related offence is assumed to be 48 months⁸. It is assumed that offenders will serve two thirds of this period (32 months) in custody before being released on license for the remainder of their sentence (16 months)⁹.
 - Irrespective of Cohort, the high scenario assumes an offender is a juvenile (instead of an adult). The purpose of assuming that an offender is a juvenile is to maximise the range of possible costs, as the cost of imprisoning a juvenile is significantly higher than an adult¹⁰. In Q3 2024, 57 per cent of individuals referred to the National Referral Mechanism for criminal exploitation were children¹¹.
 - For Cohort A and Cohort B, the high scenario assumes offenders will receive Detention at His Majesty’s Pleasure¹². For Cohort D, the high scenario assumes offenders receive Detention at His Majesty’s Pleasure instead of an average sentence for a terrorism-related offence. It is assumed that offenders will spend six years in a Youth Offender Institute (YOIs) before being transferred to an adult closed prison¹³ for an indeterminate length of time.
 - For Cohort A and B, the central scenario assumes convicted offenders receive an average sentence for a terrorism-related offence. For Cohort D, the central scenario assumes offenders will serve an additional sentence for a terrorism-related offence consecutively to their original sentence. The length of this additional sentence will be the average custodial sentence length for a terrorism-related offence.
 - For Cohort A and Cohort B, the low scenario assumes offenders receive a 24-month custodial sentence. They are assumed to serve two thirds of this in custody (16 months) and the remainder in the community (8 months). For Cohort D offenders, the low

⁸ Operation of police powers under TACT 2000, to September 2024 – Home Office, 2024:

<https://www.gov.uk/government/statistics/operation-of-police-powers-under-tact-2000-to-september-2024>

⁹ Terrorist Offenders (Restriction of Early Release) Bill – UK Parliament, 2020:

<https://publications.parliament.uk/pa/ld5801/ldselect/ldconst/23/2303.htm>

¹⁰ Prison performance data 2022 to 2023 – Ministry of Justice, 2024:

<https://www.gov.uk/government/publications/prison-performance-data-2022-to-2023>

¹¹ National Referral Mechanism statistics – Home Office, 2019:

<https://www.gov.uk/government/collections/national-referral-mechanism-statistics>

¹² A Detention at His Majesty’s Pleasure is a custodial sentence of an indeterminate sentence length that is used as an alternative to a life sentence.

¹³ This is to maximise potential costs. Offenders will be imprisoned in YOIs between the ages of 15 and 21 years before being transferred to an adult closed prison for an indeterminate amount of time.

scenario assumes offenders will serve an additional sentence for a terrorism-related offence concurrently to their original sentence and will not spend any additional time in custody.

- The Home Office assumes annual prison and probation costs are spread uniformly across the year.
- Prisoners are assumed to start their sentences concurrently at the start of the year.
- Due to the absence of relevant data, Home Office is unable to reliably provide a central estimate for the monetary value of savings to the Crown Courts, Legal Aid Agency (LAA) and CPS. As a result, the low scenario for each Cohort estimates the maximum possible legal cost saving, with the central and high scenario taking a conservative approach¹⁴ that the legislation will provide no savings to legal system.
- It is assumed that all individuals are entitled to legal aid and will take it.
- In the year ending September 2024, 85 out of 86 terrorism-related trials resulted in convictions¹⁵. For the purposes of this appraisal, it is assumed that all individuals prosecuted will be convicted.

Costs

23. There are no familiarisation costs as prosecutors will be familiar with Schedule 4 and section 45 of the MSA 2015 in other contexts.
24. **Cohort A** will generate additional prison and probation costs for His Majesty's Prison and Probation Service (HMPPS) due to an increased number of convictions. HMPPS costs include prison place running costs as well as the cost of the enforcement and administration of license conditions. The estimated ten-year discounted cost per offender is between £0.06 million and £1.88 million with a central estimate of £0.14 million (2026/27 prices)¹⁶. It should be noted that prison costs may persist after the ten-year appraisal period as individuals remain imprisoned.
25. Cohort A will generate trial and prosecution costs for the CPS, the LAA, and the Crown Courts, as these individuals would not have been prosecuted previously. The estimated cost of prosecuting and convicting an offender in Cohort A is between £0.005 million and £0.006 million with a central estimate of £0.006 million per offender. Cost estimates are based on data provided by CPS and the Crown Courts. Legal costs may vary depending on the circumstances of the trial, such as whether the offender pleads guilty immediately.
26. **The Home Office estimates the total ten-year discounted cost, per Cohort A offender, is between £0.07 million and £1.89 million with a central estimate of £0.15 million (2026/27 prices)**
27. Similar to above, **Cohort B** will generate prison and probation costs for HMPPS due to an increased number of convictions. **The estimated ten-year discounted cost per offender is between £0.06 million and £1.88 million with a central estimate of £0.14 million (2026/27 prices)**. As previously described, it should be noted that prison costs may persist after the ten-year appraisal period as individuals remain imprisoned¹⁷.
28. **Cohort C** would be convicted, sentenced and imprisoned regardless of the legislation being in place. Consequently, there are no additional public sector costs for Cohort C because of this legislation.
29. Similar to Cohort A and B, **Cohort D** will generate additional prison and probation costs for HMPPS) due to an increased number of convictions. **The estimated total ten-year**

¹⁴ In that costs are likely overestimated.

¹⁵ Operation of police powers under TACT 2000, to September 2024 – Home Office, 2024:

<https://www.gov.uk/government/statistics/operation-of-police-powers-under-tact-2000-to-september-2024>

¹⁶ As outlined in para 15, the extensive range is driven by the difference in scenario assumptions made regarding the characteristics of an offender and the type and length of punishment received. £2.61 million is seen as an unlikely but possible 10-year discounted cost of imprisoning an offender.

¹⁷ A 10-year appraisal period was chosen to remain consistent with other Crime and Policing Bill economic products.

discounted cost per Cohort D offender is between £0 and £1.12 million with a central estimate of £0.14 million (2026/27 prices). As described above, it should be noted that prison costs per offender may persist after the ten-year appraisal period as individuals remain imprisoned.

Benefits

30. The policy is expected to generate non-monetised security benefits by improving the management of terrorism-related risk. Removing inappropriate access to the statutory defence will enable more consistent prosecution and longer or more certain incapacitation of terrorism-risk individuals, thereby reducing the likelihood of terrorist activity that could otherwise result in serious physical, psychological, and financial harm to the public. More effective prosecution outcomes also limit offenders' ability to plan or facilitate harmful acts in the community and contribute to wider societal benefits by lowering terrorism-related fear, enhancing public confidence, and reducing the behavioural and economic disruption that arises when individuals feel unsafe carrying out routine activities. The Home Office is unable to quantify and subsequently monetise the level of risk reduction as a result of this legislation.
31. **Cohort A** will not generate any cost savings for the courts as they would not have previously been prosecuted.
32. **Cohort B, C and D** could generate potential cost savings for the courts, LAA and the CPS as trials could conclude quicker or be avoided altogether (in the case of an immediate guilty plea) because the legislation may strengthen prosecutors' ability to secure a conviction. As a result, there could be reduced operational costs, such as cost of prosecutors and jury sitting, for the courts and the CPS¹⁸. As outlined in the assumptions, the central and high scenario assumes that there no costs savings to the legal system whilst the low scenario calculates the maximum possible cost saving to the legal system. **The estimated ten-year discounted benefit per Cohort B, C and D offender ranges between £0 and £0.001 million with a central estimate of £0 per year (2026/27 prices).**

Results per average offender

33. In quantitative terms, Cohorts A, B and D generate negative NPSVs. However, it is expected that the policy will generate non-monetisable security benefits, as a result of the improved management of terrorism-related risk which are not captured by the NPSV.

Table 2: Average total costs per offender by cohort (£ million, 2026/27 prices)

	Low	Central	High
Cohort A offender	0.07	0.15	1.89
Cohort B offender	0.06	0.14	1.88
Cohort C offender	0.00	0.00	0.00
Cohort D offender	0.00	0.14	1.12

Source: Home Office internal estimates, 2026

Table 3: Average total benefit per offender by cohort (£ million, 2026/27 prices)

	Low	Central	High
Cohort A offender	0.00	0.00	0.00
Cohort B offender	0.00	0.00	0.00
Cohort C offender	0.00	0.00	0.00
Cohort D offender	0.00	0.00	0.00

Source: Home Office internal estimates, 2026

¹⁸ Court savings were calculated by determining the public sector costs averted by an offender pleading guilty, subsequently bypassing the need for a trial. Savings were based on the average public sector cost of providing juries and CPS resources.

Table 4: Average Net Present Social Value per offender by cohort (£ million, 2026/27 prices)

	Low	Central	High
Cohort A offender	-0.07	-0.15	-1.89
Cohort B offender	-0.06	-0.14	-1.88
Cohort C offender	0.00	0.00	0.00
Cohort D offender	-0.00	-0.14	-1.12

Source: Home Office internal estimates, 2026

E. Wider Impacts

Equalities

34. An Equalities Impact Assessment for this measure has been carried out in addition to this Economic Note (EN)¹⁹.

Better Regulation

35. These proposals are not considered to be regulatory provisions as defined under the Better Regulation Framework and are out of scope of the Small Business Enterprise and Employment Act 2015. As these measures do not affect businesses of any size, no Small and Micro Businesses Assessment (SaMBA) is required.

¹⁹ Equality Impact Assessment [EIA] Crime and Policing Bill – Home Office, 2025: https://assets.publishing.service.gov.uk/media/69304c10502f392086ee8b4e/CP_Bill_EIA_-_Modern_Slavery_Act_Schedule_4.pdf

Environmental Impact Assessment

36. The Home Office expect there to be no environmental impacts as a result of the options within this EN. The policies meet the environmental principles in accordance with the Environment Act 2021.

International Trade

37. There are not expected to be any impacts on international trade.

F. Sensitivity

38. The equivalent annual net direct costs to the public sector are less than +/- £20 million, so an Impact Assessment is not required. This EN has been produced instead and contains proportionate analysis outlining the main costs, benefits, and NPSV calculations.

G. Risks

39. Ranges have been used to account for most of the uncertainty surrounding costings. When costings were not directly available, available proxies have been scrutinised and used to model potential costs.
40. It should be noted that estimates are based on the assumptions and methodology outlined in paragraph 19. If assumptions do not hold, true costs may lie outside of stated ranges. Assumptions and data have been scrutinised to ensure suitability in economic modelling.

H. Annex

Mandatory specific impact test - Statutory Equalities Duties	Complete
The Home Office assesses that these measures will not directly discriminate within the meaning of the Equality Act 2010. The amendments expand the list of serious offences excluded from the section 45 statutory defence but do not remove prosecutorial safeguards for genuine victims of modern slavery. Some indirect discrimination may arise because terrorism-related offending is not evenly distributed across all protected characteristics. Men, typically from certain ethnic and religious groups, are statistically over-represented among terrorism offenders compared with the wider UK population. Any such indirect discrimination is assessed as objectively justified as a proportionate means of achieving the legitimate aim of protecting the public from serious offending, including terrorism, while preserving protections for genuine victims. The SRO has agreed these findings.	Yes