

Summary: Intervention & Options

Department/Agency:

Ministry of Justice

Title:

Impact Assessment for Political Parties and Elections Act – Transparency of donations

Stage: Royal Ascent

Version: Final

Date: 20 July 2009

Related Publications: Party Funding and Expenditure in the United Kingdom: The Government's proposals (June 2008) London: The Stationery Office

Available to view or download at: <http://www.ialibrary.berr.gov.uk>

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

The measures introduced in the Political Parties, Elections and Referendums Act 2000 (PPERA) to ensure that the source of donations to political parties are transparent were far reaching but it is now clear that they do not achieve everything that they set out to achieve. In particular, in some cases the ultimate source of a donation remains unclear, particularly where donations are being made by organisations. In addition, individuals or bodies may be making donations on behalf of others without being aware of the requirement in PERERA to declare the original source in such circumstances, and given the diversity of donors some might be ignorant of the law applying to donations to political parties and others.

What are the policy objectives and the intended effects?

The main policy objective is to increase transparency surrounding the ultimate source of donations to political parties and other regulated recipients in order to strengthen public confidence in our political system.

What policy options have been considered? Please justify any preferred option.

Option 1: no legislative change.

Option 2: require donations of over £200 to be accompanied by a declaration about the source of the donation

Option 3: require donations of over the reporting thresholds (£1,500 for donations to accounting units of parties, individual regulated donees; and £7,500 for donations to central parties, members associations, recognised third parties and permitted participants in a referendum) to be accompanied by a declaration about the source of the donation

Option 4: Donations over a single threshold of £7,500 triggers the declaration requirement, irrespective of the category of donee or whether the donation is made to a party's central office or at a constituency level. This option, is a variance of option 3 as it sets the threshold for the declaration requirement at the higher of the reportable thresholds. It was approved at House of Lords Grand Committee and is the preferred option, as it is considered to be the most effective of the options in striking the right balance between transparency and ease of compliance in view of other changes in the Act aimed at achieving greater transparency around political donations.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The Government will consider whether this policy needs to be reviewed after the next general election.

Ministerial Sign-off

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

..... Date: 20 July 2009

Summary: Analysis & Evidence

Policy Option: 3	Description: Declarations as to source of donations to political parties
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Cost to donors of having to make a declaration to accompany donations of over £7,500 to registered parties and £1,500 to accounting units of registered parties; cost to parties and other regulated recipients of having to process declarations for donations over the thresholds.
	One-off (Transition)	Yrs	
	£ 4,666	1	
	Average Annual Cost		
	£ 9,825-24,350	10	Total Cost (PV) £ 89,000-214,000
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' It is not possible to assess the financial value of the benefits of this policy option.
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
	£		Total Benefit (PV) £
Other key non-monetised benefits by 'main affected groups' This policy would improve the transparency of donations to political parties, which should result in improved public confidence in the political system, and a reduction in the number of donors failing to comply with PPERA requirements when donating money.			

Key Assumptions/Sensitivities/Risks It is not possible to predict with certainty the number of donations that may be made to political parties and other regulated donees in the future. Electoral Commission data show that over the period 2002-2006 there were approximately 2581 reportable donations to parties and 190 donations to other regulated recipients p.a. out of these there were 523 donations to parties and 40 donations to regulated donees over £7,500, and which would have been caught by the declaration requirement under the preferred option. We used these figures to model potential costs (we have used the 2002-6 period as that was the last full electoral cycle beginning and ending with a post-election year). The above figures include donations which in aggregate exceed the declaration threshold – so using them as a basis could mean that we are overstating the impact of the Section 9 requirement. Given that past patterns cannot necessarily provide a reliable guide to future trends, there are inevitably limitations to this technique. We have also estimated the time necessary to comply and the cost of that time.

Price Base Year	Time Period Years 10	Net Benefit Range (NPV) £ -89,000-214,000	NET BENEFIT (NPV Best estimate) £ -152,000
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What is the geographic coverage of the policy/option?	UK-wide			
On what date will the policy be implemented?	After Royal Assent			
Which organisation(s) will enforce the policy?	Electoral Commission			
What is the total annual cost of enforcement for these organisations?	£ Not available			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ N/A			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)		
Increase of	£	Decrease of	£	Net Impact	£

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

Donations to political parties are regulated by the Political Parties and Referendums Act (PPERA) 2000, which provides that:

- The following individuals and bodies are permissible donors to political parties:¹
 - an individual registered in an electoral register;
 - a UK registered political party;
 - a UK registered company;
 - a UK registered trade union;
 - a UK registered building society;
 - a UK registered limited liability partnership;
 - a UK registered friendly/building society;
 - a UK based unincorporated association.
- Donations over £1,000 [now £1,500] to a constituency party ('party accounting unit') have to be reported to the Electoral Commission by the party.
- Donations over £5,000 [now £7,500] when aggregated over a financial year) to a political party have to be reported to the Electoral Commission.
- Donations over £200 [now £500] have to be recorded and have to be from permissible donors.
- In-kind donations also have to be given a monetary value and declared.

Under PERA section 54, if a person makes a donation to a political party on behalf of someone else, either as a principal donor or an agent, the details of the original donor must be given to the party, and must be declared by the party to the Electoral Commission if the donation is of a reportable size. However, the legislation relies on a person being able to identify that these provisions apply, and, as a result, the original source of a donation may not always be declared.

This Act increases the recordable and reportable thresholds to £500, £1,500 and £7,500 (from £200, £1,000 and £5,000 respectively). The higher of these thresholds £7,500 is the single threshold for the declaration requirement of Section 9,

NB All financial calculations in this assessment are rounded up to provide for simplicity.

It has been observed that individuals and organisations giving political donations might not always be aware of the permissibility requirements in PERA, resulting in the potential for inadvertent breaches of the rules.

Option 1: no legislative change

This would fail to address the possibility that in some cases the ultimate source of donations may not be declared, and that organisations such as unincorporated associations may be used to circumvent the spirit of the PERA requirements. This may have a damaging effect on public confidence in the political system.

Option 2: Require donations of over £200 (the recordable threshold) to be accompanied by a declaration about the source of funds from which the donation is made.

The Political Parties and Elections Bill, as introduced to the House of Commons on 17 July 2008, contained this proposal, which was intended to draw the attention of donors to the existing legislative requirements on them. Following discussion with representatives of the political parties, debates in the House of Commons, and further detailed policy consideration, it was agreed that setting the threshold for a declaration at £200 was unduly onerous. This decision was taken on the basis that the amount of additional work required of political parties in securing and processing declarations for all donations in excess of £200 would in practice outweigh the benefit of the measure. The requirement for a declaration

¹ Irish citizens and Irish bodies which meet prescribed criteria are also permissible donors for the purpose of Northern Ireland political parties.

is intended to ensure that donations of a reasonably significant sum are properly in accordance with the law, and it was agreed that setting the threshold for requirement of a declaration at £200 was too low.

Option 3: require donations of over the reporting thresholds (currently over £5,000 and over £1,000 depending on the donee) to be accompanied by a declaration about the source of the donation.

After House of Commons consideration of the Bill, further discussion took place with representatives of the political parties and the Electoral Commission about options to raise thresholds for recording and reporting donations and loans. During these discussions, a consensus emerged that the dual objective of increasing transparency about the true source of donations would be best served by modest increases to the recordable and reportable thresholds, but to have a single threshold for the declaration requirement, to capture the most significant donations, i.e. those of over £7,500 – this option is considered in detail below.

Option 4: single threshold of £7,500 triggers the declaration requirement, irrespective of the category of donee and whether the donation is to a central office of a party or at a local level.

Section 9 and Schedule 3 of the Act are intended to strengthen the existing requirements in section 54 of PPERA, by highlighting them to donors.

The requirement is for all donations of over £7,500 to registered parties, permitted participants, members associations, accounting units of registered parties and individual regulated donees to be accompanied by a declaration from the donor (or a person acting on the donor's behalf), which states whether or not the donor has received money or benefits (to the sum of more than £7,500) from another source with a view to, or otherwise in connection with, the making of the donation. Schedule 3 applies the same declaration requirement to donations to other regulated recipients as that required for donations to political parties (meaning that it applies also to donations to regulated individuals, members associations, recognised third parties and permitted participants). If a declaration is required by the new provision but is not made, a party (or other donee) cannot accept the donation. If the donation is made on behalf of someone else, the original source of the donation should be declared, in accordance with the current legislation (section 54 of PPERA). This policy will bolster the current disclosure requirements and ensure that the ultimate source of donations is declared.

Under the provisions of Section 9 a donor or responsible person for an organisation donating will have to declare:

- whether money has been received from another source;
- if so, whether provisions in PPERA section 54 (i.e. sub-sections (4) and (6)) that relate to declaring the original source of a donation apply;
- if the requirements do not apply, give the reasons why not; and
- the full name and address of the person giving the declaration.

The recipient of the donation will have to:

- return any donation over the declaration threshold (or an equivalent amount) that is not accompanied by a declaration; or
- include in the regular reports to the Electoral Commission that are already required by PPERA (in the case of the parties, submitted quarterly or weekly) a statement that all donations requiring declarations were accompanied by such a declaration, and that there was no reason to suspect that they were inaccurate or untruthful, and details of any respects in which declarations were found or suspected to be inaccurate or untruthful.

The main impact of this policy will be on donors to political parties and the parties themselves. Fewer donations are received by other regulated recipients covered by schedule 3 to the Bill - i.e. regulated individuals and members associations, recognised third parties and permitted participants in a referendum.

Under the current legislation, donations of over £1,000 to a local accounting unit of a party or over £5,000 to the party itself must be reported to the Electoral Commission. This Act contains provisions that raise the thresholds for the reportable donations to £1,500 and £7,500 respectively. The provisions in Section 9 and schedule 3 have been revised to set a single threshold of £7,500 for the declaration requirement, the higher of the reportable thresholds .

Under option 3, the thresholds for requirement of a declaration from the donor about the ultimate source of the donation were deliberately intended to mirror the reportable thresholds in PPERA – for simplicity for those whose donations are regulated; and to assist with enforcement of the requirement. However, with the reportable thresholds being raised by relatively small margins, especially with respect to the lower threshold, it was argued successfully during House of Lords consideration of the Bill that there should be a single threshold for the declaration requirement that concentrated on the larger donations. As the analysis of the numbers of reported donations illustrates, having a single threshold of £7,500 would mean that a declaration from donors would be needed for significantly fewer donations than had the threshold been set at the same level as the reportable thresholds.

Donations to registered parties reported to the Electoral Commission

Year	Total number of donations	Number of 'donations' from public funds	Number of donations from impermissible or unidentifiable donors	Number of donations (excluding those from public funds and impermissible or unidentifiable donors)
2001	2082	36	34	2012
2002	1552	53	3	1496
2003	2020	65	3	1952
2004	2928	63	9	2856
2005	4068	55	20	3993
2006	2699	78	13	2608
2007	3523	78	12	3433
2008	2432	58	14	2360

This table includes donations which in aggregate exceed the current reporting threshold – so it is likely that the calculations below on the numbers of donations that will trigger the declaration requirement overstate to a degree the impact of the Section 9 requirement, which would not apply where a group of donations passed the declaration threshold solely as a result of aggregation with other donations from the same donor in the course of a year.

Over the 2002-2006 cycle (i.e. including one general election only), the maximum total number of donations received by all parties and reported to the Electoral Commission (i.e. above £5,000 and £1,000) that would have been caught by the new declaration requirement had it been set, as per option 3, at the reportable levels and been in place (i.e. excluding those from public funds, or impermissible or unidentifiable donors) is 12905, or an average of 2581 donations per year. One problem that we would have encountered if the threshold for the declaration requirement was set at the reportable levels as per option 3, is that the Commission's data does not differentiate between donations to central parties and party accounting units, which would have meant that any estimate under option 3 would have overstated the likely impact of the requirement on previous donation patterns and we would not have been able to predict with certainty the reduction in the numbers of donations affected had the reportable thresholds levels now in the political Parties and Elections Act (£7,500 and £1,500). For example, while we may be able to ascertain the total number of donations over £7,500 per year, many of these will be to local accounting units for which the reportable threshold would be £1,500. Bearing that important consideration in mind, in assessing the potential impact of option 3, we first filtered donations between the current and proposed reportable thresholds to get a sense of the likely impact on the numbers of reportable donations, had the declaration requirement in clause 8 applied and the thresholds for it mirrored the reportable thresholds in this Act. In the 2002-06 period there were 916 donations between £5,001 and £7,500 and 2507 donations between £1,001 and £1,500. This means that if the declaration threshold in Section 9 mirrored the reportable thresholds as per option 3, the numbers of donations to all

parties that would have required declarations in the same period could be as low as 9482, or 1896 per annum. Raising the threshold for the declaration requirement to £7,500 irrespective of category of donee or whether donation will be to a parties central office or to a local constituency, will significantly reduce the number of donations for which declarations will be required. Counting all donations of over £7,500 for the 2002-06 period, would have meant that only 2614 donations would have needed a declaration in that 5 year period with an average of 523 p.a.

Therefore, with the proviso that past trends may not necessarily be the best indicator of the number of donations affected in the future, one assumption that could be made is that the a single threshold of £7,500, irrespective of the category of donee, or whether the donation is to a local constituency or central party, threshold for the declaration requirement, as would result in a reduction in the overall numbers of declarations that parties and accounting units would have to process than if it had been set at the same levels at the reportable thresholds.

Donations to regulated recipients reported to the Electoral Commission

Year	Total number of donations	Number of 'donations' from public funds	Number of donations from impermissible or unidentifiable donors	Number of donations (excluding those from public funds and impermissible or unidentifiable donors)
2001	456	35	1	420
2002	132	35		97
2003	134			134
2004	291			291
2005	193			193
2006	236			236
2007	382		5	377
2008 (1 Jan to 30 Jun)	267		4	263

Over the 2002-2006 cycle, the total number of donations received by other regulated recipients (those covered by the requirements in schedule 3 to the Bill) and reported to the Electoral Commission, that would have been caught by the declaration requirement under option 3, had it been in place (i.e. excluding those donations from public funds, or impermissible or unidentifiable donors) is 951, or an average of 190 per annum. Filtering donations of over £7,500 shows that had a single threshold of £7,500 been in place, 201 donations would have needed to be accompanied by a declaration – an average of 40 donations per annum. It should however be born in mind that donations to regulated donees are registered in a different format on the Electoral Commission's website and filtering donations –to assess the impact of different thresholds on a similar basis to our approach above is open to (i.e. filtering for just the 2002-6 electoral cycle), is not easily achievable, and so the estimates on the numbers of donations to regulated donees that would be caught by the declaration requirement is set at £7,500, should also be viewed with a degree of caution. that results from the increase in the threshold. However, subject to the same proviso as for parties, one conclusion that could be drawn is that the overall number of declarations that regulated recipients would be required to process would also be significantly fewer than if the threshold of the declaration requirement exactly mirrored the reportable thresholds. As with donations to parties,

It should be noted that for all of the donations to parties and other regulated recipients detailed above, the figures include those donations which are reportable as a result of aggregation of smaller donations from the same donor which over the course of a year exceed the threshold, as per option 3, and the new declaration threshold of £7,500 as per the preferred option. The Act does not require declarations for such donations, therefore the impact assessment as a whole will overstate the impact of the provision to a degree.

Time required for donors to comply

Based on the fact that any declaration form would be relatively short and simple to complete, at the time of the introduction of the Bill, we estimated that it would take a donor around 10 minutes to complete a declaration.

On reflection, we recognise that the amount of time that it will take donors to fulfil this requirement will vary from donor to donor, and is also likely to diminish over time. Donors to political parties fall into no single homogenous group, so it is not possible to calculate the cost of their time. However, according to the Office for National Statistics, the average hourly pay in the UK in 2007 was £13.42, and this sum may be used to approximate the cost. We have therefore calculated a range for the potential impact on donors, assuming it takes between 10-20 minutes to complete a declaration. This would mean the cost of compliance to donors would be around £2.24-£4.48 per declaration. On this basis, if the declaration threshold exactly mirrored the reportable thresholds currently in PPERA, the total annual cost of compliance for all donors to parties across the UK for an average of 2581 reportable donations would therefore be around £6,000-12,000. If the for the declaration requirement mirrored the both the higher and lower reportable thresholds in this Act, (£7,500 and £1,500), the number of donations to all parties requiring a declaration could be as low as 1896 per annum. Assuming donations of this volume we estimate the cost to donors to parties would reduce to between £4,250-£8,500 as a result of the increase in the threshold. On a similar basis, the impact on all donors to other regulated recipients under schedule 3 for the historic average of 190 donations per year would be approximately an additional £425-£850 for current thresholds, which would reduce as a result of thresholds being raised by this Act. (noting the caveats earlier in this assessment), the costs of compliance for donors to other regulated recipients would also be expected to reduce although, as we are unable to accurately estimate the reduction in the number of donations requiring declarations as a result of the changes to the thresholds, we cannot accurately estimate the reduction in the associated cost to donors.

On this basis, the total cost to donors to all those affected by the clause - political parties (clause 8) and other regulated recipients (schedule 3) - would be approximately £6,500-£13,000 on current thresholds and £4,675-£9,350 if the reportable thresholds are raised to £7,500 and £1,500, although the final range is likely to be slightly lower, given that we are unable to accurately estimate the number of donations to regulated recipients as a result of the changes to the thresholds.

As the Act sets the threshold for the declaration requirement at all donations over £7,500, we expect that 514 donations to parties will need a declaration, with an overall annual cost to donors of between £1171.52 and £2343.04. Assuming that around 40 donations p.a. to regulated donees will need a declaration, there will be an additional cost of between £89.60-£179.20. Taken together, the cost to donors of all donations to parties and regulated donees under the preferred option with the threshold set at £7,500 would be in the region of £1,261.12 and £2,522.24.

These figures should be treated with a degree of caution: the donation figures represent maximums based on past patterns of donations: as explained above, some of the donations recorded will have been aggregated, and so would not attract the new provisions. Against that, it might be considered that since the sums involved –i.e. £7,500 for the declaration requirement under the preferred option, – are significant for private individuals donating, it could mean that a person giving an amount which would attract the provisions might be likely to earn in excess of the average hourly pay rate.

Processing time for parties

In the Impact Assessment published alongside the Bill in July, we estimated that it would take a political party approximately 5 minutes per donation longer to process donations of over £200 once the declaration requirement was in place. During the passage of the Bill through both houses of Parliament, We first accepted that our estimates of the numbers of declarations that parties would have to process and the processing time involved were too low, and , removed the requirement for parties to take “all reasonable steps” to verify the source of a donation. declaration Secondly, the threshold for the declaration requirement has been adjusted on various occasions during the progress of the Bill. Firstly to reflect changes to the reportable thresholds made by the Bill, and finally, during House of Lords Consideration of the Bill, to a single level of £7,500. We believe that, as there is no requirement for parites and other donees, to take all reasonable steps to verify the accuracy of a declaration, the amount

of time required by parties and other regulated recipients to process the declarations ought to be reduced.

However, it is not clear how long political parties consider it would take to process a declaration: in the time available it has not been possible to arrive at an estimate with the parties of the burden involved. We have assumed that checking for the presence of a declaration would be a straightforward process where it is provided and is complete; however, the compliance burden would be greater in cases where a declaration is not provided or is incomplete, and a party is required to take steps to obtain the necessary declaration.

Given that we have not been able to arrive at a shared estimate with the parties of the processing time that would be required, we have estimated the impact based on a possible range. For the majority of declarations, processing time – effectively checking for the presence of a declaration, reading it and making a judgement as to its completeness – might range between 5 minutes and 20 minutes. Political parties differ to the extent that it would not be possible to calculate a specific hourly rate for their time. However, on a similar basis to estimating the cost to donors, an approximate cost may be calculated using the average rate of hourly pay in the UK. Based on a range of 5-20 minutes, using the historic average of 2581 reportable donations per annum under current thresholds, the range of cost to all parties of processing declarations would be in the range £3,000-£12,000. If the reportable thresholds were raised to £7,500 and £1,500 parties could have to process declarations for as few as 1896 donations per annum based on our filtering of donations between the current and proposed reportable thresholds. This could mean that the cost to all parties could reduce to between £2,140-£8,570 per annum. However the agreed preferred option is that a single threshold of £7,500 should trigger the declaration requirement. This would substantially reduce the number of donations that parties would have to process – we estimate only around 523 donations per annum. Which would entail an overall annual cost to parties of between £584.89 and £2,339.55.

Processing time for other regulated recipients

Given that we have not been able to arrive at a shared estimate with other regulated recipients of the time that would be required for processing declarations, we have estimated the impact based on a possible range. We have assumed that, as for parties, in the majority of cases once the new requirements have bedded down the regulated recipients would merely be required to check the presence and completeness of a declaration, making the requirement relatively straightforward and possible to complete within a short time. However, in some instances more checking would be required or a declaration might not accompany a donation as required. On that basis, we have therefore calculated the impact of the new requirement for a range of 5-20 minutes. Based on the historic data which suggest an average of 190 donations per annum, this would result in an additional cost for all regulated recipients in the range of £210–850 per annum. As set out above, we have not filtered donations between the current and proposed reportable thresholds with respect to regulated donees.

This would suggest a total cost – based on current reportable thresholds - to all parties, regulated donees (individuals and members associations), recognised third parties and permitted participants in the region of £3,200-£13,000. If the thresholds are raised to £7,500 and £1,500, these total costs could be in the range of £2,350-£9,400, although this range is likely to be slightly lower, given that we are unable to accurately estimate the number of donations to regulated recipients. Raising the threshold further to £7,500 as under the preferred option will mean that as many as 40 donations ought to be caught, with an overall cost to required donees of £44.73 and £174.92.

Transition period

Inevitably, there will be a transition period for both recipients and donors to adapt to the new requirements. For some time then (we estimate at least a year), we expect that a reasonable number of donations will be received without the required declaration, and the parties and other recipients will be required to seek declarations from donors prior to acceptance of the donation. As a result, we estimate that, for a transition period of a year, the parties might require in the range of 15 to 30 minutes per donation. At 2581 donations per annum on current reportable thresholds, this would cost approximately £9,000-£18,000 for all parties. The additional impact on other regulated recipients, based on the historic average of 190 donations per annum, would suggest costs in the range of £630-£1,260. Taken together, the total cost to all parties and other regulated recipients of 15-30 minutes to process declarations would

be £10,000-£19,500. If the reportable thresholds are set at £7,500 and £1,500, these totals could be in the ranges of £7,100-£14,200 although, as above, the final range is likely to be slightly lower, given that we are unable to accurately estimate the number of donations to regulated recipients.

In addition, there may be additional costs incurred by political parties adapting to the new requirements and communicating them to their donors. We have not attempted to quantify these as they are likely to vary significantly according to parties' different relationships with donors and the differing ways they choose to comply with the new requirement.

Exceptional checking of donations

Once the new requirement has bedded down, we estimate that further work will still be required in order to obtain a declaration or query its accuracy in some cases. Nonetheless, we expect that in the vast majority of cases parties and other regulated recipients would simply be taking receipt of a declaration and filing it and reporting on it as necessary, alongside the existing requirements on them to verify the identity and permissibility of a donor and report donations to the Electoral Commission.

If a donor fails to provide the required declaration with a donation, the party (or other regulated recipient as appropriate) would need to seek such a declaration before it could accept the donation. In our initial impact assessment we suggested that this might be needed in around 1% of cases, and would take approximately an hour in each case. These steps could include further contact with the person making the donation to request a declaration, or requesting further information to complete the declaration.

We accept that this may be an underestimate, and on that basis have revised our assumptions to provide a range of potential impacts depending on the extent to which the new requirement becomes embedded in donor behaviour. We have therefore modelled a range of scenarios for the additional time likely to be required for a proportion of donations, based on an expectation that this could be necessary for 10-20% of donations (once the requirements are embedded). On this basis, using the same figures as elsewhere in the impact assessment, allowing an hour's additional work for 10-20% of total donations would result in an additional cost to all donors of £4,000-£8,000. If the reportable thresholds are raised to £7,500 and £1,500, this additional cost could be in the range of £2,800-£5,600 although, as above, the final range is likely to be slightly lower, given that we are unable to accurately estimate the number of donations to regulated recipients.

Impact on donor behaviour

It could be argued that the new declaration requirement will put off donors who are currently donating on behalf of others and not disclosing the original source of the donor. However, it is impossible to assess the extent to which donors are giving to parties through proxies in order to avoid the transparency and permissibility requirements of PPERA. This option will not change the list of individuals and bodies who are legally entitled to donate to political parties and therefore should not affect the level of donations made in accordance with the law.

Small Firms Impact Test

The Government has committed to considering the impact on small firms when legislation will affect small firms or the business environment in which they operate. This policy will affect some small firms, insofar as it will place a new requirement on donors to political parties and other regulated bodies and individuals, and small firms (which meet certain conditions under section 54 of PPERA) can be permissible donors. However, overall we do not believe that this new requirement would place a significant burden on donors, and nor should it therefore impact particularly on small firms. It would not be appropriate to exempt certain categories of donors, such as small firms, from the new transparency requirements as it is important that the ultimate source of all donations (of over a certain threshold) should be transparent, regardless of the nature of the donor.

Privacy Impact Assessment

Having carried out an initial screening of the policy, we do not consider that a full or small scale privacy impact assessment is necessary. The personal data to which the additional declaration requirement relate concerns information provided by donors with respect to permissibility of reportable donations. The information to be provided will be no different than under the current arrangements, all the additional declaration requirement does is to require donors to political parties to confirm whether they are donating their own money, or whether they are donating on behalf of someone else. If the latter, the existing legislative requirements about disclosing information about the ultimate source of the donation apply. There is no additional requirement in these provisions to disclose personal information, for which a privacy impact assessment would be necessary.

We are satisfied that the proposals are consistent with the principles set out in the Data Protection Act 1998 and with the common law of confidentiality.

Summary

According to our assessment of the impact, the modest cost of this policy will be outweighed by its significant benefits in terms of improved transparency of the source of donations. This should result in improved public confidence in the political system, an increased deterrent to those seeking to circumvent the transparency arrangements of PPERA, and a potential reduction in donors failing to comply with the requirement to declare the original source of a donation when donating on behalf of someone else.

Summary of costs/disadvantages	Summary of savings/benefits
<p>All donors (including individuals and small organisations) making political donations of over £7,500 to registered parties and other regulated recipients would have to put in place arrangements to ensure that the additional disclosure requirements are satisfied. We estimate this may cost approximately £6,500-£13,000 p.a in total for all donors, based on the 2002-06 data.</p> <p>Political parties and other regulated recipients would need to process declarations. Based on 2002-06 data, We estimate that this may cost approximately £14,000-£27,500 in the first year of operation for all parties and other regulated recipients reducing to £7,200-£21,000 per year thereafter. Again these costs may be less if the thresholds are raised to £7,500 and £1,500 – in the range of £9,857-£19,704 in the first year, reducing to £5,150-£15,000.</p> <p>Criminal liability for the donor and donee for making false declarations. Potential civil liability if offences are prescribed in an order so that the Commission can deal with them using its new sanctions powers.</p>	<p>Improved transparency of the source of donations.</p> <p>Improved public confidence in the political system, more transparency and accountability on donations to political parties.</p> <p>An increased deterrent to those seeking to circumvent the transparency arrangements in PPERA.</p> <p>A reduction in donors failing to comply with the requirement to declare the original source of a donation.</p>