

Title: Policing and Crime Bill: Changes to the Late Night Levy IA No: Lead department or agency: Home Office Other departments or agencies:	Impact Assessment (IA)			
	Date:			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
Contact for enquiries:				
Summary: Intervention and Options				
RPC Opinion: RPC Opinion Status				

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB)	In scope of the Business Impact Target?	Measure qualifies as
-£14.9m	-£86.5m	£10.1m	No	Not a regulatory provision

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

Alcohol related harm is estimated to cost society £21bn; £11bn of this is attributable to alcohol related crime. The late night levy (the levy) seeks to address the cost of alcohol related crime by placing a charge on licensed premises operating in the night time economy (NTE) between midnight and 6am. It is up to licensing authorities (LAs) to decide whether to implement the levy in their area, based on consideration of the costs of policing the NTE. Fewer LAs have implemented the levy since it was brought into force in 2012 than the Government estimated would implement it when it was introduced (the impact assessment estimated that 94 would; to date seven LAs have implemented the levy). The reasons for this are that LAs consider the levy to be inflexible and the licensed trade has highlighted issues of unfairness in terms of which businesses pay the levy. The Government is seeking to address these concerns to increase the use of the levy in areas where the NTE places demands on policing resources and ensure that it is fair and proportionate to business.

What are the policy objectives and the intended effects?

The Government is seeking to raise revenue from businesses profiting from the NTE to assist with the cost of policing it. It is seeking to increase the use of the levy and to make it more flexible for LAs, targeting businesses which place demands on policing in the NTE (and ensure that those who do not are excluded from paying it) and gives a greater role to relevant stakeholders such as the police in considering whether to introduce a levy in a particular area. The Government intends that by making the levy more flexible, this will encourage LAs to consider whether to implement a levy in their area, leading to more revenue being raised to help police the NTE and tackle alcohol-related crime.

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

Option 1: Do nothing.
Option 2: Make legislative changes to: allow LAs to target the levy in geographical areas where the NTE places demands on policing; give LAs the power to be able to charge late night refreshment premises the levy (which will not be commenced until further consultation on what charge they should pay has been completed); and allow livery companies to be exempt from paying the levy.
Option 3: (preferred) Making the changes as outlined in option two, in addition to:
1. Giving Police and Crime Commissioners (PCCs) the right to formally request that a LA consult on the levy;
2. Require LAs to publish information about how the revenue is spent.
This option also involves amending the guidance to encourage the revenue raised to be spent in the area where it is raised from and greater flexibility about how the revenue is spent. This is the preferred option as it responds to concerns about the levy from stakeholders and will likely increase implementation of the levy, whilst making it easier to exclude businesses who do not contribute to crime in the NTE from paying the levy.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: It is expected to be reviewed after five years as with other licensing reforms. It may be reviewed sooner if there is a specific reason to do so.

Does implementation go beyond minimum EU requirements?	N/A				
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded:		Non-traded:		

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Evidence Base (for summary sheets)

Signed by the responsible Minister: Sarah Dook Date: 12.9.2016

Summary: Analysis & Evidence

Policy Option 2

Description: Make legislative changes to: allow LAs to target the levy in geographical areas where the NTE places a requirement on policing; give LAs the power to be able to charge late night refreshment premises the levy (which will not be commenced until further consultation on what charge they should pay has been completed); and allow livery companies to be exempt from paying the levy.

FULL ECONOMIC ASSESSMENT

Price base year: 2016	PV base year: 2016	Time Period years: 2016- 2026	Net present value (£m)		
			Low: -19.2	High: -10.3	Best: -14.7

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.98	1	9.7	84.4
High	0.88		10.7	93.3
Best Estimate	0.88		10.2	88.8

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

The groups facing the key monetised costs of this policy are late-night venues that serve alcohol and late night refreshment, which face a total annual average cost of £9.2m. Most of this cost consists of levy payments, but it also includes some administrative costs.

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

The key costs of this policy have been monetised.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	-	-	8.6	74.2
High	-		8.6	74.2
Best Estimate	-		8.6	74.2

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

The key monetised benefit of this policy is the revenue received by LAs and PCCs, which are expected to receive £8.6m annually, on average. The LA's share of the revenue must be spent on the reduction or prevention of crime and disorder or public nuisance, the promotion of public safety, or street cleaning, in connection with the supply of alcohol between midnight and 6am.

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

LAs and late-night venues will benefit from a more effectively targeted application of the levy. LAs which have implemented the levy have used the revenue to fund additional police officers and Community Protection Officers, and projects designed to benefit those working and socialising in the NTE, including a Club Host project aiming to reduce sexual harassment within clubs, first aid training for staff of licensed premises, 2 defibrillators for the town centre, taxi marshals and street cleaning.

Key assumptions/sensitivities/risks

A key assumption is that 79 LAs choose to implement the levy.

Discount rate (%)

3.5%

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OI30?	Measure qualifies as
Costs: 9.2	Benefits: 0.06	Net:-9.1		

Summary: Analysis & Evidence

Policy Option 3

Preferred Government approach

Description: Making the changes as outlined in option two, in addition to:

1. Giving Police and Crime Commissioners (PCCs) the right to formally request that a LA consult on the levy
2. Require LAs to publish information about how the revenue is spent.

FULL ECONOMIC ASSESSMENT

Price base year: 2016	PV base year: 2016	Time Period years: 2016- 2026	Net present value (£m)		
			Low: -19.4	High:-10.5	Best: -14.9

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.2	1	9.7	84.7
High	1.1		10.7	93.6
Best Estimate	1.1		10.2	89.1

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

In addition to the monetised costs outlined under Option 2, there is a monetised cost to LAs of running consultations (a one-off cost of £0.22m)

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

The cost to LAs of publishing how late night levy revenue is spent has not been monetised.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	-	-	8.6	74.2
High	-		8.6	74.2
Best Estimate	-		8.6	74.2

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

The key monetised benefits are the same as those for Option 2: the revenue received by LAs and PCCs, which are expected to receive £8.6m annually, on average.

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

The key non-monetised benefits of the policy will be increased transparency and flexibility in the spending of the levy revenues, with the funds being spent in the areas from which they were raised, to a greater extent.

Key assumptions/sensitivities/risks

As with Option 2, a key assumption is that 79 LAs choose to implement the levy.

Discount rate (%)

3.5%

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OI30?	Measure qualifies as
Costs: 9.2	Benefits: 0.06	Net: -9.1		

A. Strategic Overview

A.1 Background

Late Night Levy

1. The Late Night Levy (the 'levy') was introduced under the Police Reform and Social Responsibility Act 2011 (PRSR Act) to enable licensing authorities (LAs) to collect a financial contribution from businesses selling alcohol late at night and to put the funds raised towards policing and other costs associated with the management of the night time economy (NTE). The impact assessment published in 2010 for the Police Reform and Social Responsibility Bill estimated that 94 LAs out of 378 had enough late opening premises to generate sufficient revenue from the levy for it to be profitable¹, however, only 7 LAs have implemented the levy to date.
2. Currently, the legislation requires that at least 70% of the net revenue from the levy (minus administration costs) must go to the Police and Crime Commissioner (PCC) who then determines how to direct the funds. Guidance issued by the Home Office states that LAs and PCCs can negotiate a change to this 70:30 split and pool funds together.²
3. The legislation requires that if implemented, the levy must apply to the entire LA area (subject to exemptions). LAs have discretion to make exemptions to the levy for New Year's Eve; and for the following categories of licensed premises: premises with overnight accommodation, theatres and cinemas, bingo halls, Community Amateur Sports Clubs ('CASCs'), "community premises", country village pubs and businesses/licensed premises that already contribute financially as part of a Business Improvement District (BID).
4. The charges that are attached to the levy are based on council tax bands and are listed below.

¹ <http://www.parliament.uk/documents/impact-assessments/IA10-149.pdf> (page 21)

² <https://www.gov.uk/government/publications/amended-late-night-levy-guidance>

Rateable value bands (based on the existing fee bands)	Annual LNL	Weekly
A – no rateable value to £4,300	£299	£5.75
B - £4,301 to £33,000	£768	£14.77
C - £33,001 to £87,000	£1,259	£24.21
D - £87,001 to £125,000	£1,365	£26.25
E - £ 125,001 and above	£1,493	£28.71
D x 2 – multiplier applies to premises in category D that primarily or exclusively sell alcohol	£2,730	£52.50
E x 3 – multiplier applies to premises in category E that primarily or exclusively sell alcohol	£4,440	£85.38

5. National data shows that premises are split between the rateable value bands in the proportion set out below, the majority of businesses with a late licence to sell alcohol (53%) fall under rateable value Band B. A further 24% fall under rateable value Band A³.

Rateable value bands	Band A	Band B	Band C	Band D (no multiplier)	Band D (with multiplier)	Band E (no multiplier)	Band E (with multiplier)
Percentage of premises in each band	24.0%	53.4%	12.4%	2.8%	0.4%	6.6%	0.4%

6. By way of example of the level of revenue the levy raises;
- -Newcastle City Council raised £302,943 from 1 November 2013 to 31 October 2014.
 - The City of London's levy revenue from 1 October 2014 to 30 September 2015 was £445,087.
 - Cheltenham's 2015/16 income was £74,034.
 - Islington's 2015/16 income was £397,272.

Alcohol-related crime

7. Alcohol-related harm is estimated to cost society £21 billion per year, of which £11 billion is alcohol-related crime. The relationship between alcohol and crime is well established, for instance in 2012/13 and 2013/14 93% of violent incidents occurring in or around a pub or club location were alcohol-related⁴.

³ <http://www.parliament.uk/documents/impact-assessments/IA10-149.pdf>

⁴ Office for National Statistics (2015). Crime Statistics, Focus on: violent and sexual offences, 2013/14. <http://www.ons.gov.uk/ons/rel/crime-stats/crime-statistics/focus-on-violent-crime-and-sexual-offences--2013-14/index.html>

8. There is also strong evidence showing the relationship between the night-time economy and violent alcohol related crime. In 2013/14, 70% of violent incidents occurring at the weekend, and 70%⁵ of violent incidents occurring in the evening or night, were alcohol-related.
9. The proportion of violent incidents that are alcohol-related increases as the evening progresses. In 2013/14, 23% of violent incidents were alcohol related between noon and 6pm; this rose to 52% between 6pm and 10pm and to 83% between 10pm and midnight.⁶

Late Night Refreshment

10. The provision of late night refreshment (defined in the Licensing Act 2003 as the supply of hot food and hot drink to the public between 11pm and 5am) is regulated because it is often linked to alcohol-fuelled crime and disorder in the night-time economy; for example, fast-food shops where late night drinkers congregate. The Licensing Act 2003 provides appropriate regulation on how late night refreshment businesses should operate in these circumstances. In 2013/14 there were 17,135 premises (9% of all licensed premises) licensed to provide late night refreshment only (i.e. not licensed for regulated entertainment or alcohol sales). Feedback from stakeholders has highlighted that LNR premises are connected to the sale of alcohol in the night time economy, for instance a respondent to a survey on the levy which the Home Office sent to all LAs (and the PCC working group on alcohol) said that “many (LNR premises) effectively operate ‘off the back’ of other late night licensed premises”.
11. Any premises which are exempt from the licensing regime will not be charged the levy. Licensing authorities can exempt the premises from having to hold a late night refreshment licence if their activities take place:
 - on or from premises which are wholly situated in a designated area;
 - on or from premises which are of a designated description; or
 - during a designated period (beginning no earlier than 11pm and ending no later than 5am)
12. When choosing to designate a particular area as exempt, the LA must define the location, which can be of any size. When choosing to exempt the provision of LNR at particular times between 11pm and 5am, the exemption must apply to the whole LA area.

⁵ Ibid

⁶ Ibid

13. The designated descriptions of premises which may be exempt are set out in The Licensing Act 2003 (Late Night Refreshment) Regulations 2015⁷. When choosing to designate particular types of premises as exempt, the exemption must apply to the whole LA area. Licensing authorities can exempt the following types of premises:

- motorway service areas;
- petrol stations;
- local authority premises (except domestic premises) unless there is an event taking place at which more than 500 people are present;
- schools (except domestic premises) unless there is an event taking place at which more than 500 people are present;
- hospitals (except domestic premises);
- community premises (church, chapel, village, parish or community hall or other similar building) unless there is an event taking place at which more than 500 people are present;
- licensed premises authorised to sell alcohol by retail for consumption on the premises between the hours of 11pm and 5am.

A.2 Groups Affected

14. **Licensed premises in England and Wales:** Businesses that have a premises licence or club premises certificate to sell alcohol on or off the premises and operate in the night-time economy (midnight-6am), and premises with a late night refreshment licence can be charged the levy by LAs if they choose to implement it.

15. **Licensing Authorities** are responsible for implementing the levy. This involves firstly doing a consultation in their area, deciding on the design of the levy and ultimately putting it to Council vote. They also financially benefit from any levy being implemented due to the 70/30 split as outlined at paragraph 2.

16. **The police** is the stakeholder most affected by alcohol-related crime and is the major beneficiary of the levy due to the 70/30 split as outlined at paragraph 2.

A.3 Consultation

Public Consultation

17. Consultation has been undertaken with key partners via two workshops in summer 2015. One included the Local Government Association, Institute of Licensing, licensing officers from seven LAs, and representatives of the national policing lead on alcohol and the PCC lead on alcohol. The second workshop included industry partners such as the British Beer and Pub

⁷ <http://www.legislation.gov.uk/ukxi/2015/1781/contents/made>

Association, Association of Convenience Stores, Wine and Spirits Trade Association and Association of Licensed Multiple Retailers.

18. There was a consensus in the workshop with licensing officers and representatives of PCCs and the police that the levy should be changed so that it can be targeted at localised areas, and that LNR premises should be included as they are part of the NTE.
19. Representatives of the licensed trade considered that allowing LAs to target the levy at particular geographical locations could lead to a fairer levy, by targeting the businesses in NTE areas where the demands on police are the greatest. There was a consensus in favour of more transparency on how the money raised from a levy will be spent and that the levy should be expanded to include LNR premises.
20. LAs were also consulted via a survey which was sent to all to LAs. The Home Office received 32 responses to this, including one from the PCC working group on alcohol. The survey showed that there was strong support for allowing levies in parts of LAs, expanding the levy to include LNR premises and that money raised from the levy should be in spent in the area it is raised from.
21. The Home Office also attempted to consult with late refreshment trade bodies. It contacted a number of bodies such as; the Food and Drink Federation, British Hospitality Association, British Retail Consortium, Federation of Small Businesses and the Trade Association Forum. None of these bodies expressed interest in these measures because they do not represent the late night refreshment premises which would be affected by this policy.
22. A public consultation has not been undertaken. The levy is a discretionary power and the changes that are proposed will not place requirements upon LAs, the police or licensed trade unless a LA decides to implement the levy, or amend a current levy. Allowing PCCs to formally request a consultation on the levy and requiring LAs to publish what they have spent levy revenue on are not anticipated to represent significant additional burdens on LAs. LAs are also required to publicly consult on the levy, including businesses which may be affected, before it is implemented.
23. If option two or three is implemented, the Home Office will publicly consult on the charge that LNR premises should pay for the levy. This will be completed before commencing the change to include LNR premises as liable for the levy charge. LNR premises would only be charged in areas where the LA decides that they place demands on police resources in the night time economy.

B. Rationale

24. As outlined above, the cost of alcohol related crime to society is estimated to be £11bn, and as highlighted in the background information, much of this occurs in the NTE. This created a rationale for Government to provide the option for LAs and the police to seek a contribution to the cost of managing this from businesses that profit from the NTE through the late night levy. An Impact Assessment was published in 2010 when the levy was proposed as part of the Police Reform and Social Responsibility Bill.⁸ This IA estimated gross annual revenue from the levy of £9–15m across England and Wales, and administrative costs of £2.3m for LAs. These figures have not been realised because fewer LAs than anticipated have chosen to implement the levy.
25. Feedback from LAs, the police and the licensed trade has indicated that the levy in its current form is inflexible and LAs feel that they are not able to target businesses that place demands on the police in the NTE. This has been highlighted as one of the major reasons that more levies have not been implemented. The licensed trade has raised concerns around the lack of transparency in how levy revenue is spent. The PCC working group on alcohol has stated that PCCs do not feel they have strong enough role in consideration of a levy in their area.
26. This has led to a clear rationale for investigating and considering ways to make the levy more flexible, ensuring that it is fair to, and targets the businesses that place demands on the police in the NTE. This has been developed in discussion with LAs, the police and the licensed trade. The aim of this is to increase the number of LAs which implement the levy, giving the police and LAs more funding to help tackle alcohol-related crime in the NTE.

C. Objectives

27. The objectives of the proposals are to;
- Increase the number of LAs implementing the levy, thereby raising more revenue to assist the police and LAs with the cost of policing alcohol-related crime caused by the NTE.
 - Ensure that only businesses which operate in and profit from the NTE contribute to the cost of policing it.
 - Ensure that the levy is fair and proportionate to business, through ensuring that businesses which do not place demands on police resources in the NTE are easily excluded from being charged the levy.

D. Options

28. Option 1: Do nothing. This would mean that;
- Any levy implemented would continue to apply to the entirety of a LA and only apply to premises selling alcohol.
 - PCC involvement in the consideration of a levy would remain limited to responding to a LA's consultation on a levy in their area.

⁸ <http://www.parliament.uk/documents/impact-assessments/IA10-149.pdf>

29. Option 2: Legislate to change the levy so that;
- LAs can target it in specific areas within their licensing authority area.
 - LAs have the option of charging late night refreshment outlets the levy (this measure would not be commenced until a public consultation on what LNR premises should pay is completed).
 - Allowing LAs to exempt Livery companies⁹ from paying the levy.
30. Option 3: (preferred option) Legislating for the changes in option two in addition to:
- Legislating to make it a requirement that LAs publish information on how levy revenue has been spent.
 - Legislating to give PCCs the right to formally request that a LA in their area consults on the levy. If the LA decides not to consult following this, they will be required to write to the PCC outlining their reasons.
 - Amend the guidance for the levy to encourage PCCs and LAs to be flexible in how they pool funds raised from the levy and to highlight that revenue should be spent in the area it is raised from.
31. Whilst option two focuses on who pays the levy, option three also includes measures to change the transparency around the levy and stakeholder involvement in how levies are implemented and revenue is spent.

E. Appraisal (costs and benefits)

General Assumptions and Data

32. The basis of all assumptions and data is the 2012 Late night levy Impact Assessment.¹⁰ The relevant subset of the assumptions used in that IA is restated here for convenience.
33. This Impact Assessment uses an “average licensing authority” scenario, based on the balance of premises types in the 100 largest licensing authorities (i.e., those who are broadly most likely to introduce the levy) using available data. As Table 1 shows, the average number of licences and club premises certificates in force in each of these areas was 914 in 2014.

⁹ This includes (and is limited to) livery companies recognised by the City of London corporation: <https://www.cityoflondon.gov.uk/about-the-city/about-us/community-partnerships/Pages/city-livery-companies.aspx>

¹⁰ <http://www.parliament.uk/documents/impact-assessments/IA10-149.pdf>

Table E.1 – Licences in force on 31 March 2014 in largest licensing authority areas¹¹

Premises Licence			Club Premises Certificates		Total alcohol authorisations	Average number of premises
On-sales or supply of alcohol only	Off-sales of alcohol only	Both on and off sales or supply of alcohol	On-sales or supply of alcohol only	Both on and off sales or supply of alcohol		
19,744	27,580	37,931	2,779	3,346	91,380	914

Premises with a ‘relevant late night authorisation’ in the average licensing authority

34. Licensing authorities can choose the “late night supply period” that shall apply in their area. This can be any time within the parameters of midnight and 6am. This impact assessment assumes that every licensing authority that adopts the levy chooses to apply it from midnight to 6am. This will give us an upper estimate of the costs/benefits. To indicate the proportion of premises that open in this levy period, we purchased data from CGA Strategy Ltd in August 2010, which suggested that 33.4% of on-trade premises hold a licence to sell alcohol after midnight (**Assumption A1**). This data addressed some types of business separately, as referred to in Table 4 below (re hotels). We will assume that off-trade premises will have the same proportion of late night permissions. We thus come to an average licensing authority scenario with 33.4% of 914 = 305 late opening premises (**Assumption A2**).

Levy charges

35. The levy charges are designed to reflect an estimate of the number of police hours that may be required as a result of premises opening beyond midnight. It was estimated that, very broadly, one hour of a police officer’s time may reasonably be expected to be incurred for every two hours that a large premises opens late. (This was not intended to provide an accurate assessment of how much the late night economy costs police forces, but provided a means for setting an appropriate levy charge based on the principle that police resources are employed as a result of premises opening late.) To ensure that the charge was a fair and proportionate burden on business, proportionately smaller charges were set for premises with lower rateable value (and, for larger premises, those not used primarily or exclusively for the sale of alcohol for consumption on the premises). The same rateable value bands are used as are used for licensing fees. The charges are as follows:

¹¹ “Alcohol and late night refreshment licensing England and Wales 31 March 2014”, Home Office. An “on” licence is for consumption on the premises and an “off” licence is for consumption off the premises. Both kinds of authorisation to sell alcohol are affected by the late night levy.

Table E.2 – levy charges

Licence fee band	A	B	C	D	Dx*	E	Ex*
Rateable value ¹²	£0 - £4,300	£4,301 to £33,000	£33,001 to £87,000	£87,001 to £125,000		£125,001 and above	
Existing annual licence fee (for comparison only)	£70	£180	£295	£320	£640	£350	£1,050
Levy charge	£299	£768	£1,259	£1,365	£2,730	£1,493	£4,440
*(Dx and Ex) Multiplier applies to premises in category D and E that primarily or exclusively sell alcohol for consumption on the premises							

Amount raised by the levy

36. To calculate the amount raised by the levy, we need to estimate the band of the premises in the average licensing authority scenario. Data from “Alcohol and late night refreshment licensing England and Wales 31 March 2014¹³” is used to do this. Using data from the 100 largest licensing authorities (ranked by number of licenses) that have provided data, we find the values shown in Table E.3.

Table E.3 – Proportions of premises in each licence fee band

	Band A	Band B	Band C	Band D no multiplier	Band D with multiplier	Band E no multiplier	Band E with multiplier	Totals
Premises Licences	17,572	47,234	13,133	2,940	539	7,644	580	89,642
Club premises certificates	1,518	3,871	375	39	-	96	-	5,899
Total with known fee band	19,090	51,105	13,508	2,979	539	7,740	580	95,541
% of premises in each band in “average licensing authority scenario” (Assumption A3)	20%	53%	14%	3%	1%	8%	1%	100%

37. Table E.3 shows that three-quarters of premises are in Bands A and B and a further 14% are in Band C. Slightly over 10% of premises would fall into the four bands with the highest levy charges.

¹² Non-domestic rateable value is set by the Valuation Office Agency (VOA). More information is available at the VOA’s website : http://www.2010.voa.gov.uk/rlii/static/HelpPages/English/faqs/faq116-what_does_rv_mean.html

¹³ <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2014-data-tables>

Premises choosing to avoid the levy

38. Holders of authorisations that apply during the levy period will be able to make a free “minor variation” to reduce their licensed hours to avoid paying the levy. This option is likely to be used where the premises does not in fact use these hours, or does so infrequently. We expect that only a very small proportion of premises will reduce their actual operating hours to avoid the levy. (This should be distinguished from the expectation that some premises will reduce the permitted hours on their licence for this purpose). We assume that they will only do so if the levy charge exceeds their profits in the levy period. We therefore make the assumption that no premises will reduce their hours should profit minus the levy charge be greater than or equal to zero (**Assumption A5**). In other words, that the loss caused by the levy, including its avoidance, will not be more than the charge itself, and may be no higher than the one-off administrative cost of making a free minor variation. Following feedback we received during public consultation¹⁴ and our discussions with stakeholders, we consider that 25% is a reasonable estimate of the proportion of premises that avoid the levy in this way (**Assumption A6**).

Exemptions and reductions – Late Night Levy

39. The exemption and reduction categories in Table 4 will be available to licensing authorities to introduce in their area. To estimate costs and benefits, we will need to estimate the number of premises which fall into these categories within the “average licensing authority scenario”. For some of the premises types below, detailed figures were not available for those with an alcohol licence and we have made estimates, as described. We have further broken the data down to estimate how many have an applicable licence to sell alcohol beyond midnight.

¹⁴ For more information on the consultation: <http://www.homeoffice.gov.uk/drugs/alcohol/rebalancing-consultation/>

Table E.4 - Exemption categories – Late Night Levy

Category	Source of data used to estimate the number in category in the average licensing authority scenario	Est. number in category in E&W	Est. proportion with a late night authorisation to sell alcohol (and source of data)	Est. number liable to levy across E&W (348 licensing authorities)	Number in average licensing authority scenario
Overnight accommodation providers (subject to certain conditions)	"UK Business: Activity, Size and Location 2015" from National Statistics. Table UKBAA01a estimates the number of VAT and/or PAYE based enterprises in all industries across the United Kingdom by 2010 Standard Industrial Classification (UKSIC (2007)) Class by Government Office Region.	7,780	37.3% (In dataset as A1)	2,902	8
Bingo Halls	The Bingo Association provided figures based on their membership.	187	33.4% (all premises average from A1)	62	1
Theatres and cinemas (subject to certain conditions)	The Society of London Theatre and Theatrical Management Association provided a survey of their members on how many stayed open late. Arts Council England provided figures on the number of premises in England.	843	60% (Proportion of members with late night authorisations)	506	2
Community premises	The estimate of 4,000 premises that were likely to be affected in the 2009 "Impact Assessment of the proposal to remove the requirements for a Designated Premises Supervisor and personal licence holder for community premises" ⁹ .	4000	33.4% (all premises average from A1)	1,336	4
Community Amateur Sports Club	Estimated by "CASCinfo"	6,000	33.4% (all premises average from A1)	2,004	6
Rural village pubs	Please see comments below				
New Year's Eve	Please see comments below				
Business Improvement Districts	Please see comments below				
Total					22
Notes: 1. These figures have been rounded up to avoid having scenarios where 0 exemptions occur in a category. 2. Exemptions for rural village pubs, New Year's Eve and Business Improvement Districts are unchanged from the 2012 Late-night Levy IA.					

40. The regulations will enable licensing authorities to afford a reduction to business-led best practice schemes that they consider to have a sufficient focus on reducing alcohol-related late night crime and disorder and public nuisance in their area, and which meet certain criteria (referred to as “benchmarks”). There are many schemes that could potentially meet these requirements, both nationally and locally led. The following is an approximation of the likely maximum number of premises which might be afforded the reduction in an area adopting the levy:

Table E.5: Reduction categories – Late Night Levy

Example of scheme to which authority may apply discount of 30%	Source of data used to estimate the number in category in the average licensing authority scenario	Number in “average licensing authority scenario”
Business-led schemes that meet defined benchmarks. (E.g. relevant BIDs; Purple flag area; Special licensing authority approved schemes)	There is only likely to be one of these in each licensing authority area. For example, West Yorkshire Police’s “Operation Capital Scheme” which involves around 20 city centre premises. We shall use this as the basis for our estimation	20
Best Bar None	We have taken a sample amount from the website of the Sheffield Best Bar None scheme (47 accredited members).	47
Pubwatch, Clubwatch, Shopwatch, CAPs, BCRPs	We have estimated 20 premises.	20
Total		87

We therefore assume that 87 premises will typically benefit from the reduction of 30% (**Assumption A4**).

Licensing Authority Administrative Expenses – Late Night Levy

This section of the impact assessment estimates the cost for licensing authorities to run the levy, which will be recouped from levy income. These estimates have been derived from discussions with licensing authority representatives.

They are based on two key estimates:

1. One hour of an administrative officer’s time (including overheads) costs £29.90¹⁵. This estimate was provided by a licensing authority partner and is in line with estimates used in previous impact assessments. It should be noted that one authority, in response to the consultation, suggested that this hourly rate should be higher. As set out above, it is accepted that authorities with lower net

¹⁵ 2012 value of £28 inflated by 6.8% to 2016 prices, using ONS’ “GDP deflators at market prices, and money GDP”

revenues (due to lower potential income or relatively high potential administrative costs) may not implement the levy.

2. The cost of processing a free minor variation of licence to avoid the levy: £38.43. This estimate is based on the estimates used for setting the fee for a minor variation (£89), taking into account that these applications will be relatively simple to administer, given that they are unlikely to have an adverse effect on the licensing objectives and that some processes (such as contacting responsible authorities) will be unnecessary.

In the table below we have estimated the number of hours needed for each process. (Other processes may be required in administering the levy, such as sending out an invoice, but these processes will be done in tandem with the existing licence fee regime and will not constitute a significant additional cost). These estimates are based on discussions with licensing authorities.

Table E.6 – Processes when introducing the levy (one-off)

	Process	Hours	Cost to licensing authority (hours x £28)
A	Sifting licences to determine liability for levy	50	£1,500
B	Preparation of consultation	35	£1,050
C	Writing to licensees, councillors, responsible authorities and interested parties. The hours of time in this process account for the costs of postage.	40	£1,200
D	Analysis of consultation responses	35	£1,050
E	Preparation for committee	30	£900
F	Report to cabinet	20	£600
G	Writing to liable premises	20	£600
H	Processing exemptions and reductions	40	£1,200
		Variations	Variations x £38
I	Number of minor variations made to avoid levy	25	£1,040
	Total transitional costs		£9,110

Table E.7 – Processes when running the levy (annual)

	Process	Hours of time	Cost to licensing authority
A	Sifting licences to check for changes in liability	20	£600
B	Ensuring reduction categories up to date	40	£1,200
C	Collection (with licence fee)	150	£4,490
D	Enforcement (with licence fee)	150	£4,490
E	Miscellaneous admin	100	£2,990
	Total ongoing cost	-	£13,750

This impact assessment assumes that licensing authority decisions are rational, procedurally fair, non discriminatory, ECHR compliant etc. There should be no legal fee burden for licensing authorities who adopt the levy, should they follow the procedures that will be set out in primary and secondary legislation.

This impact assessment also assumes, for the purposes of making estimates, that all licensing authorities that adopt the measure do so from the first year.

Enforcement Costs – Late Night Levy

The levy will not cause significant enforcement costs. The charge will be collected alongside the annual licence fee and, as for the annual fee, non-payment will result in the suspension of licences.

Table E.8 - The following were explained in this section (this table serves as a reference)

A1	The percentage of premises in average licensing authority open past midnight	Average of 33.4%
A2	The number of premises in the average licensing authority scenario	305
A3	The split of premises in the average licensing authority scenario by licence fee bands	In Table 3
A4	The amount of reduction to the levy to be assumed in this Impact Assessment	30%
A5	No premises will change hours given that (profit – levy charge \geq 0)	-
A6	Amount of premises that may change their licence to avoid the levy	25%
A7	(Detailed above) That the licensing authority will split the net levy revenue by the minimum requirement of primary legislation (70% to police and 30% to other services).	-

The Baseline: Option 1 – Do Nothing

41. This option involves not making any changes to the late night levy. For this reason, it does not place any further impact on business or other stakeholders.

Option 2:

42. This option would involve legislating to: allow LAs to choose the geographic areas where the levy will apply; allow late night refreshment premises to be charged the levy (which would not be commenced until the Home Office has consulted on the amount that LNR premises should be charged); and give LAs the option of exempting livery companies.

Giving LAs freedom to choose the geographic areas where a levy will apply

Costs

43. We anticipate that the effect of giving LAs the freedom to target the levy in their area, rather than having to implement it in the entirety of their area will have two main effects: first, on the number of LAs using the levy, as increased flexibility should make the option more attractive. Second, on the number of venues liable for the levy within each LA, as only a share of the total venues will be within the targeted area.
44. LAs will incur the cost of having the administrative burden of deciding where to implement the levy. An example of the costs of implementing and administrating the levy can be seen within the City of London, where the administration and consultation costs for their levy in year one (2014/15) was £25,000. In year two this had reduced to £15,000 as it did not include a consultation. Southampton has reported that consultation and implementation of the levy has cost around £10,000 and Cheltenham's consultation costs were estimated to be £6,268.51¹⁶. It is worth highlighting that this cost does not include deciding where to implement the levy within their area as currently it can only be implemented in the entirety of a LA. We have assumed that the cost of deciding where to implement the levy is incorporated in the existing estimate of the cost of instituting a levy.
45. We expect this to lead to an increase in the use of the late night levy, which will place increased costs on the licensed trade. Following a survey on the levy, sent to LAs and the PCC working group on alcohol, 23 respondents out of 32 said they would be more likely to implement the levy if they were able to target it in specific geographic areas.
46. However, we do not anticipate this change resulting in every LA in England and Wales deciding to implement a levy. This is because there would need to be enough premises with a late licence in a specific geographic area to make it worthwhile to have a targeted levy; this will not be the case in every LA.
47. The best available estimate of the effect of giving LAs the freedom to target geographical areas comes from the consultation response. In that, 7 out of 31 respondents (or 23%) said that a targeted levy would be economically viable in their area (10 said they were not sure and 14 said it would not be). If we

¹⁶ http://www.cheltenham.gov.uk/downloads/file/3746/permitted_expenses

assume that the same proportion of LAs nationally finds the levy economically viable, and those LAs that find the levy economically viable implement it, then we would expect to see 79 LAs (23% of 348 LAs) implementing the levy.

48. Data on the share of venues that will be within LAs' targeted geographical area is not available. To produce an estimate of that number, we used data on the share of all licensed venues to which the LNL applies from two LAs. In Newcastle¹⁷ and the City of London¹⁸, the share of all licensed venues to which the levy applies is 59%. We assume that this proportion represents the share of late night venues that will be within the geographic focus of the levy.
49. Following the analysis from the 2012 Late Night Levy IA, the "average LA" has 311 late-night venues. The calculations behind this estimate are explained in the preceding section entitled "Premises with a 'relevant late night authorisation' in the average licensing authority". Of these, 87 are eligible for reductions, and 22 are eligible for exemptions, and 202 are eligible for the full levy. We are assuming that geographic targeting means that 59% of venues are affected, giving the following values: we expect 51 reductions, 13 exemptions, and 119 eligible for the full levy. Of these, 75% (89) pay the full levy, and 25% (30) close earlier to avoid paying.
50. Our high estimate assumes that premises which decide to avoid the levy will bear the cost of loss of business at the level of the levy charge (**under assumption A5**). We have assumed that there will be a 50% transfer rate of profit to other neighbouring businesses who decide to stay open¹⁹. Our low estimate assumes that premises that choose to avoid the levy will bear only a one-off administrative cost of £37 to vary their licence through a free minor variation (reflecting the time taken to comply with the minor variation application process)²⁰. This is based on the assumption that some of those avoiding the levy will have authorisations to sell alcohol in the levy period, but do not do so in practice. The best estimate is a mid-point estimate. Table E.9 sets out the cost to licence holders in the "average licensing authority" scenario.

¹⁷ <https://www.newcastle.gov.uk/news-story/late-night-levy-introduced-friday>

¹⁸ <http://www.morningadvertiser.co.uk/Legal/Licensing-law/City-of-London-approves-late-night-levy>

¹⁹ As per assumptions made in "New alcohol measures in Section 182 Guidance of the Licensing Act 2003" Impact Assessment, 2012.

²⁰ Based on the unit costs used in "Impact Assessment of Proposal exempt small live music events from the Licensing Act 2003", 2009, scaled up to 2016 values using ONS' GDP deflator data http://webarchive.nationalarchives.gov.uk/20100407120701/http://www.culture.gov.uk/images/consultations/IA_exemptsmall_livemusicevents.pdf

Table E.9: Costs of the policy *Giving LAs freedom to choose the geographic areas where a levy will apply*

	Band A	Band B	Band C	Band d (n.m.)	Band D (m)	Band E (n.m.)	Band E (m)	Total
% per band	20%	53%	14%	3%	1%	8%	1%	
Levy charge	£299	£768	£1,259	£1,365	£2,730	£1,493	£4,440	
No. eligible for 30% discount	10	27	7	2	0	4	0	51
Number paying full fee	18	48	13	3	1	7	1	89
No. avoiding fee	6	16	4	1	0	2	0	30
Total cost to business (high) (£)	8300	57300	24800	5900	2100	16900	3800	119200
Total cost to business (best)	7900	54300	23500	5600	2000	16000	3600	112900
Transition cost for low estimate (£)	200	600	200	30	10	100	10	1100
Total annual cost to business (low) (£)	7400	51200	22200	5300	1900	15100	3400	106500

To find the total costs, these costs to business are added to the administrative costs incurred by LAs, and scaled up to the national level by multiplying by 79 (because 79 LAs are forecast to implement the levy). The cost is estimated as follows:

	Low	Best	High
Annual average	£ 9,546,000	£ 10,035,000	£ 10,532,000
Present value	£ 82,300,000	£ 86,495,000	£ 90,778,000

One in three out (OI3O)

A late night levy will be a power of taxation. As such, it is “out of scope” for the purposes of one in three out.

Benefits

51. The ability to target levies in specific geographic areas means that LAs will be able to exclude areas (and as such businesses that would be liable to pay the levy) which do not see high levels of alcohol related crime. This will make the levy more attractive to LAs as it will be easier to justify if they only target those businesses which place demand on the police in the night time economy.
52. This will be more relevant to areas that have not already implemented the levy; those who already have (7 areas) will have already justified the reasoning for a LA wide levy. This can be seen through the response to the survey on the levy, Nottingham City Council and the City of London were the two respondents to the survey who have implemented the levy. Nottingham stated that they did not know whether they would reduce the size of their levy to target the night time economy, and the City of London said it would not be applicable to them.
53. The effect of an assumed rise in the use of the levy for LAs and the police would be that they would see an increase in funding to tackle alcohol-related crime, and managing the NTE, enhancing their budget. The LA's share of the revenue must be spent on the reduction or prevention of crime and disorder or public nuisance,

the promotion of public safety, or street cleaning, in connection with the supply of alcohol between midnight and 6am. LAs which have implemented the levy have used the revenue in the following ways:

- Nottingham City Council has funded two night time Community Protection Officers.
- In Cheltenham, community groups, organisations and businesses may apply for funding for local projects from the 'late night levy fund'. The fund has paid for numerous projects including:
 - a 6-month pilot Club Host project aiming to reduce the incidence and acceptability of sexual harassment within clubs, with the intention that the clubs will employ hosts beyond the term of the pilot;
 - first aid training for staff of licensed premises which are members of the local pubwatch group, and for 2 defibrillators to be purchased for the town centre;
 - street cleaning for Ormond Place, a busy thoroughfare connecting the two main parts of the town;
 - radios for the St Paul's Streetwatch project, staffed by volunteers of local residents, university students and the police who patrol the City to address issues of anti-social behaviour, discourage and prevent crime;
 - funding for two taxi marshalls for the 'Gold Cup' horse racing week, which attracts significant numbers of people to the city, putting a strain on taxi ranks.
- In Islington, funding for two police officer posts and a uniformed accredited security officer to patrol and respond to complaints at the weekend.
- The City of London has funded three additional police officers to run an 'action team' within the licensing department working with premises where crime and disorder occurs. A team of officers has also been funded to work between midnight and 6am to respond to complaints from members of the public who are being disturbed by excessive noise, and to work with licensed premises to alleviate problems.

54. The only monetised benefit of this policy comes from the revenue gained by LAs from late-night venues. Based on the same assumption as the cost estimates for this policy, benefit estimates are as follows:

Table E.10 – Breakdown of premises in “average licensing authority”

Number of premises liable in average licensing authority scenario	311
Premises within geographic scope defined by LA	183
Exempted premises within geographic scope	13
Those liable for the levy after exemptions (Table 4)	170
Those eligible for 30% (A4) reduction (Table 5)	51
Premises liable for full levy	119
Premises that avoid the levy by changing their licence	30
Premises paying full levy	89

Table E.11 – Money raised from these premises in “average licensing authority”

	Band A	Band B	Band C	Band D no multiplier	Band D with multiplier	Band E no multiplier	Band E with multiplier	Total
% of premises in each band (as T.3 above)	20%	53%	14%	3%	1%	8%	1%	-
Levy charge	£299	£768	£1,259	£1,365	£2,730	£1,493	£4,440	-
Number eligible to 30% discount	10	27	7	2	0	4	0	51
No. paying full charge	18	48	13	3	1	7	1	89
Total raised (£)	7,400	51,200	22,200	5,300	1,900	15,100	3,400	106,500

The best estimate of the money raised from the levy will be £107K p.a. per licensing authority. If the 79 LAs that are forecast to apply the levy raise this amount each on average, then, on a national level, the sum raised will be as follows:

Annual average: £8,371,000

Present value: £72,051,000.

Giving LAs the power to charge late night refreshment premises the levy

55. This measure would give LAs the power to choose to extend the levy to those who hold a licence to sell LNR. LAs would be able to choose a different “late night supply period” to apply in the case of those who have an LNR authorisation. For example, the licensing authority might want the levy to be imposed on all those authorised to sell or serve alcohol between 12 midnight and 4am (or longer) but only wish LNR establishments to be subject to the levy if they are open after 2am. This change to the levy would not be commenced until we have consulted on the level of the charge for LNR premises, and made any necessary changes to the levy charges for LNR premises, to ensure that the charge is fair and proportionate for small and medium sized businesses.

56. We assume that all LNR venues have a rateable value of £12,000 or less. Pending the outcome of the consultation, we assume that the levy for LNR venues will be 30% less than that for late-night alcohol venues: £209.30, instead of £299.

57. Due to the response from stakeholders to both our survey and in the workshops held over summer 2015, we can assume that some LAs would expand the levy to LNR premises, for instance one respondent to the survey highlighted that “LNR premises...contribute just as much to nuisance, crime, disorder and anti-social behaviour as alcohol led premises”.

58. To estimate the take-up of this measure, we defined an “average LA”. Because there are 17,135 LNR premises and 348 LAs, the average LA has 49 LNR premises. We assume that 59% of these (29) are within the levy’s geographic focus in the average LA. As for the analysis of the first element of this policy, if we assume that the same proportion of LAs nationally finds the levy economically viable as stated in the consultation, and those LAs that find the levy economically viable implement it, then we would expect to see 79 LAs (23% of 348 LAs) implementing the levy. This will be in addition to the 7 that currently have a levy, giving 86 LAs. In the consultation, 27 respondents were in support of expanding the levy to include LNR premises, 4 were not and 1 did not know. Using the percentage of respondents that supported the measure (84%), we forecast that 72 LAs will implement a LNR levy.

59. We have made the assumptions that LNR venues receive no further reductions in the levy, and that exemptions are applied at the same rate they were for the previous element of the policy (to 7% of venues). We assume that the same proportion of premises alter their licenses to avoid the levy as in first element (25%). In the average LA, we estimate that 20 LNR premises will pay the full fee, and 7 will close earlier to avoid the levy. We have assumed that all LNR premises are in Band A, and the Band A fee is 30% lower than that for alcohol licence holders (£209).

Costs

60. The value of the levy that LNR venues will be liable for will be decided through consultation. In order to approximate the impact of this policy prior to the conclusion of the consultation, we have assumed that LNR venues will be liable for a levy of £209, which is 30% below the normal Band A levy. This value can be updated to a more accurate one once the findings of the consultation are available.

61. 29 LNR venues are forecast to be in-scope per LA. We assume that exemptions are granted for LNR venues at the same rate as that for late-night venues serving alcohol (where 22 out of 311 gives a rate of 7%), so 2 venues get exemptions per LA. As for the late-night alcohol-serving venues, we assume that 25% close earlier to avoid the levy. In the low-cost case, these six venues lose no profit, but incur a one-off administration cost of £37 to change their licence. In the high-cost case, they lose profits equal to 50% of the levy. The best-estimate case is the midpoint of those two forecasts. The values, and the resulting costs to business, are shown in Table E.12.

Table E.12: Costs of the policy *Giving LAs the power to charge late night refreshment premises the levy*

	Band A
% per band	100%
Levy charge	£209
Number of LNR venues*	49

Number of LNR venues within geographic scope	29
Number of exemptions	2
Number avoiding fee	7
Number paying fee	20
Total cost to business (high) (£)	4,900
Total cost to business (best)	4,600
<i>Transition cost for low estimate (£)</i>	250
Total annual cost to business (low) (£)	4,200
*Unless stated, all values in this table are for the average LA	

62. There will be costs in administrating the levy for LAs. Following the analysis in the 2012 IA, which did not scale up costs with the number of venues, we make the assumption that the cost per LA of administrating the LNR levy is absorbed by the cost of administrating the standard levy.

63. We estimate that the cost to LNR premises in the average LA will be a total of £4,600. Multiplying this cost by the number of LAs expected to implement the levy, 72, gives the aggregate costs, as shown in Table E.13.

Table E.13: Aggregate costs of the policy *Giving LAs the power to charge late night refreshment premises the levy*

	Low	Best	High
Annual average	£308,000	£332,000	£357,000
Present value	£2,657,000	£2,857,000	£3,076,000

Benefits

64. We can expect the police and LAs to financially benefit from LNR premises being charged the levy as they will see a rise in income from any levy which is implemented that includes LNR premises, or any levy that currently exists and expands to include LNR premises.

65. This measure would answer concerns from the licensed trade that alcohol led premises are not the root of all demands on the police in the night time economy. It will also highlight that the levy is based on the principle that the "polluter pays", and that the Home Office is taking on board feedback from LAs and the police that LNR premises can place demands on police resources in the NTE.

66. The monetised benefit of this policy is the revenue gain to LAs. This will have a value equal to the amount of levy paid by LNR venues in the low-cost case, as shown in Table E.12. The costs and benefits are not equal because some LNR

venues incur a transition cost that does not accrue to the LA. Based on the same assumption as the cost estimates for this policy, benefit estimates are as follows:

Annual average: £304,000
Present value: £2,620,000.

Adding Livery companies to list of businesses that can be excluded from the levy

67. Livery companies are specific to the City of London. There are 40 livery companies with premises in London. It is proposed that they are exempted from paying the levy as they hold events for members and hire out their halls for private events and they are not seen as fuelling alcohol related crime. The City of London licensing authority has highlighted to us that in the last 10 years the only problems have been two noise complaints.

68. Livery company premises tend to be relatively large buildings, and located in areas with high rents. We assume their rateable values to be £125,001 or above. They do not exclusively sell alcohol. For these reasons, we would expect that they all fall into licence fee band E, which has a levy charge of £1,493.

Costs

69. There will be a reduction in levy income for the City of London licensing authority and police. This is calculated as the number of livery company premises multiplied by the relevant levy charge. This is valued as follows:

Annual average: £60,000
Present value: £514,000.

Benefits

70. This exemption has been specifically asked for by the City of London licensing authority and achieves our aim of being able to exclude businesses that do not place demands on the police in the NTE. This measure would further serve to highlight that the levy is only designed to target businesses which place demands on police resources in the NTE.

71. Livery companies will benefit from not paying the fee. The value of fees avoided by them is equal to the value of fees forgone by the City of London:

Annual average: £60,000
Present value: £514,000.

Aggregate effect of Option 2 policies

72. This section aggregates the effects of the three policies within Option 2 by adding their monetised costs and benefits.

Table E.14: Costs, Benefits and Net benefit of *Aggregate effect of Option 2 policies*

	Low	Best	High
<u>Costs</u>			
Annual average	£ 10,830,000	£ 10,307,000	£ 9,794,000
Present value	£ 93,340,000	£ 88,839,000	£ 84,443,000
<u>Benefits</u>			
Annual average	£ 8,615,000	£ 8,615,000	£ 8,615,000
Present value	£ 74,157,000	£ 74,157,000	£ 74,157,000
<u>Net Benefits</u>			
Present value	£ -19,180,000	£ -14,681,000	£ -10,285,000

Option 3:

73. Option 3 involves all of the measures as outlined in option two, in addition to three additional changes :

- Giving PCCs the right to formally request that a LA considers consulting on a levy and/or expanding the levy to include LNR premises;
- Requiring LAs to publish information about what they have spent levy income on, and;
- Changes to the guidance for the levy to encourage partnership working between the police and LAs in how funds are spent and that revenue should be spent in the area it is raised from.

74. This option seeks to achieve the policy objectives of option two, ensuring businesses that contribute to the cost of policing in the NTE pay the levy. It also answers concerns that there is a lack of transparency in how the levy revenue is spent, and that PCCs would like to have a greater role in the implementation of a levy.

Giving PCCs the right to request that LAs consult on the levy

75. In giving PCCs the right to formally request that a LA consults on the levy in their area, with the LA being required to either consult on the levy or respond by way of a letter to the PCC explaining why they will not be consulting, we are strengthening the role of the PCC in relation to the levy. It is important to highlight that this formal request does not commit the LA to consultation on the levy or implementation of it.

Costs

76. Costs for consultation and implementation of a levy are highlighted at paragraph 45. It will be down to the LA, on a case by case basis, to decide whether to consult on the levy following a request from the relevant PCC. As outlined previously, any further implementation of the levy following a request from the

PCC and subsequent consultation will lead to increased income for the police and LAs, but costs to business.

77. This measure would include the provision that PCCs would be able to request that LAs consider expanding an existing levy to include LNR premises. This amendment to the legislation would not be commenced until a consultation has been undertaken on what the charge should be for LNR premises, and if this should be different to what alcohol led premises pay. This may see further cost placed on business, but is difficult to estimate as we do not know how many PCCs would request consultation on LNR premises, or if this would lead to changes to existing levies.
78. In 2014 the Association of Police and Crime Commissioners' Alcohol Working Group carried out a survey of PCCs to ascertain their views on a range of national policy issues. 32 PCCs (out of 43) responded to the questionnaire and 84% of those who responded indicated that they would like to be able to formally request that LAs consult on a levy.
79. We assume that consultations will be requested at the same rate as responses in favour of allowing the right to consult were received: 84% of respondents were in favour, out of the 74% (32 out of 43) of PCCs who responded. On this basis, we assume 27 PCCs will request consultations. We have assumed that each PCC that requests a consultation will request only one, even though there are multiple LAs in each police force area, and so, could request multiple consultations. We have made this assumption on the basis that PCCs may perceive the administrative burden of reviewing multiple consultations to be disproportionate, and therefore would only request one. Of these 27 LAs, we assume that all will grant consultations, leading to 27 consultations. The cost of a consultation is estimated by averaging the consultation costs of Cheltenham and the City of London, (see paragraph 36), giving a value of £8,100. The forecast costs are shown in Table 4.

Table E.15: Costs of Giving PCCs the right to request that LAs consult on the levy

	Low	Best	High
Annual average	£ 22,000	£ 22,000	£ 22,000
Present value	£ 219,000	£ 219,000	£ 219,000

Benefits

80. Evidence from the APCC's Alcohol Working Group provides a strong indication that PCCs are interested in increasing the numbers of late night levies in place (although PCC elections have taken place since the survey was carried out, we will assume this remains representative of their views). The effect of this will be to give LAs more evidence to demonstrate there is a need for a levy if they wish to

implement it in their area. This will mean there is a higher chance of a levy being consulted on as part of the evidence gathering will have already been done by the PCCs office.

81. It will also answer concerns from PCCs that as the group most affected by alcohol related crime, and as the main financial beneficiaries from the levy, they do not presently have a strong enough role in the consideration and consultation on a levy.

82. The benefits of this policy have not been monetised.

LAs to publish what levy revenue has been spent on

Costs

83. The requirement for LAs to publish accounts in relation to what levy revenue has been spent on only has a direct impact on licensing authorities as they would be required to collate and publish this.

84. LAs must already publish an estimate of the amount of deductions to be made for each year and at the end of the levy year a statement of the net amount of levy payments for the year. As such we do not see this change as having a significant cost to LAs as they will already have processes to track their income, where funds have been allocated to and how to publish similar information.

85. This will be made simpler through guidance on what information should be provided, this will highlight that the information that is required can be relatively high level (such as amount given to police). The Home Office will also provide a (optional to use) template on how to present the information.

86. The cost of this policy is assumed to be nil.

Benefits

87. This measure will answer concerns from the licensed trade that there is a lack of transparency about how the revenue raised from the levy is spent.

88. The benefits of this policy have not been monetised.

Changes to guidance

Costs

89. The changes to the guidance may induce a small administrative cost for LAs in complying with it.

90. The cost of this policy is assumed to be nil.

Benefits

91. The changes to the guidance will encourage the police and LAs to be flexible about how they pool funds generated from the levy, to spend it in the area that it is raised from.
92. It may lead to businesses that pay the levy benefiting as they may see more policing or service if as a result of the changes to the guidance, LAs and police ensure that levy revenue is spent in the area it is raised from.
93. The benefits of this policy have not been monetised.

Aggregate effect of Option 3 policies

94. This section aggregates the effects of the three policies within Option 3 by adding their monetised costs and benefits. Considering only the costs and benefits to business, the annual average cost is £10,126,000, and business net present value is -£87,028,000.

Table E.16: Costs, Benefits and Net benefit of Aggregate effect of Option 3 policies

	Low	Best	High
<u>Costs</u>			
Annual average	£ 10,851,000	£ 10,329,000	£ 9,816,000
Present value	£ 93,558,000	£ 89,057,000	£ 84,661,000
<u>Benefits</u>			
Annual average	£ 8,615,000	£ 8,615,000	£ 8,615,000
Present value	£ 74,157,000	£ 74,157,000	£ 74,157,000
<u>Net Benefits</u>			
Present value	£ -19,400,000	£ -14,900,000	£ -10,504,000

F. Risks

Option 1, do nothing. Under this option, no changes would be made to address the concerns raised by LAs, the police or the licensed trade. Choosing this option presents the risk that licensing authorities and the police continue to consider that the levy is not as effective as it could be in giving them the opportunity to raise money to help tackle alcohol related crime and manage their night-time economy.

95. It also means that businesses which may have little or no impact on crime in the NTE will continue to be charged the levy in areas where a levy is in place, as LAs are unable to target it at problem hotspots. This will, and has, acted as a disincentive for LAs to use the levy.

96. This means that there is unlikely to be a significant increase in the number of licensing authorities considering implementing the levy and as such potential funding for the police and LAs to tackle alcohol related crime would not be realised.

97. **Option 2**, changing how the levy can be implemented and which businesses can be charged it.

98. There is the risk that a targeted levy will not be financially viable for LAs, and as such the changes we propose would not make a significant difference to the number of levies implemented. There are two elements to this, firstly that there may not be enough businesses within the area a LA wishes to target that have late opening licences to raise enough money to make the levy profitable after taking out the administrative costs. Secondly, premises within a levy area may choose to alter their licensed hours in order to avoid paying the levy, with the result that the amount of revenue raised is lower than anticipated by the LA. The extent to which this has occurred can be seen with the experience of Islington, where only 8 out of 360 businesses liable for the levy varied their hours to avoid paying the levy.

99. Whilst we do not anticipate that targeted levies will work for all LAs, those who have city centres with high densities of licensed premises (and as such see the highest levels of alcohol related crime in the night-time economy) will be able to benefit. Under this option (and option three) LAs would still be able to apply the levy to the whole licensing authority area, if that is appropriate in their area.
100. Another element of risk comes from the fact that if a LA wishes to implement more than one levy it may find that it does not have the resources to consult on multiple levies. This is mitigated by the fact that LAs can do parts of the consultation simultaneously for different levies (such as including different levy areas in one consultation document). Expenses on consultation and administration can be deducted from the levy revenue before it is split between the PCC and LA.
101. By giving LAs the option of charging late night refreshment outlets the levy there is a risk that they are disproportionately charged in relation to the problems they cause. However, LAs must give consideration to the pressures on policing that the different types of businesses cause. Section 125(3) of the Police Reform and Social Responsibility Act 2011 states that LAs must consider the costs of policing and other arrangements for the reduction and prevention of crime and disorder in connection with the supply of alcohol; LAs will have to make the same consideration in regard to the supply of late night refreshment. We will also undertake further consultation on what LNR premises should be charged for the levy to ensure that they are not disproportionately affected, and will not commence this measure until we have completed the consultation.
102. Guidance will also make it clear that LAs are expected to be proportionate in their approach. This would include considering whether it is justifiable to charge late night refreshment outlets the levy. In each levy area, the LA will have the option of charging: a) only premises licensed to sell alcohol, or b) premises licensed to sell alcohol and premises licensed to sell late night refreshment. It will therefore not be a requirement that late night refreshment premises are charged the levy in every levy area and LAs will not be able to only charge the levy to LNR premises.
103. **Option 3** represents the same risks as option two in addition to the below.
104. There is a risk that the requirement of publishing accounts in relation to the levy may be seen by LAs as an administrative burden and act as a disincentive to implement the levy. To mitigate this, LAs will be able to decide how they publish this information and the Home Office will provide a template for them to use if they wish to, setting out categories of spend. The Home Office will also be providing guidance about how detailed the information provided should be to assist LAs.
105. Giving PCCs the right to formally request consultation on the levy creates a risk that there may be administrative burden on LAs as they may feel

pressure to do a consultation if requested. Examples of costs for consultation and implementation of the levy are outlined at paragraph 36.

106. The LA will be able to write to the PCC explaining a decision not to consult on a levy. Their decision may include the considerations set out in section 125(3) of the Police Reform and Social Responsibility Act (as mentioned in paragraph 75), or there may be other legitimate reasons such as a lack of resources in the LA to undertake a consultation on the levy.

107. The guidance changes do not represent significant risk as they only provide suggestions as to how levy revenue should be spent and utilised and will not change the statutory requirements on how the levy is implemented or run. There is a risk that as this is only being done through guidance and does not amend the 70/30 split in revenue from the levy it will not increase the incentive for LAs to implement the levy.

G. Enforcement

108. LAs are responsible for the design, implementation and collection of revenue for the late night levy.

H. Summary and Recommendations

109. We recommend that option three is implemented. It responds to concerns that stakeholders have with the levy and will give LAs and the police much more flexibility in how they raise revenue to assist with the costs of managing and policing the NTE. It will also make the levy fairer to business as LAs who wish to implement a levy will only place the charge on areas that place demands on police resources, as such it will be easier to exclude businesses that do not place demands on the police from paying the levy.

110. Option one will have no impact on how flexible the levy is, how it is implemented or ensuring that only businesses in areas that place a demand on policing the NTE are targeted. This will not give PCCs a stronger role in considering whether to consult on a levy or make the levy more transparent. The result of this is that we do not anticipate significant further implementation of the levy.

111. Option two would achieve the policy objective of further implementation of the levy and ensuring that it targets businesses that place demands on the police in the NTE. It does not respond to all the concerns that our stakeholders have with the levy and will not enhance transparency around the levy, how flexible LAs and PCCs are in spending revenue from the levy or PCCs role in the consideration and consultation on a levy.

I. Implementation

112. There will be a number of changes made to Chapter 2 of Part 2 of the Police Reform and Social Responsibility Act 2011 to implement the proposed

changes as outlined in option three. The amendments via primary legislation will:

- allow LAs to implement the levy in part of their area;
- give PCCs the right to request a consultation on the levy;
- require the licensing authority to publish how funds raised by the levy are spent by the relevant licensing authority; and
- give the option to LAs of including LNR outlets in those areas liable to pay the levy.

113. The Late Night Levy (Expenses, Exemptions, and Reductions) Regulations 2012 lists the types of businesses which LAs may choose to exempt from paying the late night levy. "Livery Companies of the City of London" will be added to the list of permitted exemption categories at Section 4.

114. In addition to the measures which will be done through legislation, there will be changes to the guidance for the levy. This will encourage LAs and the police to be more flexible in how they pool funds and that funds raised from the levy should be spent in the area that they are raised from.

115. Option 3 would also involve the Home Office publicly consulting on the level of the charge that LNR premises should pay as part of the levy, and not commencing the measure of expanding the levy to include LNR premises until this is completed.

J. Monitoring and Evaluation

116. The Home Office alcohol policy team is in regular contact with LAs, the Local Government Association, the National Policing Lead for Alcohol, and representatives of PCCs. We will continue this regular contact to gather feedback on the changes to the levy.

117. We will also be able to monitor the impact of the changes through any new levies that are introduced. The guidance on the levy requests LAs to inform the Home Office when they decide to consult on or implement the levy. This assists with monitoring the use of the levy, gathering feedback from LAs and evaluating the use of the levy. The Home Office will also continue to monitor the financial information which is provided by LAs in relation to the levy. In the normal way, the provisions in the Bill will also be subject to post-legislative scrutiny three to five years after Royal Assent.

K. Feedback

118. The Home Office will gather feedback from LAs and the police on any issues that arise as a result of changes to the late night levy.

L. Small and Micro business assessment

119. The Government does not plan to introduce exemptions or mitigating options for small or micro sized businesses. The charge attached to the levy is based on council tax bands and as such smaller businesses already receive a discount in comparison to larger ones. This can also be seen through the 30% reduction that can be applied to premises that are in receipt of Small Business Rate Relief and have a rateable value of less than £12,000.²¹
120. Many LNR premises are small businesses and the Government is mindful of not imposing unnecessary or disproportionate charges on these sort of businesses. For this reason we will consult on the level of charge appropriate for LNR premises and will not commence the measure to allow LAs to charge the levy to LNR premises until this is completed.
121. Extended transition and temporary exemption are not required as these measures are planned to be made via the Policing and Crime Bill. Before new levies come into force following these changes, LAs will need to design, consult and implement any new levies. This will mean a adequate period of time will be provided before commencement of these changes to allow for LAs, the police and businesses to consider the implications of them.
122. The legislation also allows for holders of late night licences to vary their licence free of charge to avoid operating in the late night supply period and as such, avoid the levy charge. It is recommended that LAs allow holders of these licences no less than two months to make such applications.

M. Family Test

123. This policy may have a positive impact on individual's ability to play a full role in family life, including with respect to parental and other caring responsibilities. The reason for this is that funds raised from the levy may be used to prevent alcohol-related crime, if alcohol related crime is reduced the impacts on family life as a result of criminal convictions will be lessened.
124. We also anticipate a rise in the use of the late night levy will help to make the NTE a safer, more attractive place for people (and families) to visit to socialise and relax. Funds raised may be spent on providing more police and other resources to manage the NTE. This has the knock on effect of potentially making local areas more prosperous, increasing employment opportunities as well managed night time economies can attract investment in an area.

²¹ The Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012 allow licensing authorities to apply a 30% reduction to premises with a rateable value of £12,000 or less. The Government announced in the 2016 Budget that the Small Business Rate Relief threshold would be increased to £15,000. The Late Night Levy regulations will be amended to increase the threshold to £15,000. <https://www.gov.uk/government/publications/budget-2016-documents>