

Summary: Analysis & Evidence

Policy Option 1

Description: Deregulate by Introducing an Exemption

FULL ECONOMIC ASSESSMENT

Price Base Year 2009	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: £7.40m	Best Estimate: £1.20m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	0	N/A	N/A
High	N/A		N/A	N/A
Best Estimate	0.0		0.0	0.0

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

In keeping with the principle of proportionality, it is not expected that the proposed measure will result in any costs that can be monetised. This is due to the narrow scope of the proposed measure and the ongoing controls available under the 2003 Act.

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

The likelihood of risk from inappropriate content screening is thought to be small, as age classification controls and sanctions under the 2003 Act will continue to apply. If problems were to materialise then there is some potential for costs to local authorities, local police and groups involved with child protection. However the proposed measure considers these risks and limits its scope accordingly.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0	N/A	N/A
High	0.0		£0.74m	£7.40m
Best Estimate	0.0		£0.12m	£1.20m

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

Reduced administrative burden for film exhibitions held at community venues both in terms of time and associated costs. Reductions in fees charged for the processing of licences. Local government benefits from an administrative saving where they do not charge a licence fee on a cost recovery basis.

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

Encouragement of additional film exhibitions in community venues.
Increased social benefit associated with a film exhibitions.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

- 1) The planned package of deregulatory measures is implemented in 2014;
- 2) Licence fee exemptions is due to Miscellaneous Exemption in the 2003 Act;
- 3) The proportion of total premises licences having a film licence within the subset of community premises has a best estimate of 7%, and a high estimate of 50%;
- 4) Risks associated with an increased number of film exhibitions do not materialise.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 0.06	Net: -0.06	Yes	OUT

Evidence Base

1. Background

The Current Licensing Regime

- 1.1 The Licensing Act 2003 ("2003 Act") brings together many formerly diverse licensing regimes to create a 'one-stop-shop' for multiple licence permissions (such as pubs that wish to sell alcohol and host music events). The effect is a single streamlined licensing process for applicants and licensing authorities.
- 1.2 There are two licence types under the 2003 Act:
 - Premises Licence / Club Premise Certificate – The duration of these licences are for a full year and permit specified activities at a particular venue. They are also used as a permission framework for large ad-hoc events (where over 500 attendees are expected).
 - Temporary Events Notice (TEN) - A TEN can be obtained by notifying the local licensing authority in writing a minimum of ten working days in advance of the intended film exhibition. TENs can be used for a wide range of regulated entertainment activities (see paragraph 1.3).
- 1.3 Some of the activities covered by the regulated entertainment licensing regime (as set out in schedule 1 to the 2003 Act):
 - A performance of a play;
 - An exhibition of a film;
 - An indoor sporting event;
 - A boxing or wrestling entertainment;
 - A performance of live music;
 - Any playing of recorded music;
 - A performance of dance.

Changes in the Regulatory Environment

- 1.4 In January 2013 a package of deregulatory measures were announced to Parliament, aimed at addressing the regulatory imbalance caused by the current licensing regime. The package entailed deregulating low risk activities such as plays, dance and indoor sport for small audiences, and creating freedoms for other activities such as music events, in bespoke low risk scenarios, such as events in schools, hospitals and nurseries.
- 1.5 The package announced in January 2013 will mean that key community premises such as village halls, church halls, community centres and similar premises will not require a licence for events described at paragraph 1.3 between the hours of 8am and 11pm, save for two activities: film exhibition and boxing and wrestling activities.

The Age Classification System

- 1.6 Every film that is intended for national distribution in the UK, whether for exhibition purposes or private sale, must obtain an age classification rating. The current body entrusted to deliver formal recommendations for age classification is the British Board of Film Classification (BBFC). BBFC ratings usually apply, although licensing authorities can also adopt their own ratings under the 2003 Act. The 2003 Act thus applies mandatory conditions to premises licences so that the exhibitor must restrict child admission in line with the relevant age classification rating.

2. Problem under consideration

- 2.1 The Licensing Act 2003 requires a licence for film exhibition when the exhibition is a) for public audiences or b) in private where profit is intended. Low risk community venues that are at the heart of communities (and which are invariably controlled by a formal management committee) are subject to burdens, which Government finds disproportionate and unnecessary.
- 2.2 The Government would therefore like to remove these burdens to make better use of these venues and allow positive social interactions, whilst retaining the key age classification protections that apply under the 2003 Act (see section 3).

3. Rationale for intervention

- 3.1 In 2011 Government consulted on a range of deregulatory measures relating to activities listed in Schedule One to the 2003 Act. In respect of film exhibition, Government committed to deregulating only where suitable protections could be maintained. Such a solution was not forthcoming in responses to the consultation and so the Government opted not to deregulate film widely.
- 3.2 Since then, a legal solution has been identified that removes the need for licensing but maintains the key protections and sanctions available under the 2003 Act. We propose at Option 1 to create an exemption, solely for community premises, between 8am and 11pm, that show “not-for-profit” film where age classification ratings apply and where admission is restricted accordingly.
- 3.3 With child protection issues addressed, the Government intervention will allow for unnecessary regulatory burdens on community organisations to be removed. The removal of this red tape has administrative savings for both event organisers and Government. It may also remove Government imposed barrier to entry and potentially encourage a larger number of film exhibitions.

4. Policy objective

- 4.1 A key objective is to remove unnecessary costs and burdens from suitable low risk community film exhibitions. Removal of this burden will allow resources spent on red-tape to be used elsewhere.
- 4.2 A second objective is to increase the number of film exhibitions at community premises. Removing burdensome regulation, where this is appropriate, will allow more activities, that provide the benefits of community interaction.
- 4.3 The issue of child protection is of paramount importance. Any measure must adequately address child protection arrangements to mitigate any risk of children viewing unsuitable content.

5. Description of options considered (including do nothing);

- 5.1 **Option 2: Do Nothing** – The status quo is maintained and film exhibitions require a licence under the 2003 Act. Due to a changing regulatory environment, by 2014 it is likely the remaining activities that automatically require a licence in community premises will be film exhibitions, and boxing and wrestling entertainments. All other activities will be deregulated in these premises within set time and audience parameters.
- 5.2 **Option 1: Deregulate by Introducing an Exemption** – The creation of an exemption from acquiring a license under the 2003 Act applies to a narrow type of activities that fulfil a specific set of criteria. The exemption applies where:
 - The exhibition takes place at community premises.
 - The entertainment takes place between 8am and 11pm on the same day;

- The audience consists of no more than 500 persons;
- Where the entertainment is provided to any extent for members of the public (or a section of the public) or members of a qualifying club (or such members and their guests), it is not provided for profit; and
- The film exhibited must have an age classification recommendation from the BBFC or local licensing authority, and the film exhibition must ensure adherence to this recommendation.

5.3 The definition of 'not-for-profit' in relation to Schedule One to the 2003 Act is linked to the particular activity in question rather than the objective of the organisation. As such, Option one is predicated on the existing "not-for-profit" basis, allowing the recovery of cost for a particular film exhibition but not activities that have been hosted with the intention of making profit. The consultation asks a range of questions relating to this principle and invites views on whether exhibition held for charitable purposes should also be permitted.

5.4 'Community premises' are defined under the Licensing Act 2003 as,

"premises that are or form part of (a) a church hall, chapel hall or similar building, or (b) a village hall, parish hall, community hall or other similar building."

5.5 Though it is for the licensing authority to decide the precise premises that fall under the community premises definition.

5.6 The current sanctions set out under the 2003 Act (fines of up to £20,000 and potential imprisonment for up to six months) are available if any exhibitor fails to comply with age classification ratings.

6. Monetised and non-monetised costs and benefits

Available Data on Premises Licences and Club Premise Certificates

6.1 There are two key publications providing data relevant to the 2003 Act. The first one is the Home Office Alcohol and Late Night Refreshment Licensing England and Wales 2011/12 publication. It estimates that 202,000 premises licences and 15,900 club premises certificates were issued as of March 2012. The second publication is the Statistics Entertainment Licensing 2012 compiled by DCMS. The publication estimates that there are 120,800 premises licences and 12,600 club premises certificates in England and Wales as of March 2012. These DCMS figures are lower than Home Office figures because they consider only regulated entertainment, while Home Office figures include licences relating to the supply of alcohol; the provision of regulated entertainment; or the provision of late night refreshment.

TABLE 1
PREMISE AND CLUB PREMISE CERTIFICATE LICENSING STATISTICS

	Premises	Club Premise Certificates
Home Office - Total number of licences	202,000	15,900
Home Office – Licences with no alcohol sales	32,470	100
DCMS – Regulated entertainment	120,800	12,600
Share of regulated entertainment	60%	79%
No alcohol and regulated entertainment	19,418	79
Home Office - Licences exempt from fees	11,181	115

6.2 The licences that are relevant for this IA are those found under the category regulated entertainment and no alcohol sales. It is estimated that there are 19,400 premises licences and 79 club premises certificates that fall under this subset category. These figures are calculated by using the percentage ratio between Home Office and DCMS statistics (see table 1) and then multiplying this figure by the number of no alcohol licences.

- 6.3 An alternative estimate of relevant licences for this IA is the 11,181 premise licences and 115 club premise certificates that did not attract a fee under exemptions set out in the Licensing Act 2003 (Fees) Regulations 2005, Part 5, Miscellaneous Exemptions. The provision provides an exemption of annual licence fees when there is no sale of alcohol and/or linked with churches, chapels, villages, parishes or community halls or other similar buildings; or schools or colleges (for the purpose of the educational institution). The 11,181 premise licences and 115 club premise certificates is likely to be the best estimate because the figure is more likely to be a better estimate of the number of community venues.
- 6.4 Even though the approximately 11,000 licence holders are fee exempt, and therefore are not required to pay an estimated fee of £70, an application is still be submitted and this application is still processed by local licensing authorities, thereby incurring an administrative burden.
- 6.5 The licensing regime provides a 'one-stop-shop' for multiple licence permissions and has streamlined the processes for applicants and licensing authorities. So while there are about 120,800 premises licences that include permissions for regulated entertainment, it is unclear if these include film, live music, performance of dance, indoor sporting events, or other activities.
- 6.6 The DCMS publication 'Statistics Entertainment Licensing 2012' estimates 38,300 of the premise licences and 3,400 of the club premises licences include a film licence. These figures are based on all types of premises reported figures by local licensing authorities. The combined percentage distribution (expected value) of a licence containing a film licence is estimated to be 7%.
- 6.7 The expected value of 7% is calculated from a top level group of licence holders. It can therefore be argued that when this expected value is applied to fee exempt licences holders it is a conservative estimate. This is due to the characteristics of a community venues and its preference towards low-risk events such as film exhibitions. Maintaining the assumption that approximately 11,000 fee exempt licence holders are community venues, an arbitrary 50% is estimated to have film licence. This forms the high end estimate of the IA.
- 6.8 It can be argued that the 50% estimate should in fact be higher. This is because the estimated 11,000 community venues are a subset that is highly likely to adhere to the exemption conditions in the proposed measure. This is because the general purpose of a community venue is to act as a gathering point for a local community. It is unlikely to sell alcohol; have relatively low attendance numbers; and unlikely to operate late at night. In comparison the expected 7% comes from a distributional analysis that includes licences that have alcohol sales in combination with other activities.

Available Data on Temporary Event Notices (TENs)

- 6.9 According to the most recent Home Office statistics, there were 134,100 TENs in 2011/12. While local authorities keep records of all TENs issued, the particular activity is not recorded in consistent manner. This lack of data makes it difficult to assess the impact of policy measures on TEN licensing.
- 6.10 Nevertheless, in order to estimate the composition of TEN licences a sample of 4,132 publically available TENs applications made to Local Authorities have been assessed. Applications for regulated entertainment numbered 634, approximately 15%, from the sample population. Applying this proportion to the TENs population, gives an estimated total of 20,115 TENs were only for regulated entertainment. A subset of this sample will encompass film exhibitions. On the basis of no other evidence available, the 7% expected value taken from licence statistics is used as a proxy.

Community Cinema

- 6.11 There are numerous voluntary providers of film exhibitions that provide a wide variety of programming often to local communities that would otherwise not have access to commercial cinemas. Screenings of these films are often in village halls, mixed art venues and independent cinemas. The British Federation of Film Societies (BFFS) surveyed this sector in 2011/12, examining the size, composition and geographical distribution. The number of community cinemas on BFFS mailing list in 2011/12 was 609, with 158 responding to its survey. This is consistent with the number of community cinemas listed on the BFFS website. It is therefore estimated that there are more than 600 community cinema organisations in England and Wales.
- 6.12 Notably the BFFS's survey finds key characteristics regarding the nature of community cinema members. 93% of the total number are non-profit organisations (566 community cinemas) and 27% of the total number have charitable status (164 community cinemas).
- 6.13 If one assumes that each organisation is associated with a particular community venue, then the number of community film organisations supports the 7% expected value of a premise licence having permission to exhibit film. This is because 609 community film organisations is close the estimate 728 film exhibition licences, discussed below. The caveat however is how a large number of community film organisations are unlikely to be members of BBFS. The 609 community film organisations figure therefore also supports how the expected value of 7% is a conservative estimate.
- 6.14 While the majority of film exhibitions at community venues are likely to be not-for-profit, there are instances in which these venues are used for individual profit. This is accounted for by adjusting the number of fee exempt licences by applying the percentage of community film organisations that are categorised as not-for profit in BFFS's survey.

TABLE 2
LICENCES WITH FILM EXHIBITION PERMISSION

	Number of Licences Adjusted not-for-profit (93%)	Expected value of 7%	Expected value of 50%
Premises licences exempt from fees	10,398	728	5,199
Club premise certificates exempt from fees	107	8	54
TEN	18,707	1,310	9,354

Option 2: Do Nothing

- 6.15 The status quo is maintained and film exhibitions require a licence under the 2003 Act. This option forms the base case for the IA and by definition the net benefit is zero.

Option 1 (Preferred): Deregulate by Introducing an Exemption

Non-monetised costs

- 6.16 No immediate costs are expected. This is due to the narrow scope policy measure and the low risk of film exhibitions. Nevertheless, if risks associated with a film exhibition were to materialise it would incur a cost. These risks include:

- **Enforcement Costs - Child Protection** - The current licensing regime has a longstanding track record of ensuring that children are protected from unsuitable content. The proposed measure utilises the same principles and sanctions but necessarily removes the current relationship with licensing authorities. However this risk is mitigated as the majority of these premises are likely to have a formal relationship with some form of local council and are likely to be governed by a formal organising committee.
 - **Enforcement Costs - Notification** – The current licensing regime provides an existing facility for notification of film exhibitions events to relevant authorities. This makes it easier for relevant authorities to take preventative measures (which largely relate to the potential removal of a commercial licence for exhibition). The proposed measure partly removes the notification system and could potentially add to the burden of enforcement authorities. Limited evidence of problems from the TENS system suggests this is unlikely to be significant.
 - **Displacement from Commercial Sector** – Film exhibitions offer an opportunity to consumer film media thereby negating the need to purchase films for home use or viewing films in cinemas. This is unlikely because of a differentiated product and lack of commercial supply in many locations. Any effect would be indirect.
- 6.17 These risks are low in regard to the narrow scope of the proposed measure and film exhibitions generally. It is also important to note a premise licence would still be required if there is sale of alcohol and if the objective is to make a profit. Therefore there is no reason to expect deterioration in performance against the prevention of crime and disorder, protection of children from harm, or public safety.
- 6.18 The proposed measures takes account of public order advice to eliminate concerns around infrastructure overload and any potential risks from issues such as “bring your own” alcohol activity at small events, so that risk from such activity is now considered highly unlikely. It is therefore not proportionate to attempt to monetise these unlikely costs.

Non-Monetised Benefits

- 6.19 **Increased number of film exhibitions** – Deregulating licensing requirements reduces the cost required to organise a film exhibition. In turn, there is likely to be an increased number of film exhibitions, in particular amongst those that previously viewed the licensing requirement as prohibitive. Accurately determining the increase in film exhibitions would only be interesting if it could be multiplied by the social benefit per event, however it is very difficult to forecast this growth. It would also not be proportionate for this IA to estimate a numerical value for social benefits.
- 6.20 **Social benefits** – Nevertheless, not-for-profit performances are encouraged and supported by Big Society because it fosters a sense of community. However there is little research on these wellbeing effects. The CASE Programme however identifies that ‘engagement in culture is associated with a better knowledge of one’s own culture and other cultures. Such outcomes provide a socialisation function, producing a common standard of citizenship and social cohesion’. There is also emerging evidence that regular participation in film leads to significant well-being effects.

Monetised Benefits

- 6.21 **Cost Savings for Licence Holders** – Currently, it is assumed that out of the community venues that have permission for film exhibitions (7% or 50% of total) none of them require additional permissions through premises licensing, club premises certificates or TENS. This is a reasonable assumption because of the deregulatory package discussed in 1.4 – 1.5. In addition community venues refrain from alcohol sales and have limited seating capacity. Even though some community venues would want to acquire boxing and wrestling

permission, these are small in number and therefore assumed away or excluded from the estimated by the not-for-profit adjustment discussed in 6.14.

- 6.22 The administrative burden for fee exempt licence holders is the time incurred to fill out an application. A large portion of licence holders under consideration submit an application in a repetitive manner on an annual basis. The *“Impact Assessment of the proposal to introduce a simplified process for minor variations to licences (2008)”*, estimated that the cost to complete and send an application form with a copy of the licence or certificate of the original plan to the relevant licensing authority was between £15 and £80. This was based on 1-5 hours of management time at an hourly cost of £16.23 (which was estimated from discussion with stakeholders).
- 6.23 Assuming that it takes 3 hours to complete, copy and send the application and adjusting the hourly cost to 2012 price level using the HMT GDP deflator (£17.27) the estimated average cost saving is estimated to be £52 per application.
- 6.24 **Cost Savings for Local Government** – In the *“Proposal to exempt regulated entertainment from the provisions of the Licensing Act 2003”* IA (2013), it is argued that there is an administrative saving for the local authority associated with each licence that is no longer required. On the basis that licence fees are charged on a cost recovery basis, the administrative saving is assumed to be the licence fee that the public sector institution would have had to pay if it had been a business. The overwhelming majority of public sector institutions would be categorised as Band A premises, which attracts a licence renewal fee of £70. This figure is therefore assumed to be administrative burden for processing and evaluating the repetitive applications from fee exempt licence holders.

TABLE 3
ESTIMATED COST-SAVINGS

	Number of licences (best estimate)	Number of licence (high estimate)	Cost Saving (best estimate)	Cost Saving (high estimate)
Cost Saving for Licence Holder (£52)	735	5,253	£ 89,715	£ 640,822
Cost Saving for Local Government (£70)				

- 6.25 TEN licences are not fee exempt. The result of the proposed measure means a certain number of TEN licences are no longer required. This provides a fee saving of £21 per application, administrative burden cost saving for the applicant; and the administrative burden cost saving for the local authorities. Maintaining the assumption that fees are charge on a cost recovery basis it is estimated that the administrative cost saving for local authorities is £21 per application. However, from the local authority’s perspective any time saving is offset by the loss fee revenue. The administrative burden for the applicant is less than a premises licence and/or a club premises certificate. From discussions during changes to the 2003 Act in 2009, the cost of this administrative burden for local authorities was £16. Applying the HMT GDP deflator the administrative burden in 2012 is assumed to be £17.27.

TABLE 4
TEN APPLICATION COST SAVINGS

	Expected value of 7%	Expected value of 50%	Cost Saving (best estimate)	Cost Saving (high estimate)
Application Fee Saving (£21)	1,309	9,353	50,115	357,963
Administrative Burden Applicant (£17)				

7. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach);

- 7.1 Film exhibitions are generally considered to be low risk events. As such, the costs that could potentially arise have been identified but not monetised. It would not be proportionate to monetise these because even if the costs were to arise they are expected to be of low value.
- 7.2 The lack of immediate costs and the deregulatory nature of the proposed measure reduce the need to accurately determine monetised benefits. Compared to other IAs, the size of net benefits being discussed relatively small. As such, the level of analysis aims to show that the overall net benefits is positive and not a necessarily a highly accurate monetised amount.

8. Risks and assumptions;

- 8.1 All other activities other than film, wrestling and boxing will become sufficiently deregulated that for community venues, film exhibitions become the only low-risk activity that is regulated.
- 8.2 Licence fee exemptions is due to Miscellaneous Exemption in the Fees Regulations made under the 2003 Act;
- 8.3 Best estimate: proportion of total premises licences having a film licence within the subset of community premises is 7%.
- 8.4 High estimate: proportion of total premises licences having a film licence within the subset of community premises is 50%.
- 8.5 The split between premises licences held by public institutions and business can be applied to TEN licences.

9. Direct costs and benefits to business calculations (following OITO methodology);

- 9.1 This proposed measure is an OUT. The current licensing regime compels smaller organisations to hold a film licence (which attracts a fee and an administrative burden) to arrange a film exhibition. The measure will introduce an exemption that removes this requirement and will directly benefit the businesses because administrative cost savings and potentially licensing fee savings. These are direct benefits and therefore within the scope of One-in, Two-out.
- 9.2 No direct costs are assumed given the low risk nature of the activity. Any costs arising from substitution between not for profit and commercial cinema would be indirect and out of scope of One-in, Two-out.
- 9.3 Growth in the number of film exhibitions is anticipated because for some potential film organisers a barrier to entry has been removed. However, these benefits are indirect and therefore out of scope of One-in, Two-out.
- 9.4 The split between licences held by public institutions and businesses is taken from the *'Proposal to exempt regulated entertainment from the provisions of the Licensing Act 2003'* IA, in which licences held by businesses is estimated to be 61% and licences held by public institutions is estimated to be 39%.

10. Wider impacts

Economic

- 10.1 As discussed earlier, the proposed measure is unlikely to have an impact on the commercial film exhibitions, such as cinemas. As such the wider economic impacts are limited. Distributional issues within stakeholder groups, such as impact on business of different sizes, have been considered and no significant impacts have been identified.

Social

- 10.2 The proposal increases opportunities for positive social impacts from improved individual and community wellbeing, and these outcomes have been analysed qualitatively. Rural impacts have not been considered in the main assessment. There is potential for proportionately greater benefits to accrue in rural areas, where lower audience numbers and incidence of market supply mean that the costs of the licensing system are more likely to create a hindrance to individual and community participation. The proposal has been considered against the licensing objectives and subjected to a risk assessment that finds negligible impacts on crime and disorder, public safety, and protection of children. No perverse impact is anticipated on equalities, or human rights.

Environmental

- 10.3 The potential for the proposal to increase levels of noise pollution has been considered. Limitations on time, number of attendees and not-for-profit type of events will reduce any impact on noise pollution.

11. Summary and preferred option with description of implementation plan.

- 11.1 The proposed measure is deregulatory and has non-monetised and monetised benefits. There are potential costs that may arise, however this is mitigated by the narrow scope of the proposed measure. As such it is not considered necessary to monetise these potential costs. Implementation entails the introduction of an exemption text into primary legislation. Thereby reducing the burden of 2003 Act on applicable film exhibitions. The measure is both small and deregulatory in nature and therefore no review of the policy is planned.

