



Addendum to the Criminal Courts Charge Impact Assessment (IA number: MOJ 223)

Introduction

1. The criminal courts charge Impact Assessment (IA) was published in February 2014.¹ Since then, further work has been undertaken to explore at what level the criminal courts charge should be set, including the appropriate upper limit for charges. As a result, a single set of draft charge levels has now been developed.
2. Further work on charge levels will be required prior to implementation of the courts charge, to ensure they are based on the most up to date costings information. Nonetheless, the Government hopes that publishing this information at this stage will help to inform parliamentary debate on the Criminal Courts Charging Provisions of the Criminal Justice and Courts Bill by providing a clear indication of the likely scale of the charges it intends to set.
3. The Government has also now confirmed that the length of the cap period will be 2 years from the point of conviction or, where applicable, release from custody. The Government takes the view that this is the appropriate cap length taking into account the proposed draft set of charges. However, the cap period will be set in secondary legislation, enabling any changes to be made as necessary following future charge level changes.
4. This addendum to the impact assessment considers the impacts of the policy based on this draft charging scheme and confirmation of the length of the cap period. In particular, it provides updated estimates of;
 - the level of cash inflows from the courts charge,
 - the Net Present Value (NPV),
 - the impact of imposing a cap on the maximum length of payment,
 - the level of cash inflows from breach hearings and appeals, and,
 - HMCTS debt accrual.
5. No other changes have been made to the policy and all the other information, including the modelling assumptions and methodologies, in the original IA remains relevant.
6. For ease of reference the following tables/figures have been updated from the original IA:
 - The tables in paragraphs: 12, 37,47, and 66
 - The figures in paragraphs: 29, 38, 39, 48 , 49 ,67 and 68

¹ The IA can be accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284169/Criminal-courts-charge-IA.pdf

Updated charge levels

Table 1: New proposed charges

	<u>Charges by band (13/14 prices)</u>	Proposed charge levels
Magistrates' Court	Summary offence guilty plea	£150
	Either way guilty plea in the magistrates' court	£210
	Summary offence trial	£720
	Either way trial in the magistrates' court	£1,000
Crown Court	Indictable guilty plea	£900
	Either way or indictable only trial in the Crown Court	£1,200

Confirmation of the cap period

7. The policy includes a power for the court to cancel outstanding courts charge debt after a specified period, provided that, during the specified period, the offender has not been convicted of a further criminal offence, and only where they have taken reasonable steps to comply with payment terms for any financial impositions imposed by the court or the court is otherwise satisfied collection and enforcement is impracticable. This element of the policy is referred to as the 'cap'.
8. The Government has considered what time period would be appropriate in this context and has confirmed that the cap period will be 2 years from the point of conviction or, where applicable, release from custody. This will be confirmed in secondary legislation in due course.

Updated Cash Inflow Estimates

9. The original IA presented estimates of revenue using two different modelling approaches; one based on current data on fine impositions and payment rates (referred to as Model A in the original IA) and one on offenders' incomes (referred to as Model B) . Updated estimates (incorporating the new draft charge levels) are presented below.

Table 2a: Estimated gross cash inflows from the court charge (based on current fine payment rates)

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
£0m	£5m	£75m	£100m	£105m	£105m	£105m	£105m	£105m	£105m

Figures are rounded to the nearest £5 million and are in real terms. They include a 20% adjustment for optimism bias.

Table 2b: Estimated gross cash inflows from the court charge (income based payment model)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Lower Scenario	£0m	£10m	£50m	£70m	£85m	£95m	£110m	£120m	£135m	£140m
Higher Scenario	£0m	£15m	£75m	£105m	£135m	£160m	£165m	£170m	£180m	£185m

Figures are rounded to the nearest £5 million and are in real terms. They include a 20% adjustment for optimism bias.

10. In steady state (in year 2023/24) we estimate that levels of gross cash inflows from the charge will be between approximately £105 million and £185 million.

11. The estimates of the costs of the project are unchanged from the IA (approximately £25m per annum in steady state). This amount is based on an estimated £20 million cost per year of enforcing the charge and £5 million cost per year resulting from additional prison places for those who default on paying the charge and refuse to co-operate by all other means.

Table 3a: Estimated net cash impact from the courts charge (based on current fine payment rates)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£0m	-£20m	£50m	£75m	£80m	£80m	£80m	£80m	£80m	£80m

Figures are rounded to the nearest £5 million and are in real terms. They include a 20% adjustment for optimism bias.

Table 3b: Estimated net cash impact from the courts charge (income based payment model)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Lower Scenario	£0m	-£15m	£25m	£45m	£60m	£70m	£85m	£95m	£110m	£115m
Higher Scenario	£0m	-£10m	£50m	£80m	£110m	£135m	£140m	£145m	£155m	£160m

Figures are rounded to the nearest £5 million and are in real terms. They include a 20% adjustment for optimism bias.

12. In the steady state we estimate that net cash impact will be between £80m and £160m per year.

Updated Net Present Value (NPV) calculations

13. The new charges levels change the estimates of the 10 year NPV from approximately £450m based on current fine payments rates and up to £800m using the income based payment model's higher scenario². The cost to business remains zero.

Updated information on capping

² Rounded to the nearest £50 million. These figures refer to uncapped estimates.

14. The original IA presented estimates of the reduction in revenue resulting from a cap period of 2, 4, and 6 years.
15. The Government has now confirmed that the length of the cap period will be 2 years from the point of conviction or, where applicable, release from custody. The impact of this aspect of the policy has been estimated using both the lower and higher scenarios for the income based payment model.

Table 4: Estimate of the reduction in gross cash inflows arising from a 2 year cap (income based payment model)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Lower scenario	£0m	£0m	£0m	£0m	£5m	£10m	£10m	£15m	£15m	£15m
Higher scenario	£0m	£0m	£0m	£5m	£10m	£15m	£15m	£15m	£20m	£20m

Figures are rounded to the nearest £5 million and are in real terms.

16. Using the new set of charges with the income based payment model, with an upper limit of £1,200, means that with a 2 year cap there is a reduction in gross cash inflows of between approximately £15m (lower scenario) and £20m (higher scenario). This equates to approximately an 11% to 12% reduction. Due to the way the models were built it has only been possible to estimate the level of reduction with the income based payment model³.
17. This percentage reduction for the new set of charges is significantly less than in the original impact assessment, which we previously estimated to be up to 33% based on the higher set of charges (upper limit of £1,000). This is because earlier work assumed that anybody who had not reoffended was eligible for the cap. Now that we have more data, we have been able to restrict capping to those who have not reoffended and those who have been payment compliant over the 2 year period. This has further reduced those eligible for capping and consequently reduced the amount lost as a result of capping.

Updated information on appeals and breaches

18. The Government intends to impose the criminal courts charge in respect of breach hearings and unsuccessful appeals or applications to appeal. Draft charge levels have now been proposed for both breach and unsuccessful appeal applications or hearings.

Table 5: Draft charge levels for breaches and appeals

	Type of hearing	Charge level

³ We have not estimated the impact of the cap using the model based on current fine payment rates as this already has an implicit cap built into it. The model is based on 18 month payment rates for current fine impositions. As this is a shorter period than the 2 year cap this means that we expect the charge to stop being paid off 18 months after it has been imposed and so the cap will not have an impact on estimated cash inflows using this model.

Magistrates' court	Breach hearings	£100
Crown Court	Appeal against conviction or both	£150
	Appeal against Sentence	
Court of Appeal	Appeal against conviction	£200

19. The revenue from breach and appeal hearings has been estimated using the same methodology as the lower scenario. It is estimated that these hearings will lead to an increase in revenue of up to 1% for appeal hearings and up to 4% for breach hearings⁴.

Updated information on debt accrual

20. Annex C of the Impact Assessment presented estimates of the additional debt accrued to HMCTS as it is likely that much of the debt will not be paid off immediately and some will not be paid at all. Updated estimates of the debt accrual are presented below. As in the IA these estimates assume that there is no write off/cancellation of the debt. The estimates do not take into account the impact of the power to cancel courts charge debt if an offender meets the conditions of the cap.

21. Based on this modelling, it is estimated that the increase in debt as a result of the policy would be approximately £1,200m by 2020/21 without any cancellation.

Table 6a: Estimated debt accrual to HMCTS (based on current fine payment rates)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£0m	£200m	£400m	£600m	£800m	£1,000m	£1,200m

Figures are rounded to the nearest £100 million and are in real terms.

Table 6b: Estimated debt accrual to HMCTS (income based payment model)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Lower Scenario	£0m	£200m	£400m	£600m	£800m	£1000m	£1200m
Higher scenario	£0m	£200m	£400m	£600m	£700m	£800m	£1000m

Figures are rounded to the nearest £100 million and are in real terms.

⁴ The revenue from breaches and appeals is modelled separately to the revenue from the other courts charges. As a result the modelling does not take into account the likely reduction in payment rates resulting from the increased debt incurred by offenders who are unsuccessful at appeal (as they will incur costs from the appeal and the original offence). The results are therefore likely to be an overestimate. Work is ongoing to improve the modelling.

Further work

22. Further work will be needed to review these charge levels prior to implementation of the criminal courts charge, in order to ensure they reflect the latest information available on the costs of criminal court proceedings. Final charge levels will be set out in secondary legislation prior to implementation, and a revised impact assessment will be published at that stage.