

<b>Title:</b> The extension of the Primary Authority scheme to cover the age-restricted sale of alcohol and fire safety regulations  <b>IA No:</b> BIS BRDO001  <b>Lead department or agency:</b> Department for Business, Innovation and Skills  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 31/10/2013		
	<b>Stage:</b> Validation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
			<b>Contact for enquiries:</b> Olivia Bolt (x0972)
<b>Summary: Intervention and Options</b>			<b>RPC Opinion: VALIDATED</b>

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£213.43m	£141.46	£-13.61m	Yes OUT

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

Businesses have identified inconsistency in the delivery of regulation across local authority areas e.g. differences in interpretation of the law and attitudes to advice and enforcement. Primary Authority addresses this problem by allowing businesses to form partnerships backed by statute with local authorities to provide them with access to assured advice on compliance in relation to a range of regulations. The scheme has been successful and has received positive feedback from those involved. The extension of the scheme to cover the age-restricted sale of alcohol and fire safety regulations are of interest to business and complement existing categories within the scheme

Government intervention is needed to extend the statute to cover these additional regulations which will reduce the burden on business in these areas. Making Primary Authority widely available to businesses is one means of delivering the Government's commitment to end the 'culture of tick box regulation' because partnerships focus on increasing the provision of advice to business.

**What are the policy objectives and the intended effects?**

The policy objectives are to address inconsistency in the local enforcement of regulations currently out of scope of the existing scheme. This will mean a further reduction of the regulatory burden on businesses, ensuring that the scheme delivers all of its potential benefits by incorporating a wider range of regulatory areas. The extension of the scheme to cover the age-restricted sale of alcohol and fire safety regulations is applicable to England and Wales.

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

We have considered two options:

Option 1: Do nothing

Option 2: Extend the scheme to cover more regulations (preferred option): fire-safety and age-restricted sales of alcohol  
We have included the two extensions together in the Impact Assessment for ease of analysis.

No other alternatives are proposed as the extension can only be done by legislation. As the existing scheme has already demonstrated benefits and has proved its capacity to deliver more effective and more streamlined regulation for businesses at a local level, we believe that those benefits should be extended.

This preferred option will require a statutory instrument. The scheme is voluntary for business and local authorities may choose whether to become Primary Authority

**Will the policy be reviewed? It will be reviewed. If applicable, set review date:** 04/2017

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 <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			Traded: N/A	Non-traded: N/A	

*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.*

Signed by the responsible Minister

Michael Fallon

Date: 10 March 14

## Summary: Analysis & Evidence

## Policy Option 2

**Description:** Extending the Primary Authority scheme to cover the age-restricted sale of alcohol and fire safety regulations

### FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £159.03	High: £267.84	Best Estimate: £213.43

  

<b>COSTS (£m)</b>	<b>Total Transition</b> (Constant Price) Years		<b>Average Annual</b> (excl. Transition) (Constant Price)	<b>Total Cost</b> (Present Value)
Low	1.9		12.7	111.2
High	4.0		21.4	188.1
Best Estimate	2.9		17.0	149.6

**Description and scale of key monetised costs by 'main affected groups'**  
 Costs to business and coordinators which chose to enter the scheme: one-off costs (setting up a partnership) between £1.2m - £2.9m and annual costs (maintenance, cost-recovery costs) between £5.9m - £9.8m.  
 Costs to primary authorities: one-off costs (setting up a partnership) between £0.6m - £1.0m and annual costs (administrative costs) between £5.4m - £9.1m. Costs for enforcing authorities (cost of notification and regular contact with primary authorities): £1.5m - £2.5m.

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

  

<b>BENEFITS (£m)</b>	<b>Total Transition</b> (Constant Price) Years		<b>Average Annual</b> (excl. Transition) (Constant Price)	<b>Total Benefit</b> (Present Value)
Low	0.4		31.3	270.2
High	0.7		52.9	455.9
Best Estimate	0.6		42.1	363.1

**Description and scale of key monetised benefits by 'main affected groups'**  
 Benefits to business and coordinators which chose to enter the scheme: annual benefits (from improved consistency of advice) between £18.2m - £30.8m.  
 Benefits to primary authorities (cost recovery): one-off benefits of £0.4 - £0.7m, annual benefits of £3.7m - £6.3m.  
 Benefits for enforcing authorities (by increased efficiency and reduced duplication): £9.4m - £15.8m.

**Other key non-monetised benefits by 'main affected groups'**  
 There will be further benefits to businesses in direct partnerships as the scheme will bring increased confidence to invest in compliance across their sites and manage their risk while generating growth. Participating businesses in co-ordinated partnerships will have assurance that the approach developed by their co-ordinator for their situation will be respected in their locality. This will reduce business risk and provide confidence to invest and grow.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5
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Main assumptions: number of partnerships, the rate of cost recovery, cost to business of inconsistent advice. Categories of costs and benefits are the same after extension as those identified for the existing scheme. Main risks: rate of take-up, extent of benefits to business arising from the extension of the scheme, cost recovery by local authorities.

### BUSINESS ASSESSMENT (Option 2)

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of OIOO?</b>	<b>Measure qualifies as</b>
Costs: 6.7	Benefits: 20.3	Net: 13.6	Yes	OUT

# Evidence Base

## Executive Summary

Primary Authority allows businesses, charities or other organisations to form partnerships backed by statute with local authorities. Primary Authority is available to a single business that is regulated by multiple local authorities (known as a direct partnership), or to a business that is part of a group of businesses that are collectively regulated by multiple local authorities, where these businesses share an approach to compliance (known as co-ordinated partnerships).

The main benefits of Primary Authority are:

- **Primary Authority Advice and guidance** issued to the business by the primary authority in the areas of regulation covered by the partnership
- **Inspection plan** agreed between the primary authority and the business or co-ordinator
- **Co-ordinated enforcement action** proposed against the business

The aim of extending the scheme in these areas is to address inconsistency in the local enforcement of regulation and to reduce the regulatory burden on businesses by increasing coverage of the scheme and thereby increasing access to it for businesses.

This impact assessment considers 2 options.

- Do nothing
- Extend the scheme (preferred)

Whilst it is possible to consider the extension of Primary Authority to each area of regulation individually, analysis shows that there is a net benefit to business from extending the scheme to both fire safety and the age-restricted sales of alcohol, so for simplicity we have presented the option of extending Primary Authority to both proposed areas as one option. The impact of individual regulations is shown in the table below.

	Business NPV	Net cost to business per year (EANCB on 2009 prices)
Fire safety	£117.37	-£11.29m
Age restricted sales of alcohol	£24.09m	-£2.31m
Total	£141.46m	-£13.61m

Option 1 is the status quo and so presents no additional costs and benefits.

Analysis for option 2 looks at the following costs and benefits to calculate the net present value to businesses and society.

### Business

- (1) One off costs of setting up partnerships to businesses and coordinators
- (2) Annual cost of maintaining partnerships for businesses and coordinators
- (3) Savings due to a reduction in inconsistent advice for businesses and coordinators

### Primary Authority

- (1) One off costs of setting up partnerships
- (2) Annual cost of maintaining partnerships
- (3) Annual cost of contact with enforcing officers
- (4) Cost recovery from business

### Enforcing Authorities

- (1) Annual cost of contact with Primary Authorities
- (2) Savings through reduced duplication

The analysis shows the extension would have positive benefits for both businesses and local authorities. The summary table is shown below.

#### Summary of net impacts of the new regulations<sup>1</sup>

	Low Estimate	High Estimate	Best Estimate
<b>Total annual net impacts – Business</b>	£12.4m	£21.0m	£16.7m
<b>Total annual net impacts – Primary Authorities</b>	-£1.6m	-£2.8m	-£2.2m
<b>Total annual net impacts – Enforcing Authorities</b>	£7.9m	£13.3m	£10.6m
<b>Total annual net impacts – Local Authorities</b>	£6.3m	£10.5m	£8.4m
<b>Total annual net impacts (on businesses and Local Authorities)</b>	<b>£18.6m</b>	<b>£31.5m</b>	<b>£25.1m</b>

Overall the annual net impact on local authorities is positive. However, the impact on primary authorities is negative. This is because the evidence shows they are not currently fully cost recovering the cost of developing and maintaining partnerships. The annual net impact on primary authorities would be zero if they fully cost recovered. While the latest evidence we have suggests that not all primary authorities are fully cost recovering, we believe that more primary authorities will cost recover in the future as partnerships become larger and therefore more costly to develop and maintain. In addition, as demand for the scheme increases as predicted, the ability for primary authorities to achieve economies of scale will increase and we might expect their efficiency in recovering costs to improve. Whilst this would impose an additional cost on business, there would still be a sizeable benefit to businesses

#### Summary of NPV for businesses and authorities

	Low Estimate	High Estimate	Best Estimate
<b>NPV– Businesses</b>	£105.31m	£177.61m	£141.46m
<b>NPV – Primary Authorities</b>	-£14.17m	-£24.50m	-£19.33m
<b>NPV – Enforcing Authorities</b>	£67.89m	£114.73m	£91.3m
<b>NPV – Local Authorities</b>	£53.72m	£90.23m	£71.98m
<b>NPV - Total</b>	<b>£159.03m</b>	<b>£267.84m</b>	<b>£213.43m</b>

<sup>1</sup>These are the annual benefits and costs a business or authority can expect each year. These are not discounted and so reflect the savings in the first year (i.e. 2013).

## **Background**

1. Primary Authority was established under the Regulatory Enforcement and Sanctions Act 2008 'RES Act' and has been in operation since 2009. The scheme was created in response to recommendations in the Hampton Report (2005) which noted widespread inconsistencies of regulatory interpretation between different local authorities.
2. The key elements of the scheme:
  - The primary authority acts as a key point of contact for a business that it partners with, in relation to the business's interactions with local authorities that regulate it, known as enforcing authorities. It is significant to note that in the case of age restricted sales of alcohol, enforcement responsibilities are split between local authorities and police forces. Police forces operate outside the scope of Primary Authority and there are no plans to change this.
  - The primary authority also has a role to play leading regulation of the business on behalf of local authority regulators, including through the co-ordination of intelligence and of responses to specific issues that arise.
  - The primary authority is able to share compliance information with enforcing authorities, and may with consent from the Secretary of State, publish an inspection plan where this will be of benefit in guiding or co-ordinating the activities of enforcing authorities. As a result, protections are enhanced, although enforcing authorities are not constrained from responding to and investigating complaints
  - The primary authority is able to provide advice and guidance on compliance to the business (known as 'Primary Authority Advice') in areas of regulation covered by the partnership, on which the business can rely.
  - Where the business faces potential enforcement action by an enforcing authority, the primary authority will assess whether the proposed action is inconsistent with any Primary Authority Advice given. If the action is inconsistent, the primary authority is able to direct the enforcing authority not to take the action.
  - The Secretary of State is empowered to make a determination in the case of a disagreement as to whether proposed enforcement action is inconsistent with Primary Authority Advice given by the primary authority, and whether that advice was correct and properly given.

## **Primary Authority Advice**

3. 'Primary Authority Advice' is any advice and guidance from the primary authority to a business, or businesses that covers matters relating to compliance in the areas of regulation covered by the partnership. This advice and guidance may be used as a basis for directing against proposed enforcement action where the primary authority subsequently receives a notification of proposed enforcement action that would be inconsistent with the Primary Authority Advice.
4. Primary Authority Advice does not affect the responsibility that a business has to comply with legal requirements, but supports it in meeting its obligations by:
  - i. helping it to understand what needs to be done to achieve and maintain compliance;
  - ii. setting out a way of achieving and maintaining compliance; or
  - iii. providing confirmation that the method of compliance chosen by the business is acceptable.

## **Inspection plans**

5. Partnerships can work together to prepare an inspection plan, agreeing on national priorities for the inspection of the business.
6. Inspection plans can deliver the following benefits:
  - i. promoting more informed risk assessment of the business, or group of businesses;
  - ii. co-ordinating risk-based regulation of the business or group of businesses, and improving targeting of premises or activities at a local level;

- iii. improving the allocation of local resources by focusing local checks on priority issues, reducing or eliminating local checks in clearly defined areas, addressing inefficiencies and duplication of effort, and enhancing the effectiveness of the enforcing authority's checks;
  - iv. collating an improved national picture in key areas of compliance through better feedback on local interventions;
  - v. promoting an effective, consistent, communication process for businesses and enforcing authorities.
7. An inspection plan may provide helpful information on the business and its approach to managing compliance and it may set out specific requirements that local authorities must follow. Inspection plans only apply to routine and proactive inspections; authorities are free to react to emergency situations or local complaints as they arise as complaint investigation is outside the scope of an inspection plan.

### **Coordinating enforcement action**

8. The primary authority coordinates enforcement action proposed against the business. Where an enforcing authority proposes to take enforcement action against a business, it is required to make a statutory notification of the proposed enforcement action to the primary authority. In the case of alcohol, a premises licence review does not constitute enforcement action and this process will not be affected by Primary Authority.
9. Experience of Primary Authority to date indicates a reduction in enforcement activity; this is because an approach to manage issues can often be agreed as a result of liaison between the enforcing authority and the primary authority, thereby reducing the burden for enforcing authorities and business.

### **Eligibility**

10. Primary Authority is open to any business, charity or other organisation that satisfies the eligibility criteria.
11. The scheme is available to a single business that is regulated by multiple local authorities (known as a direct partnership), or to a business that is part of a group of businesses that are collectively regulated by multiple local authorities, where these businesses share an approach to compliance, (known as co-ordinated partnerships), for example, businesses in trade associations, franchises or business groups.

### **Problem under consideration**

12. The government announced in 2010 a new approach to regulation: to reduce the burdens felt by businesses and create a business environment that promotes growth and enterprise. The 2011 Transforming Regulatory Enforcement<sup>2</sup> paper in line with the Coalition commitment to “end tick box regulation”, proposed the extension of the Primary Authority scheme as a way of improving the coherence, accountability and transparency of local regulation.
13. In its current format, Primary Authority has limitations on its current scope because fire safety and age-restricted sales of alcohol are not included, yet other categories of age restricted sales regulation are already within the scope of the scheme.. As a result many businesses still face inconsistencies in local-level regulatory enforcement in the delivery of these areas of regulation.
14. During the Focus on Enforcement Reviews<sup>3</sup>, businesses identified that approaches to enforcement of legislation and business engagement vary across the country. It was found that the role of fire and rescue authorities is confusing to business. The Focus on Enforcement Review of pubs found that

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/197593/11-1408-transforming-regulatory-enforcement-government-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197593/11-1408-transforming-regulatory-enforcement-government-response.pdf)

<sup>3</sup> <http://discuss.bis.gov.uk/focusonenforcement/>

Primary Authority would help licensed premises ensure compliance with age restricted sales legislation, thus reducing risks of minors accessing alcohol illegally from pubs. Businesses also reported significant inconsistencies in enforcement decisions and said that they 'would like to see Primary Authority applied to fire safety as a means of addressing inconsistency and the costs arising from it.'

## Rationale for intervention

15. The Government has committed to ending the 'culture of tick-box regulation'.<sup>4</sup> Primary Authority is a key tool in achieving this aim and this provides the rationale for the overall policy, which is that Primary Authority should be made as widely available to businesses and covering as many areas of regulation as possible. The Government response to the consultation on Transforming Regulatory Enforcement (December 2011) committed to extending Primary Authority in three ways: strengthening inspection plans, allowing more organisations to participate in order to enable small businesses to benefit from it and to include specific policy areas within the scheme, which are currently out of its scope.<sup>5</sup>
16. By ensuring regulation is consistently applied across local authority boundaries, Primary Authority helps reduce the burden of regulation on business, enabling them to invest and grow.
17. Primary Authority also fits squarely with the localism agenda. Regulatory power is maintained at the local level, but businesses operating nationally are afforded a joined-up approach to regulation. The scheme promotes a collaborative approach and dialogue between local authorities, allowing them to focus resources more effectively, while still responding to local concerns and intelligence.
18. The specific rationale for intervention to extend the scheme to fire safety and the age-restricted sale of alcohol is to address continuing inconsistency in local-level regulatory enforcement in these regulatory delivery areas. In turn, this will further reduce the burden on businesses which are currently ineligible for a primary authority partnership covering these regulations.
19. The responses to the consultation on the Transforming Regulatory Environment discussion papers indicated that businesses felt that extending the scheme to fire safety and age restricted sale of alcohol would be of benefit to them achieving a reduction in inconsistency in enforcement. Following on from this consultation the Government committed to introduce pilots to establish whether and how Primary Authority could fit alongside current legislation and enforcement mechanisms in relation to fire safety and age restricted sale of alcohol.
20. In autumn 2012 two pilots (one voluntary, one backed by statute) were set up to examine how partnership working could help improve the delivery of fire safety regulation. An independent evaluation<sup>6</sup> concluded that partnership working delivered benefits to both businesses and Fire and Rescue Authorities the statutory scheme represented 'the most sensible way forward'. In September 2012, a six month pilot for the extension of Primary Authority for age restricted sale of alcohol was commenced. The evaluation of the pilot concluded that the scheme will not have negative impacts upon the police service or enforcing authorities. As a result, the extension has been approved.

The detailed rationales for intervention for each area proposed to be included in the extension are listed here:

Area	Rationale
Extend the scope of regulation to include fire safety	The Regulatory Reform (Fire Safety) Order 2005 is in place to ensure that appropriate steps are taken to protect human life. The Order applies to virtually all commercial premises and covers nearly every

<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/78977/coalition\\_programme\\_for\\_government.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf)

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31428/11-1408-transforming-regulatory-enforcement-government-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31428/11-1408-transforming-regulatory-enforcement-government-response.pdf)

<sup>6</sup> <http://www.bis.gov.uk/assets/brdo/docs/publications-2013/13-1242-fire-pilot-evaluation.pdf>

	<p>type of building, structure and open space.</p> <p>The Fire Safety Order 2005 places a general duty on the <i>responsible person</i> to ensure the safety of all relevant persons on their premises; ensure the safety of all other persons who may be affected by fire at their premises; to carry out a suitable and sufficient fire risk assessment; and to implement appropriate and adequate fire safety measures to minimise the risk to life in the event of a fire to as low as reasonably practicable.</p> <p>There are 46 Fire and Rescue Services in England and 3 in Wales; each is accountable to a Fire and Rescue Authority (FRA) made up of locally elected councillors. The FRAs have a range of statutory duties and are expected to set policy and be accountable for the overall direction and performance of the services they provide.</p> <p>Under the Fire and Rescue Services Act 2004 and the Fire Safety Order 2005, FRAs have a number of statutory duties including, to:</p> <ul style="list-style-type: none"> <li>• make provision for promoting fire safety, through providing information and advice;</li> <li>• make provision for extinguishing fires, and protecting life and property in the event of a fire; and</li> <li>• enforce the Fire Safety Order.</li> </ul> <p>The recent review of the Regulatory Reform (Fire Safety) Order 2005 reported that businesses expected their fire and rescue authority or local authority to provide targeted advice and guidance: “Few of the businesses interviewed for this evaluation were aware of the availability of the HM Government’s guidance, or of other sources of fire safety guidance. All, however, felt it important that guidance on implementing their responsibilities should be available – and expected their Fire and Rescue Authority or local authority to be a primary source.”<sup>7</sup></p> <p>Primary Authority is a partnership backed by statute that enables businesses to receive assured advice from one Fire Authority, and as such, it will be an effective measure to help address some of the issues of inconsistency, lack of transparency and over regulation that emerged as key themes during the recent Fire Safety Focus on Enforcement Review. The recent pilot of Primary Authority for fire safety and the independent review which followed it strongly supported this view.</p>
Extend the scope of regulation to include the age-restricted sales of alcohol	<p>Parts of the Licensing Act 2003 regulate the age restricted sale of alcohol.</p> <p>Primary Authority already applies to some areas of age-restricted sales legislation, notably tobacco products, gambling and fireworks. This enables businesses involved in supplying these products to receive assured advice from their primary authority regarding age verification procedures. Where partnerships are in place and a local authority is considering enforcement action, they must notify the primary authority and ensure that their decision is consistent with any relevant assured advice. It is envisaged that Primary Authority will</p>

<sup>7</sup> Initial Evaluation of the Effectiveness of The Regulatory Reform (Fire Safety) Order 2005, March 2009, <http://www.communities.gov.uk/documents/fire/pdf/regulatoryreformorder.pdf>



	<p>apply to the age-restricted sale of alcohol in broadly the same way as it applies to age-restricted sales of tobacco products, fireworks and gambling.</p> <p>Partnerships also have the option of developing an inspection plan, to improve and direct targeting at areas that are considered high risk. Inspection Plans can be used to coordinate test purchasing activity and receive enhanced feedback. This will help them to identify where improvements are necessary, and deliver better protections for young people. Such an approach is consistent with the Government's Code of Practice on Age Restricted Products, which was published in February 2013. This Code of Practice promotes risk-based approaches to enforcement of age restricted sales regulation. Extending Primary Authority to include age restricted sales of alcohol will lead to greater consistency and efficiency, and will enable local authorities to target their limited resources at tackling alcohol-related crime and disorder at irresponsible, non-compliant businesses.</p> <p>The current legal system is complex and fragmented for age restricted sales which underlines the simplification PA extension could have – there are 13 separate categories of age restricted products sold by retailers, among them alcohol. In the pub trade staff turnover is higher than the average rate in retail, at around 60%. All staff must be properly trained and supervised. Currently there are in the order of 600,000 staff employed in pubs and bars. Extending the scheme to age restricted sales of alcohol has great scope to simplify this.</p> <p>In December 2011, the Chancellor made it a condition of clearance to the micro-business regulatory moratorium and the rebalancing of alcohol licensing that the Primary Authority scheme is extended in principle to all age-related products providing it does not limit enforceability or operational independence, or increase bureaucracy for the police. Extending Primary Authority to include age restricted sales of alcohol is consistent with this clearance condition.</p> <p>Between September 2012 and April 2013, a six month pilot took place to monitor potential negative impacts associated with the scheme. In particular, the pilot focused on looking at whether the scheme would limit enforceability; restrict operational independence or whether it would increase bureaucracy for the police. The pilot found no evidence of these negative impacts and the Association of Chief Police Officers was content that that the pilot had not had any detrimental impact on the police. However, data gathered during the pilot was limited. The Home Secretary and the Business Minister have supported the extension of the Primary Authority Scheme to include age restricted sales of alcohol on condition that an evaluation of potential negative impacts associated with the scheme takes place two years after implementation.</p>
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## Policy objective

21. The policy objectives are to address inconsistency in the local enforcement of regulation in policy areas currently out of scope of the existing scheme and further reduce the regulatory burden on businesses by increasing the opportunities for participation in the scheme to extend those benefits to more businesses.

22. The intended effects include:

- reduction in the cost of regulation to business and public services
- improved compliance by an improved relationship between businesses and their primary authority
- improved accountability and transparency
- higher levels of consistent regulation between Authorities
- businesses have confidence and certainty as a result of primary authority advice, meaning they can plan investment in compliance and manage their risk while generating growth
- improved efficiency of local authorities to target scarce resources where they are needed most, such as in dealing with rogue traders.

## Options considered

23. We have considered two options:

Option 1 –do nothing

Option 2 – extend the scheme

### ***Option 1 – Do nothing***

24. This option involves the scheme continuing as it currently is.

25. The impact assessment of statutory instruments implementing Primary Authority<sup>8</sup> assumed that 700 – 1,100 partnerships would be set up by 2014. As of 30th September 2013 there were 879 businesses in a primary authority partnership. The analysis on option two does not make any further assumptions about the growth of the existing scheme and looks only at the impact of the new regulations over and above the existing regulations.

## Costs/Benefits

26. Zero. This is the counterfactual for option two.

### ***Option 2 – Extend the scheme to cover the age-restricted sale of alcohol and fire safety regulations***

This option involves extending to new policy areas: the age-restricted sale of alcohol and fire safety regulations. Whilst it is possible to consider the extension of Primary Authority to each area of regulation individually, analysis set out below shows that there will be a net benefit to business from extending the scheme to both fire safety and age-restricted sales of alcohol, so for brevity we have presented the option of extending Primary Authority to both proposed areas as one option.

27. The impact of individual regulations is shown in the table below.

**Table 1: Summary of net costs to business and business net present value by regulation**

	Business NPV	Net cost to business per year (EANCB on 2009 prices)
Fire safety	£117.37	-£11.29m
Age restricted sales of alcohol	£24.09m	-£2.31m
Total	£141.46m	-£13.61m

## Data and assumptions

28. The extensions to Primary Authority are permissive in nature as they allow but do not force businesses to participate in the scheme, or to incur costs. Therefore businesses should only engage

<sup>8</sup> <http://www.bis.gov.uk/files/file50501.pdf>

where it is of benefit to them. We also assume that co-ordinated partnerships will only sign up to be part of the scheme if they feel that they will benefit. The analysis below attempts to quantify the benefits and costs of the extensions based on experiences from the existing schemes. The assumptions we use in the calculations below are tailored to each regulation area.

## Sources

29. Most of the data used for the estimates is provided by RAND Europe from an evaluation of Primary Authority in 2011<sup>9</sup>. Other assumptions are based on previous impacts assessments<sup>10</sup>, consultation responses and the Better Regulation Delivery Office's (BRDO) knowledge of the scheme<sup>11</sup>.
30. The number of likely candidates for the new categories is estimated based on the Inter Departmental Business Register.

## Overview: impact of extending primary authority partnerships

31. To estimate the impact of the additional regulations we estimate:

- the number of additional (i.e. new and expanded) primary authority partnerships; and
- the costs and benefits associated with each new and expanded primary authority partnership.

It is necessary to separate this analysis into two strands – one for direct partnerships and the other for co-ordinated partnerships.

32. Additional partnerships include: those which are newly created partnerships with no previous participation in Primary Authority ('new partnerships'); and where there is already an existing partnership under a different area or areas of regulation, which is expanded to cover a new regulation ('expanded partnerships').
33. Unlike previous impact assessments, this impact assessment also looks at co-ordinated primary authority partnerships. The extension of the scope of the scheme has widened potential participation, meaning that it is no longer only open to single businesses that operate across multiple local authority areas. Instead, businesses that are part of a group of businesses that are collectively regulated by multiple local authorities, where these businesses share an approach to compliance (e.g. franchises and trade associations) are eligible to participate in the scheme.
34. Co-ordinators manage the relationship with the primary authority for the businesses that they co-ordinate. The way that this relationship is managed may vary between those eligible for example trade associations, franchises and business groups. However, in this analysis we assume that they operate in a similar manner.
35. Overall the annual net impact on local authorities is positive. However, the impact on primary authorities is negative. This is because the evidence shows they are currently not fully cost recovering the cost of developing and maintaining partnerships<sup>12</sup>. The annual net impact on primary authorities would be zero if they fully cost recovered. Whilst this would impose an additional cost on business, there would still be a sizeable benefit to businesses.

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<sup>9</sup> BRDO commissioned RAND Europe to carry out an evaluation of Primary Authority. The full report is available at <http://www.bis.gov.uk/assets/brdo/docs/publications-2011/11-1466-evaluating-pa.pdf>

<sup>10</sup> Impact Assessment on implementing the Primary Authority scheme, March 2009: <http://www.bis.gov.uk/files/file50501.pdf>  
Impact Assessment on extending the primary authority scheme, April 2011:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31432/11-987-impact-assessment-extending-primary-authority-scheme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31432/11-987-impact-assessment-extending-primary-authority-scheme.pdf)

Impact Assessment on extending the primary authority scheme, November 2011:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31985/12-864-impact-assessment-extending-primary-authority-scheme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31985/12-864-impact-assessment-extending-primary-authority-scheme.pdf)

<sup>11</sup> See information on the website: <http://www.bis.gov.uk/brdo/primary-authority>.

<sup>12</sup> Note: For coordinated partnerships we assume that primary authorities fully cost recover due to the size, complexity and expense of these partnerships. Data from RAND Europe suggests that Primary Authorities are more likely to cost recover for larger partnerships.

## Estimating the number of additional Primary Authority partnerships

36. Direct partnerships are those that are set up between an individual business and a primary authority, where the business operates across multiple local authorities. To estimate the number of additional direct partnerships, we need to understand the number of businesses in scope of the relevant regulation i.e. those who operate across local authority boundaries. We then need to estimate the take-up rate for those in-scope businesses choosing to participate in partnerships related to the new regulations.
37. The number of businesses in-scope is estimated by using data from the Inter-Departmental Business Register, recording those that are likely to be subject to these regulations and operate in multiple local authorities.
38. The take-up rate for new partnerships with businesses not currently in a primary authority partnership is estimated using data from take-up rates on existing schemes. We estimate that 32,340<sup>13</sup> businesses in England and Wales operate in sectors in scope of existing regulations and operate across local authority boundaries. These businesses would therefore be eligible for direct primary authority partnerships. Currently 879 of these businesses are participating in Primary Authority giving a take-up rate of 2.72%<sup>14</sup>. This is the take-up rate that we use for the age-restricted sales of alcohol in this impact assessment. Given the scope of the extension to fire safety regulations, we feel that this take-up rate is unrealistic for fire as it would assume that the extension would double the number of existing partnerships. Instead, we assume a 0.4% take-up rate for fire safety regulations. This is based on BRDO knowledge of expected take-up following experience from the fire-safety pilot.
39. We expect that businesses already in a primary authority partnership will be highly likely to extend their partnership to include relevant new regulations, given the minimal costs associated with this. We have therefore assumed a take-up rate for existing partnerships of 50%-100%.
40. It is important to note that this assumption suggests that some businesses in existing partnerships may extend to cover both alcohol and fire safety regulations. Therefore, the number of potential expanded partnerships is greater than the number of actual businesses in existing partnerships. Therefore, while there are currently 879 businesses in primary authority partnerships, we estimate that there will be between 503 and 1005 expanded partnerships, as highlighted in table 2a below.

**Table 2a – Estimated number of direct partnerships**

	Regulation	In-scope businesses operating in multiple local authorities <sup>(a)</sup>	In-scope businesses in existing PA partnerships <sup>(b)</sup>	Businesses entering into new PA partnerships <sup>(c)</sup>	Businesses in existing partnership expanding to cover new regulations <sup>(d)</sup>
Direct partnerships	Alcohol	2125	126	58	63-126
	Fire	32340	879	129	440-879
	<b>Total</b>			<b>187</b>	<b>503-1005</b>

Source: (a) BIS analysis of the Inter-departmental Business Register (IDBR)

(b) Primary authority database

(c) (a) x take-up rate for fire (0.4%)/alcohol(2.72%)

(d) (b) x 50-100%

<sup>13</sup> Inter-Departmental Business Register. June 2013

<sup>14</sup> As of 30<sup>th</sup> September 2013. Take-up rate = (businesses already in PA / businesses operating in multiple local authorities subject to PA regulation) \* 100. Data on Primary Authority partnerships is available from the BRDO website.

41. The Enterprise and Regulatory Reform Act 2013 extends the eligibility for primary authority to businesses that have arrangements in place to share an approach to compliance with at least one other business, provided that the businesses are collectively regulated by more than one local authority in respect of a relevant function. A co-ordinated partnership is set up between a primary authority and a coordinator (for example, trade association, franchisor or head of a business group)
42. We estimate that there are approximately 3350 potential co-ordinators<sup>15</sup> operating in the UK. We believe that 100% of these will be in-scope to form primary authority partnerships for fire but only 14% will be in-scope for alcohol<sup>16</sup>. As outlined above for direct partnerships, we assume a 2.72% take-up rate for alcohol and a 0.4% take-up rate for fire. We therefore, estimate that there will be 13 new coordinated partnerships for fire-safety and 13 new coordinated partnerships for alcohol (see table 2b below).
43. The first coordinated partnerships were formed on the 1<sup>st</sup> October 2013. The coordinated partnerships element of the scheme is therefore in its early stages. As of April 2014 when the extensions to fire-safety and the age-restricted sales of alcohol come into in force, we expect there to be approximately 30<sup>17</sup> existing co-ordinated partnerships in place. Based on Better Regulation Delivery Office knowledge of these individual partnerships we are assuming that 9 of these (30%) will extend to fire and 4 (13.3%) to alcohol.
44. Trade associations, franchises and business groups cover a huge range of businesses. It is therefore difficult to estimate the average number of businesses covered by a co-ordinator. We have used BRDO knowledge of the coordinators in existing partnerships to estimate the average number of businesses they cover<sup>18</sup>. This gives a range of 13 to 1607 businesses per co-ordinator. We assume that 50%<sup>19</sup> of eligible businesses covered by each coordinator will sign up to the scheme. We therefore expect the average number of businesses per co-ordinator to sign up to the scheme to be 7 to 804.

**Table 2b – Estimated number of coordinated partnerships**

	<b>Regulation</b>	<b>In-scope coordinators<sup>(a)</sup></b>	<b>Coordinators in existing PA partnerships</b>	<b>Coordinators entering into new PA partnerships<sup>(b)</sup></b>	<b>Coordinators in existing partnership expanding to cover new regulations<sup>(c)</sup></b>
Coordinated partnerships	Alcohol	469	30	13	4
	Fire	3350	30	13	9
	<b>Total</b>			<b>26</b>	<b>13</b>

Source: (a) in scope coordinators = number of trade associations, franchises etc x 100% for fire/14% for alcohol

(b) coordinators in new PA partnerships = in-scope coordinators x take up rate for fire (0.4%)/alcohol (2.72%)

(c) based on BRDO knowledge of coordinators currently in coordinated partnerships

<sup>15</sup> Based on 2420 trade associations (Trade Association Forum), 929 Franchise brands (British Franchise Association). We do not have an estimate for the number of Business Groups so this will be an underestimate of the true figure.

<sup>16</sup> Based on a comparison with the number of existing eligible direct partnerships – 126 eligible existing direct partnerships out of the total 879 (as of September 2013)

<sup>17</sup> Based on the number of coordinated partnerships from the pilot and other expressions of interest as of 1<sup>st</sup> October 2013

<sup>18</sup> Average of 13 businesses per business group, 153 per franchise and 1607 for trade associations.

<sup>19</sup> It is likely that 100% of businesses within a company group will sign up, >50% of businesses within franchises and <50% within trade associations.

## ***Impacts on business***

45. The extensions to Primary Authority are permissive in nature as they allow but do not force businesses to participate in the scheme, or to incur costs. Therefore, businesses and co-ordinators should only engage where it is of benefit to them. The analysis below attempts to quantify the benefits and costs based on experiences from the existing schemes. The assumptions we use in the calculations below are tailored to each regulation area and type of partnership.

### *Costs to businesses*

46. In the following analysis we consider businesses in both direct and co-ordinated partnerships. Within co-ordinated partnerships, this includes both the coordinator (i.e. the trade association, franchisor or head of business group) and the individual business beneath these.

47. To calculate the costs, we have calculated the one-off costs businesses will have to face when establishing a partnership and the ongoing annual costs. One-off costs include the cost of setting up the partnership. Ongoing costs include the cost of maintenance and the cost-recovery charges from their primary authority. We assume that the only costs to individual businesses within co-ordinated partnerships are the initial start up costs.

### *One-off costs*

48. Businesses will face start up costs in establishing a Primary Authority partnership. To calculate these costs we have estimated the number of hours spent for new and expanded partnerships. Evidence from the Primary Authority evaluation<sup>20</sup> suggested that businesses spend 37.68 hours establishing a Primary Authority partnership at a cost of £27.93<sup>21</sup> per hour. This gives a total one-off cost for new and expanded direct partnerships between £0.7m and £1.3m<sup>22</sup>.

49. For co-ordinated partnerships we assume that the coordinator spends the same amount of time establishing a primary authority partnership i.e. 37.68 hours. There will also be additional costs for the coordinator in terms of encouraging take-up, training etc from the businesses they coordinate. We have estimated this at 36 hours<sup>23</sup>. In addition, we have assumed that the individual business spends 1 hour setting up a primary authority partnership. This gives a total one-off cost for new and expanded coordinated partnerships at approximately £0.08m<sup>24</sup> for the coordinator and between £0.007 and £0.9m<sup>25</sup> for the individual businesses.

50. Businesses can also develop inspection plans. Inspection plans allow authorities to inspect businesses in a co-ordinated way and removes duplication of resource therefore delivering savings to both business and enforcement authority. The inspection plan is prepared to support other local authorities in targeting their local inspection resources in relation to the businesses. If businesses choose to develop an inspection plan with their primary authority then they will incur costs in doing so. However, currently 3.5% of businesses in Primary Authority have an inspection plan. As a result these account for a very small cost and benefit for both businesses and Local Authorities<sup>26</sup>.

51. The Regulatory Enforcement and Sanctions Act 2008 enables primary authorities to recover costs incurred from operating the scheme for participating businesses (both for setting up partnerships and

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<sup>20</sup> RAND Europe 2011.

<sup>21</sup> The mean hourly senior manager rate is £23.91 according to ASHE 2012 data. Uplifting this by 16.8% (as advised by BIS guidance) to take into account overheads implies total labour costs of £27.93

<sup>22</sup> Total costs = (new direct partnerships + expanded direct partnerships (690-1192)) x 37.68 hours x £27.93). Whilst the costs of expanding a partnership may be lower than 37.68 hours we have no evidence so have cautiously assumed the 37.68 hours will still apply.

<sup>23</sup> Based on BRDO knowledge of the scheme

<sup>24</sup> Total costs = (new coordinated partnerships + expanded coordinated partnerships (39) x (73.68 hours) x £27.93)

<sup>25</sup> Total costs = (average number of businesses per coordinator expected to sign up (7-803)) x (new + expanded coordinated partnerships (39)) x (1 hour) x £27.93

<sup>26</sup> It is assumed that 3.5% of additional partnerships will feature one. Evaluation data suggests that businesses spend an average of 20.6 hours on developing an inspection plan. If the uptake of inspection plans is the same as in the current scheme then the costs will be close to zero (i.e. £14k-24k for both direct and coordinated partnerships).

for inspection plans). Data<sup>27</sup> shows that 48% of current partnerships recover full costs while 12% do not recover any costs. The remaining 40% recover some costs, which for the purposes of this analysis is assumed to be at a rate of 50% based on data from the RAND Europe 2011 evaluation. This adds up to weighted average of 68% cost recovery across all partnerships. This is our central estimate and we use this assumption in all the cost recovery estimations in the analysis of direct partnerships. For co-ordinated partnerships we assume that there will be full cost recovery from all primary authorities due to the time involved, cost and complexity of these partnerships.

52. However, the rate of cost recovery for the scheme in the future is uncertain and we expect more primary authorities to recover costs as the scheme expands further. Given that the net benefits to business in our analysis are sensitive to this rate, we have carried out additional sensitivity analysis on this assumption (see tables 5a - c below). The total amount transferred by businesses and coordinators to primary authorities is between £0.42m - £0.70m for both direct and coordinated partnerships (as shown in paragraph 73 below).

53. The sum of the start-up costs, inspection plan costs and cost recovery transfer from business (see paragraph 73), will give a total one off cost to business of between £1.2m and £2.9m.

### *Annual costs*

54. Evidence<sup>28</sup> shows that businesses in existing partnerships spend 2 hours per week maintaining their partnership at an internal cost of £27.93<sup>29</sup> per hour. This will generate an additional total cost of maintenance between £2.1m and £3.6m per year for both direct and coordinated partnerships<sup>30</sup>.

55. Businesses will also face ongoing charges from the recovery of costs by their primary authority. Using the assumption of 68% cost recovery for direct partnerships and 100% cost recovery for co-ordinated partnerships set out above (paragraph 51), and costs to primary authorities set out in paragraph 72 below<sup>31</sup>, this will result in an annual cost (sum of maintenance costs and costs of dealing with enforcing authorities) for business between £5.9m and £9.8m.

### *Benefits to business*

56. Both businesses and co-ordinators will gain benefits from being in a primary authority partnership. Their savings come from

- Improved consistency of advice that reduces the burden of regulatory enforcement on them
- The development of inspection plans
- Other non-monetised benefits

### *Improved consistency of advice and inspection plans*

57. Under the scheme, businesses are able to receive assured advice from their primary authority. Enforcing authorities are required to contact primary authorities before commencing enforcement actions against a business in a primary authority partnership. This gives primary authorities the opportunity to block proposed enforcement action if it is regarded as inconsistent with assured advice. This reduces costs for business by providing consistent advice which must be respected regardless of geographical boundaries.

58. The estimate of the benefits of consistent advice is based on the cost of each incident of inconsistent advice and on the number of incidents of inconsistent advice which are projected to be removed. The costs will vary by business size and the nature of the advice. However, we have estimated that the

<sup>27</sup> RAND Europe 2011.

<sup>28</sup> RAND Europe 2011.

<sup>29</sup> The business labour cost per hour estimated from the ASHE 2012 Survey

<sup>30</sup> Total cost = number of additional businesses/coordinators (213 new and 516-1018 extended) x 2 hours per week (x52) x labour cost of £27.93 (see above).

<sup>31</sup> Total cost = cost recovery rate (68% for direct/100% for coordinated) x (maintenance hours of partnership + EA hours) x hourly charge by Primary Authorities (£42.86)

average loss from contradictory advice is £10,000<sup>32</sup> per incident per business. Data from the primary authority evaluation<sup>33</sup> suggests that the scheme reduces the average number of conflicting advice incidents by 2.5, from 5.5 to 3 a year per business in a partnership. This assumes that the size of the businesses and the frequency of conflicting advice will be the same for these new regulations as for existing regulations in the scheme. Whilst we might expect the scheme to reduce the number of incidents to zero, the latest evaluation evidence we have is from an early stage of the scheme. Further evaluation may reveal that the number of incidents under the scheme have reduced substantially. We estimate that the annual benefit to business from improved consistency of advice will be between £17.2m and £29.8m<sup>34</sup> for direct partnerships and approximately £1.0m for coordinated partnerships<sup>35</sup>.

59. There will also be small savings if businesses choose to develop inspection plans<sup>36</sup>.

### *Non-monetised benefits*

60. A recent qualitative evaluation of the primary authority scheme<sup>37</sup> has identified additional benefits that we have not been able to quantify in this impact assessment. Benefits identified in the evaluation include:

- primary authority advice - informal advice from primary authorities without needing to resort to formal primary authority processes and procedures
- primary authority input into staff development – training-based input on regulatory matters at staff inductions, conferences etc.
- supporting staff
- standardising policies, procedures, systems and documentations
- provide businesses with additional data on how they are performing

61. The evaluation also highlighted that “for larger businesses, the benefits are more likely to be those claimed for Primary Authority – greater consistency in regulatory requirements and an improved relationship with the regulatory community in particular – and are more likely to be derived through the formal channels within Primary Authority (Assured Advice in particular).” These are the benefits that we have quantified in this impact assessment.

62. “For smaller businesses, the benefit are often not those generally claimed for Primary Authority and, more often than not, are derived informally, through what we have termed Primary Authority Advice, rather than through the more formal channels available within the scheme.” It is not possible to quantify these benefits as we have no evidence on the savings from these informal channels. However, we would expect businesses in co-ordinated partnerships to experience these.

63. There are likely to be additional benefits to the participating businesses within co-ordinated partnerships. These businesses are likely to benefit most from the provision of advice and guidance. Participating businesses are likely to contact co-ordinators for early advice. This will also enable more efficient use of local authority and business resources, as the primary authority would interact with the co-ordinator, rather than all the individual businesses, which would reduce the administration for both participating businesses and local authorities. Similarly, the co-ordinator would contact the

<sup>32</sup> Based on previous impact assessments of Statutory Instruments implementing the Primary Authority scheme. “Informal consultation with businesses of different sizes has shown that losses resulting from contradictory advice can be as high as £10,000 per annum. This could be due to wasted stock or wasted planning time. Including the associated benefits of the Primary Authority scheme, such as savings in potential court costs as a result of LBRO’s determination process, and an increased confidence in planning, we have assumed – conservatively – that LBRO will provide a net saving to each business taking part in the scheme of £15,000 per incident of conflicting advice”. This figure was modified downwards after discussions with business for the Review of LBRO

<sup>33</sup> RAND Europe 2011

<sup>34</sup> Total benefit = number of additional direct partnerships (690-1192) x number of incidents of inconsistent advice eliminated per partnership (2.5) x assumed average loss from contradictory advice (£10,000).

<sup>35</sup> Total benefit = number of additional coordinated partnerships (39) x number of incidents of inconsistent advice eliminated per partnership (2.5) x assumed average loss from contradictory advice (£10,000).

<sup>36</sup> It is estimated that businesses will realise savings of 20 hours per partnership per year based on BRDO’s knowledge. Overall, the total savings for business will be close to zero (i.e. £14k - £24k per year).

<sup>37</sup> <http://www.bis.gov.uk/assets/brdo/docs/publications-2013/13-1160-pa-evaluation.pdf>



primary authority for advice, rather than a range of local authorities. Participating businesses will have assurance that the approach developed by their co-ordinator for their situation will be respected in their locality. This will reduce business risk and provide confidence to invest and grow. These benefits have not been calculated in this impact assessment as the size of benefits is uncertain. Business benefits calculated here are therefore likely to be an underestimate of the true value.

64. As highlighted above, there are a number of benefits that we have not been able to monetise due to a lack of available evidence. Savings resulting from primary authority partnerships may therefore, be higher than estimated here.

### *Summary*

65. In summary, there is a one-off cost to business of between £1.25m and £2.95m and a net annual benefit to business of between £12.38m and £16.68m.

**Table 3– Impacts on business<sup>38</sup>**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Total one-off costs</b>	£1.250m	£2.950m	£2.100m
<b>Total annual costs</b>	£5.861m	£9.837m	£7.849m
<b>Total annual benefits</b>	£18.241m	£30.813m	£24.527m
<b>Total annual net impact</b>	£12.380m	£20.976m	£16.678m
<b>NPV</b>	£105.31m	£177.61m	£141.46m

### ***Impacts on Primary Authorities***

#### *Costs to Primary Authorities*

66. Primary authorities will have one-off costs and ongoing annual costs. One-off costs include the establishment of the partnership and the development of inspection plans. Administrative costs and costs of dealing with enforcing authorities comprise the annual costs. Based on BRDO data we assume that 47% of additional partnerships will be partnerships with new local authorities and 53% will be by local authorities already in the scheme. All of the following calculations on the costs include this weighting.

#### *One-off costs*

67. Evidence suggests that start up costs for primary authorities are higher for new partnerships than they are for extended ones. Based on this evidence, we assume that a primary authority will spend 29.9 hours setting up a new partnership but only 8.6 hours for extended partnerships<sup>39</sup>. As previously set out in Table 2a & b we assume that there will be 729-1231 additional partnerships. This gives the estimated costs of between £0.6m and £1.0m<sup>40</sup> for both direct and coordinated partnerships.

68. There will also be one-off costs to primary authorities if businesses develop inspection plans<sup>41</sup>.

#### *Annual costs*

69. Evidence<sup>42</sup> has indicated that primary authorities spend an average of about 3 hours per week administering new partnerships and about additional 1.5 hours per week on expanded partnerships.

<sup>38</sup> These are the one off and annual costs and benefits. These are not discounted and so effectively assume the businesses start up in 2014 and reflect savings in the first year (ie 2014).

<sup>39</sup> RAND Europe 2011.

<sup>40</sup> Total cost = [the total number of partnerships (729-1231)] x [% of new primary authorities (0.47)] x [the number of hours setting up a partnership (29.9)] x [the average hourly rate charged by a Primary Authority (£42.86)] + [the total number of partnerships (729-1231)] x [% of authorities already in the scheme (0.53)] x [the number of hours setting up a partnership (8.6)] x [the average hourly rate charged by a Primary Authority (£42.86)].

<sup>41</sup> These are close to zero (i.e. £22k to £37k).

The amount of time is dependent on a number of factors, including size of the business, the scope of the partnership and the nature of support given through the relationship. The estimate gives a range between £3.6m to £6.1m<sup>43</sup>.

70. Primary authorities also incur costs from dealing with enforcing authorities. Evidence<sup>44</sup> suggests that this takes primary authorities about 2 hours per week for new partnerships and additional 0.3 hours per week for expanded ones. This generates a total annual cost of dealing with enforcing authorities of between £1.8m and £3.0m.<sup>45</sup>

71. Total annual costs for primary authorities are therefore between £5.4m and £9.1m.

### *Benefits to Primary Authorities*

72. As mentioned above, the Regulatory Enforcement and Sanctions Act 2008 allows primary authorities to recover costs from the business and co-ordinators involved. They can charge for all of their incurred costs which includes both the one-off costs (the establishment of the partnership and the development of inspection plans) and the annual costs (maintenance costs and costs of dealing with the businesses). We use the assumption of 68% cost recovery for direct partnerships and 100% cost recovery for co-ordinated partnerships as set out in paragraph 51.

### *One-off benefits*

73. For calculating the one-off benefits for primary authorities we use the same assumptions of cost recovery as above. By assuming the 68% and 100% cost recovery, (see paragraph 51) we estimate a one-off transfer from business to primary authorities of £0.4m to £0.7m.

### *Annual benefits*

74. Primary authorities are also able to recover annual costs. Using the same assumptions for cost recovery as for the total annual costs, this benefit is estimated to be between £3.5m and £6.0m per annum for direct partnerships and £0.3m for coordinated partnerships.

### *Summary*

75. In summary, there is a one-off net cost to primary authority between £0.183m and £0.316m and an annual net cost to primary authority between £1.625m and £2.809m.

**Table 4a – Net one-off impacts on primary authorities<sup>46</sup>**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Total one-off costs</b>	£0.604m	£1.020m	£0.812m
<b>Total one-off benefits</b>	£0.421m	£0.704m	£0.562m
<b>Total one-off net impact</b>	<b>-£0.183m</b>	<b>-£0.316m</b>	<b>-£0.249m</b>

<sup>42</sup> RAND Europe 2011.

<sup>43</sup> Total cost = [the total number of partnerships (729-1231)] x [% of new primary authorities (0.47)] x [the number of hours maintaining a new partnership per week (3 x 52)] x [the average hourly rate charged by a Primary Authority (£42.86)] + [the total number of partnerships (729-1231)] x [% of authorities already in the scheme (0.53)] x [the number of hours maintaining an expanded partnership per week (1.5 x 52)] x [the average hourly rate charged by a Primary Authority (£42.86)].

<sup>44</sup> RAND Europe 2011.

<sup>45</sup> Total cost = [the total number of partnerships (729-1231)] x [% of new primary authorities (0.47)] x [the number of hours spent on dealing with a new partnership per week (2 x 52)] x [the average hourly rate charged by a Primary Authority (£42.86)] + [the total number of partnerships (729-1231)] x [% of authorities already in the scheme (0.53)] x [the number of hours spent on dealing with an expanded partnership per week (0.3 x 52)] x [the average hourly rate charged by a Primary Authority (£42.86)].

<sup>46</sup> Benefits minus costs may not give the net impact due to rounding. These are the one off benefits and costs a Primary Authority can expect in the year the partnership is established. These are not discounted and so assume the partnership starts in 2013.

**Table 4b – Net annual impacts on primary authorities<sup>47</sup>**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Total annual costs</b>	£5.369m	£9.069m	£7.219m
<b>Total annual benefits</b>	£3.744m	£6.260m	£5.002m
<b>Total annual net impact</b>	<b>-£1.625m</b>	<b>-£2.809m</b>	<b>-£2.217m</b>
<b>NPV</b>	<b>-£14.17m</b>	<b>-£24.50m</b>	<b>-£19.33m</b>

*Sensitivity analysis*

76. This negative impact is because primary authorities do not fully cost recover. Local authorities may choose whether to become primary authorities and primary authorities may choose to fully cost recover if they wish. As stated in paragraph 51 above, our best estimate is that 68% of primary authorities will fully recover their costs for direct partnerships, while we assume that 100% of primary authorities will fully recover costs for co-ordinated partnerships.

77. We have used those that are uncertain about cost recovery to generate a range of the proportion of primary authorities that are likely to recover costs. In an extreme case where of none of the 40% who partially cost recover decide to recover costs there would be a total of 48% of primary authorities fully cost recovering. In the other extreme case where all of them chose to cost recover, a maximum of 88% of primary authorities would fully cost recover. Table 5a, 5b and 5c below show our estimates of the costs and benefits to businesses in direct partnerships in the case of these three options.

78. It is necessary to note that, in theory, higher cost recovery charges are likely to result in a lower take-up rate of businesses entering primary authority partnerships. However, the calculations below are based on the current take up rate as we do not have reliable data to predict changing demand for the scheme in response to different recovery rates. This failure to adjust demand is likely to mean that we are underestimating the net benefits from this scheme. As the proportion of cost recovery increases, those that remain part of the scheme will be those businesses with the larger benefits, while those who do not benefit significantly from the scheme are likely to drop out.

**Table 5a Sensitivity analysis – 48% of primary authorities fully cost recover**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Net one-off impact on businesses</b>	-£1.0m	-£1.8m	-£1.4m
<b>Net annual impact on businesses</b>	£12.8m	£22.1m	£17.5m
<b>Net one-off impact on primary authorities</b>	-£0.3m	-£0.5m	-£0.4m
<b>Net annual impact on primary authorities</b>	-£2.6m	-£4.6m	-£3.6m

**Table 5b Sensitivity analysis – 68% of primary authorities fully cost recover**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Net one-off impact on businesses</b>	-£1.1m	-£1.9m	-£1.5m
<b>Net annual impact on businesses</b>	£11.8m	£20.4m	£16.1m
<b>Net one-off impact on primary authorities</b>	-£0.2m	-£0.3m	-£0.2m
<b>Net annual impact on primary authorities</b>	-£1.6m	-£2.8m	-£2.2m

**Table 5c Sensitivity analysis – 88% of primary authorities fully cost recover**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Net one-off impact on businesses</b>	-£1.2m	-£2.1m	-£1.7m
<b>Net annual impact on businesses</b>	£10.8m	£18.6m	£14.7m
<b>Net one-off impact on primary authorities</b>	-£0.1m	-£0.1m	-£0.1m
<b>Net annual impact on primary authorities</b>	-£0.6m	-£1.1m	-£0.8m

<sup>47</sup> These are the annual benefits and costs a primary authority can expect each year. These are not discounted and so reflect the savings in the first year (i.e. 2013).

## ***Impacts on Enforcing Authorities***

79. Enforcing authorities will incur costs from contact with the primary authorities. They have benefits resulting from the reduced burdens by increased efficiency and reduced duplication. They do not have one-off costs as they are not involved in the establishment of partnerships.

### ***Costs to Enforcing Authorities***

80. Costs to enforcing authorities include the costs of notifications to primary authorities and the regular contact with primary authorities to resolve compliance issues.

81. Annual costs to enforcing authorities will include costs of notifying primary authorities of their enforcement actions. We have assumed 5 notifications per direct partnership per year<sup>48</sup> and 10 notifications per coordinated partnership per year<sup>49</sup> for each enforcing authority. The difference in the number of notifications between direct and coordinated partnerships is due to greater number of businesses covered by coordinated partnerships. We have also assumed that enforcing authorities spend 1 hour on each notification<sup>50</sup>. The total annual costs related to notifications have been estimated from the total hours spent on notifications per partnership, the total number of partnerships and the hourly rate charged by an enforcing authority (£35.27<sup>51</sup>) providing an estimate of £0.1m and £0.2m.

82. Enforcing authorities have regular contact with primary authorities to resolve compliance issues. We have assumed that enforcing authorities spend 1 hour per week per partnership at a cost of between £1.3m and £2.3m<sup>52</sup>.

### ***Benefits to Enforcing Authorities***

83. We expect that Primary Authority will reduce the burden on enforcing authorities by increasing efficiency and reducing duplication.

84. It is estimated that for each partnership the enforcing authorities (not just one but all the enforcing authorities where business operate) would save between 1 hour and 350 hours – depending on business size. The time savings are not based on all authorities having contact but assumes a proportion will have contact.<sup>53</sup> We assumed an average 50 contacts per annum with a saving of 7 hours per contact, giving an annual saving of 350 hours. These estimates are based on BRDO's knowledge of how the scheme currently operates and responses to consultation.

85. The savings from reduced burdens has been estimated using the total hours saved for enforcing authorities by every partnership and the hourly rate charged by an enforcing authority, £35.27. It is £9.0m to £15.2m per annum<sup>54</sup>.

86. Enforcing authorities will also save from reduced duplication when businesses choose to develop inspection plans. Based on BRDO's knowledge, we have assumed that enforcing authorities will save 2 hours work per year for every inspection plan developed. This will deliver savings to enforcing authorities of between £0.4m to £0.6m per annum.

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<sup>48</sup> Based on management data from the Primary Authority system and discussions within BRDO. Tested during consultation.

<sup>49</sup> Based on BRDO knowledge

<sup>50</sup> Based on BRDO's knowledge of how the scheme currently operates. Tested during consultation.

<sup>51</sup> The £35.27 as the hourly rate charged by an enforcing authority is an assumption from a previous impact assessment. The impact assessment of Statutory Instruments implementing the Primary Authority used the average hourly costs of the work of a Trading Standards and Environmental Health Officer of £27.7527 as enforcing authorities labour costs. This was based on the consultation on the draft Statutory Instruments on Primary Authority. This has been uplifted for overheads and inflation to £35.27.

<sup>52</sup> Total cost = number of additional partnerships (729-1231) x estimated hours per year (1 hour x 52) per partnership) x hourly rate charged by an enforcing authority (£35.27).

<sup>53</sup> One quarter. Based on BRDO's knowledge of how the scheme currently operates.

<sup>54</sup> Total annual benefits for EAs = total hours saved for Enforcing Authorities (350) x by every partnership (729-1231) x hourly rate charged by an EA (£35.27)

87. The estimate of total savings is the sum of the total savings from inspection plans and reduced burdens on enforcing authorities. We estimate this to be between £9.4m to £15.8m.

### Summary

88. In summary, we estimate there to be an annual net benefit to enforcing authorities of £7.89m to £13.33m.

**Table 6b – Net impacts on enforcing authorities<sup>55</sup>**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Total annual costs</b>	£1.473m	£2.483m	£1.978m
<b>Total annual benefits</b>	£9.360m	£15.811m	£12.586m
<b>Total annual net impacts</b>	£7.887m	£13.328m	£10.608m
<b>NPV</b>	£67.89m	£114.73m	£91.3m

### Total impacts on Local Authorities

89. These combine the impacts on enforcing authorities and primary authorities to give the total impact on local authorities. We estimate that there will be a one-off net cost to local authorities of between £0.18m and £0.32m and an annual net benefit to local authorities of £6.26m to £10.52m.

**Table 7 – Net Impacts on Local Authorities<sup>56</sup>**

	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Best Estimate</b>
<b>Total one-off costs</b>	£0.604m	£1.020m	£0.812m
<b>Total one-off benefits</b>	£0.421m	£0.704m	£0.562m
<b>Total one-off net impact</b>	-£0.183m	-£0.316m	-£0.249m
<b>Total annual costs</b>	£6.841m	£11.552m	£9.196m
<b>Total annual benefits</b>	£12.941m	£17.424m	£21.908m
<b>Total annual net impact</b>	£6.262m	£10.519m	£8.391m
<b>NPV</b>	£53.72m	£90.23m	£71.98m

### Assumptions within the analysis

<b>Subject</b>	<b>Assumption</b>	<b>Source/Comment</b>
Number of hours spent by local authorities (LAs) on setting up PA partnership	1 <sup>st</sup> PA: 29.9 expanded PA: 8.6	Data provided by RAND Europe
Number of hours per week spent by PA on dealing with the PA business to maintain partnership	1 <sup>st</sup> PA: 3.11 expanded PA: 1.5	Data provided by RAND Europe
Number of hours per week spent by PA on dealing with enforcing authorities (EAs)	1 <sup>st</sup> PA: 2 expanded PA: 0.3	Data provided by RAND Europe
Number of hours spent by PA on developing the inspection plan	20.1	Data provided by RAND Europe
Number of hours per week spent by EA on dealing with PAs	1	Our assumption based on corresponding data for PAs
Number of Enforcing Authorities saving time with each business/coordinator per year due to PA (in terms of familiarisation, risk assessment etc)	50	Assumption based on BRDO's knowledge of how the scheme currently operates
Number of hours per contact saved by EA	7	Based on BRDO's knowledge

<sup>55</sup> These are the annual benefits and costs an enforcing authority can expect each year. These are not discounted and so reflect the savings in the first year (i.e. 2013).

<sup>56</sup> These are the annual benefits and costs the local authority can expect each year and the one off costs and benefits they can expect when the partnership is established. These are not discounted and so reflect the savings in the first year (i.e. 2013).

annually due to PA (in terms of familiarisation, risk assessment etc)		of how the scheme currently operates
Number of hours spent by business in setting up PA direct partnership	37.68	Data provided by RAND Europe
Number of hours spent by coordinator on setting up PA partnership (includes coordinating with the primary authority and interactions with businesses they coordinate)	73.68	Data provided by RAND Europe and BRDO knowledge
Number of hours spent by business in setting up PA coordinated partnership	1	Based on BRDO knowledge
Business labour costs	£27.93	ASHE survey 2012
Number of hours per week spent by business/coordinators on maintaining partnership	2	Data provided by RAND Europe
Number of instances of inconsistent advice a year	Reduced from 5.5 instances (pre-PA scheme) to 3 instances	Data provided by RAND Europe and consultation responses.
Number of hours spent by business/coordinator on developing the inspection plan	20.6	Data provided by RAND Europe
Average loss from contradictory advice	£10,000	Impact assessment of Statutory Instruments implementing the Primary Authority scheme modified downwards after discussions with business.
Number of hours saved by business/coordinator as a result of consistent approach to risk (inspection plans)	20	Based on BRDO's knowledge of how the scheme currently operates
Cost recovery – direct partnerships	Partnerships which will not recover costs at all – 12% partnerships recover full costs – 48% partnerships which recover 50% of costs – 40%	Data provided by RAND Europe
Cost recovery – coordinated partnerships	100% - all primary authorities will recover costs	Based on BRDO's knowledge of how the scheme currently operates
Average number of referrals per direct partnership per year	5	Based on BRDO's management data and consultation responses
Average number of referrals per coordinated partnership per year	10	Based on BRDO knowledge
Number of hours spent by EAs on each referral	1	Based on BRDO's knowledge of how the scheme currently operates and consultation responses
Number of hours saved by EAs per inspection plan per year	2	Based on BRDO's knowledge of how the scheme currently operates
Hourly rate charged by EAs	£35.27	Previous impact assessments

## Risks

### *Scale of take-up of the Primary Authority scheme*

90. The main potential risk is that of a lower than expected take-up rate of Primary Authority due to businesses being unaware of the changes. We believe that this risk is not significant because of the popularity of the existing scheme. We have used a range of estimates of uptake to capture the sensitivity of the analysis in this impact assessment, and feedback from participants in the pilots show that there is business support for the planned extensions.

### **One in One Out**

91. The extension of the scheme amends existing regulation which aims to simplify the regulatory environment and provides net benefits to business. Given that this is a permissive change, there is reasonable expectation that businesses will only join the scheme if they accrue net benefits. As a result, the monetised benefits that are expected to arise from the extension of the scheme exceed the monetised costs expected to accrue to business. In addition, the Regulatory Triage Assessment (reference: RPC13-FT-BIS-1911) confirmed that this measure was deregulatory. This policy is therefore an OUT. The equivalent annual net benefit to business is £13.61m.

## References

- RAND Europe 2011, the full report is available at:  
<http://www.bis.gov.uk/assets/brdo/docs/publications-2011/11-1466-evaluating-pa.pdf>
- Impact Assessment on implementing the Primary Authority scheme, March 2009:  
<http://www.bis.gov.uk/files/file50501.pdf>
- Impact Assessment on extending the Primary Authority scheme, April 2011:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31432/11-987-impact-assessment-extending-primary-authority-scheme.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31432/11-987-impact-assessment-extending-primary-authority-scheme.pdf)
- Impact Assessment on extending the Primary Authority scheme, November 2011:  
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- ASHE 2012: <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2012-provisional-results/stb-ashe-statistical-bulletin-2012.html>
- [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31428/11-1408-transforming-regulatory-enforcement-government-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31428/11-1408-transforming-regulatory-enforcement-government-response.pdf)
- Interim Evaluation of Primary Authority: Final Report:  
<http://www.bis.gov.uk/assets/brdo/docs/publications-2013/13-1160-pa-evaluation.pdf>

# Annexes

## Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

### **Basis of the review:**

We intend to review the impact of the extension to the Primary Authority scheme. In addition, in relation to alcohol, the Home Secretary supported our recommendation to extend the primary authority scheme to the age restricted sales of alcohol on the condition that an evaluation of negative impacts associated with the extension takes place two years after implementation.

### **Review objective:**

Review the impact of the extension to the scheme in achieving greater regulatory consistency and certainty for businesses operating across a number of local authority areas for the new regulations.

### **Review approach and rationale:**

- 1) Review of monitoring data to look at take up in the new regulations
- 2) In-depth evaluation of the scheme
- 3) Analysis of stakeholder views
- 4) Consider whether the costs and benefits have been realised and if not why
- 5) Evaluate lessons learned

### **Baseline:**

- 1) Data from *RAND Europe*'s evaluation of the Primary Authority scheme 2011
- 2) Data from the ongoing research 'Interim Evaluation of the Primary Authority scheme' carried out by *acl consulting* and due to report in June 2013.

### **Success criteria:**

Costs and benefits in line with expectations or benefits exceeded

### **Monitoring information arrangements:**

BRDO collects extensive quantitative data about the scheme looking at the number of businesses and Local Authorities involved, their size, the number of employees, their sector and the regulations covered by the partnership. This is collected when the businesses and Local Authorities form a partnership.

**Reasons for not planning a review:** N/A



## **Annex 2: Specific impact tests**

### **Equality Impact Test**

92. We do not believe that there will be any impacts in the area of equality.

### **Small Firm Test**

93. The scheme will cover these new regulations allowing access for both small and large businesses if they operate across multiple local authority boundaries, or if they have arrangements in place to share an approach to compliance with at least one other business, provided that the businesses are collectively regulated by more than one local authority in respect of a relevant function.

94. Previously, smaller businesses would not have met the eligibility criteria for Primary Authority as they were less likely to be regulated by multiple local authorities. Under changes effected by the Enterprise and Regulatory Reform Act 2013 (the ERR Act) many more businesses, particularly small businesses operating from a single site are now eligible to join the scheme if they share an approach to compliance with at least one other business and they are collectively regulated by more than one local authority. A shared approach to compliance might be demonstrated, for example through membership of a trade association that provides regulatory guidance, or through a franchisee relationship with a business what specifies compliance controls.

95. Enabling access for businesses seeking a primary authority partnership through co-ordinated partnerships will focus on the provision of advice and guidance. Participating small business could also benefit from assured and consistent advice and inspection plans.

96. This would provide benefit to small businesses which are likely to contact co-ordinators for early advice. This would also enable more efficient use of local authority and business resources, as the primary authority would interact with the co-ordinator, rather than all the individual businesses, which would reduce the administration for the business and local authority. Similarly, the co-ordinator would contact the primary authority for advice, rather than a range of local authorities.

### **Other Impact Tests**

97. We do not believe that there will be any impacts in the areas of competition, greenhouse gas, wider environmental issues, health and well being, human rights, rural proofing and sustainable development.