

Economic Note	Number: HO 0028
Title of regulatory proposal	Late Night Levy: Late Night Refreshment Charge
Lead Department/Agency	Home Office
Expected date of implementation	13 July 2023
Origin	Final
Date	14/06/2023
Lead Departmental Contact	AlcoholTeam2@homeoffice.gov.uk
Departmental Assessment	GREEN

Rationale for intervention, objectives and intended effects

The late-night levy ('the levy') is a discretionary power enabling Licensing Authorities (LA) in England and Wales to collect a levy from premises that profit from the sales of alcohol. In early 2023, the Home Office consulted on extending the levy to premises which provide late-night refreshments (LNR). The main objective of the policy is to make the levy more flexible for local areas, fairer to businesses and more transparent.

Policy options (including alternatives to regulation)

Option 1: Do nothing. The levy would not be extended to LNR premises.

Option 2: Base LNR charges on the current licence fee system as is the case for alcohol venues, with the option for local authorities to offer a 30 per cent reduction to LNR providers that qualify for Small Business Rate Relief (SBRR) (which is currently available to premises that supply alcohol for consumption on the premises). **This is the Government's preferred option.**

Costs and benefit summary

The main benefit is a potential increase in public safety as a result of increased funding for police and LAs. Previously LAs who have implemented the levy have used the revenues to fund additional police officers and community protection officers, and projects designed to benefit those working and socialising in the night-time economy (NTE). The main cost is on-going costs to businesses who will be subject to the LNR levy charges.

Risks

There is some uncertainty associated with this analysis as many of the assumptions are based on data gathered in 2015 prior to the onset of Covid and the cost-of-living crisis. There is a risk that the change in economic environment may have a knock-on effect on business and LA preferences. This risk has been mitigated through the use of ranges, with the recent consultation focused on how the levy should be imposed.

Total Cost £m PV	Transition Cost £m	Cost to Business £m (PV)	Total Benefit £m PV
6.3	0.1	6.1	6.2
NPSV (£m)	BNPV (£m)	EANDCB (£m)	BIT Score (£m)
-0.2	-6.1	0.6	6.1
Price Base Year	PV Base Year	Appraisal period	Transition period
2023/2024	2023/2024	10 years	1

Departmental sign-off (SCS): Paul Regan Date: 19/06/2023

Chief Economist sign-off: Tim Laken Date: 21/06/2023

Better Regulation Unit sign-off: Emma Kirk Date: 21/06/2023

Evidence Base

1. Background

1. The late-night levy ('the levy') is a discretionary power, introduced under the Police Reform and Social Responsibility Act 2011.¹ It enables Licensing Authorities (LAs) in England and Wales to raise a contribution towards policing the night-time economy (NTE) from premises that profit from selling alcohol late at night (between 12am and 6am). The funds raised are put towards policing and other costs associated with the management of the late-night economy. Currently, the legislation requires that at least 70 per cent of the net revenue from the levy (minus select administrative costs) must go to the Police and Crime Commissioner (PCC), who then determines how to direct the funds. The remaining 30 per cent will go to LAs. Guidance issued by the Home Office states that LAs and PCCs can negotiate a change to this 70:30 split and pool funds together.² The levy charges are based on the rateable value of premises, as with the current licence fees system.
2. Only nine LAs have introduced the levy to date.³ The Government's Modern Crime Prevention Strategy⁴ included a commitment to increase the use of the levy by making it more flexible for local areas, fairer to businesses and more transparent. To achieve this commitment a series of reforms were introduced. The reforms are outlined in more detail in Annex 1.
3. The reforms included give LAs the power to charge late-night refreshment (LNR) premises the levy (except for premises selling only hot drinks).
4. The Government pledged to delay the commencement of these reforms until it had consulted on the application of LNR levy charges. This economic note (EN) relates to the effect of introducing LNR charges only and does not examine the effect of the other reforms listed in Annex 1 as these were already assessed in the Government's previous impact assessment (IA) on the late-night levy.⁵

A1 Late-night refreshment

5. The provision of LNR (defined in the Licensing Act 2003⁶ as the supply of hot food and hot drink to the public between 11pm and 5am) is regulated because it may be linked to alcohol-fuelled crime and disorder in the NTE. For example,⁷ late night drinkers may congregate

¹ Police Reform and Social Responsibility Act 2011- GOV.UK: <https://www.legislation.gov.uk/ukpga/2011/13/contents/enacted>

² Amended guidance on the late-night levy – GOV.UK: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416092/Late_Night_Levy_-_new_guidance_as_at_24_March_2015_final_.pdf

³ Alcohol and late-night refreshment licensing England and Wales, year ending 31 March 2022 - GOV.UK: <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2022/alcohol-and-late-night-refreshment-licensing-england-and-wales-year-ending-31-march-2022#late-night-levies-raised-24-million-in-the-year-ending-31-march-2022> Alcohol and late night refreshment licensing England and Wales, year ending 31 March 2022 - GOV.UK: <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2022/alcohol-and-late-night-refreshment-licensing-england-and-wales-year-ending-31-march-2022#late-night-levies-raised-24-million-in-the-year-ending-31-march-2022>

⁴ Modern Crime Prevention Strategy, March 2016 - GOV.UK: <https://www.gov.uk/government/publications/modern-crime-prevention-strategy>

⁵ Changes to the late-night levy, impact assessment – GOV.UK: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf Changes to the late-night levy, impact assessment – GOV.UK: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

⁶ The Licensing Act 2003 (Late Night Refreshment) Regulations 2015 – GOV.UK: <https://www.legislation.gov.uk/uksi/2015/1781/contents/made>

⁷ Home office Late Night Levy: A consultation on the charge to be applicable to late night refreshment premises – GOV.UK:

around fast-food venues. Feedback from stakeholders highlighted that the levy should be extended to LNR premises⁸ as many (LNR premises) effectively operate off the back of the other late night licensed premises.⁹ When the change comes into force, it will allow LAs to extend the levy to premises that provide LNR if they so choose (except for premises selling only hot drinks) in areas where LNR premises place demands on police resources in the NTE.

6. LAs will be able to choose a different late night supply period to apply to LNR premises. For example, the LA might apply the levy to all premises authorised to sell or supply alcohol between midnight and 4am but might only apply the levy to LNR establishments if they are open after 2am.
7. Guidance on the levy will be updated to reflect the overall package of reforms introduced to the levy by the Policing and Crime Act 2017¹⁰ and to make it clear that LAs are expected to be proportionate in their approach when considering whether it is justifiable to charge the levy to LNR premises. In each area, the LA will have the option of charging: a) only premises licensed to sell alcohol, or b) premises licensed to sell alcohol and premises licensed to sell LNR. It will not be a requirement that LNR premises are charged the levy in every levy area, and LAs will not be able to charge the levy to LNR premises only.
8. Any premises which are exempt will not be charged the levy. LAs can exempt premises from having to hold an LNR licence if their activities take place:
 - on or from premises which are fully situated within a defined location which the local authority has designated as being exempt;
 - on or from a specific category of premises, for example a motorway service area; or
 - during a designated period (beginning no earlier than 11pm and ending no later than 5am).
9. When choosing to designate a particular area as exempt, the LA must define the location, which can be of any size. When choosing to exempt the provision of LNR at particular times between 11pm and 5am, the exemption must apply to the whole LA area. The designated descriptions of premises which may be exempt are set out in The Licensing Act 2003 (Late Night Refreshment) Regulations 2015¹¹ and can be found in Annex 1, paragraph 3.

A2 Groups affected

10. Businesses that have an LNR-only licence in England and Wales, as defined in the Licensing Act 2003 as serving the public the “supply of hot food and hot drink at any time between the hours of 11pm and 5am” and can be charged the levy by LAs (this excludes LNR premises only providing hot drinks).
11. LAs are responsible for deciding whether to introduce the levy (in consideration of the need for a levy with the chief officer of police and PCC for the area), and for implementing it. This involves firstly undertaking a consultation in the LA area, deciding on the design of the levy,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1127739/2023.01.09_Late_Night_Levy_Consultation.pdf

⁸ Defined in this Economic Note as premises that provide late night refreshment only. The late night levy already applies to premises that provide both late night refreshment and alcohol.

⁹ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

¹⁰ Policing and Crime Act 2017 – GOV.UK: <https://www.legislation.gov.uk/ukpga/2017/3/contents>

¹¹ The Licensing Act 2003 (Late Night Refreshment) Regulations 2015 – GOV.UK:

<https://www.legislation.gov.uk/uksi/2015/1781/contents/made>

and putting it to a Council vote. LAs also financially benefit from any levy being implemented, as they can retain up to 30 per cent of the net levy funds collected.¹²

12. The police are the major beneficiaries of the levy, as they receive 70 per cent of all levy funds collected.

A.3 Consultation

13. A public consultation was undertaken in early 2023 and ran for 12 weeks, concluding on the 3 April¹³. The consultation focused exclusively on the level of levy to be applied to LNR providers. Stakeholders were invited to comment including PCCs, the Local Government Association, the Institute of Licensing, and umbrella organisations such as the British Beer and Pub Association and the Night Time Industries Association. 38 completed responses in total were received with approximately 45 per cent of respondents supporting the option of LAs offering a 30 per cent reduction to LNR providers that qualify; approximately 18 per cent supporting an option to base LNR charges on the current license fee system for alcohol with no option for discount and approximately 37 per cent of respondents supporting neither option.
14. Another consultation was undertaken with stakeholders via two workshops in summer 2015 on overall changes to the late-night levy. There was a consensus in the workshops among licensing officers, representatives of PCCs and the police that the levy should be changed so that it can be targeted at localised areas, and that LNR premises should be included as they are part of the NTE.
15. LAs were also consulted via a survey which was sent to all to LAs in 2015. The Home Office received 32 responses to this, including one from the PCC Working Group on Alcohol. The survey asked respondents questions on improving the flexibility of the levy, financial aspects of the levy and stakeholder involvement in the levy. The survey responses showed that there was strong support for allowing levies in parts of LAs, expanding the levy to include LNR premises and that money raised from the levy should be spent in the area it is raised from.
16. The Home Office also offered to consult with LNR trade bodies. It contacted a number of bodies such as the Food and Drink Federation, British Hospitality Association, British Retail Consortium, Federation of Small Businesses and the Trade Association Forum. None of these bodies expressed interest in these measures because they indicated that they do not sufficiently represent the LNR premises which would be affected by this policy.
17. As part of the preparation to help inform the public consultation and this EN, members of the licensing forum (through the Local Government Association) were made aware of the Home Office's intention to consult on this measure.

2. The policy issue and rationale for government intervention

18. Feedback from LAs, the police and the licensed trade has indicated that the levy is inflexible in its current form and LAs feel they are not able to target all businesses that place demands on the police in the NTE. As of the 31 March 2022 only nine LAs have implemented the levy.¹⁴
19. This led to a need to consider ways to make the levy more flexible and ensure that it is fair to businesses operating in the NTE. After engaging with LAs, the police and the licensed trade, the Government decided to extend the levy to LNR premises in the Policing and Crime Act

¹² Late Night Levy – new guidance as at 24 March 2015 – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416092/Late_Night_Levy_-_new_guidance_as_at_24_March_2015_final_.pdf

¹³ Consultation: late night levy – GOV.UK: <https://www.gov.uk/government/consultations/late-night-levy/consultation-late-night-levy-accessible>

¹⁴ Alcohol and late night refreshment licensing England and Wales 31 March 2018 – National Statistics, GOV.UK: <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2018>

2017 as part of a package of reforms to the late-night levy, as LNR premises are connected to the sale of alcohol in the NTE. In 2017, the Government pledged to delay commencement of this measure until it had publicly consulted on the levy charges to be applicable for LNR premises.

3. Policy objectives and intended effects

20. The main objectives of the proposal are to make the levy more flexible for local areas, fairer to businesses and more transparent.

4. Policy options considered, non-regulatory options, implementation date

21. Two options have been considered:
- a) **Option 1:** Do nothing. The late-night levy would not be extended to LNR premises. **This does not meet the Government's objectives.**
 - b) **Option 2:** Base LNR charges on the current licence fee system as for alcohol venues, with the option for local authorities to offer a 30 per cent reduction to LNR providers that qualify for Small Business Rate Relief (SBRR) (as currently available in relation to premises that supply alcohol for consumption on the premises). **This is the Government's preferred option as it achieves the Government's objectives.**
22. It is anticipated that this policy will take effect from 13 July 2023. From this date onwards LAs who choose to implement the LNR levy will do so based on current license fee system as alcohol venues, with the option for local authorities to offer a 30 per cent discount.

5. Appraisal

23. The net present value is estimated over 10 years using a 3.5 per cent discount rate, in line with HM Treasury Green Book guidance.¹⁵ The appraisal starts in the financial year 2023/2024, with costs also presented in this year.
24. All cost and benefits are calculated against Option 1, Do nothing, which represents the counterfactual. In essence, an option's costs and benefits are those that only exist because of that option being chosen over doing nothing, with Option 1 having zero costs and zero benefits by definition. In its simplest form, the modelling estimates the effect of expanding the levy to LNR's and offering a 30 per cent reduction to LNR providers that qualify for SBRR.
25. The costs and benefits of introducing a LNR levy have already been assessed in the Impact Assessment on the changes to the late-night levy introduced under the Policing and Crime Act 2017.¹⁶ This EN uses many of the same assumptions and updated data where available.

Estimated number of LNR premises subject to the levy

26. Due to the responses from stakeholders to the Home Office survey and the workshops held in summer 2015, it is assumed that some LAs would expand the levy to LNR premises. There

¹⁵ HM Treasury The Green Book. Available here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

¹⁶ Policing and Crime Act 2017 – GOV.UK: <https://www.legislation.gov.uk/ukpga/2017/3/contents/enacted>

are on average 45¹⁷ LNR premises per LA in England and Wales.¹⁸ As in the previous IA¹⁹ on the late-night levy, an assumption is made based on stakeholder feedback and focus groups responses that approximately 25 per cent of LNR premises would reduce their licensing opening hours to avoid paying the levy and that 7 per cent of premises would be exempt from the levy (for example hospitals and service stations), with all other LNR premises remaining open between the hours of 11 am and 5am. Accounting for these reductions results in an average of 30 LNR premises per LA that would be subject to a levy if it was introduced.

27. A central assumption of the analysis has been based on the late-night levy consultation undertaken in 2015. The number of LAs estimated to implement the levy is based on the proportion of LAs who responded to the 2015 consultation (9 per cent) multiplied by the proportion of responding LAs who supported the expansion of the levy to LNR premises (84 per cent). This results in a central estimate of 8 per cent of all LAs in England and Wales who would implement the LNR levy (approximately 30 LAs) and an estimated total of around 800²⁰ LNR premises (30 x 30)²¹ that will be subject to the LNR levy.
28. The low estimate for the number of LAs that will implement the levy assumes that the same number of LAs who have currently implemented the levy would expand to LNR premises but no new LAs would implement it. This results in approximately 10 LAs and 280 LNRs (10 x 30)²². Due to lack of robust evidence, it was not possible to derive the high estimate from the existing evidence base. The high estimate assumes that the number of LAs implementing the LNR levy will have a normal distribution and utilises the interval between the low and central estimate to derive the high estimate. This results in an estimated 45 LAs implementing the levy and an estimated 1,300 LNRs effected by the LNR Levy (45 x 30).²³
29. The introduction of the LNR levy may result in an increase in the number of LAs implementing the levy for alcohol premises if the introduction of LNR makes the levy more attractive. It is not known with any certainty whether this would happen, so this effect has not been quantified.

Assumptions and estimates

30. Approximately 9 per cent of the LAs that have introduced the levy offer the 30 per cent reduction for on-trade premises qualifying for the SBRR. The Home Office assumes the same proportion of LAs will offer the 30 per cent SBRR reduction to LNR premises. This assumption is based on a survey undertaken in 2015.²⁴
31. A local government administrator earns an average wage of approximately £13²⁵ per hour in 2022/2023, this has been uplifted to 2023/2024 prices using a GDP deflator.²⁶ When factoring

¹⁷ Rounded convention employed in this document: values under 100 are rounded to the nearest 5; values in the 100, rounded to the nearest 10, values in the 1000 rounded to the nearest 100; values under 10,000 rounded to the nearest 1000. Values in the millions are given to 1 decimal point.

¹⁸ Alcohol and late night refreshment licensing, England and Wales, 31 March 2017 – GOV.UK:

www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2017/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2017#late-night-refreshment

¹⁹ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

²⁰ Rounding errors may result in numbers not summing

²¹ Rounding errors may result in numbers not summing

²² Rounding errors may result in number not summing

²³ See footnote 16

²⁴ Internal Home Office document

²⁵ Rounded to the nearest pound

²⁶ ONS ASHE table 14 - Earning and hours worked (ons.gov.uk):

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digit_soc2010ashtable14

in non-wage labour costs (which are equivalent to 22 per cent of wages²⁷) it gives a total wage of approximately £17 for a local government administrator.

COSTS

Set-up costs

LNR premises

32. There will be set-up costs for premises in the form of familiarisation costs. This is calculated to consider the opportunity cost for an individual and organisations spending time reading, comprehending and becoming familiar with the change in legislation. The Home Office has given the Minister the option of announcing these changes via a Written Ministerial statement. If a Ministerial statement is issued, this will be approximately 400 words, with an estimated range of 200 to 600 words²⁸. In the event that a Ministerial statement is not issued an email of approximately 400 words with an estimated range of 200 to 600 words would be issued to stakeholders.
33. It is assumed that one person per premises (the manager) will read the ministerial statement. The number of premises estimated to be affected are outlined in paragraphs 27 to 30. It is estimated that between 280 and 1,300 individuals working in affected premises will read the statement with a central estimate of 800 people. The median UK salary in 2022/2023 was £33,000^{29,30} a year; this is assumed to increase by the rate of inflation as estimated by His Majesty's Treasury (HMT)³¹ to give £34,100³² in 2023/2024 prices. It assumed that the legislation would be read by a manager hence the average median wage is considered a reasonable assumption. The median wage is multiplied by the estimated time it would take to read the document as a proportion of hours worked.³³
34. Familiarisation costs are expected to only have an effect in Year 1 of the appraisal period, and they are estimated to be between **£2,900 and £200,000**, with a central estimate of **£42,000 (PV)**.
35. It is assumed that on average, 10 LNR premises per LA would reduce their licensing opening hours by minor variation to avoid paying the levy at a cost of approximately £90³⁴ and a total cost of approximately £1,000 per LA (10 x £90). As this is a transfer cost, it is not factored into the overall NPSV.

Licensing Authorities

36. This EN draws on a previous IA³⁵ on the levy in which the set-up costs for LAs introducing the levy for alcohol premises was estimated. There will be set-up costs for those LAs who decide to extend the levy to LNR premises, from the various activities that they will need to undertake before its introduction (the activities can be found below). The estimated costs were developed

²⁷ Average taken from ONS (2020) Index of Labour Costs per Hour, seasonally adjusted available here. Index of Labour Costs per Hour, seasonally adjusted (ons.gov.uk):

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/indexoflabourcostperhourichseasonallyadjusted>

²⁸ This is a policy assumption on the length of the Ministerial Statement

²⁹ Employee earnings in the UK 2022 (ons.gov.uk):

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2022>

³¹ GDP deflators at market prices, and money GDP December 2022 (Quarterly National Accounts) HMT 2023:

<https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

³² Rounded to the nearest £100

³³ Low, high and central estimates for average reading and comprehension speeds based on <https://readingsoft.com/>

³⁵ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

with LAs by identifying the activities required before introducing the levy for alcohol premises and estimating the number of hours required to undertake each activity. The activities include:

- Sifting licenses to determine liability for the LNR levy;
- Preparation of a consultation;
- Writing to licensees, councillors' responsible authorities and interested parties (this includes the cost of postage);
- Analysis of consultation responses;
- Preparation for committee;
- Report to Cabinet; and
- Writing to liable premises.

37. It is assumed that LAs will have to undertake the same tasks when extending the levy to LNR premises as those involved in implementing the levy for alcohol premises. The hours estimated in the 2016 IA ³⁶ have been used in this EN, but they have been scaled down to reflect the lower number of LNR premises compared to alcohol premises. There are an average of 660 premises licensed to sell alcohol per LA, compared to an approximate average of 45 premises to sell LNR only, so the number of hours has been scaled down by an approximate factor of 15 (660/45)³⁷. For example, the task 'sifting licences to determine liability for the levy' was estimated to take 50 hours for alcohol premises, so it is estimated to take 3 hours for LNR premises.

38. The number of hours per task were then multiplied by the hourly labour cost of a local government administrative officer's time of £17 per hour.³⁸ This is shown in Table 1 below, where the total cost of these tasks is estimated at £310 per LA.

Table 1 – Average set-up costs per LA from introducing the LNR levy ³⁹

Task	Hours (LNR)⁴⁰	Cost to licensing authority (£)⁴¹
Sifting licenses to determine liability for levy	3	60
Preparation of consultation	2	40
Writing to licensees etc.	3	45
Analysis of consultation responses	2	40
Writing to liable premises	1	25
Processing exemptions and reductions	3	45
Preparation for committee	2	35
Report to cabinet	1	25
All	20	310⁴²

³⁶ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

³⁷ Numbers may not sum due to rounding errors

³⁸ Employee earnings in the UK 2022 (ons.gov.uk):

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2022>

³⁹ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

⁴⁰ Rounded to the nearest hour

⁴¹ HM Treasury The Green Book. Available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

* Might not sum due to rounding

39. As noted in paragraph 35, it is assumed that on average, 10 LNR premises per LA would reduce their licensing opening hours to avoid paying the levy at a cost of approximately £90⁴³ and a total cost of approximately £1,000 per LA (10 x £90). Adding the figures from Table 1, the total set-up costs are approximately £1,300 per LA deciding to extend the levy to include LNR. The variation fee is classified as a transfer payment and not included in the overall NPSV. A transfer payment is an equivalent cost or benefit from one group in society to another.⁴⁴
40. Total set up costs, excluding the transfer costs, for LAs are estimated to be between **£ 2,800 and £13,000**, with a central estimate of **£8,100 (PV)**. Set up costs are only accounted for in the first year.⁴⁵

Ongoing costs

LNR premises

41. As noted in paragraph 27 to 28, it is estimated that between 280 and 1,300 LNR premises will be subject to the LNR Levy charges, with a central estimate of 800 LNR premises. The charges are to be the same as those paid by alcohol premises, which are based on the rateable value of each premise.
42. As noted in paragraph 30, it is assumed that 9 per cent of LAs will offer a 30 per cent reduction in the levy for LNR premises qualifying for SBRR defined as those with a rateable value of less than £15,000. Data has been provided by the Valuation Office Agency (VOA) on the distribution of the rateable values of takeaway outlets and restaurants in England and Wales, as shown in Table 2a. This has been used to estimate the number of LNR premises likely to fall into each fee band, and therefore estimate the total value of LNR charges to be paid by LNR premises.

Table 2a – Estimated volume of charges per LNR premises by value of band⁴⁶

	Rateable value band							Total
	Less than £4,301	£4,301 to £12,000	£12,001 to £15,000	£15,000 to £33,000	£33,001 to £87,000	£87,001 to £125,000	£125,001 and above	
Number of LNR premises in each band	50	240	80	210	140	30	50	800
LNR premises receiving SBRR discount	5	20	10	0	0	0	0	35
LNR premises not receiving SBRR discount	45	220	70	210	140	30	50	760

*Might not sum due to rounding

⁴⁵ The total set-up cost has been rounded to the nearest pound.

⁴⁶ Data sourced from the Valuation Office Agency

Table 2b - Estimated value of LNR charges by rateable value band (£)⁴⁷

	Rateable value band							Total
	Less than £4,301	£4,301 to £12,000	£12,001 to £15,000	£15,000 to £33,000	£33,001 to £87,000	£87,001 to £125,000	£125,001 and above	
LNR charge – SBRR discount per LNR premises	210	£540	540	770	1,300	1,400	1,500	-
LNR charge – no SBRR discount per LNR premises	300	770	770	770	1,300	1,400	1,500	-
Total LNR charges paid	14,000	178,000	60,000	159,000	180,000	43,000	71,000	705,000

*might not sum due to rounding

43. As shown in Table 2b, it is estimated that LNRs will pay a total of approximately £0.7 million in LNR charges per year.
44. Total ongoing costs for premises are estimated to be between **£2.1 million and £10.0 million (PV)** with a central estimate of **£6.1 million (PV)** over a ten-year period.
45. There may also be a cost to LNR premises who choose to reduce their licensing hours in response to the introduction of the LNR levy, in terms of lost income from not being able to sell hot food during these hours. It is assumed that premises will choose to vary their license if the profits they earn are less than the cost of the levy. As shown in Table 2a and Table 2b, most LNR premises would face an LNR charge of £770 or less. It is not possible to accurately monetise the loss of income to premises and so this cost has not been monetised but assuming that 25 per cent of LNR premises choose to vary their license at a median cost of £770, then it is estimated that the total loss of income to LNR premises would be relatively small.⁴⁸

Licensing Authorities

46. There will also be ongoing costs to LAs that have implemented the LNR levy, from the various activities they need to undertake to administer the levy. The tasks required to administer the levy for alcohol premises, and the number of hours to undertake each task, have already been estimated in the 2016 late-night levy IA, with input from LAs⁴⁹.
47. The number of hours for each task have been scaled down by a factor of 15 to reflect the lower number of LNR premises compared to alcohol premises (45 per LA compared to 660 per LA respectively). The number of hours has then been multiplied by the hourly labour cost of an administrative officer (£17) and uprated to consider non-wage costs, producing an average annual ongoing cost of £530 per LA⁵⁰.
48. This results in an approximate total ongoing cost to LAs per year of between £5,000 and £23,000 with a central estimate of £14,000 across all LAs implementing the LNR levy.
49. Total ongoing costs to LA are estimated to range between **£41,000 and £200,000** with a central estimate of **£120,000 (PV)** over a ten-year period.

⁴⁷ Data sourced from the Valuation Office Agency

⁴⁸ Assuming approximately 290 LNR premises choose to avoid paying the fee and vary their license see paragraphs 26 and 27.

⁴⁹ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

⁵⁰ See footnotes 25 and 26

Table 3 – Average ongoing costs per LA from introducing the LNR levy ⁵¹

Task	Hours (LNR)	Cost to licensing authority (£)
Sifting licenses to check for changes in liability	1	25
Ensuring reduction categories up to date	3	45
Collection	10	170
Enforcement	10	170
Misc. admin	7	120
All	32	530

*Values may not sum due to rounding errors

BENEFITS

Licensing authorities

50. As noted in paragraph 43 it is estimated that LNR premises will pay a total of approximately £0.7 million in LNR charges per year to an LA.
51. LAs can retain up to 30 per cent of this income, which is classified as a transfer payment and not included in the NPSV. A transfer payment is an equivalent cost or benefit from one group in society to another⁵².

Police forces

52. Police forces receive at least 70 per cent of LNR levy income from LAs. The benefit to police forces is classified as a transfer payment and not included in the overall NPSV.

Public safety

53. A critical objective of this intervention is to help improve social outcomes through utilising the revenues raised from the levy to support policing and public safety in the night-time economy and its associated harms. This benefit results from the spending of the revenue raised through the LNR levy by LAs and police forces to better regulate and police the night-time economy. It is not possible to identify the magnitude of the benefit that will arise, consequently this benefit has not been monetised.

Business Impact Target

54. This measure is exempt from the Business Impact Target, as it relates to a levy charge.

Net Present Social Value

55. Excluding transfer payments, there are no monetised benefits to businesses, LAs or the police.
56. The monetised cost to business, excluding transfer costs, are estimated to range between £0.0 and £0.2 million with a central estimate of £0.1 million (PV).
57. The Net Present Social Value (NPSV) lies in a range of -£0.1 to -£0.4 million (PV), with a central estimate of -£0.2 million (PV).

⁵¹ Changes to the late night levy, impact assessment – GOV.UK:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557110/16_signed_IA_late_night_levy.pdf

⁵² HM Treasury The Green Book. Available here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

Table 4: Summary costs, benefits, NPSV and BNPV, England and Wales, £ million⁵³

	Low	Central	High
Total Costs	2.2	6.3	10.6
Total Benefits	2.2	6.2	10.2
Total costs (excl. transfer costs)	0.0	0.2 ⁵⁴	0.5
Total Benefits (excl. transfer benefits)	0.0	0.0	0.0
NPSV	-0.1	-0.2	-0.4
BNPV	-2.1	-6.1	-10.3

6. Risks and unintended consequences

58. There is a risk that the introduction of the late-night levy for LNR premises may cause some LNRs to become financially unviable if they cannot afford to pay the charges. This risk may be partly mitigated by the progressive nature of the levy where those with higher premises values pay a higher fee.
59. LNRs may reduce their operating hours to avoid the levy. This would be dependent on the magnitude of loss of revenue from a reduction in relation to the fee. This risk is mitigated by the progressive nature of the banding and the introduction of the SBRR reduction for qualifying premises.

Methodological risk

60. There is a risk that the modelling could under or overestimate the effect of the intervention. This EN has used consultation responses from a survey undertaken in 2015 with stakeholders when determining how many LAs would implement the LNR levy. To mitigate against this risk a range has been estimated around the central estimate.
61. For the low estimate, it has been assumed that the same number of LAs implementing the levy currently would expand to LNR premises but no new LAs would implement. For the upper estimate it is assumed that the volume of LAs implementing the levy are normally distributed. The interval between the low and central estimate has been used to estimate the high range. There is a risk that the preference of LAs to implement the levy is not normally distributed then the high estimate could over or underestimate the number of LAs and LNRs affected.
62. The central estimate is based on survey responses to a consultation sent out to LAs in 2015. There is a risk that the survey may longer be representative of the views of LAs given the economic environment has changed. There is a risk that the central estimate could over or underestimate the volume of LAs who choose to extend the levy to include LNR premises and offer the SBRR discount.

7. Proportionality

63. The analysis in this EN contains the best estimates for costs and benefits of the proposed policy. Every effort has been made to ensure the analysis presents the best possible estimate of the likely impact of the options given the time, resource, and data available. These have been quantified where data is available, with risk highlighted in section 6. A proportionate approach has been taken to appraise the policy.

⁵³ Internal Home Office document

⁵⁴ Non transfer costs include familiarisation costs to businesses, setting up costs and ongoing costs to LAs of administering the levy

8. Monitoring and evaluation

64. The Home Office alcohol policy team is in regular contact with LAs, the Local Government Association, the National Policing lead for alcohol and representatives of PCCs. The Home Office will continue this regular contact to gather feedback on the changes to the levy.
65. The Home Office will also be able to monitor the effect of the changes through any levies that are introduced. The guidance on the levy requests LAs to inform the Home Office when they decide to consult on or implement the levy. This assists with monitoring the use of the levy, gathering feedback from LAs and evaluating the use of the levy.

Specific Impact Test Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>Having considered the impacts of this policy it is not deemed that this will have an adverse impact on the protected characteristics. The Home Office do not consider that duties under section 149 Equality Act 2010 will require any additional information.</p> <p>The SRO has agreed these findings.</p>	<p>Yes</p>

Any test not applied can be deleted except **the Equality Statement**, where the policy lead must provide a paragraph of summary information on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed.**

Annex 1

1. If implemented, the levy must be applied to the whole LA area (subject to exemptions prescribed in regulations⁵⁵). LAs have discretion to make exemptions to the levy for New Year's Eve and for the following categories of licensed premises: premises with overnight accommodation, theatres and cinemas, bingo halls, Community Amateur Sports Clubs (CASCs), 'community premises', country village pubs and premises/businesses that already contribute financially as part of Business Improvement District (BID).
2. Only nine LAs have introduced a levy to date.⁵⁶ The Government's Modern Crime Prevention Strategy⁵⁷ included a commitment to increase the use of the levy by making it more flexible for local areas, fairer to business and more transparent. To achieve this commitment, the following reforms were introduced under section 142 of the Policing and Crime Act 2017 (but have not yet been brought into force):
 - allowing LAs to target the levy in geographical areas where the NTE places demands on policing;
 - giving PCCs the right to formally request that LAs consult on whether to introduce a levy;
 - requiring LAs to publish information about how the revenue raised from the levy is spent;
 - and giving LAs the power to charge late night refreshment premises the levy (except for premises selling only hot drinks).
3. LAs can exempt the following types of premises:
 - motorway service areas;
 - petrol stations;
 - local authority premises (except domestic premises) unless there is an event taking place at which more than 500 people are present;
 - schools (except domestic premises) unless there is an event taking place at which more than 500 people are present;
 - hospitals (except domestic premises);
 - community premises (church, chapel, village, parish or community hall or other similar building) unless there is an event taking place at which more than 500 people are present;
 - licensed premises authorised to sell alcohol by retail for consumption on the premises between the hours of 11pm and 5am.

Background to 2016 impact assessment

4. Consultation was undertaken with crucial partners via two workshops in summer 2015 on overall changes to the levy. One included the Local Government Association, Institute of Licensing, licensing officers from seven LAs, and representatives of the national policing lead on alcohol and late night the PCC lead on alcohol. The second workshop included industry partners such as the British Beer and Pub Association, Association of Convenience Stores, Wine and Spirits Trade Association and Association of Licensed Multiple Retailers.

⁵⁵ The Late Night Levy (Expenses, Exemptions and Reductions) Regulations 2012: <https://www.legislation.gov.uk/ukxi/2012/2550/contents/made>

⁵⁶ Alcohol and late night refreshment licensing England and Wales 31 March 2018 – National Statistics, GOV.UK: <https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2018><https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2018>

⁵⁷ Modern Crime Prevention Strategy, March 2016 - GOV.UK: <https://www.gov.uk/government/publications/modern-crime-prevention-strategy>

5. LAs were also consulted via a survey which was sent to all to LAs. The Home Office received 32 responses to this, including one from the PCC Working Group on Alcohol. The survey showed that there was strong support for allowing levies in parts of LAs, expanding the levy to include LNR premises and that money raised from the levy should be spent in the area it is raised from. A significant amount of feedback from the survey suggested that LNR premises are connected to the sale of alcohol in the NTE. When asked whether LNR premises should also pay the levy, 27 respondents were in favour, 4 respondents were against and 1 respondent undecided. A follow-up question asked, if LNR premises were to be charged the levy, should they pay the levy at the same rate as premises licensed to supply alcohol late at night. 13 respondents stated LNR premises should pay the levy at the same rate as alcohol providers, 9 respondents stated that LNR premises should pay the levy at a reduced rate as their revenues are likely to be lower than alcohol providers, and the remainder were undecided.
6. The Home Office also offered to consult with LNR trade bodies. It contacted several bodies such as; the Food and Drink Federation, British Hospitality Association, British Retail Consortium, Federation of Small Businesses and the Trade Association Forum. None of these bodies expressed interest in these measures because they indicated that they do not sufficiently represent the LNR premises which would be affected by this policy.
7. As part of the preparation to help inform the public consultation and this impact assessment, members of the licensing forum (through the Local Government Association) were made aware of the Home Office's intention to consult on this measure.