

Title: Exemption of Not-for-profit Film Exhibitions in Community Venues IA No: DCMS 100 Lead department or agency: Department for Culture, Media and Sport Other departments or agencies:	Impact Assessment (IA)	
	Date: 11/11/2013	
	Stage: Final	
	Source of intervention: Domestic	
	Type of measure: Primary legislation	
Contact for enquiries: Ian Jenkins 0207 211 2288		
Summary: Intervention and Options		RPC Opinion: Green

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, Measure qualifies as One-Out?
£0.77m	£0.33m	-£0.04m	Yes OUT

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

Under the Licensing Act 2003, a licence is required to exhibit film a) for public audiences or b) in private where profit is intended. The film licensing regime applies to large and small venues and/or events, with the consequence that low risk community activities are affected disproportionately. Licensing costs and bureaucracy can be prohibitive in such circumstances and the Government would like to deregulate to assist communities who wish to exhibit films in community premises.

What are the policy objectives and the intended effects?

The Government would like to:

- 1) remove unnecessary costs and burdens from suitable community film exhibitions
- 2) help grow activities that encourage positive social outcomes
- 3) ensure suitable child protection arrangements

This will reduce disproportionate costs to civil society organisations that show film. Consultation responses indicate a potential demand for additional community film exhibitions and we expect that supply may be stimulated by removing a barrier to these exhibitions. The policy thereby aims to encourage wider benefits from community film, including civic engagement.

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

Do Nothing Option: The status quo is maintained and film exhibitions require a licence under the Licensing Act 2003.

Preferred Policy Option: Creation of an exemption from the current licensing regime for not-for-profit film exhibitions; held in community premises; between 8 am and 11 pm; with less than 500 attendees; and where the exhibitor abides by age classification ratings at each screening. This exemption would require a change to primary legislation.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: N/A					
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 No	
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ 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 SELECT SIGNATORY:  Date: 22/11/13

Summary: Analysis & Evidence

Preferred Policy Option

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2009	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: £0.77m

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

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

It is not expected that the proposed measure will result in any costs that can be monetised. This is due to the narrow scope of the proposed measure and the ongoing controls available under the 2003 Act.

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

This measure is unlikely to materially increase the risk of children viewing age inappropriate content, as any film screened has to have an age classification and admittance of persons to be in accordance with that classification in order for this exemption to be valid. If in breach then the terms of this exemption will not be valid and if this occurred, then there is potential for enforcement action. Risks associated with noise and public disorder are expected to be minimal under the conditions of the deregulation, given existing public protections. Recent deregulation of live music appears not to have had a substantial impact on levels of reported nuisance. No significant familiarisation costs are expected since the regulatory framework is basically unchanged with some limited criteria for deregulation added.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	N/A	N/A
High	0.0	N/A	N/A
Best Estimate	0.0	£0.09m	£0.77m

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

We expect that, with a conservative estimate, approximately 700 civil society organisations will benefit from reduced administrative burden for film exhibitions held at community premises (in terms of time and associated costs on applications for licences estimated at £52 per application, but not from fees for which they are exempt). Civil society organisations are in scope of "One-in, Two-out" under the Better Regulation Framework manual, and these benefits are classed as direct impacts on "business" amounting to a benefit of -£0.04m (EANCB, at 2009 prices). Local government benefits from an administrative saving where they do not charge a licence fee on a cost recovery basis (estimated at £70 per application).

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

Encouragement of additional film exhibitions in community premises.
Increased social benefit associated with film exhibitions and community participation.

Key assumptions/sensitivities/risks	Discount rate (%)	3.50%
1) The planned package of deregulatory measures is implemented in 2014; 2) Number of venues estimated from licencing statistics is around 700; 3) Licence fee exemptions apply under the Licensing Act 2003 (Fees) Regulations 2005 (SI 2005/79); 4) The proportion of premises licences authorising an exhibition of film is 7%; 5) Risks associated with fewer layers of public protection do not materialise.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.0m	Benefits: £0.04m	Net: -£0.04m	Yes	OUT

1. Background

The Current Licensing Regime

- 1.1 The Licensing Act 2003 (“2003 Act”) brought together many formerly diverse licensing regimes to create a ‘one-stop-shop’ for multiple licence permissions (such as pubs that wish to sell alcohol and host music events). The effect is a single streamlined licensing process for applicants and licensing authorities.
- 1.2 There are two licence types under the 2003 Act:
 - Premises Licence / Club Premise Certificate – Most licences have an unlimited duration but an annual fee is payable to permit specified activities at a particular venue. They are also used as a permission framework for large ad-hoc events (where over 500 attendees are expected).
 - Temporary Events Notice (TEN) - A TEN can be obtained by notifying the local licensing authority in writing a minimum of ten working days in advance of the intended film exhibition. TENs can be used for a wide range of regulated entertainment activities (see paragraph 1.3).
- 1.3 Subject to any conditions, definitions and exemptions that may apply, the types of entertainment which may be licensable under the 2003 Act are:
 - A performance of a play;
 - An exhibition of a film;
 - An indoor sporting event;
 - A boxing or wrestling entertainment;
 - A performance of live music;
 - Any playing of recorded music;
 - A performance of dance.

Changes in the Regulatory Environment

- 1.4 In January 2013 a package of deregulatory measures were announced to Parliament, aimed at addressing the regulatory imbalance caused by the licensing regime. The package entailed deregulating lower risk activities such as plays, dance and indoor sport for small audiences, and creating greater freedoms for regulated entertainment put on in lower risk scenarios, such as events organised by schools, hospitals and local authorities on their own premises.
- 1.5 The package announced in January 2013 will mean that community premises such as village halls, church halls, community halls and similar premises will not require a licence solely for the entertainment activities described at paragraph 1.3 (between the hours of 8am and 11pm), except for two activities: film exhibition and boxing and wrestling.

The Age Classification System

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

2. Problem under consideration

- 2.1 The Licensing Act 2003 requires a licence for a film exhibition when the exhibition is a) for public audiences or b) in private where profit is intended. The Government considers that film exhibition (like a performance of a play or live music) held on community premises is a lower risk activity with respect to the licensing objectives, taking into account that, where

applicable, community premises will still need to possess a licence for the sale or supply of alcohol. Community premises that are at the heart of communities (and which are invariably controlled by a formal management committee) are subject to a regulatory burden for entertainment activity, which Government finds disproportionate and unnecessary.

- 2.2 The Government would, therefore, like to remove, where appropriate, the licensing burden for community premises and their users to reduce the need for time consuming licence administration for film societies, film clubs, and other local social groups, allowing for easier use of these premises and fostering positive social interactions, whilst retaining the key age classification protections that apply to film exhibition.

3. Rationale for intervention

- 3.1 In 2011, Government consulted on a range of deregulatory measures relating to activities listed in Schedule One to the 2003 Act. In respect of film exhibition, the Government subsequently committed to deregulating only where the important principle of child protection could be maintained.
- 3.2 In July 2013, the Government launched a further consultation on deregulatory changes to entertainment licensing for community film exhibition that fulfilled a consultation commitment made in January 2013 when overall Government policy on deregulating entertainment licensing was announced. The proposal was to exempt from entertainment licensing 'not-for-profit' film exhibition in community premises, between 08:00-23:00, provided that the screening abides by the age classification rating and the audience does not exceed 500 people. This exemption removes the need for a licence, but only if the terms of the exemption are adhered to. If the exhibition of the film cannot adhere to the terms of the exemption, then a licence is required. Similarly if a film exhibition breaches the terms of the exemption, then in effect the film was being exhibited without authorisation (i.e. a licence) under the 2003 Act and sanctions available under the 2003 Act would apply.
- 3.3 The Government considers that this mechanism addresses the licensing objective of protecting children from harm by placing the onus on those persons concerned with the exhibition of the film. If those responsible for the exhibition of a film do not have in place operating arrangements that will ensure that age-restricted films may not be viewed by anyone for whom it is unsuitable, they will not be able to benefit from the community film exemption because the conditions are not met. In the absence of an authorisation (i.e. a premises licence, club certificate or TEN), exhibiting a film (or knowingly allowing a film to be exhibited) in these circumstances is a criminal offence under the 2003 Act. With child protection issues addressed, the Government intervention will allow for unnecessary regulatory burdens on community organisations to be removed. The removal of this 'red tape' has administrative savings for film societies and other voluntary event organisers. It will remove a regulatory barrier for community premises and could encourage a larger number of film exhibitions.
- 3.4 Consultation responses from smaller community organisations describe a situation in which the licensing regime limits the exhibition of films. This indicates the potential for additional community film exhibitions if the regulatory burden is reduced.

4. Policy objective

- 4.1 A key objective is to remove unnecessary costs and burdens from suitable low risk community film exhibitions. Removal of this burden will allow resources spent on red-tape to be used elsewhere.
- 4.2 A second objective is to increase the number of film exhibitions at community premises. Removing burdensome regulation, where this is appropriate, may allow for more activities, that provide the benefits of community interaction.

- 4.3 The issue of child protection is of paramount importance. Any measure must adequately address the licensing objective of protecting children from harm through ensuring that children are only admitted to age appropriate film screenings.

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

- 5.1 **Do Nothing Option** – The status quo is maintained and film exhibitions require a licence under the 2003 Act. Due to a changing regulatory environment, by 2014 it is likely the remaining activities that automatically require a licence in community premises will be film exhibitions, and boxing and wrestling entertainments. All other activities will be deregulated in these premises within set time and audience parameters.
- 5.2 **Preferred Policy Option - Deregulate by Introducing an Exemption** – The creation of an exemption from acquiring a licence under the 2003 Act applies to a narrow type of activities that fulfil a specific set of criteria. The exemption applies where:
- The film exhibition takes place at a community premises as defined in the 2003 Act.
 - The film exhibition takes place between 8am and 11pm on the same day;
 - The audience does not exceed 500 persons;
 - The activity of film exhibition is provided on a 'not-for-profit' basis;
 - The film exhibited must have an age classification recommendation from the BBFC or local licensing authority, and the persons responsible for exhibiting the film must ensure adherence to this recommendation.
- 5.3 The definition of 'not-for-profit' in relation to Schedule One to the 2003 Act is linked to the particular activity in question rather than the objective of the organisation. As such, the preferred policy option is predicated on allowing the recovery of cost for a particular film exhibition but not activities that have been hosted with the intention of making profit.
- 5.4 'Community premises' are defined under the Licensing Act 2003 as,
- “premises that are or form part of (a) a church hall, chapel hall or similar building, or (b) a village hall, parish hall, community hall or other similar building”*
- 5.5 The current sanctions set out under the 2003 Act (fines of up to £20,000 and potential imprisonment for up to six months) are available if any exhibitor fails to comply with age classification ratings.
- 5.6 **Consultation response summary** - An early version of the impact assessment was published alongside the consultation for the proposed policy measure. The purpose of the consultation was to receive feedback from various stakeholders and, in terms of the impact assessment, potentially improve the evidence base that supports policy development. Little additional evidence was made available for the purposes of the impact assessment. The Government's preferred option tended to be supported by community organisations, although many had views on how its scope might be broadened in terms of the definition of premises or the basis on which film exhibition 'for profit' (e.g. fund raising) might be admissible in certain circumstances. Film and cinema business organisations generally preferred the 'do nothing' option due to concerns about a loss of protections afforded by the licensing regime. Consultation responses on the evidence base are signposted in the discussion of costs and benefits below. A full Government response to the consultation has been published alongside this impact assessment.

6. Monetised and non-monetised costs and benefits

Available Data on Premises Licences and Club Premise Certificates

- 6.1 The first step in assessing the impact of the preferred policy option is to establish how many premises are likely to be affected as a way of determining a proportionate approach to evidence impact.

- 6.2 The number of licences potentially in scope of this deregulation can be taken from the Home Office Alcohol and Late Night Refreshment Licensing England and Wales 2011/12. This publication shows that 11,181 premises licences and 115 club premises certificates did not attract a fee under exemptions set out in the Licensing Act 2003 (Fees) Regulations 2005, Part 5, Miscellaneous Exemptions. The provision provides an exemption of annual licence fees when there is no sale of alcohol and/or linked with churches, chapels, villages, parishes or community halls or other similar buildings; or schools or colleges¹ (for the purpose of the educational institution). This is similar to the “community premises” which are the target of this policy.
- 6.3 Even though the 11,181 licence holders are fee exempt, and therefore are not required to pay an estimated fee of £70 (the average for Band A premises across Local Authorities), an application is still submitted and this application is still processed by local licensing authorities, thereby incurring an administrative burden. There are no statistics available on the type and frequency of entertainment provided at fee exempt premises.
- 6.4 The DCMS publication Statistics Entertainment Licensing 2012 states that there were 120,800 premises licences in force that authorise some form of regulated entertainment. Each licence allows for multiple entertainment types to be provided. There were 28,280 premises licences that authorised the exhibition of film, which amounted to 7% of total premise licence designations for regulated entertainment.
- 6.5 This expected value of 7% is calculated from a top level group of licence holders. It can therefore be argued that when this expected value is applied to fee exempt licences holders it is a conservative estimate. This is due to the characteristics of a community premise and its preference towards low-risk events such as film exhibitions.

Temporary Event Notices (TENs)

- 6.6 There are two theoretical circumstances when a TEN may be required to authorise a film exhibition. The first case is when a community premise does not have a premises licence. The second case is when a civil society organisation would like to organise an exhibition of film that is not authorised by an existing premises licence. However there are few instances in which a community premise does not have a premises licence. There are also few instances in which a community film exhibition goes beyond the conditions of the premise licence. As such, the preferred policy option is unlikely to reduce the number of TENs issued and TENs are therefore not considered in this impact assessment.

“Not for profit” Community Film Exhibitions

- 6.7 There are voluntary providers of film exhibitions in rural areas that provide a variety of programming to local communities that have limited access to commercial cinemas. Screenings of these films are often in village halls and other community premises. The British Federation of Film Societies (BFFS) surveyed this sector in 2011/12, examining the size, composition and geographical distribution. The number of film societies and community cinemas on BFFS mailing list in 2011/12 was 609, with 158 responding to its survey. It is therefore estimated that there are more than 600 film societies and community cinema organisations in England and Wales. This is a second “bottom up” way of estimating the number of films that can be cross-referenced to the “top down” licences approach (see below).
- 6.8 Notably the BFFS’s survey investigates key characteristics regarding the nature of its members. 93% of the total number are non-profit organisations (566 members) and 27% of

¹ This statistic will include schools that show film; our understanding is that most schools licensed in this way will be focused on exhibition of film in a social setting such as a Parent Teacher Association fund-raiser. This is likely to be a relatively small subset of the total number of fee exempt licences issued. Deregulation of such activities will be brought into force through a separate legislative instrument, designed to commence at the same time as this order. This other policy was subject to a separate impact assessment that has been previously published. This did not take account of any benefits flowing from the deregulation for film, ensuring that the analysis here is not “double counting”.

the total number have charitable status (164 members). Applying this “not for profit” proportion to the total number of licences in scope on the community premises definition gives a total of 10,398 premises licences and 107 club premises certificates remaining within scope of the not-for-profit definition. Applying the 7% expected value of a premise licence having permission to exhibit film leaves 728 premises licences and 7 club premises certificates in scope of the policy. This seems reasonable in light of the estimate of 609 community film organisations. The consultation did not provide any supplementary information to create doubt around this estimate.

6.9 This analysis demonstrates that in all likelihood the deregulatory impact of this policy is likely to be small; with around 600 community film organisations exhibiting film in around 700 community premises. There is the potential for growth in film exhibition as a result of the removal of barriers, but even if the number of premises providing film doubled this would remain a relatively small policy intervention. The approach taken therefore concentrates monetised estimates on existing premises, whilst considering wider benefits from growth in the market and potential social risks from deregulation in a qualitative sense only. This approach was generally supported at consultation, where no additional evidence to quantify or monetise dynamic benefits and wider impacts was presented.

TABLE 1
LICENCES WITH FILM EXHIBITION PERMISSION

Licence type	Unadjusted number of licences	Number of Licences Adjusted not-for-profit (93%)	Number of licences adjusted for expected value of film exhibition 7%
Premises licences exempt from fees	11,181	10,398	728
Club premise certificates exempt from fees	115	107	7

Do Nothing Option

6.10 The status quo is maintained and film exhibitions require a licence under the 2003 Act. This option forms the base case for the IA and by definition the net benefit is zero. Licence numbers tend to be very stable over time, and there is no clear trend from which a baseline would be established.

Preferred Policy Option - Deregulate by Introducing an Exemption

Non-monetised costs

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

- ***Enforcement Costs - Child Protection*** – The current licensing regime has a longstanding track record of seeking to ensure that children are protected from unsuitable content. The proposed measure utilises the same principle of age classification and sanctions but necessarily removes the current relationship with a licence and the relevant licensing authority. We are not aware of any enforcement data in relation to age inappropriate screenings in community premises, pubs or in relation to other premises where the 2003 Act does not require a licence (e.g. places of worship). On the basis of current screenings and known risks, there is no reason to believe that this small deregulatory measure will increase the overall licensing enforcement costs.

- **Enforcement Costs - Notification** – The current licensing regime provides the licensing authority with information on community premises authorised to exhibit film. It is argued that the loss of this oversight will be detrimental to licensing enforcement. We do not consider that this small deregulatory measure will result in an increase in overall enforcement costs, because the risk is very low, even given reductions in information available and we would not expect any such events to be routinely inspected. There is no real evidence of problems from recent deregulations including the Live Music Act 2012, suggesting this issue is likely to be insignificant (especially as the deregulation of film is much more limited in terms of venue numbers).
- **Enforcement Costs - Burdens on the judiciary** – The consultation raised the risk that “not for profit” was an insufficiently defined category that might create additional interpretive work for the courts and create uncertainty for local Government and civil society organisations. “Not for profit” is already used in paragraph 1(2) (c) of Schedule 1 to the 2003 Act, so the term can be well defined.
- **Public Disturbance - from noise and public disorder** – The consultation raised the risk of additional burdens on local authorities from increased noise and public disorder. This risk is not considered great: there are strong conditions in place around the deregulation, particularly in terms of alcohol sales, audience size, time limits, and the type of venue. Given these points, wider protections that will remain in place, and the relatively small number of venues affected by the deregulation, this risk is considered to be negligible. There is currently no evidence of increased levels of noise or public disorder has been obtained in relation to the similar deregulation under the Live Music Act 2012.
- **Displacement - from commercial sector** – Film exhibitions offer an opportunity for citizens to consume film thereby potentially reducing the need to purchase films for home use or viewing films in cinemas. However this is unlikely because the types of films shown at community premises which tend to be differentiated from commercial cinema (which focuses on new releases). Moreover, there is often a lack of commercial supply in close proximity to community premises which tend to be located in rural areas. Any effect would be indirect.
- **Piracy - due to lower controls in community premises** – The consultation raised the issue of video equipment being used to make illegal, copyright infringing, versions of films on display. This risk is considered minimal. The main market for pirate recordings is new releases, and civil society organisations in scope of the deregulation tend not to show this type of film. Instead, film exhibitions at community premises are likely to show older films that are already on recorded formats, and are at minimal risk of recorded piracy during an event.
- **Familiarisation Costs - from new regulation** – These are quite small changes to the regulatory landscape, with simple criteria for exemption. Moreover, the changes bring film exhibition in community premises into line with most other forms of regulated entertainment. The policy changes are therefore not expected to cause any significant familiarisation costs for civil society organisations and/or local authorities.

6.12 These risks are low in regard to the narrow scope of the proposed measure and film exhibitions generally. It is also important to note a premise licence would still be required if there is sale of alcohol or if any admission charge is made that is intended to recoup more than the costs of exhibiting the film. Therefore there is no reason to expect deterioration in performance against the prevention of crime and disorder, protection of children from harm, or public safety.

6.13 The proposed measure takes account of public order advice to eliminate concerns around infrastructure overload and any potential risks from issues such as “bring your own” alcohol activity at small events. The risk from such activity is considered highly unlikely and because

these risks are not expected to materialise no more detailed cost assessment has been conducted.

Non-Monetised Benefits

- 6.14 **Increased Number of Film Exhibitions** – Deregulating licensing requirements reduces the cost required to organise a film exhibition. In turn, there may be an increased number of film exhibitions, in particular amongst those that previously viewed the licensing requirement as prohibitive. Estimating the economic and social benefit per event and forecasting the potential growth would not be proportionate for this IA. No quantitative figure regarding the size of growth was obtained from the consultation. However a majority of consultation responses were in favour and found the deregulatory measure useful, thereby indicating potential growth in the area.
- 6.15 **Social Benefits** – Not-for-profit performances are encouraged and supported by Big Society because it fosters a sense of community. However there is little existing quantitative research on these wellbeing effects. The CASE Programme² identifies that ‘engagement in culture is associated with a better knowledge of one’s own culture and other cultures. Such outcomes provide a socialisation function, producing a common standard of citizenship and social cohesion’. There is also emerging evidence that regular participation in film leads to significant well-being effects. Any growth in the provision of community events centred around film will deepen these effects.

Monetised Benefits

- 6.16 **Cost Savings for Civil Society Organisations** – Licences are fee exempt for community premises, but there is an administrative burden from completing the application form. A large portion of licence holders under consideration submit an application in a repetitive manner on an annual basis. The “*Impact Assessment of the proposal to introduce a simplified process for minor variations to licences (2008)*,” estimated that the cost to complete and send an application form with a copy of the licence or certificate of the original plan to the relevant licensing authority was between £15 and £80. This was based on 1-5 hours of management time at an hourly cost of £16.23 (which was estimated from discussion with stakeholders).
- 6.17 Assuming that it takes 3 hours to complete, copy and send the application and adjusting the hourly cost to 2012 price level using the HMT GDP deflator (£17.27) the estimated average cost saving is estimated to be £52 per application. Applying this to the estimated number of licences in scope gives a saving to civil society organisations of approximately £38k per annum.
- 6.18 **Cost Savings for Local Government** – There is an administrative saving for the local authority associated with each licence that is no longer required to be processed. On the basis that licence fees are charged on a cost recovery basis, the administrative saving is assumed to be the licence fee that the public sector institution would have had to pay if it had been a business. The overwhelming majority of public sector institutions would be categorised as Band A premises, which attracts a licence renewal fee of £70. This figure is therefore assumed to be administrative burden (given that licensing operates on a cost recovery basis) for processing and evaluating the repetitive applications from fee exempt licence holders. Applying the reduction in licences to this cost estimate gives a saving of approximately £51k per annum.
- 6.19 In summary the impact assessment estimates that: civil society organisations will benefit from deregulation by £38k per annum, while local government will benefit from deregulation by £51k per annum. Average annual benefits are therefore expected to be £0.09m, which discounted to present value terms over a ten year appraisal period amounts to a net present

² <https://www.gov.uk/government/publications/case-programme-understanding-the-drivers-impacts-and-value-of-engagement-in-culture-and-sport>

value of £0.77m at 2012 prices. No costs are anticipated as risks arising from the proposal are considered negligible.

7. Direct costs and benefits to business calculations;

- 7.1 This proposed measure is an OUT. The current licensing regime compels smaller organisations to use premises that are authorised to exhibit film (which may attract a fee and an administrative burden) to arrange a film exhibition. The measure will introduce an exemption that removes this requirement and will directly benefit “businesses” (which under the Better Regulation Framework Manual includes civil society organisations) because of administrative cost savings and fee savings. These are direct benefits which accrue as a result of the changes in regulatory requirement and therefore within the scope of “One-in, Two-out”.
- 7.2 The direct costs saved by civil society organisation from reductions in applying for a licence amount to approximately £38k worth of savings per annum in nominal terms. Discounting and converting to Equivalent Annual Net Cost to Business terms and deflating to 2009 prices puts the saving to business at -£0.04m.
- 7.3 No direct costs are assumed given the low risk nature of the activity. Any costs arising from substitution between not for profit and commercial cinema would be indirect and out of scope of One-in, Two-out. There is a high level of product differentiation between commercial and community film exhibitions in these areas. Commercial operations rely on recent releases and high quality facilities. While the community film exhibitions under consideration generally offer lower quality facilities and show films available online or in DVD format, thereby competing with home entertainment systems.
- 7.4 The impact of deregulation in an urban setting is limited as only community premises are eligible. Reducing the licensing burden is unlikely to substantially increase the current number of community film exhibitions and therefore unlikely to encroach upon the market share of commercial activities. It is more likely that the number of film exhibitions will increase in rural areas due to the smaller market size and relatively higher costs to entry.
- 7.5 While some growth in the number of community film exhibitions is anticipated the benefits are indirect and therefore out of scope of “One-in, Two-out”.
- 7.6 No additional direct impacts on businesses were identified during the consultation stage.

8. Small and Medium Sized Business Assessment

- 8.1 This proposal is clearly deregulatory in nature. The benefits of deregulation are biased towards smaller civil society organisations that are likely to organise not-for-profit film exhibition at community premises, rather than large scale commercial enterprises. The proposal therefore supports the growth of smaller businesses, and no differentiation is required in the policy design to support smaller organisations.

9. Risks and assumptions;

- 9.1 The analysis described above rests on a number of policy and analytical assumptions. These are summarised below for ease of reference.
- 9.2 The planned package of deregulatory measures is implemented in 2014;
- 9.3 The number of venues estimated to be currently in existence and able to take advantage of the policy proposal is around 700;

- 9.4 Licence fee exemptions apply under the Licensing Act 2003 (Fees) Regulations 2005 (SI 2005/79);
- 9.5 Best estimate: proportion of total premises licences authorising an exhibition of film within the subset of community premises is 7%.
- 9.6 Risks around child protection, noise disturbance, local government burdens, and piracy are effectively mitigated by other protections and the controlled nature of the deregulation, and will not materialise.

10. Wider impacts

Economic

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

Social

- 10.2 The proposal increases opportunities for positive social impacts from improved individual and community wellbeing, and these outcomes have been analysed qualitatively. There is potential for proportionately greater benefits to accrue in rural areas, where smaller audience numbers and smaller incidence of market supply means that the costs of the licensing system are more likely to create a hindrance to individual and community participation. The proposal has been considered against the licensing objectives and subjected to a risk assessment that finds negligible impacts on crime and disorder, public safety, and protection of children. No perverse impact is anticipated on equalities or human rights.

Environmental

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

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

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

12. Consultation Questions

- 12.1 The following consultation questions were asked with reference to the consultation document, to elicit stakeholder views on both the general principles and the proposed implementation of the deregulatory proposal.
- 12.2 Do you support the 'do nothing' proposal (as set out in paragraphs 28-30) or the Government's preferred policy option ("deregulate not-for-profit film exhibition in "community premises" as set out at paragraphs 31-35). If not, please explain why.
- 12.3 If you generally support the preferred policy option, do you agree with the Government's suggested definition of community premises? If not, please explain why.

- 12.4 If you support the preferred policy option, do you agree with the Government’s proposals that the exemption should only extend to “not for profit” activities? If not, please explain why.
- 12.5 Do you agree that exhibition of film that is incidental to other entertainment activities that are not regulated under the 2003 Act should be exempt?
- 12.6 Do you agree that the Government’s draft clause at Annex C will achieve the deregulation outlined in the preferred policy option?
- 12.7 Do you agree that films that do not have an age classification rating should not be exhibited in community venues without a licence? If you do not agree, please explain why.
- 12.8 The following table illustrates the response to these questions, indicating whether they supported the deregulation, opposed the deregulation, or otherwise did not take a view. The responses showed clear and strong support for the preferred policy proposal of deregulation.

TABLE 2
CONSULTATION RESPONSES

	Preferred Policy Option - Deregulate	Do Nothing Option	Other views/Did not respond directly to question	Undecided
Q1	33	10	5	0
Q2	22	12	14	0
Q3	19	11	16	2
Q4	23	5	18	2
Q5	25	1	21	1
Q6	23	5	19	1