

Title: Implementation of new fees for firearms licences issued by the Home Office and Scottish Government

### Impact Assessment (IA)

IA No: HO0317

Date: October 2018

Lead department or agency: Home Office

Stage: Implementation

Other departments or agencies: Scottish Government

Source of intervention: Domestic

Type of measure: Secondary legislation

Contact for enquiries:  
Serious Violence Unit,  
Home Office

### Summary: Intervention and Options

RPC Opinion: N/A

#### Cost of Preferred (or more likely) Option

| Total Net Present Value | Business Net Present Value | Net cost to business per year (EANCB on 2014 prices) | In scope of Business Impact Target? | Measure qualifies as |
|-------------------------|----------------------------|--|-------------------------------------|----------------------|
| £0.0m                   | -£2.3m                     | £0.3m  | N/A                                 | N/A                  |

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

The Home Office and the Scottish Government administer applications for licences for firearms that are prohibited under Section 5 of the Firearms Act 1968, and for museum collections and approved shooting clubs. Section 5 licences do not currently attract a fee, while licences for museums and approved shooting clubs are subject to a fee that is less than the cost of administering applications. The Government introduced measures through the Policing and Crime Act 2017 to enable new fees for these licences to be set on a cost recovery basis.

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

The policy objective is to recover the costs of the administration of firearms licences issued by the Home Office and Scottish Government. The costs are incurred by the Home Office, the Scottish Government, and the police.

#### What policy options have been considered, including any alternatives to regulation?

**Option 1:** Do nothing.

**Option 2:** Introduce fees for Section 5 licences and set new fees for museum and shooting club licences, in order to recover the costs of administering licence applications. These fees will exclude the costs associated with implementing the new online licensing system and they will exclude any licensing unit costs for activities that are not directly related to processing licences. There will also be a £200 cap on museum licence fees.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** Fee levels will be reviewed annually.

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.

Micros Yes

< 20 Yes

Small Yes

Medium Yes

Large Yes

What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)

Traded: N/A

Non-traded: N/A

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:



Date: 24 October 2018

# Summary: Analysis & Evidence

# Policy Option 2

**Description:** Implementation of new fees for Home Office and Scottish Government firearms licences with a view to recovering costs currently falling to the taxpayer.

## FULL ECONOMIC ASSESSMENT

|                          |                       |                          |                                       |       |                            |
|--------------------------|-----------------------|--------------------------|---------------------------------------|-------|----------------------------|
| Price Base<br>Year: 2018 | PV Base<br>Year: 2018 | Time Period<br>Years: 10 | Net Benefit (Present Value (PV)) (£m) |       |                            |
|                          |                       |                          | Low:                                  | High: | Best Estimate: <b>0.00</b> |

| COSTS (£m)    | Total Transition<br>(Constant Price) Years | Average Annual<br>(excl. Transition) (Constant Price) | Total Cost<br>(Present Value) |
|---------------|--|---|-------------------------------|
| Low           | None                                       |   |                               |
| High          | None                                       |   |                               |
| Best Estimate | None                                       | 0.3   | <b>3.0</b>                    |

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

There are increased costs to applicants for firearms licences as they pay higher fees, with an estimated PV cost to businesses of £2.3 million over the first 10 years of the policy. This consists of a PV cost of £1.5 million for Section 5 firearms dealers, £0.6 million for Section 5 firearms carriers and £0.2 million for private maritime security companies. There is an additional PV cost of £0.6 million for approved shooting clubs, and £0.1 million for other applicants for Section 5 firearms licences.

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

None.

| BENEFITS (£m) | Total Transition<br>(Constant Price) Years | Average Annual<br>(excl. Transition) (Constant Price) | Total Benefit<br>(Present Value) |
|---------------|--|---|----------------------------------|
| Low           | None                                       |   |                                  |
| High          | None                                       |   |                                  |
| Best Estimate | None                                       | 0.3   | <b>3.0</b>                       |

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

There are benefits to the organisations processing firearms licences as they receive higher fees, with a PV benefit of £1.7 million for the Home Office, £1.1 million for police forces in England and Wales, £0.1 million for Scottish Government and £0.1 million for Police Scotland over the first 10 years of the policy.

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

None.

### Key assumptions/sensitivities/risks

Discount Rate: 3.5

It is assumed that the costs of firearms licensing per application in Scotland are similar to those in England & Wales. It is assumed that the firearms licensing fees will be split between the Scottish Government and Police Scotland in the same ratio that fees are split between the Home Office and police forces in England and Wales. It is assumed that the number of applications for each licence type remains the same as in the previous cycle and that the costs of firearms licensing remain constant over time. These assumptions will be reviewed going forward, as the fees are reviewed on an annual basis.

## BUSINESS ASSESSMENT (Option 2)

|   |               |          |                  |                      |
|---|---------------|----------|------------------|----------------------|
| Direct impact on business (Equivalent Annual) £m: |               |          | In scope of BIT? | Measure qualifies as |
| Costs: 0.3  | Benefits: 0.0 | Net: 0.3 | No               | N/A                  |

# Evidence Base (for summary sheets)

## A. Strategic Overview

### A.1 Background

1. The Home Office and Scottish Government administer applications for licences to possess firearms that are prohibited under Section 5 of the Firearms Act 1968, and for museum collections and approved shooting clubs. Section 5 licences do not currently attract a fee. Licences for museums and approved shooting clubs are subject to a fee that was last reviewed in 1995 and is below the cost of administering applications<sup>1</sup>. The Government introduced measures, through the Policing and Crime Act 2017, to enable new fees for these licences to be set on a cost recovery basis. These licences are distinct from police-issued certificates for civilian firearms and shotguns, and Registered Firearms Dealers (RFDs) dealing in civilian firearms and shotguns<sup>2</sup>.
2. Section 5 of the Firearms Act 1968 regulates the possession of a wide variety of firearms and ammunition, including most handguns, automatic weapons, self-loading guns other than those chambered for .22 rimfire ammunition, and launchers of missiles, rockets, and noxious gases. It also regulates the component parts of these firearms. Individuals or organisations that hold Section 5 licences include dealers who deal in Section 5 firearms, manufacturers and companies that transport these firearms (carriers), and maritime security companies that protect UK ships from piracy.
3. Museum licences can be held by certain museums with firearms collections and may authorise possession of Section 5 weapons. Approved shooting club licences enable members without their own firearms or certificate to shoot with club weapons.
4. The Scottish Government administers applications for these licences from applicants based in Scotland. It does so under the same legislation as England and Wales, as firearms policy (except for policy on air weapons) is reserved.

### A.2 Groups Affected

#### **Police forces in England, Wales and Scotland**

5. Police forces provide advice to the Home Office (or, in Scotland, the Scottish Government) on applications for firearms licences. They conduct checks including background checks on individuals, interviews, site visits and stock checks. The police therefore incur costs, which are currently met from their own budgets (except for a proportion of the costs in the case of museums). A proportion of the proposed fees will be passed to the police.

#### **Section 5 firearms dealers**

6. Section 5 dealers are anyone who, by way of trade or business, manufactures, sells, transfers, repairs, tests or proves Section 5 firearms or ammunition. For example, dealers may manufacture or supply arms, components or services to the police or Ministry of Defence or to the police, or to military and police forces abroad. Additionally, they may provide services to individuals who are permitted to possess Section 5 firearms in limited circumstances, such as for humane dispatch. Some firearms dealers will deactivate and trade in collector's items or act as forensic experts.

#### **Other holders of Section 5 firearms**

7. The categories set out above are the most common types of Section 5 holder. Others include the Olympic and Paralympic shooting teams, the temporary holders of historical weapons kept as trophies of war, and foreign defence companies exhibiting at the London Defence and Security Equipment International exhibition (DSEI).

#### **Section 5 firearms carriers**

8. Carriers are authorised only for the transport of Section 5 firearms. These include airlines and shipping and freight companies.

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<sup>1</sup> Applications for museum and shooting club licences are subject to fees under the Firearms (Amendment) Act 1988.

<sup>2</sup> New fees were set in April 2015 to recover the costs to the police of administering applications for these certificates.

### **Private Maritime Security Companies**

9. Private Maritime Security Companies (PMSCs) are authorised by the Home Office to enable their guards to be armed with prohibited firearms to protect UK ships from piracy in the designated 'high risk' areas. Guards are authorised under the company's licence and not as individuals. All applications, including those from Scotland, are managed by the Home Office.

### **Museums with firearms collections**

10. Museums may have collections of firearms and ammunition. Museums that fulfil certain requirements may hold them under a museum firearms licence, which can cover all firearm types.

### **Approved shooting clubs**

11. Approved shooting clubs may make non-prohibited firearms available to their members or provide facilities for members to use their own weapons. Members do not need a certificate to shoot using firearms provided by an approved club. Educational establishments with approved shooting clubs may also operate in this way.

## **A.3 Consultation**

12. A public consultation was held between 12 January and 9 March 2017<sup>3</sup>, which set out proposed fee levels based on estimated costs. An impact assessment (IA) accompanied the consultation, which set out how these costs were estimated<sup>4</sup>. The consultation included a commitment to review the fees before implementation. Since the consultation, the Home Office has reviewed its costs and discussed the proposals with representatives of fee payers to determine the final fees in this IA. The changes in fees since the consultation IA are detailed in the annex.

## **B. Rationale**

13. The Government considers that, in line with the position set out in 'Managing Public Money'<sup>5</sup>, firearms licensing fees should recover the cost of administering applications. Applications for Section 5 firearms licences do not currently attract a fee, and the process is therefore fully funded by the taxpayer, while fees for applications for museums with firearms collections and approved shooting clubs are currently below cost recovery. Government intervention is needed to allow some or all of these costs to the taxpayer to be recovered.

## **C. Objectives**

14. The main objective of this policy is to recover the costs associated with administering applications for Section 5, museum and approved shooting club licences.

## **D. Options**

### **Option 1: do nothing**

15. To maintain the status quo, so that applications for Section 5 firearms licences would be free of charge to applicants, and therefore fully funded by the taxpayer. Fees for applications for licences for museums with firearms collections and approved shooting clubs would remain at current levels, with a significant proportion of the cost subsidised by the taxpayer.

### **Option 2: Implementation of new fees for firearms licences issued by the Home Office and Scottish Government**

16. Introduce fees for Section 5 licences and increase fees for museum and approved shooting club licences, in order to recover the costs of the licensing service. These fees will exclude the costs associated with implementing the new online licensing system and they will exclude any licensing

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<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/583035/170110pn\\_Firearms\\_Fees\\_consultation\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/583035/170110pn_Firearms_Fees_consultation_FINAL.pdf)

<sup>4</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/582459/170110pn\\_Firearms\\_fees\\_consultation\\_IA\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/582459/170110pn_Firearms_fees_consultation_IA_FINAL.pdf)

<sup>5</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/686462/MPM\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686462/MPM_2018.pdf)

unit costs for activities that are not directly related to processing licences. There will also be a £500 cap on museum licence fees.

## **E. Appraisal**

### **GENERAL ASSUMPTIONS & DATA**

17. It is assumed that the average costs of administering licence applications are the same in Scotland as in England and Wales.
18. It is assumed that the division of licensing fees income between the Scottish government and Police Scotland is the same as the division of licensing fees income between the Home Office and police forces in England and Wales.
19. It is assumed that the average number of applications per year for each licence type remains the same as in recent years.
20. It is assumed that the cost of processing firearms licences remains the same over time.
21. The assumptions above will be reviewed when the fees are reviewed on an annual basis.

### **Option 1 - Do nothing**

22. Under Option 1, applicants for museum and shooting club licences would continue to pay a total of approximately £25,000 per year in fees, and applicants for Section 5 licences would pay £0 per year. The majority of the costs of administering these licences would remain funded by the taxpayer rather than the applicants.

### **Option 2 - Implementation of new fees for Home Office and Scottish Government firearms licences with a view to recovering costs currently falling to the taxpayer**

### **COSTS**

#### **Set-up costs**

#### **Applicants for firearms licences**

23. No significant set-up costs are expected for those applying for firearms licences, as the process of applying for these licences will remain the same.

#### **Home Office/Scottish Government**

24. No significant set-up costs are expected for the Home Office/Scottish Government, as they already have systems in place to collect fees from applicants.

#### **Ongoing costs**

25. There will be ongoing costs to applicants for Section 5, museum and shooting club licences, as their fees increase or they are required to pay fees for the first time. The new licence fees for each applicant type, and the methodology for estimating them, are explained in the annex.

#### **Firearms dealers**

26. Firearms dealers will pay a first-time application fee of £796 and a renewal fee of £747, compared to current fees of £0 for both first time and renewals. This results in an increased cost of approximately £170,000 per year, which is a present value (PV) of £1.5 million over the first 10 years of the policy.

#### **Firearms carriers**

27. Firearms carriers will pay a first-time application fee of £569 and a renewal fee of £540, compared to current fees of £0 for both first time and renewals. This results in an increased cost of approximately £71,000 per year, which is a PV of £0.6 million over the first 10 years of the policy.

### **Shooting clubs**

28. Shooting clubs will pay a first-time application fee of £444 and a renewal fee of £372, compared to current fees of £84 for both first time and renewals. This results in an increased cost of approximately £70,000 per year, which is a PV of £0.6 million over the first 10 years of the policy.

### **Private Maritime Security Companies (PMSCs)**

29. PMSCs will pay a first-time application fee of £616, a renewal fee of £565, and a fee of £48 for each additional guard, compared to current fees of £0 each. This results in an increased cost of approximately £23,000 per year, which is a PV of £0.2 million over the first 10 years of the policy.

### **Museums**

30. Museums will continue to pay a first-time application fee of £200 and a renewal fee of £200. There are therefore no significant changes in costs for museums.

### **Other licence applicants**

31. This category captures those applying for a small number of licences, often on a one-off basis. This consists of the following three groups: 1) Olympic and Paralympic shooting teams, 2) the temporary holders of historical weapons kept as trophies of war, and 3) foreign defence companies exhibiting at the London Defence and Security Equipment International exhibition (DSEI). The first two groups will now pay an application fee of £206, while companies exhibiting at DSEI will pay an application fee of £389, compared to a current fee of £0 for all groups. This results in an increased cost of approximately £10,000 per year, which is a PV of £0.1 million over the first 10 years of the policy.

## **BENEFITS**

### **Home Office**

32. The new fees will generate a benefit through increased income for the Home Office, as the costs associated with processing applications are recovered. This represents an increased income of approximately £193,000 per year, a PV of £1.7 million over the first 10 years of the policy.

### **Police forces in England and Wales**

33. The new fees will generate a benefit through increased income for police forces in England and Wales, as the costs associated with processing applications are recovered. This represents an increased income of approximately £129,000 per year, a PV of £1.1 million over the first 10 years of the policy.

### **Scottish Government**

34. The new fees will generate a benefit through increased income for the Scottish Government, as the costs associated with processing applications are recovered. This represents an increased income of approximately £13,000 per year, a PV of £0.1 million over the first 10 years of the policy.

### **Police Scotland**

35. The new fees will generate a benefit through increased income for Police Scotland, as the costs associated with processing applications are recovered. This represents an increased income of approximately £9,000 per year, a PV of £0.1 million over the first 10 years of the policy.

### **Total Cost, Total Benefit, Net Present Value, BNPV and EANDCB**

36. The total cost of this policy is a PV of £3.0 million, in terms of increased fee payments by applicants for firearms licences. The total benefit of this policy is also a PV of £3.0 million, in terms of increased licensing fee income to the Government and police forces.
37. This results in a net present value of £0.0 million over the first 10 years of the policy, as the costs and benefits net off. The business net present value of this policy is -£2.3 million in terms of increased fee payments by firearms dealers, firearms carriers and private maritime security companies. The EANDCB for this IA is £0.3m although fees are exempt from the Business Impact Target.

## **F. Risks**

38. There is a risk that small companies whose trade involving prohibited weapons is low value could stop this aspect of business activity if profit is not high enough to justify the cost of the licence. Equally, museums and clubs whose activities requiring a firearms licence are of low value to the public may stop those activities because of the cost of the licence.
39. There is a risk that the costs of processing firearms licences may change in future, for example there may be an increase in the number of complex applications. This risk is mitigated by the review of fees an annual basis.
40. There is a risk that the costs of processing licences in Scotland may be different to those in England and Wales, and the fees charged may therefore recover more or less than the costs incurred.

#### **Small and micro-business assessment (SaMBA)**

41. Data is not available on the size of businesses paying firearms licensing fees. While it is likely that some of the firearms carriers will be large, multinational organisations, many of the Section 5 firearms dealers are likely to be small or micro-businesses. Exempting or cross-subsidising small and micro-businesses would defeat the purposes of the policy, and would not be best practice according to the Government’s policy on fees and charges in “Managing Public Money”.

### **G. Enforcement**

42. The changes to licence fees do not affect the process of issuing licences for these firearms, so no changes to enforcement are expected from this policy.

### **H. Summary and recommendations**

Table H.1 outlines the costs and benefits of the proposed changes.

| <b>Table H.1 Costs and Benefits, £ million.</b> |   |            |                                    |            |
|---|---|------------|------------------------------------|------------|
| <b>Option</b>                                   | <b>Costs, £ million</b>                         |            | <b>Benefits, £ million</b>         |            |
| <b>2</b>  | Business (firearms dealers, carriers and PMSCs) | 2.3        | Home Office                        | 1.7        |
|   | Shooting clubs                                  | 0.6        | Police forces in England and Wales | 1.1        |
|   | Museums   | 0.0        | Scottish Government                | 0.1        |
|   | Other licence applicants                        | 0.1        | Police Scotland                    | 0.1        |
|   | <b>Total</b>                                    | <b>3.0</b> | <b>Total</b>                       | <b>3.0</b> |

Numbers may not sum due to rounding.

### **I. Implementation**

43. The fee levels will be set in secondary legislation. We anticipate the new fees commencing on or before the March 2019 Common Commencement Date.

### **J. Monitoring, Evaluation and Feedback**

44. The new fees will be reviewed on an annual basis.

## **Annex – Methodology for estimating the costs of the change in licence fees**

The costs of the change in licence fees have been estimated using the following steps:

Step 1 - Estimating the total costs of current licence fees.

Step 2 - Calculating the new licence fees.

Step 2.1 - Estimating total Home Office costs to be recovered.

Step 2.2 - Estimating the average time taken to process each application type.

Step 2.3 - Estimating the proportion of costs per year spent processing each application type.

Step 2.4 - Apportioning total costs to each application type.

Step 2.5 - Adding police costs.

Step 3 – Estimating the total costs of the new licence fees.

Step 4 – Estimating the change in costs from the new licence fees.

### *Step 1 – Calculating current fee costs*

As shown in Table 1, the costs associated with the current licence fees was estimated by multiplying the current fee levels by the average number of applications per year. This was broken down by the government and the police for England and Wales and for Scotland, so that the fee income to each authority could be calculated.



**Table 1 – Current licence fees paid per year, by application type, £, 2018.**

|                     | A<br>Current fees |        | B<br>Average applications per year |             | C<br>Fees paid to government |              | D<br>Fees paid to police |            | E<br>Total fees paid |
|---------------------|-------------------|--------|------------------------------------|-------------|------------------------------|--------------|--------------------------|------------|----------------------|
|                     | Govt              | Police | England & Wales                    | Scotland    | England & Wales              | Scotland     | England & Wales          | Scotland   |                      |
| Museum first time   | 75                | 125    | 3                                  | 1           | 233                          | 50           | 389                      | 83         | <b>755</b>           |
| Museum renewal      | 75                | 125    | 29                                 | 6           | 2,197                        | 420          | 3,661                    | 700        | <b>6,978</b>         |
| Museum variation A  | 75                | 0      | 4                                  | 2           | 293                          | 120          | 0                        | 0          | <b>413</b>           |
| Museum variation C  | 75                | 0      | 1                                  | 0           | 86                           | 30           | 0                        | 0          | <b>116</b>           |
| Club first time     | 84                | 0      | 39                                 | 1           | 3,269                        | 112          | 0                        | 0          | <b>3,381</b>         |
| Club renewal        | 84                | 0      | 137                                | 21          | 11,531                       | 1,778        | 0                        | 0          | <b>13,309</b>        |
| Club variation A    | 0                 | 0      | 12                                 | 1           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Club variation B    | 0                 | 0      | 12                                 | 1           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Club variation C    | 0                 | 0      | 96                                 | 8           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Dealer first time   | 0                 | 0      | 45                                 | 3           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Dealer renewal      | 0                 | 0      | 133                                | 7           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Dealer variation A  | 0                 | 0      | 32                                 | 1           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Dealer variation B  | 0                 | 0      | 63                                 | 2           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Dealer variation C  | 0                 | 0      | 11                                 | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Carrier first time  | 0                 | 0      | 26                                 | 3           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Carrier renewal     | 0                 | 0      | 76                                 | 7           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Carrier variation A | 0                 | 0      | 15                                 | 2           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Carrier variation B | 0                 | 0      | 15                                 | 2           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Carrier variation C | 0                 | 0      | 13                                 | 1           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC first time     | 0                 | 0      | 3                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC renewal        | 0                 | 0      | 4                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC variation A    | 0                 | 0      | 1                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC variation B    | 0                 | 0      | 1                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC variation C    | 0                 | 0      | 0                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC variation D    | 0                 | 0      | 15                                 | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| PMSC extra guards   | 0                 | 0      | 296                                | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| DSEI                | 0                 | 0      | 21                                 | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Olympic shooter     | 0                 | 0      | 5                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| Trophy of War       | 0                 | 0      | 2                                  | 0           | 0                            | 0            | 0                        | 0          | <b>0</b>             |
| <b>All</b>          |                   |        | <b>1,110</b>                       | <b>68.3</b> | <b>17,610</b>                | <b>2,510</b> | <b>4,050</b>             | <b>783</b> | <b>24,954</b>        |

Figures may not sum due to rounding.

**Notes**

- PMSC refers to private maritime security companies.
- DSEI refers to foreign defence companies exhibiting at the London Defence and Security Equipment International exhibition.
- Variation A: significant Government scrutiny and a police visit will be required, for example, at new premises at which firearms will be stored or a significant new area of business.
- Variation B: some Government scrutiny and a police check but no visit, for example a change to the named authority holder. This is not required for museum licences.
- Variation C: an administrative change, such as a name change. This is different to a change of the named authority holder, where additional checks are necessary.
- Variation D: applicable to PMSCs only – the authorising of new guards, which requires police checks. There is a charge for each new guard, which is shown in the table in the row below.

### *Step 2 – Estimating new fee costs*

The new fees have been set in order to achieve cost recovery, so the fees have been calculated by apportioning the total costs of processing licence applications to each category of licence. This has been undertaken using for England and Wales, under the assumption that the costs of processing licences in Scotland are equivalent to that of England and Wales.

#### *Step 2.1 - Estimating total Home Office costs to be recovered*

The total cost to the Home Office of administering Section 5, museum and shooting club licences in England and Wales is approximately £494,000 per year<sup>6</sup>. The following costs will not be recovered by the new licence fees and were therefore removed: the costs of a new database for processing applications (£112,000 per year) and the costs associated with activities which do not directly relate to the processing of applications, such as training time and responding to queries (£163,000 per year). The removal of these costs resulted in a total cost to the Home Office of approximately £219,000 per year to be recovered by the new licence fees.

#### *Step 2.2 - Estimating the average time taken to process each application type*

Table 2 shows the calculations used in steps 2.2 to 2.5. The cost of £219,000 per year was apportioned to each type of licence by calculating the amount of time spent by the Home Office in processing each application type (shown in column A of Table 2). The average amount of time taken to process each application type was estimated using a time-based activity-based costing exercise. This involved a workshop where four caseworkers and two supervisors involved in processing licences estimated the number of minutes taken by staff of each grade for each step of the application process. The time taken per licence was compared across application types to validate that the relative estimates for each application type were accurate.

#### *Step 2.3 - Estimating the proportion of costs per year spent processing each application type*

The average time taken per application type was then weighted by staff grade (for example, the time taken by a Grade 7 would be weighted approximately twice that of an Executive Officer, as total wage costs are approximately twice as much). It was then multiplied by the average number of applications per year (column B), which was sourced from the Home Office firearms licensing unit, to estimate the proportion of total costs which are attributable to each application type (column C).

#### *Step 2.4 - Apportioning total costs to each application type*

The proportion of total costs per application type (column C) was multiplied by the total Home Office costs to be recovered (£219,000), to produce a total Home Office cost per application type (column D). This was then divided by the average number of applications per year, to produce the Home Office cost per application (column E).

#### *Step 2.5 - Adding police costs*

In the final stage of the approach, costs to the police were estimated. An activity-based costing exercise was undertaken to estimate these costs, by working with a small sample of police forces to estimate the amount of time taken for each activity, by each application type. These were multiplied by the hourly costs of police staff time derived from the costs used to set new fees for police administered firearms licences in April 2015<sup>7</sup>, to produce the police costs per application (column F).

These were then added to the Home Office cost per application to produce the total licence fee per application (column G). The fees for first time and renewal licences for museums were then capped at £200 for both first time and renewal licences (with the government retaining £75 and the police retaining £125), and at £110 for major variations (with the government retaining all of the fee). The total discount to museum licences in England and Wales is approximately £11,000, which means that the total costs recovered in England and Wales are approximately £344,000 per year, with £211,000 recovered by the Home Office and £133,000 recovered by the police.

The total costs recovered for these fees in this IA are approximately 59 per cent lower than those estimated in the consultation. This is because the data relating to the costs of processing licences have been revised and updated, and because the new fees no longer recover all costs associated with processing applications. The main drivers of the reduction in fees are as follows:

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<sup>6</sup> This excludes the cost of processing diplomatic licences, which will not be subject to licence fees

<sup>7</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/415886/Impact\\_assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/415886/Impact_assessment.pdf)

- fewer licensing staff are now involved in processing applications, which reduced the total staff costs to be recovered by the new fees;
- the estimated annual volumes of applications were revised;
- a more detailed analysis of overheads was conducted which led to the removal of some overhead costs that are not attributable to the licensing process; and
- the new licence fees no longer recover the costs attributed to the new online licensing system and time spent by the licensing team on work that is not directly related to handling applications, such as responding to enquiries from potential applicants and existing licence holders.

**Table 2 – Approach to estimating new licence fees, by application type, 2018.**

|                     | Step 2.2                    | Step 2.3                                |   | Step 2.4                        |                                 | Step 2.5                            |                             |
|---------------------|-----------------------------|---|---|---------------------------------|---------------------------------|-------------------------------------|-----------------------------|
|                     | A<br>Minutes<br>per licence | B<br>Applications<br>per year in<br>E&W | C<br>Proportion<br>of total HO<br>costs (%) | D<br>Total<br>cost to<br>HO (£) | E<br>HO cost per<br>licence (£) | F<br>Police cost per<br>licence (£) | G<br>New licence<br>fee (£) |
| Museum first time   | 322                         | 3                                       | 0.5   | 1,090                           | 351                             | 313                                 | 663*                        |
| Museum renewal      | 267                         | 29                                      | 3.9   | 8,480                           | 290                             | 313                                 | 602*                        |
| Museum variation A  | 192                         | 4                                       | 0.4   | 804                             | 206                             | 123                                 | 329*                        |
| Museum variation C  | 35                          | 1                                       | 0.0   | 41                              | 36                              | 0                                   | 36                          |
| Club first time     | 247                         | 39                                      | 4.9   | 10,664                          | 274                             | 170                                 | 444                         |
| Club renewal        | 217                         | 137                                     | 14.9  | 32,741                          | 239                             | 133                                 | 372                         |
| Club variation A    | 164                         | 12                                      | 1.0   | 2,128                           | 177                             | 123                                 | 300                         |
| Club variation B    | 112                         | 12                                      | 0.7   | 1,432                           | 119                             | 87                                  | 206                         |
| Club variation C    | 35                          | 96                                      | 1.6   | 3,433                           | 36                              | 0                                   | 36                          |
| Dealer first time   | 447                         | 45                                      | 9.9   | 21,733                          | 483                             | 313                                 | 796                         |
| Dealer renewal      | 402                         | 133                                     | 26.3  | 57,656                          | 435                             | 313                                 | 747                         |
| Dealer variation A  | 282                         | 32                                      | 4.3   | 9,525                           | 302                             | 123                                 | 425                         |
| Dealer variation B  | 112                         | 63                                      | 3.4   | 7,507                           | 119                             | 87                                  | 206                         |
| Dealer variation C  | 35                          | 11                                      | 0.2   | 375                             | 36                              | 0                                   | 36                          |
| Carrier first time  | 312                         | 26                                      | 4.0   | 8,735                           | 340                             | 228                                 | 569                         |
| Carrier renewal     | 282                         | 76                                      | 10.9  | 23,771                          | 311                             | 228                                 | 540                         |
| Carrier variation A | 217                         | 15                                      | 1.7   | 3,662                           | 238                             | 123                                 | 361                         |
| Carrier variation B | 112                         | 15                                      | 0.8   | 1,835                           | 119                             | 87                                  | 206                         |
| Carrier variation C | 35                          | 13                                      | 0.2   | 471                             | 36                              | 0                                   | 36                          |
| PMSC first time     | 357                         | 3                                       | 0.5   | 1,035                           | 388                             | 228                                 | 616                         |
| PMSC renewal        | 307                         | 4                                       | 0.6   | 1,348                           | 337                             | 228                                 | 565                         |
| PMSC variation A    | 217                         | 1                                       | 0.1   | 202                             | 238                             | 123                                 | 361                         |
| PMSC variation B    | 112                         | 1                                       | 0.0   | 101                             | 119                             | 87                                  | 206                         |
| PMSC variation C    | 35                          | 0                                       | 0.0   | 0                               | 35                              | 14                                  | 49                          |
| PMSC variation D    | 272                         | 15                                      | 2.2   | 4,837                           | 316                             | 0                                   | 316                         |
| PMSC extra guards   | 27                          | 296                                     | 3.7   | 8,155                           | 28                              | 20                                  | 48                          |
| DSEI                | 282                         | 21                                      | 2.9   | 6,451                           | 302                             | 87                                  | 389                         |
| Olympic shooter     | 112                         | 5                                       | 0.3   | 596                             | 119                             | 87                                  | 206                         |
| Trophy of War       | 112                         | 2                                       | 0.1   | 238                             | 119                             | 87                                  | 206                         |
| <b>All</b>          | -                           | <b>1,110</b>                            | <b>100</b>                                  | <b>219,048</b>                  | -                               | -                                   | -                           |

Figures may not sum due to rounding.

Note - individuals who make an application to be a registered firearms dealer (RFD) as part of their Section 5 application will receive a discount equal to their RFD fee (currently £200), to avoid double payment. Table 1 shows the fees for dealers before this discount is applied. As the dates for RFD and Section 5 renewal are synchronised after grant, the discount will ordinarily apply to renewal applications. There may be some first-time applications to which the discount does not apply because the applicant already is a RFD.

\* First time and renewal fees for museum licences are capped at £200 (government = £75, police = £125), and Variation A is capped at £110 (all to government).

*Step 3 – Estimating the total costs of the new licence fees*

The total costs of the new licence fees were calculated by multiplying the new fees for the government and the police (columns E and F in Table 2) by the average number of applications per year in England and Wales and Scotland (column B in Table 1). The total costs of the new licence fees are presented in columns A and B of Table 3.

*Step 4 – Estimating the change in costs from the new licence fees.*

The change in costs was calculated by subtracting the costs of the current licence fees (in Table 1) from the costs of the new licence fees (in Table 3). The changes in fees paid by licensing type are provided in columns C and D of Table 3. In Table 4 the change in costs are summed by type of applicant, and the values in this table provide the quantified costs and benefits that are referred to in the costs and benefits section of this impact assessment.

**Table 3 - Change in licensing fees paid per year, by application type, £, 2018.**

|                     | A<br>New fees paid to<br>govt |               | B<br>New fees paid to<br>police |              | C<br>Change in fees paid<br>to govt |               | D<br>Change in fees paid<br>to police |              |
|---------------------|-------------------------------|---------------|---------------------------------|--------------|-------------------------------------|---------------|---------------------------------------|--------------|
|                     | England<br>& Wales            | Scotland      | England<br>& Wales              | Scotland     | England<br>& Wales                  | Scotland      | England<br>& Wales                    | Scotland     |
| Museum first time   | 233                           | 50            | 389                             | 83           | 0                                   | 0             | 0                                     | 0            |
| Museum renewal      | 2,197                         | 420           | 3,661                           | 700          | 0                                   | 0             | 0                                     | 0            |
| Museum variation A  | 430                           | 176           | 0                               | 0            | 137                                 | 56            | 0                                     | 0            |
| Museum variation C  | 41                            | 14            | 0                               | 0            | -45                                 | -16           | 0                                     | 0            |
| Club first time     | 10,665                        | 365           | 6,633                           | 227          | 7,395                               | 253           | 6,633                                 | 227          |
| Club renewal        | 32,743                        | 5,049         | 18,281                          | 2,819        | 21,211                              | 3,271         | 18,281                                | 2,819        |
| Club variation A    | 2,128                         | 174           | 1,477                           | 121          | 2,128                               | 174           | 1,477                                 | 121          |
| Club variation B    | 1,432                         | 117           | 1,042                           | 85           | 1,432                               | 117           | 1,042                                 | 85           |
| Club variation C    | 3,434                         | 281           | 0                               | 0            | 3,434                               | 281           | 0                                     | 0            |
| Dealer first time   | 21,734                        | 1,468         | 14,079                          | 951          | 21,734                              | 1,468         | 14,079                                | 951          |
| Dealer renewal      | 57,659                        | 2,848         | 41,506                          | 2,050        | 57,659                              | 2,848         | 41,506                                | 2,050        |
| Dealer variation A  | 9,526                         | 367           | 3,872                           | 149          | 9,526                               | 367           | 3,872                                 | 149          |
| Dealer variation B  | 7,508                         | 289           | 5,464                           | 210          | 7,508                               | 289           | 5,464                                 | 210          |
| Dealer variation C  | 375                           | 14            | 0                               | 0            | 375                                 | 14            | 0                                     | 0            |
| Carrier first time  | 8,735                         | 894           | 5,861                           | 600          | 8,735                               | 894           | 5,861                                 | 600          |
| Carrier renewal     | 23,772                        | 2,112         | 17,432                          | 1,548        | 23,772                              | 2,112         | 17,432                                | 1,548        |
| Carrier variation A | 3,662                         | 385           | 1,893                           | 199          | 3,662                               | 385           | 1,893                                 | 199          |
| Carrier variation B | 1,835                         | 193           | 1,336                           | 140          | 1,835                               | 193           | 1,336                                 | 140          |
| Carrier variation C | 471                           | 50            | 0                               | 0            | 471                                 | 50            | 0                                     | 0            |
| PMSC first time     | 1,035                         | 0             | 609                             | 0            | 1,035                               | 0             | 609                                   | 0            |
| PMSC renewal        | 1,348                         | 0             | 913                             | 0            | 1,348                               | 0             | 913                                   | 0            |
| PMSC variation A    | 202                           | 0             | 104                             | 0            | 202                                 | 0             | 104                                   | 0            |
| PMSC variation B    | 101                           | 0             | 74                              | 0            | 101                                 | 0             | 74                                    | 0            |
| PMSC variation C    | 0                             | 0             | 0                               | 0            | 0                                   | 0             | 0                                     | 0            |
| PMSC variation D    | 4,837                         | 0             | 0                               | 0            | 4,837                               | 0             | 0                                     | 0            |
| PMSC extra guards   | 8,156                         | 0             | 5,959                           | 0            | 8,156                               | 0             | 5,959                                 | 0            |
| DSEI                | 6,451                         | 0             | 1,850                           | 0            | 6,451                               | 0             | 1,850                                 | 0            |
| Olympic shooter     | 596                           | 0             | 434                             | 0            | 596                                 | 0             | 434                                   | 0            |
| Trophy of War       | 238                           | 0             | 173                             | 0            | 238                                 | 0             | 173                                   | 0            |
| <b>All</b>          | <b>211,534</b>                | <b>15,265</b> | <b>133,042</b>                  | <b>9,883</b> | <b>193,924</b>                      | <b>12,755</b> | <b>128,992</b>                        | <b>9,100</b> |

Figures may not sum due to rounding.

**Table 4 – Change in licensing fees paid per year, by category, £, 2018.**

|                | Change in fees paid to government |               | Change in fees paid to police |              | Total change in fees paid |
|----------------|-----------------------------------|---------------|-------------------------------|--------------|---------------------------|
|                | England & Wales                   | Scotland      | England & Wales               | Scotland     |                           |
| Museums        | 92                                | 40            | 0                             | 0            | <b>132</b>                |
| Shooting clubs | 35,598                            | 4,096         | 27,433                        | 3,252        | <b>70,379</b>             |
| Dealers        | 96,797                            | 4,985         | 64,920                        | 3,360        | <b>170,062</b>            |
| Carriers       | 38,474                            | 3,633         | 26,522                        | 2,488        | <b>71,117</b>             |
| PMSC           | 15,678                            | 0             | 7,660                         | 0            | <b>23,338</b>             |
| Other          | 7,285                             | 0             | 2,457                         | 0            | <b>9,742</b>              |
| <b>All</b>     | <b>193,924</b>                    | <b>12,755</b> | <b>128,992</b>                | <b>9,100</b> | <b>344,771</b>            |

Figures may not sum due to rounding.

'Other' consists of DSEI, Olympic shooter and Trophy of War.