

Title: Impact Assessment on Her Majesty's Courts and Tribunals Service proposals on the future of Knutsford Crown Court IA No: IA NUMBER Lead department or agency: Ministry of Justice Other departments or agencies:	Impact Assessment (IA)		
	Date: 02/06/2014		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Other		
Contact for enquiries:			

Summary: Intervention and Options	RPC Opinion: Not Applicable
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£830,000			No NA

What is the problem under consideration? Why is government intervention necessary?
Knutsford Crown Court has not been used since May 2010, when the work was transferred to Chester Crown Court and Warrington Combined Court due to reduced workload across the County of Cheshire. This means that HMCTS is currently spending money to maintain a court which is not required from an operational perspective.

What are the policy objectives and the intended effects?
The objective is to reduce over-capacity in Cheshire and deliver cost savings.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
Option 1: Keep Knutsford Crown Court open.
Option 2: Close Knutsford Crown Court.

The preferred option is Option 2 as this meets the policy objective. Option 1 does not meet the policy objective as Knutsford Crown Court has not been used since May 2010.

Will the policy be reviewed? It will/will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?			Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes/No	< 20 Yes/No	Small Yes/No	Medium Yes/No	Large Yes/No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:

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: _____

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
		Low:	High:	Best Estimate: £0m	

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate	£0	£0	£0

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

HMCTS would continue to fund the ongoing cost of Knutsford Crown Court and not make the potential savings of around £50,000 per year. This figure includes business rates payments, IT costs, utilities, property services and maintenance, and other office expenditure. As this is the baseline option, these costs are considered as part of the status quo and set to zero in the summary tables.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	£0	£0	£0

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

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

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
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BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs:	Benefits:	Net:	Yes/No	IN/OUT/Zero net cost

Summary: Analysis & Evidence

Policy Option 2

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: £830,000

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate	£60,000	£0k	£60,000

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

The monetised costs comprise decant costs (around £10,000), IT decommissioning costs (around £20,000) and disposal costs (around £30,000). There are no enabling works costs as no work is being transferred. Total transition costs are estimated at around £60,000.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	£720,000	£50,000	£890,000

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

The transition benefits are a result of selling the property. An independent high-level report estimates the current market value of Knutsford Crown Court to be between £800,000 and £1,000,000. In our analysis we adopt a conservative lower bound figure of £800,000 and apply a 10% reduction to allow for optimism bias, leading to a market value of approximately £720,000. Operating savings are estimated at £50,000-per-year.

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

Key assumptions/sensitivities/risks

Workload and court user waiting times are not expected to change.

Discount rate (%)

3.5%

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO? Yes/No	Measure qualifies as IN/OUT/Zero net cost
Costs:	Benefits:	Net:		

Evidence Base (for summary sheets)

Background Information

Introduction

1. This Impact Assessment, which accompanies the Ministry of Justice consultation paper **NUMBER TBC**, examines options for the future of Knutsford Crown Court. The preferred option is to close Knutsford Crown Court.

Rationale

2. Knutsford Crown Court has not been used since May 2010, when the work was transferred to Chester Crown Court and Warrington Combined Court due to reduced workload across the County of Cheshire. This means that HMCTS is currently spending money to maintain a court which is not required from an operational perspective.

Policy Objective and Scope

3. The objective is to reduce over-capacity in Cheshire and deliver cost savings.

Policy Options

4. There are two policy options, labelled Option 1 and Option 2. Under Option 1 Knutsford Crown Court remains open, and under Option 2 Knutsford Crown Court is closed.

Groups Affected

5. Other than HMCTS, the following people and organisations could potentially be affected by the implementation of Option 2:
 - *Court users*
 - *Judiciary*
 - *MoJ*
 - *Police*
 - *Crown Prosecution Service*
 - *Probation (NOMS)*
 - *PECS (Prison Escort Custody Service)*
 - *Youth Offending Service*
 - *Victim Support Services and Witness Service*
 - *Local businesses.*
6. The potential impacts on these groups are outlined below.

Utilisation

7. Utilisation is a measure of how much of a building's capacity is being used. For each building, it is defined as the total workload in hours divided by the theoretical capacity, assuming that each room can be used for 5 hours per day and 248 days per year. (Note that utilisation is measured against capacity rather than court schedules.)
8. Knutsford Crown Court currently has zero utilisation.

Principles of Cost Benefit Analysis

9. This Impact Assessment identifies as far as possible the net impact to society of the two options under consideration. It aims to provide a cost-benefit analysis in the broadest sense of the term, including both monetised and non-monetised costs and benefits. The geographical scope of this Impact Assessment is the County of Cheshire.

Monetised Impacts

Transition Costs

10. Under Option 2, HMCTS will incur the following one-off costs. All figures exclude VAT.
 - *Decant costs.* These are costs associated with moving work, staff and equipment between sites. The total decant cost is estimated to be around £10,000, including a 10% increase to allow for optimism bias.
 - *IT decommissioning costs.* These are costs associated with removing computers from a building. The total IT decommissioning cost is estimated to be around £20,000, including a 20% increase to allow for optimism bias.
 - *Disposal costs.* These costs cover the legal and estate agent fees along with the marketing required to sell Knutsford Crown Court. The total disposal cost is estimated to be around £30,000, including a 10% increase to allow for optimism bias.
 - *Enabling works costs.* These are costs associated with work that needs to be done to ensure the receiving court has sufficient capacity to accommodate the extra work. There are no enabling works costs in this case as no work is being transferred.
 - *Project costs.* These costs cover the extra staff and other resources required to carry out the project. There are expected to be negligible project costs (beyond those already captured above) as the closure is expected to be delivered as part of business as usual.

Ongoing Costs

11. We expect there to be no negative impacts on HMCTS staff under Option 2 as none are currently based at Knutsford Crown Court, and no work has been carried out at the court since May 2010.

Transition Benefits

12. An independent report estimated the market value of Knutsford Crown Court to be between £800,000 and £1,000,000. In our analysis we adopt the conservative lower-bound figure of £800,000 and apply a 10% reduction to allow for optimism bias, leading to a final market value of £720,000.

Ongoing Benefits

13. We expect HMCTS to make operational savings totalling £50,000 per year, including a 10% reduction to allow for optimism bias.

Travel Time Impacts

14. Typically we would undertake a valuation of the costs to users arising from an increase in journey time to an alternative court resulting from the potential court closure. However, in this case, we expect there to be no travel time impacts under Option 2 as no work is being transferred.

Summary of Impacts

15. The economic appraisal is conducted over 5 years starting in 2014/15. In present value terms, Option 2 has a total cost of around £60,000 and a total benefit of around £890,000, and therefore a net present value of around £830,000. A summary of the costs and benefits of Option 2 is shown in Table 1 below. (It is assumed that it takes a year for the benefits to start being realised.)

Table 1: Summary of monetised impacts of Option 2 (including optimism bias)

Figures are £ real 2014 values

	2014/15	2015/16	2016/17	2017/18	2018/19
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Costs (excl VAT)

Decant	£10,000				
IT Decommissioning	£20,000				
Disposal	£30,000				
Enabling Works					
Travel Time					
Total	£60,000				

NPV Costs (5yrs)	£60,000
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Benefits

Market Value		£720,000			
Operating Cost Savings		£50,000	£50,000	£50,000	£50,000
Total		£770,000	£50,000	£50,000	£50,000
Discounted Total Benefits		£750,000	£50,000	£50,000	£50,000

NPV Benefits (5yrs)	£890,000
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Net Benefit	-£60,000	£770,000	£50,000	£50,000	£50,000
Discounted Net Benefit	-£60,000	£750,000	£50,000	£50,000	£50,000

NPV (5yrs)	£830,000
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Note: Figures are rounded; column totals may not match the sum of the individual values

Risks and Assumptions

16. To account for the well attested tendency of project appraisers to be overly optimistic, optimism bias has been applied to the cost and benefit figures throughout this document. The values assumed are shown in Table 2 below.

Table 2: Optimism bias

Cost/Benefit	Assumed Optimism Bias
Decant Cost	10%
IT Decommissioning Cost	20%
Disposal Cost	10%
Enabling Works Cost	–
Market Value	10%
Operating Cost Savings	10%

Non-Monetised Impacts

Non-Monetised Benefits to HMCTS

17. There are no non-monetised benefits to HMCTS.

Groups Affected

18. The potential impact of Option 2 on people and organisations other than HMCTS is summarised below. Due to the nature of the consultation process, we have been unable at this stage to directly consult the relevant organisations; the following sections are an initial assessment of the likely impacts and will be updated in the final version of this document in light of feedback received.

- *Court users.* No impacts.
- *Judiciary.* No impacts.
- *MoJ.* No impacts.
- *Police.* No impacts.
- *Crown Prosecution Service.* No impacts.
- *Probation.* No impacts.
- *PECS (Prison Escort Custody Service).* No impacts.
- *Youth Offending Service.* No impacts.
- *Victim Support Services and Witness Service.* No impacts.
- *Local businesses.* No impacts.

Equality Impacts

19. Under section 149 of the Equality Act 2010, when exercising its functions the Ministry of Justice is under a legal duty to have 'due regard' to the need to:
- a. Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct under the Act;

- b. Advance equality of opportunity between different groups (those who share a protected characteristic and those who do not); and
 - c. Foster good relations between different groups.
20. In line with our responsibilities under the Equality Act 2010 we have considered, on the basis of the available evidence, the likely impact the proposed closure of Knutsford Crown Court will have on individuals with protected characteristics.
21. Knutsford Crown Court would require significant works to be completed to bring it up to the standards expected in modern court buildings. It would require a full review of the facilities for jurors and witnesses, which are currently inadequate for use. In addition to this, the cell area is unfit for purpose due to damp, and parts of the ceiling are falling down. More specific details of the accommodation at Knutsford Crown Court are set out in the proposals section of the consultation document (page 7).
22. Due to reduced workload across the county of Cheshire, Knutsford Crown Court has not been used for hearings since May 2010. Work has since been transferred to Chester Crown Court or Warrington Combined Court, an arrangement which has so far received no recorded complaints.
23. There are good and affordable transport links between Knutsford and Chester Crown Court and Warrington Combined Court. Given that both receiving sites provide superior accommodation and facilities for court users, we do not believe that the impact of the proposal to close Knutsford Crown Court amounts to a particular or substantial disadvantage for those with protected characteristics. Therefore we consider the proposals and any resulting impact to be a proportionate means of achieving the legitimate business aim of making more effective use of the Court Estate and reducing estate running costs.

Specific Impact Tests

24. The following specific impact tests have been conducted on Option 2.

- *Competition impact test.*

1. Will the scheme affect the number of legal services providers?

No.

2. Will the scheme affect the ability of suppliers to compete?

No.

3. Will the scheme affect suppliers' incentives to compete vigorously?

No.

- *Wider environmental impact test.*

This impact test is on HM Courts & Tribunals Service proposals for the closure of Knutsford Crown Court.

As this could have a potential impact on the environment it has been assessed using the checklist published by DEFRA (see <http://www.defra.gov.uk/corporate/about/how/policy-guidance/sd-impact/>); each major potential impact has been considered (excluding carbon emissions, which have been analysed in the Greenhouse Gas impact assessment).

4. Will the scheme be vulnerable to the predicted effects of climate change?

The court is not planned for demolition and their disposal will have no overall effect on the environment. HMCTS's courts are distributed over a geographically disparate area, these courts have not been chosen due to their coastal proximity or their vulnerability of flooding. There is a low risk of flooding in Knutsford however, as a major town mitigation measures are likely to be put in place to minimise this risk.

All sites are covered by the department's Climate Change Adaptation Plan¹ and none have been identified of being at significant risk or vulnerable to the effects of climate change, which

¹ Issued March 2010; this now requires revision.

include extreme weather events, heat/drought and disruption to transportation. This has been referenced against the UK Climate Projections 09, using the medium emissions scenario, which shows an approximate 6% expected increase in temperature and precipitation. A range of mitigation measures are in place including condition surveys to include adaptation requirements and revaluation of sites in light of climate change impacts. Therefore, for this proposal, there is no expected net increase in vulnerability to the predicted effects of climate change.

5. Will the scheme lead to a change in the financial costs or the environmental and health impacts of waste management?

Waste production is primarily linked to staff numbers (which will not change) rather than the size of the estate. Therefore, there will not be a significant impact. There will be a one-off rise in waste production when the buildings are vacated; however, this will be disposed of sustainably as per WRAP guidelines. This one-off rise is likely to be offset by slightly lower waste production within the smaller estate. This will lead to a net positive impact (reduction) in costs relating to environmental services and waste management.

6. Will the scheme impact significantly on air quality?

As Knutsford Crown Court has not been used since May 2010, there will not be an increase in average journey times to receiving courts as a result of the programme.

7. Will the scheme involve any material change to the appearance of the landscape or townscape?

Not as part of this consultation. Any further actions by developers will be subject to local planning permission.

8. Will the scheme change 1) the degree of water pollution 2) levels of abstraction of water or 3) exposure to flood risk?

No.

9. Will the scheme change 1) the amount or variety of living species 2) the amount, variety or quality of ecosystems?

No.

10. Will the scheme affect the number of people exposed to noise or the levels to which they are exposed?

No.

- *Greenhouse gas impact test.*

11. Will the scheme result in increased greenhouse gas emissions?

No.

- *Health impact test.*

12. Will the scheme result in adverse health impacts?

No.

- *Human rights impact test.*

13. Will the scheme impact on human rights?

No.

- *Rural proofing impact test.*

Defra defines settlements with a Census population of over 10,000 as *urban*, while the remainder are defined as one of three *rural* types: *town and fringe*, *village* or *hamlet and dispersed*. For towns considered to be 'Urban', rural proofing will not apply. For towns that fall within the rural definition using the checklist published by DEFRA (see below; <http://www.defra.gov.uk/corporate/about/how/policy-guidance/rural-proofing/>) each potential impact has been considered.

14. Will the scheme impact on service provision and availability?

Knutsford Crown Court has not been heard for hearings since May 2010, since when cases have been heard at Chester Crown Court or Warrington Combined Court. No recorded complaints have been received about these arrangements.

15. Will the scheme impact on service delivery costs?

The cost of delivering the service is expected to decrease as the MoJ gains from economies of scale by utilising fewer resources more efficiently.

16. Will the scheme impact on accessibility and infrastructure?

No.

17. Will the scheme impact on communications?

The policy is unlikely to have an effect on communications and the use of a range of communication solutions will continue.

18. Will the scheme impact on the local economy?

Knutsford Crown Court has not been used for hearings since May 2010, since when cases have been heard at Chester Crown Court or Warrington Combined Court. No recorded complaints have been received about these arrangements.

19. Will the scheme impact on peoples' access to justice?

No.

- *Small firms impact test.*

20. Will the scheme impact on small firms in the region?

No.

- *Sustainable development impact test.*

Stage 1

1. Environmental Standards

1a. Are there any significant environmental impacts of your policy proposal (see Wider Environment Specific Impact Test)?

No

If the answer is 'yes' make a brief note of the impacts below:
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The policy will result in a small reduction in carbon emissions from the HMCTS estate. The total amount HMCTS could reduce its annual emissions by, once the site is disposed, is estimated to be 100 tCO ₂ e during 2009/10, or 0.02% of HMCTS's total reported emissions.
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Other environmental impacts are not deemed significant. Waste production and water consumption will reduce but only to a small degree (as they are both primarily linked to staff and court user numbers, rather than estate size). Almost all environmental effects are positive.
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1b. If you answered 'yes' to 1a., are the significant environmental impacts relevant to any of the legal and regulatory standards identified?

N/A

If the answer is 'yes' make a brief note of the relevant standards below:

N/A

If you answered 'yes' to 1b, have you:
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1c. Notified the Government Department which has legal responsibility for the threshold and confirmed with them how to include the impacts appropriately in the analysis of costs and benefits?

N/A

1d. Informed ministers where necessary?

N/A

1e. Agreed mitigating or compensatory actions where appropriate?

N/A

2. Intergenerational impacts

2a. Have you assessed the distribution over time of the key monetised and non-monetised costs and benefits of your proposal? This assessment can be included in your Evidence Base or put in an annex.

Yes

The toolkit for the greenhouse gas impact assessment included a monetised and non-monetised cost-benefit analysis.

2b. Have you identified any significant impacts which may disproportionately fall on future generations? If so, describe them briefly.

No

If you answered 'yes' to 2b. , have you:

2c. Informed ministers where necessary? If so, provide details.

No significant impact identified, but ministers are aware of the court closure proposal.

2d. Agreed mitigating or compensatory actions where appropriate? Provide details.

No significant impact identified. The SD impact test will be reviewed during the consultation period.

Stage 2

3. The purpose of the second stage is to bring together the results from the impact assessment with those from the first stage of the SD test. The following questions are intended to reflect the uncertainties in the cost benefit analysis and help you consider how to proceed in the light of further evidence from the first stage of the SD test.

3a. Indicate in the appropriate box whether the balance of monetised costs and benefits is:

Strongly positive	Moderately positive	Roughly neutral / finely balanced	Moderately negative	Strongly negative
		x		

3b. Indicate in the appropriate box whether the balance of non-monetised costs and benefits is likely to be:

Strongly positive	Moderately positive	Roughly neutral / finely balanced	Moderately negative	Strongly negative
		x		

3c. Indicate in the appropriate box whether the results of the SD questions 1-3 are, on balance, likely to be:				
Strongly positive	Moderately positive	Roughly neutral / finely balanced	Moderately negative	Strongly negative
		x		

3d. Indicate in the appropriate box whether, overall, the balance of the monetised and non-monetised costs and benefits and the sustainability issues is considered to be:				
Strongly positive	Moderately positive	Roughly neutral / finely balanced	Moderately negative	Strongly negative
		x		

3e. Provide an explanation of the final result from 3d, explaining, for example, how you have compared monetised and non-monetised costs and benefits and how you have resolved any conflicts between the cost-benefit results and the SD results.				
<p>The only significant SD impact of the policy is the resulting reduction in carbon emissions, which has been calculated in terms of monetised and non-monetised costs as part of the Greenhouse Gas Impact Assessment. There will be a smaller, yet positive, impact on water consumption and waste production. Although there are positive aspects, both in terms of SD and monetisation, given the size of the building it is considered there will be a roughly neutral impact.</p>				