

## Summary: Intervention & Options

Department /Agency:  
Home Office

Title:  
Impact Assessment of brothel closure provisions in the  
policing and crime reduction bill

Stage:

Version: 4.2

Date: 19 November 2008

**Related Publications:** Home Office Prostitution Review  
<http://www.homeoffice.gov.uk/documents/tackling-demand>

**Available to view or download at:**

<http://www.homeoffice.gov.uk/about-us/publications/regulatory-impact-assessments/>

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

Problem: Continuing presence of brothels exploiting trafficked women and the harm this causes to both those involved and the local community.

Government action necessary as currently premises that are subject to police investigations for offences relating to prostitution cannot be closed off afterwards, possibly leaving remaining members of the prostitution gangs to reopen and begin operating again within a matter of hours of a police raid.

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

Objective: To increase the powers of police forces to tackle these brothels and prevent their impact being diluted through the rapid reopening of such premises.

To prevent further exploitation of trafficked women who have been forced into prostitution and to decrease the harm that brothels cause to the local community.

Effect: To increase the costs of doing business to those criminals involved in this market and increase the disincentives to operating in this market.

**What policy options have been considered? Please justify any preferred option.**

Options: (1) Maintain status quo, leave the situation as it is with police relying on powers of arrest to provide relief to exploited sex workers and the local community (2) Introduce legislation to allow premises to be closed and sealed for a set period, prohibiting entry to the premises by any individual.

Recommendation: Option 2 - This option would allow police to further reduce exploitation and abuse of trafficked women, along with reducing the harm suffered by the local community.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** The policy and its effects will be reviewed at an appropriate point in the future once the powers have been established and are in full use by police forces.

**Ministerial Sign-off** For final proposal/implementation stage Impact Assessments:

*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: 2

Description: Introduce new legislation empowering police to close down brothels

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' The costs to government include making the premises secure and administration costs, totalling an average of £1.2m p.a. The cost to industry is potential lost revenue to landlords, an average of £1.4m p.a. An unknown proportion of costs to industry may be transferred to government through compensation.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£ 0	5	
	<b>Average Annual Cost</b> (excluding one-off)		
£ 2.6m		<b>Total Cost (PV)</b>	<b>£ 11.6m</b>
Other <b>key non-monetised costs</b> by 'main affected groups' None			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Since most of these benefits will not be in a monetised form, it is not possible to provide a figure.
	<b>One-off</b>	<b>Yrs</b>	
	£ 0	5	
	<b>Average Annual Benefit</b> (excluding one-off)		
£ 0		<b>Total Benefit (PV)</b>	<b>£ 0</b>
Other <b>key non-monetised benefits</b> by 'main affected groups' Communities: Will make affected communities safer, creates a barrier to entry for people setting up a brothel, creates disruption to the sex market, Sex Workers: Will provide relief for trafficked sex workers. Landlords: Will allow landlords to evict and replace a tenant operating a brothel more easily.			

**Key Assumptions/Sensitivities/Risks** Assumptions: Costs to police are similar to enforcing existing 'crack house' legislation. The predicted volume of closures is accurate. The magistrate court proceedings take 2 hours. Risk: Enforcing the orders may have a displacement effect.

Price Base Year 2008	Time Period Years 5	<b>Net Benefit Range (NPV)</b> £ -8m - -£15.3m	<b>NET BENEFIT (NPV Best estimate)</b> £ -11.6m
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What is the geographic coverage of the policy/option?		England and Wales		
On what date will the policy be implemented?		TBA		
Which organisation(s) will enforce the policy?		Police		
What is the total annual cost of enforcement for these organisations?		£ 0		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		Yes/No		
What is the value of the proposed offsetting measure per year?		£ 0		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 0
		<b>Net Impact</b>	<b>£ 0</b>

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### Current Situation

We believe there exists a number of premises being used in connection with trafficking for prostitution or controlling or inciting prostitution for gain. This was highlighted in a recent report by the Regional Intelligence Unit for the South West who identified a number of premises being used for such purposes.

At present police are limited to the powers of arrest and have few powers to close premises associated with prostitution, unless there is sufficient evidence to warrant the use of a premises closure order or a 'crack house' closure order.

### Rationale for Proposal

Many premises where offences related to prostitution take place will not be associated with anti-social behaviour or the use, supply or production of Class A drugs. This means that in practice, premises that are subject to police investigations for offences relating to prostitution can reopen and begin operating again within a matter of hours of a police raid.

### Options

There are two options:

#### *Option 1*

Maintain Status Quo. This would mean keeping the existing arrangements, meaning that Police would not have the tools to quickly close down premises associated with the exploitation of trafficked women.

#### Key Concerns

- Premises that are subject to police investigations for offences relating to prostitution can reopen and begin operating within a matter of hours of a police raid
- Community suffers from the continuing effects of a brothel operating in the local area

#### Key Benefits

- No legislative change required

#### Risks

- No risks

## Option 2

Introduce a new order that would allow such premises to be closed and sealed for up to three months, prohibiting entry to the premises by any individual; at the discretion of police with magistrate approval. Landlords may request the property to be reopened within the first 21 days of the order being granted, conditional on satisfying the magistrate that a brothel is no longer operating from the property.

### Key Concerns

- Legislative change required
- Costs associated with implementing orders

### Key Benefits

- Reduces harm to the local community caused by an active brothel
- Reduces harm to trafficked women
- Increases the cost to gangs of operating in this market, acting as a deterrent
- Will allow landlords to evict and replace a tenant operating a brothel more easily

### Risks

- There is a risk of displacement; in that closing one premise may simply encourage the controlling gangs to set up a new brothel somewhere else
- A small risk that innocent individuals may be made homeless and that the Local Authority will have to provide emergency housing

## **Recommendation**

The preferred option is option 2. Although no monetised figure can be placed on the benefits of introducing these new powers, the evidence presented indicates that the non-monetised benefits outweigh the costs. This option fulfils the objective of giving police appropriate powers to reduce harm caused by brothels containing exploited and trafficked women.

## **Costs**

### **Costs to Government**

The costs to government are the court costs associated with producing the detention order, costs associated with the physical closure of the premises and possible compensation claims made by landlords who have suffered a financial loss due to these powers, through no fault of their own.

### *Court Costs*

A court cost of £716 per order has been used in calculations.

## Legal Aid

If a landlord were to contest an order being placed against their property they would require legal representation, which could involve legal aid. It is not possible to estimate how many orders will be contested or the cost of providing legal aid if needed. It is thought to be unlikely that an order would be granted or enforced unless a magistrate was content that a brothel was operating within the premise, therefore it would only be in unlikely circumstances that a property owner would be able to refute the evidence. Legal representation and possibly legal aid would also be required if the landlord were to make a claim for compensation for financial loss; they would have to prove that they took all reasonable steps to prevent a brothel operating out of their property.

## *Boarding-up and other closure costs (Admin Costs)*

These are the costs associated with the physical securing and boarding up of the premises. As the proposed detention orders will be similar to those already being enforced as Part 1A of the Anti-Social Behaviour Act 2003, 'crack house legislation', the boarding up of premises will be similar in both instances.

An estimation of the costs associated with boarding-up and securing crack houses was calculated in 2005 (Rapid Assessment of powers to close 'crack houses'). These costs are thought to not have changed considerably over the past three years. Therefore these figures, adjusted for price inflation, can give a reasonably accurate estimation of the true costs to government per closure. The value of which is £446; this figure assumes that the order is valid for the maximum period, as it includes ongoing rental and maintenance of the security boarding.

## *Police Costs*

The new orders are not expected to add any extra burden on to police compared to the current situation. The administration for the proposed closure warrant can be performed at the same time as the administration for the warrant to raid the premises, therefore having minimal marginal cost. As identified in the 2005 assessment, training for the 'crack house' legislation was on the job. There is no reason to believe that this would be different for the proposed brothel closure powers, therefore training will not have an identifiable monetised cost.

## *Costs to Industry*

It is expected that most brothels operate out of a property with a low rental value. Evidence from operation Pentameter suggests the majority of brothels operate out of privately rented properties. Once an order has been served the landlord would not be able to let out the accommodation for the duration of the order (up to 3 months) therefore encountering a cost.

Intelligence reports along with consultation of experts in the field suggest that the average size of premises being used as a brothel is 3 bedrooms. To calculate the possible loss of revenue to landlords a range of possible weekly rents was found. The Housing Corporation publishes yearly figures of average rents across RSL's, broken down by the size of accommodation, this figure gives the minimum rent that could be foregone through a closure order. Statistics from the department for Communities and Local Government show that privately rented properties typically carry a 50% premium over social housing of a similar size and quality; this offers the maximum rent lost by landlords. Both figures were calculated using the most recent available data, which was for the year 2007.

<u>Max Weekly Rent</u>	<u>£125.00</u>
<u>Min Weekly Rent</u>	<u>£81.35</u>

The detention order may be removed before the end of the three month maximum period if a judge feels that the property is no longer being used as a brothel. This means the maximum period a landlord would lose rent over is 3 months, making the following costs a top-end estimate.

Intelligence suggests that most brothels operate in premises owned by private landlords; these landlords typically own fewer properties than larger organisations such as RSL's and therefore are at a greater risk of financial distress through loss of revenue.

### *Compensation*

A compensation mechanism will exist to reimburse landlords and other organisations, including Local Authorities, who suffer a financial loss through the use of the proposed powers. Compensation will be decided upon on a case by case basis and will be at the discretion of a magistrate or in some cases a judge. To be eligible landlords must have taken reasonable steps to prevent their property from being used as a brothel. If compensation is paid to a landlord they will only incur a short run cost through loss of revenue whilst their claim is processed, making the estimated costs to industry a top-end estimate. It is uncertain how many landlords will be eligible to be compensated.

### *Risks*

There is a small possibility that properties operating as brothels may also house innocent individuals not involved in illegal activity. In this unlikely scenario it would be at the discretion of a magistrate as to whether it would be appropriate for a closure order to be placed on the property. It is thought to be unlikely that a magistrate would not grant a closure order on a property housing an innocent individual unless there were extreme and unique circumstances; it is not possible to estimate how many of these cases there will be and therefore the costs associated. The Local Authority would be required to provide emergency re-housing should the property be closed, the cost of doing so would be recoverable through a compensation mechanism.

If an order were to be breached by an individual entering a closed premise there would be costs associated with the re-securing of the premise and possible prosecution of the individual. There is insufficient information at this time to estimate how many breaches will occur; experts in the field expect the number to be low.

### **Volume**

The volume of orders has been estimated at 780-1200 per year; these figures are based upon the six month nationwide operation Pentameter 2, which identified 800 brothels containing trafficked women in a 6 month period. Intelligence suggests that this figure over a 12 month period would be 1300-1500, with field reporting estimating that 60-80% of these premises would be appropriate for a detention order. Therefore the estimated total of expected orders is 780-1200 per year.

The total Net Present Value costs over the first 5 years will be £7.95m - £15.32m, with an annual average cost of £2.56m per year.

## References

### ***Housing Corporation Figures***

[http://www.housingcorp.gov.uk/upload/xls/C22006\\_20070126155648.xls](http://www.housingcorp.gov.uk/upload/xls/C22006_20070126155648.xls)

### ***Rapid Assessment of powers to close 'crack houses' 2005***

<http://www.homeoffice.gov.uk/rds/pdfs05/dpr42.pdf>

### **Human Trafficking for Sexual Exploitation, Regional Intelligence Unit for the South West**

*Currently a restricted document*

### **DCLG Statistics**

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/rent/lettings/livatables/>

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No



# Annexes

## IA Prostitutions Provisions

3.50%

**Max Weekly Rent** £125.00  
**Min Weekly Rent** £81.35

	Year 1	Year 2	Year 3	Year 4	Year 5
Max Loss of Rent	1625	1625	1625	1625	1625
Min Loss of Rent	£ 1,057.55	£ 1,057.55	£ 1,057.55	£ 1,057.55	£ 1,057.55
Number Affected Max	1200	1200	1200	1200	1200
Number Affected Min	780	780	780	780	780
Order administration cost	£ 466.00	£ 466.00	£ 466.00	£ 466.00	£ 466.00
Court Cost	£ 716.00	£ 716.00	£ 716.00	£ 716.00	£ 716.00
<b>Max</b>					
Loss of Rent to Landlord	£ 1,950,000.00	£ 1,950,000.00	£ 1,950,000.00	£ 1,950,000.00	£ 1,950,000.00
Admin	£ 559,200.00	£ 559,200.00	£ 559,200.00	£ 559,200.00	£ 559,200.00
Court	£ 859,200.00	£ 859,200.00	£ 859,200.00	£ 859,200.00	£ 859,200.00
<b>Max Cost</b>	<b>£ 3,368,400.00</b>	<b>£ 3,368,400.00</b>	<b>£ 3,368,400.00</b>	<b>£ 3,368,400.00</b>	<b>£ 3,368,400.00</b>
<b>PV Total</b>	<b>£ 3,368,400.00</b>	<b>£ 3,144,437.44</b>	<b>£ 3,038,103.81</b>	<b>£ 2,935,366.00</b>	<b>£ 2,836,102.42</b>
<b>PV Gov</b>	<b>£ 1,418,400.00</b>	<b>£ 1,324,091.58</b>	<b>£ 1,324,091.58</b>	<b>£ 1,324,091.58</b>	<b>£ 1,324,091.58</b>
<b>PV Industry</b>	<b>£ 1,950,000.00</b>	<b>£ 1,820,345.87</b>	<b>£ 1,714,012.23</b>	<b>£ 1,611,274.42</b>	<b>£ 1,512,010.84</b>
<b>Min</b>					
Loss of Rent to Landlord	£ 824,889.00	£ 824,889.00	£ 824,889.00	£ 824,889.00	£ 824,889.00
Admin	£ 363,480.00	£ 363,480.00	£ 363,480.00	£ 363,480.00	£ 363,480.00
Court	£ 558,480.00	£ 558,480.00	£ 558,480.00	£ 558,480.00	£ 558,480.00
<b>Min Cost</b>	<b>£ 1,746,849.00</b>	<b>£ 1,746,849.00</b>	<b>£ 1,746,849.00</b>	<b>£ 1,746,849.00</b>	<b>£ 1,746,849.00</b>
<b>PV Total</b>	<b>£ 1,746,849.00</b>	<b>£ 1,630,702.23</b>	<b>£ 1,575,557.71</b>	<b>£ 1,522,277.98</b>	<b>£ 1,470,799.98</b>
<b>PV Gov</b>	<b>£ 921,960.00</b>	<b>£ 860,659.53</b>	<b>£ 860,659.53</b>	<b>£ 860,659.53</b>	<b>£ 860,659.53</b>
<b>PV Industry</b>	<b>£ 824,889.00</b>	<b>£ 770,042.71</b>	<b>£ 714,898.19</b>	<b>£ 661,618.46</b>	<b>£ 610,140.46</b>
<b>TOTAL 5 yr MAX NPV</b>	<b>£ 15,322,409.67</b>	AVG £ 3,064,481.93	Av Midpoint £ 2,326,859.66	Total midpoint NPV	£ 11,634,298.29
<b>TOTAL 5 yr MIN NPV</b>	<b>£ 7,946,186.92</b>	AVG £ 1,589,237.38			
<b>Max NPV GOV</b>	£ 6,714,766.31	AVG £ 1,342,953.26	Av Midpoint £ 1,107,936.44	<b>Annual TOTAL Average</b>	<b>£ 2,557,624.50</b>
<b>Min NPV GOV</b>	£ 4,364,598.10	AVG £ 872,919.62			
<b>MAX NPV INDUSTRY</b>	£ 8,607,643.36	AVG £ 1,721,528.67	Av Midpoint £ 1,218,923.22	Annual Gov Average	£ 1,170,180.00
<b>MIN NPV INDUSTRY</b>	£ 3,581,588.81	AVG £ 716,317.76		Annual Industry Average	£ 1,387,444.50