

Title: Impact Assessment for the alcohol measures in the Police Reform and Social Responsibility Bill Lead department or agency: Home Office Other departments or agencies:	Impact Assessment (IA)
	IA No: HO0022
	Date: 19/11/2010
	Stage: Final
	Source intervention: Domestic
	Type of measure: Primary legislation
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Summary: Intervention and Options

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

Since the introduction of the Licensing Act 2003 (the Act) there has been growing concern that the vision of a "café culture" has failed to materialise. Alcohol-related crime, for example, is estimated to cost £8bn-£13bn a year. The Act is unbalanced and makes it difficult for local communities, led by local authorities in their role as 'Licensing Authorities' (LAs), and the police to address alcohol-related crime and disorder, particularly late at night. It is also too restrictive of the factors that can be taken into account in licensing decisions, and does not protect children sufficiently from the harm of alcohol.

What are the policy objectives and the intended effects?

The Government intends to rebalance the licensing regime to enable local 'Licensing Authorities' (LAs) and the police to clamp down on alcohol-related crime and disorder, particularly late at night; to allow wider considerations and the views of local communities to be taken into account in licensing decisions; to protect children from the harm of alcohol; and introduce a late night levy to help pay for other costs caused by late-night drinking.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing.

Option 2: The preferred changes to the Act are those brought forward in the current Police Reform and Social Responsibility Bill (and listed in the body of the document) which seek to achieve the policy objectives primarily by strengthening the ability of local communities to decide which licensed premises should be open and when. Further details of the proposals in this option are detailed in the evidence base.

Option 2 is the preferred option.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed 06/2017
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

Ministerial Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.



Signed by the responsible Minister:

Date: 29/11/2010

Summary: Analysis and Evidence

Policy Option 2

Description:

Strengthening the ability of local communities to decide which licensed premises should be open and when

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV) (£m))		
			Low: -142.0	High: 1.0	Best Estimate: -70.5

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	21.5	184.6
High	0	52.1	448.4
Best Estimate	0	36.8	316.5

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

Increased refusals = £5.8m - £12.8m; Increased conditions (one sample only) = £0.3m - £0.6m; More restrictive outcomes of reviews and hearings = £0.4m - £3m; More revocations = £2.8m - £7.9m; Cost of hearings and reviews = £1.7m - £4m; Increased admin. cost of applications = £0.4m - £0.8m; Deterred Temporary Event Notices (TENs) = £1.0m - £8.0m; Late night levy = £9m - 15m.

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

Restricting provision of licensable activities through Early Morning Restriction Orders. Cost of conditions other than security staff. It is not possible to make estimate the cost burden of these changes because, as explained in the text, too many of the variables are unknown.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	21.6	185.7
High	0	35.6	306.3
Best Estimate	0	28.6	246.0

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

Late Night Levy (LNL) receipts = £12.1m; Interim Authority Notice (IANs) and Reinstatement of Licence on Transfers (RTs): turnover = £5.2m - £9.7m; IANs and RTs: fees = £0.1m - £0.2m; IANs and RTs: admin cost = £0.2m - £0.6m; Discretion to accept late TENs = £3.3m - £11.5m; Licensing statements: business savings = £0.04m - £0.1m; Licensing statements: LA savings = £0.4m - £0.7m; Easing of TENs limits = £0.2m - £0.7m.

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

Reduction in alcohol-related crime and disorder; and anti-social behaviour (including reduced costs to police, local councils, and businesses, especially in town centres). Reduction in alcohol-related harm to health (including reduced costs to the NHS). Reduced sales of alcohol to children.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

There are many unknown variables in both the current impact of the Act, and the impact of the new proposed policy measures, to predict the specific impacts. Therefore we have assumed that a number of the measures will have a broad combined effect of increasing regulatory activity. We have assumed that existing premises affected by the policy have a turnover of between £250k and £350k per year, and any new businesses applying for a licence would have turnover of around £125k to £175k per year. Various other assumptions have been made around the number of licence holders and others that would be affected by each proposal and these are detailed in the evidence base.

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):		In scope
New AB: 3.5	AB savings: 0.5	Net: -3	Policy cost savings: -17.9		Yes

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			01/04/2012		
Which organisation(s) will enforce the policy?			LAs and Police		
What is the annual change in enforcement cost (£m)?			Marginal		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	
Does the proposal have an impact on competition?			Yes		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: 100	Benefits: 100	
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro N/K	< 20 N/K	Small N/K	Medium N/K	Large N/K
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	
Small firms Small Firms Impact Test guidance	Yes	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	Yes	
Human rights Human Rights Impact Test guidance	No	
Justice Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainability Sustainable Development Impact Test guidance	No	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Implementation).

No.	Legislation or publication
1	“Rebalancing the Licensing Act - a consultation on empowering individuals, families and local communities to shape and determine local licensing” (Home Office, 2010) http://www.homeoffice.gov.uk/publications/consultations/cons-2010-licensing-act/
2	“Consultation on a proposal to amend the Licensing Act 2003 to simplify the procedures for Licensing Statements; Interim Authority Notices; and Temporary Event Notices: Impact Assessment”, DCMS 2009.” http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/reference_library/consultations/6498.aspx
3	“DCMS Statistical Bulletin – Alcohol, Entertainment and Late Night Refreshment Licensing England and Wales, April 2008 – March 2009” http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/reference_library/publications/6387.aspx
4	“SCM Analysis of the Licensing Act 2003 available at https://www.abcalculator.bis.gov.uk/
5	

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	0	0	0	0	0	0	0	0	0	0
Annual recurring cost	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8
Total annual costs	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8	36.8
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6
Total annual benefits	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6	28.6

* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

This Impact Assessment relates to the alcohol measures within the Police Reform and Social Responsibility Bill that amend the Licensing Act 2003 (the Act), and associated changes to the Statutory Guidance. It is not the entirety of the Government's proposals with regards to alcohol; it is simply the deliver of specific Coalition commitments. It also refers to other proposed amendments to the Act (in particular, the Legislative Reform (Licensing) (Interim Authority Notices etc) Order 2010). In some cases, it has not been possible to quantify the expected costs and benefits of the individual proposals. In these cases, indicative estimates are presented, where possible, to reflect the possible impact of the expected increase in regulatory activity (see section E below).

The Licensing Act 2003

The Act came into force in November 2005 and applies in England and Wales. It regulates four 'licensable activities':

- the sale by retail of alcohol;
- the supply of alcohol (i.e., in a members' club);
- the provision of regulated entertainment, and;
- the provision of late night refreshment (i.e., after 11pm).

Authorisations

There are three different kind of authorisation under which licensable activities can be provided:

- Premises licence: to use a premises for licensable activities, subject to conditions on the licence;
- Club Premises Certificates: to allow a qualifying club (i.e., a members' club such as a working men's' club or a political club) to engage in qualifying club activities, again, subject to conditions on the certificate, and;
- Temporary Event Notices (TENs), which enable the user to carry out licensable activities without other authorisation. Various limits apply. For example, they can currently only be used 12 times per year at the same venue.

Additionally, premises licences with authorisation for alcohol sales must specify the 'Designated Premises Supervisor' (DPS) for that premises. This person must hold a **personal licence**, and will normally be the person with day to day responsibility for running the premises.

Role of Licensing Authorities and Fees

The Act devolved responsibility for the administration of the Act to local councils at District or Unitary level. They are referred to as Licensing Authorities (LAs). LAs are responsible for issuing premises licences, club premises certificates, TENs, and personal licences. Likewise, they administer applications to make changes to licences and certificates, for example, to specify a new DPS, add a new licensable activity, or to make changes to the layout of the premises. They also administer various other processes under the Act, such as applications to transfer licences, and notifications of interim authority or change of address. Each process has a centrally prescribed fee. In addition, most premises licences

and club certificates must pay an annual fee that varies according to the rateable value of the premises. The fees system is intended to meet the cost of the LA in its role in administering and enforcing the Act.

Licensing Objectives

LAs must currently carry out their functions with a view to promoting the licensing objectives, rather than wider considerations. The objectives are:

- the prevention of crime and disorder;
- public safety;
- the prevention of public nuisance; and
- the protection of children from harm.

The Application Process

An application for a premises licence or certificate must be made on the prescribed form, which requests details of, for example; the hours that the premises will be open; the type of activities that will be provided; and the steps that will be taken to promote the licensing objectives. These details are known as the 'operating schedule'. The application must be accompanied by a plan of the premises, and the fee. It must be sent to the LA, and copied to the 'Responsible Authorities' (RAs), such as the police, the local fire authority, and the local authority with responsibility for environmental health. The application must also be advertised in a local newspaper and on a 'blue notice' outside the premises. Similar requirements also apply to a full application to vary a licence. However, a "minor variation" process was introduced in 2009, in which the variation does not need to be advertised in a newspaper or copied to the RAs. This process cannot be used to add or extend authorisation for the sale or supply of alcohol. Other changes can be made as long as they "could have no adverse impact on the licensing objectives". Applications and full variations can be refused, granted, or granted subject to conditions. The requirement to have all sales of alcohol supervised by a DPS, as mentioned above, is a mandatory condition for premises licence that include authorisation for sales of alcohol.

Representations and Conditions

The RAs, or members of the public or businesses that might be affected by the grant of the application (known as 'interested parties'), are entitled to make representations to the LA about the likely effect of the application on the licensing objectives. Currently, if no relevant representations are received, licensing authorities must grant the application, subject only to conditions that are volunteered or consistent with the operating schedule. If representations are received, then the LA must hold a hearing to consider them (unless all sides agree that this is unnecessary). The hearing may result in the grant or refusal of the application, or the imposition of further conditions.

Reviews

RAs and interested parties are also entitled to make representations about licences and certificates that are already in operation. If these are relevant to the licensing objectives and not repetitive, vexatious or frivolous, the LA must hold a review. This can result in outcomes similar to those on application. For example, the review may result in the imposition of conditions, the revocation of the licence, or no action being taken. Additional options include a warning being issued, or the licence being suspended.

The Proposals (Option Two)

The following proposals are specific Coalition commitments:

- Double the maximum fine for under-age alcohol sales to £20,000.

- Allow councils and the police to shut down permanently any shop or bar found persistently selling alcohol to children.
- Overhaul the Licensing Act to give local authorities and the police much stronger powers to remove licences from, or refuse to grant licences to, any premises that are causing problems.
- Permit local councils to charge more for late-night licences to pay for additional policing.

Given the specific nature and wording of these commitments legislation and regulation is necessary to deliver them. The following policies will deliver these commitments and rebalance the licensing regime:

- a. Giving licensing authorities the power to refuse licence applications or call for a licence review without requiring relevant representations from a responsible authority.
- b. Lower the evidential hurdle for licensing authorities when making licensing decisions by requiring that they make decisions which are “appropriate” rather than are necessary for the promotion of the licensing objectives.
- c. Amend the licence application process to ensure that applicants demonstrate the benefit which the grant of their application would confer on the local area.
- d. Increase the opportunities for local residents or their representative groups to be involved in licensing decisions.
- e. Enable more involvement of local health bodies in licensing decisions by designating health bodies as a responsible authority.
- f. Extend Early Morning Restriction Orders so they can be applied flexibly between midnight and 6am.
- g. Permit licensing authorities to introduce an additional charge for late night licences to pay for additional policing.
- h. Double the maximum fine for persistent underage sales from £10,000 to £20,000.
- i. Change the minimum period of voluntary closure that can be given for persistent underage sales to 48 hours and the maximum to 2 weeks.
- j. Enable licensing authorities to suspend licences due to non-payment of fees.
- k. Update the list of ‘relevant offences’ in Schedule 4 of the Act to include offences of attempting to commit and conspiracy to commit existing relevant offences and failure to co-operate with a preliminary test in relation to alcohol, impairment or drugs.

Furthermore we are seeking to substantially overhaul the system for Temporary Event Notices (TENs) so that existing loopholes can no longer be exploited by unscrupulous operators but they are light touch for small voluntary and community groups. We propose the following:

- l. Extend the right to object to a TEN to the environmental health authority
- m. Allow the police and environmental health officers to object to a TEN on the basis of all of the licensing objectives
- n. Give the police and environmental health officers 3 working days to object to a TEN
- o. Give licensing authorities discretion to apply existing licence conditions to a TEN

We will be countering the regulatory burden of these proposals on businesses by deregulating the following areas:

- p. Allow late TENs (i.e. those submitted less than ten working days before the beginning of the event), unless the police or environmental health officers object
- q. Relax the statutory limits on the duration of a single temporary event from 96 hours to 168 hours and on the total periods covered by a TEN in a single premises from 15 days

to 21 days per year

- r. Change the requirement for a licensing authority to publish their Licensing Policy Statement every three years to every five years (if they have not done so in the interim).
- s. Extension of deadlines for Interim authority notices and reinstatement on transfer.

A.2 Groups Affected

- Premises with premises licences or club premises certificates, and those applying for licences or certificates. Premises with premises licences include pubs and bars; supermarkets and convenience stores; hotels; restaurants; cinemas and theatres; village halls and community premises; and late night takeaways and cafes. Members' clubs with club premises certificates include working men's'; sports; and political clubs (such as Conservative or Labour clubs).
- TENs users. As well as the premises described above, this group includes those who use TENs at unlicensed venues, such as parent-teacher associations; circuses; small arts and music festivals; and markets where alcohol is sold.
- Those employed at such premises and events (including those employed on an occasional basis such as musicians, quizmasters and DJs).
- Bodies that administer and enforce the Act, such as LAs, the police, trading standards, planning, fire and children's services. The proposals will particularly affect local authorities with responsibility for Environmental Health (who will have a new responsibility for considering TENs).

A.3 Consultation

Within Government

These proposals have been developed in partnership with colleagues across Government (in particular, with Department for Health and the Department for Culture, Media and Sport). The proposals have also been subject to Cabinet clearance.

Public Consultation

A public consultation was held between 28 July 2010 and 8 September 2010. A summary of the consultation responses is available separately. There were 1,089 responses to the consultation and an additional 2,938 responses via a health campaign. During the consultation period, regional events were held throughout the country, with a total of 517 attendees, including representatives from local government, the police, licence-holders, alcohol producers, health bodies and charities. Ahead of this consultation, Government officials held a number of discussions with stakeholders representing the alcohol industry, police and local enforcement agencies, health and third sector organisations to discuss what impact the proposals in the coalition agreement will have on their sectors. The current proposals were informed by these views.

B. Rationale

Alcohol, alongside the other licensable activities, plays an important part in the cultural life of this country. The Government already intervenes, through the Act and other legislation, in the provision of licensable activities to a very substantial extent. Central to this is a system of alcohol licensing that is effective in regulating sales and reflective of local demands.

Since the introduction of the Act in 2005 there has been growing concern that the original vision of a vibrant “café culture” has failed to materialise. The Government intends to introduce more flexibility into the current licensing regime to allow local authorities and the police to clamp down on alcohol-related crime and disorder hot spots within local night-time economies. The measures outlined in this document are being proposed to rebalance the licensing system in favour of local communities by giving more power to local authorities and the police to respond to local concerns about their night-time economy, as well as protecting children from the harm of alcohol; and enabling the introduction of a late night levy to cover the costs of managing the late-night economy.

Alcohol-related crime

According to the 2009/10 British Crime Survey², victims believed the offender(s) to be under the influence of alcohol in 50 per cent of all violent incidents, equivalent to 986,000 violent offences. Whilst the number of violent offences has fallen by over a fifth since the early-2000s, the proportion of violent offences that are alcohol-related has remained stable.

More than half of people surveyed (53%) also thought that alcohol was one of the major causes of crime in 2009/10, an increase from 52% in the previous year. However, a much smaller proportion (9%) thought it was the main cause of crime in Britain today. Results from the 2008/09 survey³ also show that 21% of all violence occurred in or around a pub or club and 48% of all violent offences occurred between Friday evening and Monday morning.

Perceptions of drunk or rowdy behaviour

Perceptions of crime are an important factor in social welfare as it is often perceptions, rather than reality, that determine how much individuals are willing to spend in anticipation of crime in order to reduce either the likelihood or impact of an incident.

According to the British Crime Survey, the percentage of people who think drunk and rowdy behaviour is a fairly or very big problem in their area has risen, from 19% in 2003/4 to 24% in 2009/10. Perceptions of this problem are likely to be heavily influenced by binge-drinking and by young people drinking alcohol in public.

Underage sales

Although it is illegal for a person under 18 to buy, or attempt to buy, alcohol, and it is illegal for alcohol to be sold or supplied to a person under 18⁴, there is good evidence that underage sales are still occurring. The Tackling Underage Sales of Alcohol Campaign in summer 2007 showed an overall test purchase failure rate of 14.7%. Around 40% of premises tested sold to children on at least one occasion. Although these premises were targeted on the basis of local intelligence, this figure is still unacceptably high.

A survey of 11-15 year olds in 2008⁵ found that where the young person had attempted to buy alcohol from a shop in the last month, 73% had been successful. Where the young person had attempted to buy alcohol from a pub or club in the last month, 82% had been successful.

C. Objectives

² “Crime in England and Wales 2009/10”, Home Office Statistical Bulletin 09/10

³ “Crime in England and Wales 2008/09”, Home Office Statistical Bulletin 08/09

⁴ Although a 16 or 17 year-old may consume beer, wine or cider with a table meal if accompanied by an adult.

⁵ *Smoking, drinking and drug use among young people in England in 2008*, NHS Information Centre

The government is committed to reducing the impact of alcohol-related crime and anti-social behaviour on our communities. Therefore, the objective of introducing these policy proposals is to:

- give licensing authorities and other local stakeholders greater power to tackle problem premises in their area;
- toughen the consequences for those premises which sell alcohol to children; and
- tackle the problems associated with late-night drinking;

D. Options

Option 1: Do nothing. This will leave the current impact of alcohol on society the same as it is, including the £8bn-13bn impact of alcohol-related crime. The impact of alcohol on anti-social behaviour, nuisance and health will also remain the same.

Option 2: The preferred changes, listed above, which seek to achieve the policy objectives primarily by strengthening the ability of local communities to decide which licensed premises should be open and when.

E. Appraisal (Costs and Benefits)

General Assumptions and Data

The following estimates are based on a number of assumptions. There are many unknown variables and it is therefore difficult to predict the impacts of each intervention separately at this stage. In great measure, this is a consequence of the Government's desire to empower localities to determine their own outcomes. A number of the proposals involve a substantial increase local discretion. In particular, localities will be able to decide whether it is appropriate for licensed premises operating beyond a specific time to pay for the cost of late-night policing through an additional charge, to be known as a late night levy (LNL). Likewise, Early Morning Restriction Orders (EMRO), as previously envisaged, would have allowed LAs to restrict the sale of alcohol between 3am and 6am. The current proposal will make the possible range of the restriction midnight to 6am, and therefore substantially increase LAs' discretion. Finally, Cumulative Impact Policies (CIPs) are tools by which LAs can limit the growth of licensed premises in a specific area. The current proposals will make CIPs more effective and allow measures to limit opening times more widely. The outcomes will vary according to local circumstances. The variables include the following:

- The number of additional LAs that will implement EMROs or CIPs;
- How many businesses or potential businesses will be covered in each CIP or EMRO;
- The number of new licence applications that will in fact be made within a CIP or EMRO area. (Many CIP areas are already saturated with businesses, and it is possible that not many new competitors will wish to enter the market).
- The extent to which the CIPs will permit or restrict new applications, and the restricted times designated by each EMRO. (Existing CIPs do not typically prevent all applications and can, for example, be neutral about applications from restaurants but seek to restrict applications for off-licences, depending on local circumstances).
- The impact of any refusal arising from a CIP.

Therefore, for proposals 'a to e', and 'l to 0' (page 7), the estimates do not seek to go into details as to the outcomes of each separate policy. Instead, a broad assumption is made,

that the proposals will, taken as a whole, increase regulatory activity in the areas described to a modest but significant extent.

Costs and Benefits of the current system

COSTS

Costs of alcohol to society

Body/ organisation	Annual Cost	Explanation of cost
Alcohol related crime (including costs to the victims of crime and to society)	£8bn to £13bn	This estimate takes into account the costs in anticipation of crime, the direct physical and emotional costs to victims, the value of lost output, and the costs to the health service and Criminal Justice System. It is estimated on the basis of attributable fractions calculated from the Offending, Crime and Justice Survey. ⁶
Licensing authority	£21.6m	This estimate is based on a sample of 48% of licensing authorities in 2007/08 ⁷ . The costs are net of the value of licensing fees collected as these are transfers
Trading standards and Police enforcement costs	Unknown	The costs of enforcement including inspections and reviews of premises licences, test purchases, police prevention of sales of alcohol to under age drinkers and dispersal of drunk and rowdy individuals or crowds. It is not possible to extract these costs from other costs associated with upholding the law relating to alcohol.
NHS ⁸	£2.7bn ⁹	Includes hospital inpatient and day visits (both wholly and partially attributable to alcohol), A&E costs, ambulance service costs, GP consultations and specialist treatment
Licensee (through compliance with licensing conditions) and Licensing fees	Admin costs of applying for licences: £83.9m Licensing fees: £48.8m	The administrative costs were estimated by DCMS using BERR's standard cost model. Licensing fees are estimated using the same survey of licensing authorities as above. There will also be additional compliance costs but it is not possible to estimate these as they will vary for each premises depending on the particular conditions imposed and the nature of those premises.
Total	£12bn - £18bn	

BENEFITS

The alcohol industry plays a significant part in the economy. It is estimated that the industry contributes around £29bn to the UK's Gross Domestic Product both directly and through multiplier effects. This is equivalent to 2% of the UK's total output. In total, it is estimated that 668,000 people are directly employed in the production and retailing of alcohol and including indirect and induced jobs, over 1.8m jobs in the UK economy are

⁶ See Impact Assessment for the enabling power for the code of practice in the Policing and Crime Bill, available at: <http://www.homeoffice.gov.uk/documents/ia-police-crime-bill-08/ia-alcohol-code-practice?view=Binary>

⁷ The LGA/LACORS Licensing Fee Survey 2008, the results of which are published in *unfinished business: a state-of-play report on alcohol and the licensing act 2003*

⁸ Whilst health is not a licensing objective, the alcohol-related health costs are significant and are therefore still presented. See the Impact Assessment published alongside *Safe, Sensible, Social - consultation on further action* for further details of the calculations, available at:

http://www.dh.gov.uk/en/Consultations/Closedconsultations/DH_086412?IdcService=GET_FILE&dID=169372&Revision=Web

⁹ This figure includes all the cost to the NHS of those injuries that arise as a result of crime. There is therefore likely to be some double counting with the costs of crime estimate. Initial estimates suggest that between £600m and £1.5bn of the estimated costs of crime may be to the NHS. However, this is not comparable to the £2.7bn estimate of the total cost of alcohol to the NHS.

supported by the alcohol industry¹⁰. The sector therefore has the potential to play an important role in sustainable economic growth.

When drunk responsibly, alcohol can enhance social occasions and can have an important and positive role to play in the social fabric of life and communities¹¹. However, it has not been possible to quantify these additional social benefits.

Appraisal of Option two

COSTS

Group 1: Proposals which have the general effect of increasing regulatory activity

The proposals below, which are included in the Police Reform and Social Responsibility Bill and related changes to the statutory guidance, are likely to have the general outcomes on the licensing process listed below as 'a to g'. Note that proposals h, i, and j (from the list on page 7) may have superficially similar effects. However, these are sanctions that will apply in rare cases to irresponsible premises in the event of them breaking the law and will not burden responsible operators.

Proposals

- Giving licensing authorities the power to refuse licence applications or call for a licence review without requiring relevant representations from a responsible authority.
- Lower the evidential hurdle for licensing authorities when making licensing decisions by requiring that they makes decisions which are 'appropriate' rather than are 'necessary' for the promotion of the licensing objectives.
- Amend the licence application process to ensure that applicants demonstrate the benefit which the grant of their application would confer on the local area
- Increase the opportunities for local residents or their representative groups to be involved in licensing decisions (by removing vicinity requirements).
- Enable more involvement of local health bodies in licensing decisions by designating health bodies as a responsible authority
- Revise the statutory guidance to improve the effectiveness of CIPs.

Likely outcomes

- (a) an increase in refusals of licence applications;
- (b) an increase in conditions applied to licences (whether put forward as part of the operating schedule or imposed);
- (c) an increase in licence reviews;
- (d) an increase in restrictive outcomes (suspensions, modifications of hours, and restrictions on licensable activities) following licence review or a hearing for a new application;
- (e) an increase in licence revocations;
- (f) an increase in hearings (and appeals); and
- (g) an increased administrative cost of applications.

(a) Increase in refusals of licence applications

¹⁰ *The economic outlook for the UK drinks sector and the impact of the changes to excise duty and VAT announced in the 2008 Budget and Pre-Budget Report*, Oxford Economics, February 2009.

¹¹ See for example Peele S and Brodsky A. (2000). "Exploring psychological benefits associated with moderate alcohol use: A necessary corrective to assessments of drinking outcomes?". *Drug and Alcohol Dependence*, 60:221-247.

Explanation: Outright refusals of licence applications or variations are currently very rare. In part, this is because of the limited grounds on which such a decision can be made or administrative rules about how such a decision can be motivated. For example, a LA must currently wait for a representation from a responsible authority before it acts, even to implement a CIP that is in place. All the proposals provide either additional rationales on which a decision to make a refusal could be based or enable representations to be made by the LA itself.

Existing Refusals: In 2008-09, only 2.7% of new applications with decided outcomes were refused. Of 10,810 new applications, 4,600 went to hearing. 10,200 applications were granted (from 10,513 decided outcomes); and 284 refused. The outcomes were not known for the remainder.

There were 7,520 completed variation applications (no figures for minor variations are yet available), with 214 (3%) refused. (Hearings on variation applications are included in the figure of 4,600 above)¹².

Cost of a refusal of a new application: A refusal of an application for a licence or certificate could prevent that applicant from operating a new business or outlet. This is clearly a burden to the applicant, however, in terms of the total loss to licensed premises, there is likely to be a compensatory effect in that (a) existing premises may make super-normal profits until such a time as a further application is made that is not refused and/ or (b) an opportunity is available in that market to another operator. In the case of a CIP, it is possible that (a) will apply for a longer period and (b) be less relevant. We cannot accurately estimate the value of this effect to incumbent businesses. However, it must be assumed that a reasonable proportion of a new premises' customers will be taken from the existing market. For illustrative purposes, we will assume that they benefit from 25% of the turnover foregone by premises directly affected. This compensatory effect will, arguably, be less relevant in the case of applications from members' clubs and the third sector, as they do not compete directly in the market to the same extent. However, they are also less likely to be affected by these outcomes.

The effects described in this part are most likely to occur at premises for which alcohol sales are a major part of their business, such as pubs and premises licensed for off-sales, rather than, for example, theatres and cinemas. There are around 215,100 premises licences and certificates in force in England and Wales. 171,800 authorise the sale or supply of alcohol, with 44,400 authorised for off-sales only. The Statistical Bulletin describes licences by licensable activity, not premises by premises type. It does not, therefore, provide figures for widely recognised 'premises types', such as 'pubs'. However, it is thought that there are around 50,000¹³ pubs or bars in England and Wales. There are about 32,000 convenience stores, such as corner shops, small supermarkets, and off-licences. The British Beer and Pub Association (BBPA) has previously estimated that a 'typical established pub' could have a turnover ranging from £250,000 to £350,000 per year¹⁴. Convenience stores will have a wider range. Some of them (such as a 'corner shop') might be towards the lower end or even lower. Large convenience stores and supermarkets generally will vary substantially, but will typically be well above the upper end of that range. However, their business model is less likely to be reliant on alcohol sales than a pub and they may not rely on the possession of a licence to begin operating.

¹² "DCMS Statistical Bulletin – Alcohol, Entertainment and Late Night Refreshment Licensing England and Wales, April 2008 – March 2009";

¹³ According to the Valuation Office Agency's classifications, there are approximately 46,000 pubs; 3,874 large superstores and food-stores; and 22,000 restaurants in England and Wales. The BBPA estimate that there are 52,000 pubs in Britain. The Association of Convenience Stores has estimated that there are around 33,500 convenience stores in England and Wales, around 95% of which (31,825) sell alcohol. Mintel have estimated around 2,750 nightclubs.

¹⁴ "Consultation on a proposal to amend the Licensing Act 2003 to simplify the procedures for Licensing Statements; Interim Authority Notices; and Temporary Event Notices", DCMS 2009.

We will therefore assume, for the sake of simplicity, that the BBPA's estimate broadly represents that part of affected premises' turnover that is subject to the possession of licence, when that premises is already operating. Applicants for premises licences, however, will typically be new businesses (or new outlets), which have greater risks (as indicated by the high failure rates of new businesses) than existing premises and often do not make a profit initially. Therefore, we will assume a foregone turnover from a refusal of £125,000 to £175,000 (i.e., half the typical turnover of an existing business of the type likely to be affected).

Cost of a refusal of a variation application: A refusal of a variation application is unlikely to prevent a licence holder from operating. It is more likely to prevent expansion. The same complexities apply to estimating the effect of a refusal of a variation application as to a refusal. Additionally, we have no means of estimating the average increase in turnover that may arise from a variation. We should assume that it likely to be a significant figure, as full variations are administratively costly, and licence holders would not apply if it was not beneficial to them. We will assume for illustrative purposes that a variation increases turnover by 10%-20% of £125,000 - £175,000, or £12,500 - £35,000.

Number of additional refusals: One of the purposes of the policies is to enable LAs to refuse more applications for licences and certificates when it is beneficial for their community. We do not know how many more applications and variation application will be refused, for the reasons given above (under 'General Assumptions'). We will assume that future years have about the same number of applications and variation applications as 2008-09, and that refusals of both will rise by between 20% and 30% due to the current proposals. Illustrative figures for the impact would be as follows:

Illustrative estimates for the impact of an increase in refusals

	Refused in 2008-09	Est. additional refusals (+20% - 30%)	Impact of refusal	Est. impact
New Applications	284	57 - 85	£125K-£175K	£7.1m - £14.9m
Variations	214	43 - 64	£12.5k -£35K	£0.5m – £2.2m
Cost to applicants				£7.7m – £17.1m
Benefit to incumbents				25%, or £1.9m - £4.3m
Total burden				£5.8m - £12.8m

(b) Increase in conditions

Explanation: The new proposals are likely to result in increased conditions because of the proposed policy to show that decisions are 'appropriate' rather than 'necessary' for the promotion of the licensing objectives. There are also likely to be more reviews and hearings that result in imposed conditions.

Current prevalence of conditions: Currently licence reviews resulted in restrictions on hours or other conditions in only 190 cases in 2008-09. However, it is likely that hearings on application will also result in conditions, resulting in more imposed conditions. Additionally, the policy proposals may lead to more conditions being volunteered as part of the Operating Schedule. In any case, the current and future cost of conditions is unknown and very difficult to estimate. For example, a requirement to close doors and windows at certain times is unlikely to be financially burdensome, whereas a requirement to employ security staff or use CCTV will result in substantial costs. The BBPA estimates that around 6,200 pubs have a requirement to have security staff (typically two) at least once a week and that the economic cost to each pub is around £4,800. Additionally, it should be noted that premises other than pubs may be required to have security staff. We do not know how many additional conditions to employ security staff will be imposed, but for illustrative

purposes we will assume a modest but significant 10% - 20% additional premises being required to have security staff. This is likely to be an overestimate since most conditions do not impose this level of cost.

Illustrative estimates for the impact of an increase in one condition, security staff:

Current pubs with security staff	Assumed additional premises 10%-20%	Additional est. cost (£4.8K per premises)
6,200	62-124	£0.3m - £0.6m

(c) Increase in the number of reviews

There were 1,100 completed reviews in 2008-09, a tiny 0.5% of the total 215k premises licences and certificates. (Although it is possible that premises were subject to more than one review). These reviews resulted in 170 suspensions, 150 revocations, and 190 cases where the operating hours were modified and 159 cases where a licensable activity was wholly or partially excluded. Some action was taken in 96% of completed cases¹⁵. The possible outcomes of the review are dealt with under the other effects e.g. more restrictive outcomes, conditions etc. The administrative burden of reviews is dealt with alongside hearings under (f) below.

(d) Increase in restrictive outcomes (suspensions, modifications of hours, and restrictions on licensable activities) following review

We do not know how many additional restrictive outcomes there will be. For illustrative purposes we will assume a modest but significant 10% - 30% increase (similar to the illustrative estimate for refusals, but with a lower range to reflect the fact that existing businesses may choose to modify their activities themselves to meet, for example, a new Cumulative Impact Policy). We will assume these outcomes will apply to existing businesses that meet the BBPA's estimated turnover for a typical pub, £250,000 to £350,000 per year¹⁶. In each case, the extent of the outcome is unknown. For example, a suspension can be for as long as three months, but no estimates have been made of the average length. It is likely that a typical suspension is around 10-20 days¹⁷. This would represent a cost of around £6,800 - £19,200 if the effect was merely the loss of each day's trading. An inability to provide licensable activities for such a period is likely to have a wider impact on a business, but this is difficult to estimate and could be very variable. The loss would be tempered by a reduction in operating costs (particularly staff costs) that we will also not attempt to estimate. Likewise, in the case of modifications to hours, we do not know to what extent hours are typically reduced, nor do we know the effect of a restriction in licensable activities. Given that the option of revocation is available at review, a committee is unlikely to impose other outcomes that put the premises out of business. It is also unlikely that they would remove an activity or hours that are not being used for economic purposes. We will assume that a reduction in hours or restriction of a licensable activity is likely to have modest but significant negative impact on turnover. We will assume, that the effect will be 5-10% of assumed turnover, £250,000 to £350,000, or £12,500 - £35,000.

¹⁵ DCMS Statistical Bulletin – Alcohol, Entertainment and Late Night Refreshment Licensing England and Wales, April 2008 – March 2009”;

¹⁶ This figure is used, rather than the reduced amount used above, because we are now concerned exclusively with premises that are already operating.

¹⁷ Estimated using rough estimates provided by licensing officers at three authorities that had a large proportion of the total number of suspensions following review.

Illustrative estimates for the impact of an increase in restrictive review outcomes

	Outcomes in 2008-09	Est. additional outcomes (10%-30%)	Impact of outcome	Estimated impact (£)
Suspensions	170	17-51	£6.8K-£19.2K	£0.1m - £1.0m
Modification of hours/ activities	190	19-57	£12.5K-£35K	£0.24m – £2.0mm
Total burden				£0.4m - £3m

(e) Increased number of revocations

We will assume that revocations will apply to existing businesses that meet the BBPA's estimated turnover for a typical established pub (£250,000 to £350,000 per year¹⁸). We will assume that there will be a smaller maximum increase in revocations than in application refusals, because the intended increase in the impact of Cumulative Impact Policies is unlikely to result in an increase in the revocation of existing licences. (Indeed, as described above, there is scope for such premises to benefit through super-normal profits, temporarily). We will assume a 10%-20% increase in revocations, and the same 25% benefit accruing to remaining businesses:

Illustrative estimates for the impact of an increase in revocations

	Revoked in 2008-09	Est. additional revocations	Impact of revocation (£)	Estimated impact
Loss to those revoked	150	15-30	£250K - £350K	£3.8m -£10.5m
Benefit to those remaining				£0.9m - £2.6m
Total burden				£2.8m - £7.9m

(f) Administrative costs of an increase number of hearings (and appeals)

The outcomes described above will generally come about after a hearing. We will now address the administrative cost of the hearing, rather than the outcomes. The current number of hearings is made up of licence review hearings (1,100) plus the number of new licence applications that go to a hearing (4,600) = 5,700.

Cost of a hearing: Although the administrative cost of hearings may vary widely (for example, depending on the extent to which legal assistance is sought), a study in 2008¹⁹ suggested that the average cost to the applicant or licence holder is £1,339. Estimates were also made of the administrative cost of 'hearings' that were in fact mediated before they got to the hearing itself, and would therefore not be included in the statistics. It was estimated that this would occur in about half as many cases as those in which the hearing was actually conducted, with an average cost of £1,235. (This would include, for example, legal advice that had already been sought).

Number of additional hearings: We do not know how many additional hearings may occur because of the current policy proposals. However, the increased capacity for representations from residents and other Interested Parties, Responsible Authorities, and the Licensing Authority itself all imply that there is likely to be a significant increase. We will assume a 15% - 35% increase.

Number of additional appeals: If there are more hearings, there are likely to be more appeals against the outcomes of those hearings. In 2008-09, there were 309 appeals after 5,700 hearings. Therefore, 5.4% resulted in appeal. We will assume that the administrative

¹⁸ This figure is the relevant one, rather than the reduced amount used above under 'refusals', because we are now concerned exclusively with premises that are already operating.

¹⁹ The "SCM" study of the impact of the Licensing Act in 2008.

cost of an appeal is the same as a hearing as it is more likely that legal assistance is sought, this will be tempered by cases in which no additional legal input is used.

Illustrative estimates for the administrative costs of an increase in hearings

	Hearings in 2008-09	Est. additional hearings	Cost of hearing	Estimated impact (£)
Hearings	5,700	855 – 1,995	£1,339	£1.1m – £2.7m
Est. mediated "hearings"	2,850	428 - 998	£1,235	£0.5m -£1.2m
.Appeals	309	46 - 108	£1,339	£0.06m - £0.1m
Total impact				£1.7m - £4m

(g) Increased administrative costs of applications

Explanation: the proposals will have the effect of lengthening applications, as applicants will have to additionally demonstrate that their application will benefit the area.

Current administrative cost: A study in 2008 estimated that the average administrative cost of an application was £600 for new applications and £450 for variations applications. However, this included an average of £316 for advertising the application in a local newspaper²⁰. As this requirement will remain unaffected by the new requirement to show benefit, the relevant cost used is £284 and £134.

Increased costs: Some respondents to the consultation argued that the requirement to show benefit to the local area might require professional assistance (e.g. consultants). However, this should not be the case, and, although some applicants will seek professional assistance with their application, it should not be significantly more likely to occur than with the existing application process. Although the current form is 15 pages long, a disproportionate amount of the administrative burden is likely to stem from the page concerned with demonstrating the steps the applicant intends to take to promote the four licensing objectives. The requirement to show benefit to the local area will be a similar task and we will therefore assume that the addition of these requirements will increase the administrative burden of applications by 10%-20%.

Illustrative estimates for increased administrative burden of demonstrating benefits in applications

	Applications in 2008-09 ²¹	Est. cost of application	Est. increase in cost	Est. additional admin. cost
New applications	10,837	284	£28.4 – £56.8	£0.3m – £0.6m
Variation application	7,820	134	£13.4 - £26.8	£0.1m - £0.2m
Total				£0.4m – 0.8m

Group 2: Proposals restricting the provision of licensable activities

The proposal below is likely to have the general outcome of restricting the provision of licensable activities to a marginal extent. For example, it may result in premises not being open for a portion of the time that they otherwise would:

- Extending EMROs so they can be applied flexibly by local authorities (and make the necessary changes to the statutory guidance to give more autonomy to licensing authorities regarding closing times).

²⁰ Note that the SCMS estimate did not include the cost of preparing a plan, which will also be unaffected by the proposals.

²¹ Figures are slightly different to those used above because applications with outcomes not decided and applications for provisional statements are affected in the same way by an increase in the administrative burden of applying.

It is not possible to estimate the cost burden of this measure, because too many of the variables are unknown. For example, we do not know how often EMROs or standard closing times will be applied or how many premises they will affect in each case. Additionally, various other measures in the consultation, such as the Late Night Levy and the increased effectiveness of Cumulative Impact Policies may address the problems caused by the late night economy to such an extent that EMROs are only used in rare circumstances.

Group 3: Proposals which may reduce the use of Temporary Event Notices (TENs)

The following proposals may have the effect of reducing the number of TENs, although allowing more time for upfront scrutiny may result in more TENs going ahead as some police forces will be less risk averse. Previously we have had reports that the police will routinely object to TENs as they feel there is a risk but have not been given sufficient time to properly assess it:

- Extend the right to object to a TEN to the environmental health authority
- Allow the police and environmental health officers to object to a TEN on the basis of all of the licensing objectives.
- Give the police and environmental health officers 3 working days to object to a TEN.
- Give licensing authorities discretion to apply existing licence conditions to a TEN.

Explanation: All of these proposals increase the regulation of TENs. They are necessary to close loopholes in the currently system will allow a small proportion of unscrupulous operators to exploit them e.g. existing clubs applying for TENs to extend their hours and then operating without the licensing conditions which apply to them all other times. They will also allow objections to be made on noise grounds which are currently a big problem for local residents. We will assume, for convenience, that the effect is to deter some potential TENs users from using the system. An alternative would be to assume that the proposals increase the administrative burden on those who continue to use TENs. However, this would become extremely complicated. In many cases, there would be no additional burden: A TEN submitted well in advance for an event for a venue without a premises licence is unlikely to be affected. In particular, such a TEN will not be used for the purpose of avoiding existing conditions. At the other end of the spectrum, a potential TEN user may consider giving a TEN close to the deadline, for a licensed premises. Factors such as the increase in police objection time (which will slightly increase the uncertainty over whether the event will go ahead); the potential application of existing conditions; and the application of the full range of objectives may prevent the use of a TEN or make it uneconomic. The potential user faced with such a situation would be more likely to seek another, longer-term approach, such as a licence variation, rather than proceed with a burdensome TEN.

Number of TENs Affected: There were 123,400 TENs in 2008-09. Estimates previously provided by educational organisations indicated that as many as 40,000, or 32% of all TENs, are given by Parent-Teacher Associations alone²². Many other venues where TENs are used often do not have premises licences. (Examples include street markets; fields and public spaces (for events such as circuses), some village halls, and theatres and other venues where TENs are used to provide an interval bar). We will therefore estimate that between 60% and 80% (74,000 – 99,000) of all TENs are likely to be entirely unaffected, in part because many of them are given at unlicensed premises that will not be deterred by the imposition of existing conditions. This leaves a speculative estimate of 25,000 – 49,000 TENs that risk being deterred. We do not know with certainty how many will be entirely

²² "Impact assessment of proposal to amend the Licensing Act 2003 to simplify the procedures for Licensing Statements; Interim Authority Notices; and Temporary Event Notices", DCMS 2009. It is thought that relatively few schools have premises licences, which partly explains the frequent use of TENs. Moreover, Parent-Teacher Association fundraisers often involve the sale of alcohol.

deterred but will assume 10% will no longer proceed. This is 2,500 – 4,900 (2% - 4% of total TENs).

Cost of Lost Events: We do not have robust estimates for the value of TENs at licensed premises. Figures provided by the National Confederation of Parent-Teacher Associations and Action with Communities in Rural England indicated a range of £1,000 - £2,250 and an average of £1,625²³. However, for these premises, the TEN will make the difference between an event not occurring or occurring. For licensed premises, a TEN will often be used to extend hours and is therefore likely to have a marginal effect. If we assume that this would be equivalent to about half a day's turnover, using the use the estimates for the turnover of a 'typical established pub' used above, £250,000 to £350,000 per year, this would be £343 – £480, or an average of £412. In some cases, however, a TEN at a licensed premises may be used, for example, to add an additional licensable activity (rather than extending hours) and generate more than a marginal increase in turnover. We will assume that £412 - £1,625 is a reasonable estimate for the foregone turnover of TENs that are likely to be deterred.

Illustrative estimates of the impact of deterring TENs

No. of TENs deterred	Foregone turnover	Est. impact (£)
2,500 – 4,900	£412 - £1,625	£1.0m – £8.0m

Group 4: Introduction of late night levy

Explanation: The proposal to permit licensing authorities to introduce an additional charge for late night licences (for both the on and off trade) to pay for additional policing costs will be a cost to businesses that is transferred as a benefit to licensing authorities and the police.

Cost to alcohol industry: The costs of the late-night levy to the alcohol trade will be additional to those they already pay under the annual licence fee system. The table below demonstrates the current estimated charge for the late night levy:

Charges under the late night levy:

Rateable value bands	A	B	C	D	E	Dx2	Ex3
	No rateable value to £4,300	£4,301-£33,000	£33,000 - £87,000	£87,001 - £125,000	£125,001 and above	Multiplier applies to premises in category D that primarily or exclusively sell alcohol	Multiplier applies to premises in category E that primarily or exclusively sell alcohol
Existing annual licence fee	£70	£180	£295	£320	£350	£640	£1,050
Annual levy charge	£299	£768	£1,259	£1,365	£1,493	£2,730	£4,480

National data shows that premises are split between the rateable value bands in the proportion set out below:

Rateable value bands	Band A	Band B	Band C	Band D (no multiplier)	Band D (with multiplier)	Band E (no multiplier)	Band E (with multiplier)
Percentage of premises in each band	24.0%	53.4%	12.4%	2.8%	0.4%	6.6%	0.4%

²³ "Impact assessment of proposal to amend the Licensing Act 2003 to simplify the procedures for Licensing Statements; Interim Authority Notices; and Temporary Event Notices"

We have used these percentages as a basis for calculating the likely inflow from the levy. However it should be noted that it is likely that the split between bandings under the levy once it is implemented is likely to differ slightly from the proportions above, as the premises in the higher rateable value bands (including many inner city pubs and clubs as well as large supermarkets) are likely to make up a higher percentage of those premises that open late.

We have calculated that around 94 licensing authorities (out of the total of 378 in England and Wales when the last stats bulletin has published) have enough late opening premises to generate sufficient revenue from the levy to have an incentive to implement a levy in their area. Within these 94 licensing authorities we estimate that there are 24,111 late-opening premises.

Our conversations with stakeholders have indicated that significant numbers of premises that have a licence to open late only use this licence to occasionally hold events that run past midnight at certain points of the year (e.g. Christmas, New Year, etc.). As the late night levy will add a financial burden on to these premises, those premises that do not use their licence to frequently open late will be likely to reconsider their opening hours if the levy is applied in their area.

Licensing authorities will also be able to exercise discretion on whether or not to implement the levy and whether to offer a discount due to the fact that the premises is already part of a best bar none or purple flag scheme (for example). Taking into account the feedback we have received from the recent public consultation and our discussions with stakeholders we feel it is reasonable to estimate that somewhere between 25-50% of premises that currently open late in an area that operates the late night levy will amend their licences to avoid being required to pay the levy on its introduction. As such, we predict that the levy will be paid by around 50-75% of the 24,111 late-opening premises in areas which might implement the levy. This amounts to a total of 12,000 – 18,100 premises that we predict will be required to pay the levy. On this basis our predicted total inflow is between £9-15m.

As this measure is likely to be classified as a tax, under the rules of the One In, One Out (OIOO) requirement it is exempt and as such has not been included in the total INs.

Estimated inflows under the late-night levy

	Predicted number of premises to pay the levy	Predicted total costs
Late night levy charge	12,000 – 18,100	£9-15m

Summary table of annual costs

	Estimated costs	Type of cost	OIOO ²⁴ ; in or out of scope?
Increased refusals	£5.8m - £12.8m	Policy cost	In scope - IN
Increased conditions (one sample only)	£0.3m - £0.6m	Policy cost	In scope - IN
More restrictive outcomes of reviews and hearings	£0.4m - £3m	Policy cost	In scope - IN
More revocations	£2.8m - £7.9m	Policy cost	In scope - IN
Cost of hearings and reviews	£1.7m - £4.0m	Admin Burden	In scope - IN
Increased admin. cost of applications	£0.4m – 0.8m	Admin burden	In scope - IN
Deterred TENs	£1.0m– £8.0m	Policy cost	In scope - IN
Late night levy	£9m - 15m	Policy cost	Out of scope (tax)
Total estimated INs	£12.5m – £37.1m		
Total estimated burdens	£21.5m - £52.1m		

BENEFITS

Group 5: Proposal to extend the deadlines in relation to Interim Authority Notices and Reinstatement on Transfer:

The extension of the deadline for Interim Authority Notices and Reinstatements on Transfer from seven to twenty-eight days was introduced on 1 October 2010. This is not part of the Police Reform and Social Responsibility Bill, however, the benefits are being referred to here in the context of the Government's wider deregulatory agenda.

Explanation: under section 27 of the Act, a licence lapses following the death, incapacity or insolvency of the licence holder. Under section 47, it is reinstated if the licensing authority receives an 'interim authority notice' (IAN) from someone connected with the business or the licence holder within seven consecutive days of those events. Alternatively, a person may apply for a 'reinstatement of the licence on transfer' (RT) under section 50. Likewise, this type of application must be made within seven consecutive days.

Seven consecutive days is not always a realistic timescale to apply for an IAN or an RT. For example, it takes time to appoint an insolvency practitioner or to put a licence holder's affairs in order following their death or incapacity. If the deadline is missed, the relative or business associate of the premises licence holder must apply for a new licence, with a significant administrative cost, in addition to the fee. Applicants must then wait at least 28 days for a decision from the licensing authority, incurring substantial loss of earnings during that period and, potentially, long-term loss of business as customers seek new venues.

Benefits to businesses: It was estimated in a previous impact assessment that this proposal would save licence holders in terms of fees (£0.1m - £0.2m), administrative costs (£0.19m - £0.63m) and lost turnover (£5.2m - £9.7m), a total of £5.5m-£10.5m.

Group 6: Proposal to allow discretion to accept TENs received after the deadline:

It was previously estimated that this proposal could have administrative savings of £3.4m-£11.8m²⁵. However, we now suggest that 2-4% of TENs will be deterred. Although it could be argued that, for example, the ones that will be deterred are likely to be those with a

²⁴ "One in one out".

²⁵ "Impact assessment of proposal to amend the Licensing Act 2003 to simplify the procedures for Licensing Statements; Interim Authority Notices; and Temporary Event Notices".

lower or more marginal expected income, we will use a simple reduction of 3% in this value to avoid an overly complex calculation on a matter that is highly speculative. This generates savings of between £3.3m – £11.5m

Group 7: Proposal to extend the maximum timescale for revision of local licensing policy statements:

Trade bodies have argued for an extension of the timetable for mandatory revision because they find it difficult to respond to so many consultations at once. It was previously estimated that a reduction in this burden would mean savings to LAs of £0.4m – £0.7m and for respondents of £0.04m – £0.1m.

Group 8: Proposal to ease limits on duration of TENs

Explanation: Given that the oversight of TENs is to become more rigorous, TENs when they do occur will be able to last longer without causing problems. The proposal is to extend the limits on the duration of a single temporary event from 96 hours to 168 hours (7 days) and on the total periods covered by a TEN in a single premises from 15 days to 21 days per year.

Benefits of the extensions: The main administrative saving is those planning to provide events under a TEN for a full week will not to leave a day 'fallow' in the middle, due the minimum 24 hour period between TENs. There will be a small administrative and fee saving in not having to apply for a further TEN. It is not know how many TENs currently use the maximum extent of TENs and may benefit from these extensions. Under the proposals, given the possibility of conditions being applied for a TEN at a licensed premises, and the potential for objections from environmental health departments, it is possible that the benefits will be limited. However, those who do use a TEN for this new maximum may benefit substantially, for example, a small circus using a TEN may currently have to leave a day free before the commencement of the next TEN and will now longer have to do so.

Circuses: An unpublished survey, to which 18 circuses responded (approximately half the circuses operating in England and Wales), conducted by DCMS suggested that they had encountered this problem at least 50 times. Therefore, we will assume that this problem occurred 100 times last year for circuses. These small circuses typically aim for a capacity of 475 at two shows per day, and around £10 spend per customer. However, they are not always full and frequently discount tickets. We will assume an average attendance of 250-350 attendees paying an average of £5 - £10, or a daily loss of £2,250 - £7,000. This gives us an estimated potential savings of £0.2m - £0.7m just for circuses.

Other users: Although other TENs users, such as amateur dramatics companies, may use a TEN for the full seven-day period, the benefits are likely to be more marginal. In particular, the total benefit would still be restricted for non-mobile TENs users by the maximum length of TENs at a single premises, meaning that each premises could only benefit from the full seven-day TEN three times per year. Community premises, such as schools, village halls and community centres, which are currently thought to use a high proportion of TENs, are unlikely to wish to have a single event take up this proportion of their total allowance more than once a year - although they may do so, for example, for a play with an interval bar²⁶.

²⁶ The play itself may be regulated entertainment (if it is for the public), and therefore licensable. However, community premises are exempt from paying a fee for a licence that is for regulated entertainment only; and a paying bar is licensable whether for the public or not. Therefore, events involving the sale of alcohol often require the use of TENs at community premises.

Benefits of late night levy

As mentioned in the costs section, as all the revenue from the late night levy will be transferred to licensing authorities and the police, so they will benefit. The revenue from the late night levy and its likely split between police and licensing authorities is as follows:

	Predicted number of premises to pay the levy	Predicted inflow	Predicted national revenue for the police	Predicted national revenue for licensing authorities	Average inflow per licensing authority
Late night levy charge	12,000 – 18,100	£9m-15m	£8.5m	£3.6m	£103,000 - £155,000

The figures on national revenue for police and licensing authorities have been estimated on the basis that the net revenue from the levy (once administrative costs have been deducted) in each licensing authority will be split 70:30 between the police and licensing authorities.

The net revenue has been estimated as £12.1m. This has been calculated by taking the higher end of the range of gross revenues (£15m), and deducting administrative costs, for which we have used the indicative figure of £24,000 per licensing authority. Therefore, for the 94 licensing authorities that we estimate will apply the levy, this amounts to a national administrative cost total of around £2.3m.

Summary table of annual benefits (from proposals above)

	Estimated benefit	Type of benefit	OIOO; in or out of scope?
LNL receipts	£12.1m	Tax receipt	Out of scope (tax)
IANs and RTs: turnover	£5.2m - £9.7m	Policy saving	In scope – OUT
IANs and RTs: fees	£0.1m - £0.2m	Policy saving	In scope – OUT
IANs and RTs: admin cost	£0.2m - £0.6m	Admin saving	In scope – OUT
Discretion to accept late TENs	£3.3m-£11.5m	Policy saving	In scope – OUT
Licensing statements: business savings	£0.04m – £0.1m	Admin saving	In scope – OUT
Licensing statements: LA savings	£0.4m – £0.7m	Admin saving	Out of scope (to government only)
Easing of TENs limits	£0.2m - £0.7m	Policy saving	In scope – OUT
Total estimated OUTs	£9.1m – £22.8m		
Total estimated benefits	£21.6m – £35.6m		

(IAN and RT's are Interim authority notices and reinstatement on transfer are outlined in group 5 above, LNL is the late night levy)

Wider Societal Benefits

The table below describes the reduction in violent offences (excluding robbery)²⁷ that would be needed to justify the illustrative estimated cost of the policies designed to rebalance the Act. (Excluding the fee increase, as this is not aimed at changing the behaviour of licensed premises, but properly funding the cost of administering the system). It must be emphasized that the benefits will not, in reality, be limited to reductions in alcohol-related violent crime. There would also be other indirect benefits from the policies. For example, to long-term health and A&E admissions:

Illustrative est. cost of proposed policies to licence holders & applicants (less fees)	Benefit of proposed policies to licence holders & applicants	Approx. est cost to licence holders (less fees)
£21.5m - £52.1m (£36.8m)	£9.1m – £22.8m (£16m)	£20.8

Total number of violent offences (2009/10 BCS)	Proportion which is alcohol related (2009/10 BCS)	Total violent offences which are alcohol related	Average social and economic cost of a violent crime; total cost	Illustrative est. offences needed to be prevented (proportion of current alcohol related offences) to save:
1,752,000	55.17%	966,530	£5,500; £5,316m	3,781 crimes, 0.4% of crimes.

The benefits of introducing the policy would justify the illustrative costs of implementation if it reduced alcohol-related violence by 0.4%. Given the extremely low reductions that these represent, we are confident that this would be the case.

F. Risks

There are too many unknown variables in both the current impact of the Licensing Act 2003, and the impact of the new proposed policy measures, to accurately predict the impacts. Therefore we have assumed, for example, that a number of the measures have a

²⁷ All violence includes wounding (both more and less serious), assault with minor injury and assault without injury. The average unit cost for all violence is an amalgamation of the unit costs for the different types of violent crime. The percentages are percentages of alcohol-related crime, not total offences.

broad combined effect of increasing regulatory activity; that existing premises affected by the policy have a turnover of between £250k and £350k per year, and any new businesses applying for a licence would have turnover of around £125k to £175k per year. Various other assumptions have been made around the number of licence holders and others that would be affected by each proposal and these are detailed in the evidence base.

G. Enforcement

We do not expect that these proposed policies will require any significant increase in enforcement activity or impose any significant additional costs on LAs. There may be an administrative cost of up to £2.3m to those LAs that implement a late night levy. However, these costs will be met with the revenue raised under the levy, and will also be far outweighed in the long term by the savings that local authorities and the police will benefit from a result of being able to use the above powers to cut down on alcohol related crime and disorder, particularly late at night. The expected rise in fee income (we have estimated £9.1m p.a.) will cover the costs of LAs in administering and enforcing the Act.

H. Summary and Recommendations

The table below outlines the costs and benefits of the proposed changes.

Option	Costs	Benefits
2	£21.5m - £52.1m/year	£21.6m - £35.6m/year
	Cost of restricting provision of licensable activities through Early Morning Restriction Orders and cost of conditions other than security staff. (not quantified)	Benefits of a reduction in alcohol-related crime and disorder; and anti-social behaviour (including reduced costs to police, local councils, and businesses, especially in town centres). Reduction in alcohol-related harm to health (including reduced costs to the NHS). Reduced sales of alcohol to children. (not quantified)
Notes: Various assumptions have been made to estimate the costs and benefits, therefore these should be treated as an illustrative example.		

Option 2 is the preferred option, due to the minor reductions in alcohol related crime that would be needed to justify the associated costs.

I. Implementation

The Government plans to implement these changes on 01/01/2012

J. Monitoring and Evaluation

The impact of the order will be subject to internal review based on feedback from local authorities and the police.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their actual costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

In line with the Government policy on sunseting and review of legislation, a “Duty to Review” clause is included in the draft Bill in respect of all clauses that impose a regulatory burden (as defined by the ‘one in one out’ guidance). This duty is applicable after a minimum of five years. However, our intention is to review before five years. Furthermore, Regulations deriving from the Bill, once enacted, will be subject to sunseting. The following clauses of the draft Bill contain a legislative Duty to Review (note that the section numbers refer to clauses of the draft Bill and are subject to change):

- 1) Draft s.97 “Premises licences: licensing authorities as responsible authorities”, draft s.98 “Club premises certificates: licensing authorities as responsible authorities” draft s.99, and “Closure orders and early morning alcohol restriction orders: licensing authorities as responsible authorities”. (These measures will give licensing authorities the power to refuse licence applications or call for a licence review without requiring relevant representations from a responsible authority).
- 2) Draft s.100 “Primary Care Trusts and Local Health Boards as responsible authorities”. (This measure will enable more involvement of local health bodies in licensing decisions by designating health bodies as a responsible authority).
- 3) Draft s.101 “Premises licences: who may make relevant representations”; draft s.102 Premises licences: who may apply for review”; s.103 “Club premises certificates: who may make relevant representations”; and draft s.104 Club premises certificates: who may apply for review”. These measures will increase the opportunities for local residents or their representative groups to be involved in licensing decisions.
- 4) Draft s.105 “Early morning alcohol restriction orders: relevant representations”; draft s.106 Reducing the burden: premises licences”; draft s.107 “Reducing the burden: club premises certificates” and draft s.108 Reducing the burden: other situations”. These measures will lower the evidential hurdle for licensing authorities when making licensing decisions by requiring that they make decisions which are “appropriate” rather than are necessary for the promotion of the licensing objectives.
- 5) Draft s.109, “Temporary event notices: who may make an objection”; and draft s.110 “Temporary event notices: conditions”. These measures will (a) Extend the right to object to a TEN to the environmental health authority; (b) allow the police and environmental health officers to object to a TEN on the basis of all of the licensing objectives; (c) give the police and environmental health officers 3 working days to object to a TEN and (d) give licensing authorities discretion to apply existing licence conditions to a TEN.)
- 6) Draft s.115 “Early morning alcohol restriction orders”. (This measure will extend Early Morning Restriction Orders so they can be applied flexibly between midnight and 6am.)

7) Draft s.116 Suspension of licence or certificate for failing to pay annual fee". (This measure will enable licensing authorities to suspend licences due to non-payment of fees).

8) Draft s.120 "personal licences: relevant offences". (This measure will update the list of 'relevant offences' in Schedule 4 of the Act to include offences of attempting to commit and conspiracy to commit existing relevant offences and failure to co-operate with a preliminary test in relation to alcohol, impairment or drugs).

The Government will also assess the impact of the alcohol measures in the PRSR Bill that do not qualify as regulatory measures for the purposes of "one in one out", for example, to ascertain whether expected benefits have been realised, and to assess the impact of other measures. This will be carried alongside the statutory review.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

The review will consider both the effect on the intended outcomes, and the proportionality of the approach.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The review will make full use of the key statistical sources of evidence, i.e., the Licensing Statistical Bulletin and the British Crime Survey. Additionally, views and evidence will be sought from stakeholders, including local authorities

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

The current baseline position is outlined in the Impact Assessment

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

The success criteria are partially described in the Impact Assessment (for example, the reduction in crime and the benefits of the de-regulatory measures). Additionally, we will expect to see a reduction in the impact of alcohol on the Health Service; and a partial reduction in net police costs in policing the late night economy.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]

We expect that data collection will continue for the British Crime Survey and the Licensing Statistical Bulletin.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

Annex 2. Specific Impact Tests

Small Firms Impact Test

1. In the conducting the consultation we were particularly mindful of the potential impact on small firms to ensure that they were fully engaged.

Industry structure

2. The figures in Table A1 suggest that based on the number of employees, approximately three quarters of all alcohol retailers are small businesses.

Number of small businesses selling alcohol in England and Wales, March 2008²⁸

Type of retailer (SIC 2003 ²⁹)	Estimated number of enterprises in England and Wales (and proportion of all licensed premises) with:	
	Less than 20 employees	Less than 50 employees
Retail sale in non-specialised stores with food, beverages or tobacco predominating (5211)	25,110	25,552
Retail sale of alcoholic and other beverages (5225)	5,088	5,121
Off trade	30,198 (64%)	30,673 (65%)
Hotels (5510)	6,102	7,345
Restaurants (5530)	52,770	54,823
Bars (5540)	43,473	45,379
On trade	102,346 (77%)	107,547 (81%)
All alcohol retailers	132,544 (74%)	138,220 (77%)

Will the proposals in the consultation affect small businesses?

3. The proposals will affect all types of licensed premises and TENs users, including those which qualify as small businesses.

Exemptions for small businesses

4. One of the aims of the proposed changes is to empower local communities to tackle those businesses, both small and large, that are contributing to alcohol-related crime in their area. Exempting small businesses could jeopardise this aim because it is likely that there are a number of small businesses who are selling alcohol irresponsibly and therefore who should face the same measures as their larger counterparts. We therefore do not consider it appropriate to exempt small businesses from the proposals in the consultation.

Alternative approaches to exemptions which could reduce burdens on small firms

Issue statutory guidance

5. Under Section 182 of the Licensing Act 2003, the Secretary of State must issue guidance to licensing authorities and they must have regard to that guidance when carrying out all of their licensing functions. We will therefore be issuing guidance to licensing authorities on any of the proposals that are legislated on to ensure that licensing authorities do use their new powers appropriately and in a proportionate and targeted manner.

²⁸ This table is based on data from *UK Business: Activity, Size and Location – 2008* which contains data from a snapshot of the Inter Departmental Business Register (IDBR) taken on 21 March 2008. Table B3.1 provides a breakdown of the number of enterprises in the UK by SIC and number of employees and those figures have been scaled down to estimate the number of small enterprises in England and Wales using the figures in Table B3.4, which breaks down the number of enterprises in the UK by SIC and Government Office Region.

²⁹ Standard Industrial Classification of Economic Activities 2003

Estimated cost to small firms

6. The costs of implementing the proposals in the consultation are calculated in the Impact Assessment. Much of the data on licence activity (such as the number of new applications) relies on the Licensing Stats bulletin, which provides information, based on licensable activities, and not premises or business type. There is no data available on how small businesses are represented amongst applicants for premises licences, and, therefore, it is not possible to more precisely differentiate the total cost to small businesses from the total cost to the industry as a whole.

Consultation with small firms

7. In developing these conditions prior to the consultation, Government officials have held discussions with a range of key industry stakeholders who represent small businesses. These included the Association of Licensed Multiple Retail, the Association of Convenience Stores, the British Retail Consortium and the Federation of Wholesale Distributors. During the consultation we again actively sought the views of small firms and the relevant trade bodies for small businesses.
8. Many of the issues raised in the pre-consultation meetings regarding small businesses were focused on the introduction of the Late Night Levy, including the following:
 - It was pointed out that some small businesses may want to change their opening hours to avoid paying the Late Night Levy, and that this opportunity should be made available to them. The Home Office agreed to take this into consideration when finalising the details of the policy.
 - Some representatives also wanted to see the charge under the Late Night Levy varied according to the size of the business. The levy will, like the current fee structure, be calculated based on rateable value. Therefore, they will charge less to those premises with less valuable property. Because one of the factors that affect the value of a premise is its size, it is likely that many small businesses will occupy premises with a lower rateable value. Accordingly, it is likely that smaller businesses will face a significantly smaller increased burden from the introduction of the levy than businesses operating larger premises. However, it should be noted that other factors, in particular location, also have a significant impact on rateable value, so that some smaller businesses located in valuable premises may qualify for a higher levy.