

Title: Removing the requirement to renew personal licences under the Licensing Act 2003 IA No: xxxxxxxx Lead department or agency: Home Office Other departments or agencies: DCMS	Impact Assessment (IA)		
	Date: xx June 2013		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: Rob Williams (robertthomas.williams9@homeoffice.gsi.gov.uk)			
Summary: Intervention and Options			RPC Opinion:

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?
£29.0m	£29.0m	-£2.9m	Yes OUT

What is the problem under consideration? Why is government intervention necessary?
 Under the Licensing Act 2003 (“the 2003 Act”), those who authorise the sale of alcohol by retail in the on- or off-trade must have a personal licence. Personal licence holders (PLHs) are required to renew their licences every ten years. This is in addition to other requirements to amend licences when there is a change of address or to report relevant criminal convictions. The ten year renewal requirement requires PLHs to reapply to the licensing authority by paying a fee and submitting a criminal records check. As part of efforts to generate economic growth, the Government is committed to reducing unnecessary administrative burdens on businesses and has consulted on whether to change or simplify the processes for personal licences, including the renewals process.

What are the policy objectives and the intended effects?
 The overarching objective is to reduce regulation on business; remove unnecessary bureaucracy; support local growth and give greater powers to licensing authorities to determine what is appropriate for their local areas, without undermining the statutory licensing objectives. Although removing 10 year renewal requirements removes a safeguard in the system, the risks are small as other safeguards will continue to exist.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 The options are:
Option 1: Do nothing (retain status quo under which, for example, PLHs must renew their licences every 10 years).
Option 2: Remove the requirement to renew personal licences every ten years.
 The preferred option is Option 2 because it is judged to best meet the policy objectives.

Will the policy be reviewed? No	If applicable, set review date: N/A				
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: None		Non-traded: None

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

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 2

Description: Remove the requirement to renew personal licences

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 18.9	High: 39.1	Best Estimate: 29.0

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

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

There will be a small transition/notification cost to each licensing authority which would have to notify premises within their area of the policy change. This one-off transition cost for the 350 LAs is estimated to be a total of **£1,200** in year 1.

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

Notification and implementation costs for licensing authorities.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	2.1	18.9
High	0	4.3	39.1
Best Estimate	0	3.2	29.0

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

Key monetised benefits come from PLHs no longer having to renew their personal licences every 10 years. The total benefit to PLHs is the sum of the cost of having a criminal records check, the application fee and the administrative time for each PLH who would have had to renew over the 10 year period from 2015-25. The saving to PLHs is estimated to be **£29.0m** in present values over the 10 year period.

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

Licensing authorities (LAs) i.e. district and unitary councils will not have the burden of processing routine renewals, particularly in 2015 when over 100,000 personal licences are up for renewal. However the costs should be covered by fees in any event.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> The estimates on the numbers of PLHs are based on licensing data from the years between 2005 and the latest available data for applications from 2009-10, as well as police estimates on the numbers of relevant convictions that go unreported to the LA. There is a risk that the public protection objectives of the 2003 Act could be undermined. As flagged up during the public and technical consultation on the Alcohol Strategy in 2012-13, there is a risk that unscrupulous PLHs who have failed to declare relevant criminal convictions are undetected by the system. As explained below (risks section), this risk is mitigated. Assumption that this policy is independent of and does not impact on other proposals in the Alcohol Strategy being implemented. 		

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0	YES	OUT
Benefits: 2.9		
Net: 2.9		

A. Strategic Overview

A.1 Background

1. In March 2012, the Government published its Alcohol Strategy, setting out a range of measures to tackle the issue of excessive alcohol consumption and its associated harms¹. The Alcohol Strategy included commitments made under the Government's Red Tape Challenge (RTC) to consult on measures to reduce the unnecessary burdens of the licensing regime on business, support local growth and give licensing authorities greater freedom to take decisions that reflect the needs of their local community.
2. The public consultation on the delivery of the Alcohol Strategy (28 November 2012 to 6 February 2013), set out proposals for cutting bureaucracy and freeing up businesses and local organisations such as community groups from unnecessary burdens. The proposal to simplify the system of personal licences was a new idea that had not been part of the package of ideas generated by the RTC and was not part of the Alcohol Strategy. The public consultation included the proposal that the personal licences regime could be simplified (for example, by removing the need for a photograph on the licence) but more specifically asked whether the personal licences regime could be reformed more radically by removing the requirement on PLHs to renew their personal licences every ten years.

The current regime of personal licences

3. Licensing authorities (LAs) – i.e. district and borough councils or unitary councils – administer the 2003 Act. LAs must currently carry out their functions with a view to promoting the licensing objectives (the prevention of crime and disorder; public safety; the prevention of public nuisance; and the protection of children from harm).
4. There are three different kinds of authorisation under which licensable activities can be provided:
 - Premises licence: to use a premises for licensable activities, subject to conditions.
 - 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;

¹ The Alcohol Strategy is available on the Home Office website: <http://www.homeoffice.gov.uk/publications/alcohol-drugs/alcohol/alcohol-strategy>

RESTRICTED - DRAFT

- Temporary Event Notices (TENs), which enable the user to carry out licensable activities without other authorisation. Various limits apply (e.g. can only be used 12 times per year at the same premises).
5. Because of the above potential impacts of the misuse of alcohol the 2003 Act recognised that the sale and supply of alcohol carries with it greater responsibility than other licensable activities. The 2003 Act therefore requires that every sale of alcohol under a premises licence must be authorised by a **personal licence holder** (PLH), who must meet certain criteria before being issued with a personal licence (including undergoing a criminal records check and obtaining an accredited qualification).
 6. The new system of personal licences (relating to the supply of alcohol) enables PLHs to move more freely between premises where a premises licence is in force and was introduced under the 2003 Act. Premises licences are issued by licensing authorities (LAs) after scrutiny of all applications by the police where the applicant has been convicted of certain criminal offences (“relevant offences” listed at Schedule 4 of the Licensing Act 2003).
 7. Additionally, under the 2003 Act, premises licensed with authorisation for alcohol sales must specify the **Designated Premises Supervisor** (DPS) for that premises. This person must be a **personal licence holder** (PLH). This will normally be the person with day to day responsibility for running the premises. Under the 2003 Act, each licensed premises (202,000 as at 31 March 2012²) therefore needs to have a PLH acting as a DPS. However, in large premises, such as supermarkets or large bars, there could be several personal licences held by junior managers. Licensing statistics show that there were 502,400 personal licences in force at the end of March 2012³. There is an exception from the DPS and PLH requirements for lower risk “community premises” (e.g. church halls).
 8. PLHs must meet certain conditions in order to be given a licence. These include: achieving a licensing qualification (accredited by the Secretary of State); being aged 18 or over and not having forfeited a personal licence within five years of making the application. Additionally, where a personal licence applicant has committed a relevant criminal offence or foreign offence, the police can object to a licence being granted and the LA must consider whether or not to grant the licence. Once a licence is granted, the PLH must notify the licensing authority if they are convicted of a relevant offence.
 9. When a PLH wants to renew their licence, they must pay a fee to the licensing authority and submit a fresh criminal records check. If they have committed a

² Alcohol and Late Night Refreshment Licensing England and Wales, 2011/12 tables”
<https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-england-and-wales-2011-12-tables>

³ As above.

relevant offence, the LA must then notify the chief officer of police for its area who may, within 14 days, notify the LA that he considers that the continuation of the licence would undermine the crime prevention objective. If so, the authority must hold a hearing to consider the objection notice unless it is agreed that a hearing is unnecessary. Following this hearing, the licensing authority may decide not to renew the licence. Failure by the PLH to do so is a criminal offence (prosecutions details at Annex A).

10. The criteria for personal licences under the 2003 Act are seen by many as a vital part of the licensing system. Under previous licensing legislation – now obsolete – there was a ‘fit and proper person’ test for anyone who wanted to manage a licensed premises. The police, the public and local licensing officers need to know that there is a responsible and knowledgeable person overseeing alcohol sales under a premises licence and the personal licences system is intended to achieve to this. The Government has however considered whether the system could be simplified further.
11. One possible simplification is to remove the current requirement on a PLH to renew his/her licence on a ten yearly basis. The system is more onerous than current requirements for a driving licence (where only a renewal of a photograph is required) and the risks (see below) of abolishing the requirement are limited and manageable given existing safeguards.
12. Other options considered during the consultation included the simplification of the requirement to renew personal licences by, for example, not requiring a new photo on renewal. This option, although theoretically presenting less risk than removing the requirement to renew personal licences altogether, represented a much smaller saving to business. However, considering that the risks associated with removing the requirement to renew altogether are already minimal, the less ambitious option was not an attractive one. The consultation process also included the radical suggestion that the personal licences’ regime could be abolished in its entirety. The Government has indicated that it will consider this further in due course.

Links or interactions with other policies and proposals arising from the Government’s Alcohol Strategy

13. We have considered whether there are interdependencies with other policies arising from the Government’s Alcohol Strategy, an issue flagged in the pre-consultation IAs. Our assessment is that, on balance, this proposal on personal licences can be considered in isolation. This measure impacts on the licensing process rather than having a direct impact on the availability of alcohol. Nor do we believe that the measures that the Government is introducing alongside this will impact on the numbers of PLHs involved in the drinks industry.

14. The only other policy that this proposal could impact on is the new annual authorisation for small-scale sales of alcohol by “ancillary sellers” (alcohol sold as part of a wider business contract, for example a glass of wine in the hair dressers) and by community groups: the Community and Ancillary Notice (“CAN”). Anecdotal evidence suggests that there may be a very small number of ancillary sellers currently selling alcohol under a premises licence that do require a PLH in place. By providing these ancillary sellers with an opportunity to sell alcohol without a premises licence or the need to have a PLH in place, there is a risk that the CAN could lower the policy impact of removing the requirement to renew personal licences. However, this risk is very likely to be negligible. This is because anecdotal evidence suggests that the number of ancillary sellers that already have premises licences is very low, since the costs of a full premises licence are rarely justified by the small amount of profit associated with ancillary sales.

A.2 Groups Affected

Businesses that sell alcohol from licensed premises and individual personal licence holders (PLHs) who work in businesses engaged in on- and off-trade sales of alcohol from licensed premises

15. It is a requirement under the 2003 Act that every sale of alcohol must be authorised by a PLH and each licensed premises must have a Designated Premises Supervisor (DPS) who is a PLH. An on-trade or off-trade business is likely to either be managed or owned by a PLH or PLHs will be employed by such businesses, who will frequently arrange for training of their staff to obtain the PLH qualification. As above, there were estimated to be 502,400 personal licences in force at the end of March 2012, 16 per cent more than the 434,200 on 31 March 2010 (includes estimates for non-response).⁴

Licensing authorities (LAs)

16. LAs are responsible for the administration of the 2003 Act and, as such, are responsible for processing applications for granting and renewing personal licences. They also have powers to revoke a personal licence if the PLH was convicted of a relevant criminal conviction during the application period. The cost of the personal licence fee (and the cost of renewal) is intended to cover their costs. Nevertheless, many foresee the first renewal process in 2015 – ten years since the measure was introduced – as being a particularly onerous administrative burden.

The police

⁴ <https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-statistical-news-release/alcohol-and-late-night-refreshment-licensing-statistical-news-release#personal-licences>

17. The police have a role as responsible authorities under the 2003 Act and are therefore consulted on various processes including personal licence applications. They have a duty to consider personal licence applications and consider objecting in cases where the applicant has a conviction for a relevant offence listed at Schedule 4 of the Licensing Act 2003. They are also responsible for enforcing offences under the 2003 Act, including those in relation to PLHs.

The courts

18. If a PLH is charged with a relevant criminal offence, he or she is required to notify the Magistrates Court, no later than the first time they make their first appearance in connection with that offence. If the PLH is convicted of a relevant offence by a Magistrates or Crown Court, the court has powers to order forfeiture of the personal licence. There is an existing statutory duty on the court at that stage (if it has been given notice by the PLH or made aware by some other means) to notify the relevant licensing authority that the PLH has been convicted of a relevant offence and the nature of that offence. The courts are already prompted by Sentencing Guidelines to consider an ancillary order to forfeit a personal licence in cases where the convicted offender is a PLH.

The Disclosure and Barring Service (DBS)

19. Although, at present, the basic level criminal records checks required to renew a personal licence are administered by Disclosure Scotland, consideration is being given to the provision of basic checks by the DBS in due course.

Consultation

20. **Within Government:** Cabinet Committee clearances (RRC and HA) were gained prior to the publication of the Alcohol Strategy and the launch of the later public consultation. Clearances (HA; EAC; RRC) will also be needed for the announcement/implementation of this policy. Clearance processes have included official and Ministerial level discussions with other Government departments, including the Department of Health, Department for Business, Innovation and Skills, Her Majesty's Treasury, HM Revenue and Customs, the Department for Culture, Media and Sport, and the Department for Communities and Local Government.

21. **Public Consultation:** This Impact Assessment has been developed in light of a public consultation. Government officials also held technical discussions and consultation events with representatives from the trade, licensing authorities and the police.

22. **Consultation response:** A majority of those who responded to the consultation were against the proposal to simplify or remove the requirement to renew personal licences and nearly half considered that doing so would undermine the licensing objectives. However, a clear majority did think that the proposal would

reduce burdens on businesses. At technical groups and consultation events, the police raised serious concerns that removing the renewal requirement would take away a valuable tool – the fresh criminal records check – in tackling crime and disorder, in particular organised crime, at licensed premises. The police do accept that ad hoc checks on PLHs criminal convictions are done where this is justified in cases where a PLH is suspected of a criminal offence such as under-age selling of alcohol. However, some trade representatives considered that renewing personal licences was unnecessary bureaucracy given the safeguards already afforded by the system. They noted, in particular, that personal licence holders, if convicted of a relevant offence, must notify the licensing authority and could have their licences revoked by the courts.

B. Rationale

23. An effective and proportionate regulatory framework is essential to public safety and crime prevention and also ensures that responsible businesses are not undermined by irresponsible businesses. If misused, alcohol is a dangerous substance and the Government has taken the view that the overall framework provided by Licensing Act 2003 - as amended by the Police and Social Responsibility Act 2011 - is appropriate. However, a well-run and diverse hospitality industry has the potential to boost growth and representatives of this industry have highlighted concerns, as part of the Red Tape Challenge, about some of its administrative burdens. The Government is committed to removing unnecessary regulation (with particular regard to local organisations such as community and arts groups and schools, and businesses that are not connected to alcohol-related problems) and to exploring further how it can make the day to day process of licensing as easy as possible for all responsible businesses. The policy objective behind the proposal in this Impact Assessment is to reduce the administrative burdens of the 2003 Act without undermining the licensing objectives.

C. Objectives

24. The objectives are to:

- Remove an unnecessary burden on PLHs and businesses that does not significantly undermine the licensing objectives given the existence of other safeguards in respect of PLHs.
- Simplify the process for and remove the administrative burden on LAs particularly when over half of all personal licences are up for renewal in the 2015 -16 financial year.

D. Options

25. The options considered in this IA are:

- **Option 1:** Do nothing (retain the status quo of requiring personal licences to be renewed every ten years).
- **Option 2:** Remove the requirement to renew licences every ten years. This will allow personal licences to be valid indefinitely, like driving licences. Existing safeguards in the system will still apply. These include the courts forfeiting personal licences when the holder has been convicted of a relevant offence.

E. Appraisal

GENERAL ASSUMPTIONS AND DATA

Number of personal licences granted 2005-10

26. Data on the administration of the Licensing Act 2003 was collected by the Department for Culture, Media and Sport (DCMS). There was no licensing data collection in 2010/11 and further collection of some data by the Home Office in 2011/12. The available data is displayed in table 1. Although the total number of licences in 2011-12 has been estimated and is referred to earlier in this impact assessment, insufficient data has been collected for the purposes of this modelling (specifically, the number of PLs granted). Therefore projections from 2009-10 have had to be made, as described below.

Table 1 – Summary of personal licence statistics (2005-2012)

Year	PL applications	PLs granted	Applications refused	Surrendered by PLH	Revoked by LA	Forfeited by the courts	Total lost permanently	Suspended by court	Total in force as at 31 March:	% lost permanently
2005-06	n/k	198,167 ^E	n/k	n/k	n/k	n/k	n/k	n/k	n/k	
2006-07	59,000	57,400	440	190	11	13	214	13	255,396	0.1%
2007-08	50,600	49,900	340	180	21	8	209	15	338,900	0.1%
2008-09	46,600	45,700	270	320	9	6	335	18	391,600	0.1%
2009-10	43,500	43,000	220	250	22	12	284	10	434,380	0.1%
2010-11	No data collected									
2011-12	No data collected for no.s of applications			258	25	8	291	14	502,400	n/a

SOURCE: DCMS National Statistical Bulletins 2006-07 to 2009-10⁵ and the Home Office National Statistics release

⁶<https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-statistical-news-release/alcohol-and-late-night-refreshment-licensing-statistical-news-release#personal-licences>

Note:

E = estimate of the total number of personal licences issued between 24 November 2005 (when the Licensing Act 2003 came into force) and the end of March 2006, based on the figures available for 2006/7.

⁵ <http://www.culture.gov.uk/publications/7456.aspx>

⁶ 25 October 2012 - <https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-statistical-news-release/alcohol-and-late-night-refreshment-licensing-statistical-news-release#personal-licences>

27. As at 31 March 2007 there were 255,396 personal licences (PLs) in force.⁷ We know that 57,400 of those were granted between 1 April 2006 and 31 March 2007.⁸ So it is a reasonable assumption that the remaining 197,996 were granted between 24 November 2005 (when the system started) and the end of March 2006. However, during the 2006/07 financial year, 190 PLs were surrendered, 11 revoked and 13 forfeited (13 were suspended by Court Order - i.e. for up to 6 months). So the total of permanently lost licences was 214. We have made the assumption that most of these (80%) surrendered, revoked or forfeited personal licences are likely to have been granted in 2005/06 (i.e. 171 to add to total granted in 2005/6). This gives the **estimate that there were 198,167 personal licences issued during the first year of the Licensing Act 2003 coming into force (between November 2005 and the end of March 2006).**

Estimated number of personal licences granted 2010-15

28. We do not have data for the number of PLs granted between 2010-15. Therefore we have used the data from 2005-10 to estimate the number of personal licences that will be granted until 2015.

29. The available licensing statistics show that the numbers of PLs granted fell over time between 2006 and 2010 (a 14% decrease between 2006/07 and 2007/08, an 8% decrease between 2007/08 and 2008/09 and a 6% decrease between 2009/10). We do not know whether the decrease was influenced by the onset of the economic downturn in 2008 or whether the need for PLs had diminished. We are also unsure whether the demand for PLs will remain the same or rise again in future years given the turnover of employees in the drinks and hospitality sector.

30. We have therefore assumed a continuing decline rate of PLs granted at **5% per year** each year after 2010, resulting in the following profile:

Table 2 – Estimated number of granted personal licence applications

2010-11	40,850
2011-12	38,808
2012-13	36,867
2013-14	35,024
2014-15	33,273

⁷ DCMS National Statistics Bulletin: Alcohol, Entertainment and Late Night Refreshment Licensing in England and Wales, April 2006 – March 2007 (published November 2007) page 19

⁸ DCMS National Statistics Bulletin: Alcohol, Entertainment and Late Night Refreshment Licensing in England and Wales, April 2006 – March 2007 (published November 2007) page 9

31. It is possible that the rate of decline could slow and potentially stop once the economy starts to grow. This represents an upside risk to our estimates, i.e. the savings to business could be greater than we have modelled.

Number of personal licence renewals

32. Not all PLHs who applied for and were granted licences in 2005 will seek renewal in 2015. Some will have had their licences revoked by their licensing authority or forfeited by the Courts or they will have surrendered them voluntarily over the course of the ten year period. Other PLHs will have left the drinks and hospitality industry altogether without formerly surrendering their personal licences or they might have retired or died.

33. We have estimated the number of personal licences lost permanently over the ten year period (2015-25) based on the number lost between 2005 and 2010. On this basis we have made the **assumption that the average number of personal licences lost permanently via forfeit, revocation or surrender is 0.1% per year.**

34. We do not have clear evidence on which to base an assessment of the number of PLHs (likely to be bar managers or managers at licensed premises, including bars, clubs and shops) who will leave the drinks industry without formerly surrendering their licences but are unlikely to renew them after 10 years.

35. There is data from the hospitality and drinks industry on the annual turnover of owners and managers in the industry – 7% in 2008-09⁹. As it is small-scale bar owners and managers who are predominantly the PLHs within a licensed premises, we deem this to be a reasonable proxy for PLHs leaving the industry. However, since this turnover figure includes employees moving from one employer to another within the sector, we assume that it represents an upper bound of the percentage of PLHs who leave the hospitality and drinks industry altogether each year. There is no information on which to base a lower bound estimate so our lower bound is based on 0% of PLHs leaving the industry each year. Our best estimate is that 3.5% of PLHs leave the industry each year (the midpoint of 0% and 7%), reflecting the fact that there will be some drop-out but that this will be less than the 7% turnover rate described above.

36. Cumulatively, and including the annual 0.1% lost via forfeit/revocation/surrender, it is therefore estimated that the percentage of PLHs seeking renewal after 10 years will fall between 48% and 99% with a **best estimate of 69%**. The best estimate broadly triangulates with anecdotal evidence from licensing authorities that the vast majority of personal licences are expected to be renewed in 2015.

⁹ State of the Nation, 2010. (p.60)

Renewal costs

37. The renewal process replicates the application process except that the applicant does not need to do another (or prove they have an) accredited licensing application to get the renewal.¹⁰ The renewal applicant must pay the prescribed fee to the licensing authority (**currently £37**), and fill in the prescribed renewal form¹¹, including the provision of a new endorsed photograph.

38. A study in 2008¹² estimated that applying took an average of an hour. Figures from the Office for National Statistics indicate that the **average hourly salary for a bar manager is £13.30**¹³.

39. Applicants must also provide a basic criminal records check. **This is currently provided by Disclosure Scotland for £25**. Although consideration is being given to the provision of basic checks by the DBS in due course for a fee set to ensure cost recovery, it is not now possible to estimate that fee. We have therefore used current fees as a basis for this impact assessment.

Table 3 – Unit costs of obtaining a personal licence

Process	Cost
Renewal application fee	£37
Administrative cost	£13.30
Criminal records check fee	£25
Total	£75

Licensing Authorities' Costs

40. Licensing authorities will need to familiarise themselves with the change in policy. We estimate that this would mean up to a maximum of **15 minutes** per licensing official per licensing authority.¹⁴

41. We understand that (although evidence based) an assumption of 15 minutes may be low. However, even if the time taken were one day (8 hours) this would only

¹⁰ Licensing Act 2003 (Personal licences) Regulations 2005

¹¹ At Schedule 2 of the Licensing Act 2003 (Personal licences) Regulations 2005

¹² "Legislative reform orders: proposals to introduce a simplified process for minor variations; and remove certain requirements at community premises"
<http://webarchive.nationalarchives.gov.uk/20100407120701/http://www.culture.gov.uk/images/consultations/LicensingconsultationJuly2008minorvar.pdf> page 41.

¹³ This is the mean hourly wage for publicans and managers of licensed premises. Data was obtained from the 2012 Annual Survey of Hours and Earnings (provisional). <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2012-provisional-results/index.html>. This was updated by 16.40% to include on-costs (see BIS guidance based on http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables)

¹⁴ See Annex C to the Health and CIPS Impact Assessment

reduce the NPV by £0.3m. Therefore the NPV and average annual costs are relatively insensitive to this assumption.

42. The hourly wage for a licensing officer is **£13.28**¹⁵ per hour.

Option 1 – Do nothing

There are no additional costs and benefits to the baseline associated with the do nothing option.

Option 2 – Remove the requirement for PLHs to renew licences on a ten year basis

COSTS

Costs to business

43. There will be no additional costs to businesses.

Costs to the public sector (police/LAs/the courts/the DBS)

Transition costs

44. As noted above, **licensing authorities** will need to familiarise themselves with the change in policy, we estimate that this would mean up to a maximum of 15 minutes per licensing official per licensing authority. Based on an hourly wage for a licensing officer of £13.28 per hour we **estimate one-off familiarisation costs for all 350 Licensing Authorities of £1,162.**

45. By removing the requirement to renew personal licences, the **DBS**, if it were to provide basic checks, would lose some revenue. However, the number of lost checks would be only a very small portion of the total number of checks, some 4 million, carried out by the DBS each year. As such, the impact on the DBS would be negligible.

Non monetised costs

46. Licensing authorities may want to communicate the changes to personal licences regime to key contacts in their area in addition to any national communication via the Home Office website. It is possible they may want to do this to avoid enquiries by PLHs whose licences would otherwise have been due for renewal. Such communications with premises and personal licence holders are part of a licensing authority's core business (and therefore would typically be covered by fees), these costs have not been quantified in this Impact Assessment.

¹⁵ This is the mean hourly wage of licensing officers. Data was obtained from the 2012 Annual Survey of Hours and Earnings (provisional). <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2012-provisional-results/index.html>. This was updated by 16.40% to include on-costs (see BIS guidance based on http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables)

47. Following the assessment and consultation, we do not anticipate increased costs to the police and criminal justice system as a result of this policy. See “risks” section below.

BENEFITS

Benefits to business

48. Personal licence holders (PLHs) would no longer need to renew their personal licences every ten years. This would mean that they don’t incur the renewal unit cost of £75 (from the renewal application fee, the administration time and the criminal records check fee). The estimated benefits from removing the need for PL renewal are outlined in table 4.

Table 4 – Benefits to business from removing the need for PL renewal

	48% of PLHs seeking renewal after 10 years	99% of PLHs seeking renewal after 10 years	Upper (£m)	Lower (£m)	Best (£m)
2015-16	195,996	94,685	14.8	7.1	11.0
2016-17	56,771	27,426	4.3	2.1	3.2
2017-18	49,353	23,842	3.7	1.8	2.8
2018-19	45,199	21,836	3.4	1.6	2.5
2019-20	42,529	20,546	3.2	1.5	2.4
2020-21	40,402	19,518	3.0	1.5	2.3
2021-22	38,382	18,542	2.9	1.4	2.2
2022-23	36,463	17,615	2.7	1.3	2.0
2023-24	34,640	16,734	2.6	1.3	1.9
2024-25	32,908	15,898	2.5	1.2	1.8
		Annual Average	4.3	2.1	3.2
		PV	39.1	18.9	29.0

Non monetised benefits

49. Administrative savings will be made by businesses. A high proportion of PLHs are employed by businesses who will no longer have an onus to check if personal

licences are still current or remind staff to renew them. It is not possible to estimate the scale of those savings.

Benefits to the public sector (police/LAs/the courts)

50. LAs (350 in England and Wales) have reported concerns about the administrative burden involved when the bulk of personal licences come up for renewal in 2015/16. The process will obviously have logistical and operational and resourcing implications for LAs, although their costs are technically covered by the licensing and renewal fees paid by applicants. It is impossible to monetise these benefits in this Impact Assessment.

NET EFFECT

51. We have calculated the net impact (benefits minus costs) of option 2 using different numbers of PLHs that will apply for renewal. These are presented in the table below:

Table 5 – Estimated Net Present Value (NPV) for Option 2

	Average annual net benefits (£m)	NPV (£m)
Lower bound	2.1	18.9
Upper bound	4.3	39.1
Best estimate	3.2	29.0

52. The best estimate produces a net present value, discounted over a ten year period, of **£29.0 million**.

ONE IN; TWO OUT (OITO)

53. Option 2 has an on-going year-on-year impact on business from 2015 and is therefore in scope for OITO.

54. The benefit to businesses is estimated to be approximately £3.2 million per annum in terms of savings to businesses. This equates to a **NET OUT of £2.9 million** per year, EANCB (2009 prices).

E. Risks

55. There is a risk that there could be a higher number of PLHs not seeking to renew than we have estimated over the 10 year period so the effect of the policy might be reduced. If there is a higher turnover of PLHs than we have estimated, there

will be a lower potential number of PLs subject to renewal. This would lead to fewer benefits and a lower NPV than modelled. But we believe our estimates are reasonable given the available data.

56. Consultation responses highlighted the risk that more personal licence holders could fail to declare their convictions to their licensing authority. If true, this could lead to more offences for failure to declare those convictions and associated costs for police, courts and the CPS. However, this is unlikely. Considering that losing a personal licence acts as no real barrier to employment at a licensed premises, the threat of a personal licence not being renewed is not a serious deterrent against failing to notify. The real deterrent against failing to notify the licensing authority is the requirement to notify the Magistrates Court, no later than the first time they make their first appearance in connection with that offence. If the PLH is convicted of failing to declare their personal licence to the court, they may be fined.
57. The police told us that they already routinely carry out checks on a random basis on purported PLHs when enforcing other aspects of the Licensing Act 2003, eg. when investigating crime and disorder at the premises. However, during the consultation, we found no clear evidence that suggested that the police would carry out more of these checks as a result of removing the renewal requirement. This could lead to some unscrupulous PLHs not being caught which in turn could have an impact on wider society if criminal PLHs are allowed to carry on running alcohol-related businesses undetected. However, there is already under the existing regime, a period of 10 years where there is no check or renewal requirement and enforcement of the related offences is low (see Annex A). There is no evidence to suggest this would increase.
58. The proposal to remove the 10 year renewal requirement is likely to generate further calls from LAs and the police for a national database of all PLHs to allow for audit scrutiny. The possibility of a national database was raised in the White Paper of the previous Government which first set out plans for the current licensing regime, including personal licences.¹⁶
59. Police and LAs may call for a new requirement on the courts to pro-actively ask defendants charged with a relevant criminal offence whether they are PLHs. However, we think this is disproportionate and the existing prompts that are already included in the Sentencing Guidelines cover this. Removing the need for a 10 year renewal of the PL will have an impact on the 350 LAs that issue them. LAs have reported concerns about the administrative burden involved when the bulk of PLs come up for renewal in 2015-16. The process will obviously have logistical, operational and resourcing implications for LAs although their costs are technically covered by the licensing and renewal fees paid by applicants. On the

¹⁶ *Time for Reform: Proposals for the Modernisation of our Licensing Laws* (2000)

other hand, if the LA is already working within or at spare capacity, removing the PL renewal requirement may mean (in an extreme scenario) that employees might be laid off or more realistically may lead to the LA being short of work and working inefficiently, particularly in 2015.

60. The estimates presented above would overstate the benefits to business if some personal licences were applied for by individuals, e.g. self employed workers. However we have obtained anecdotal evidence that the majority of renewal costs are covered by businesses rather than the individual PLH. Therefore we believe this to be a minor risk.

F. Enforcement

61. We expect enforcement activity to continue as before. There should be no additional resource costs. As set out above, we believe the risk is minimal that abolishing the ten year check will lead to increases in the number of failures to notify offences linked to personal licences and an increased number of PLHs with relevant convictions that could continue to operate undetected.

H. Summary and recommendations

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

Table 6 – Summary of costs and benefits (best estimate)

Option	Costs	Benefits
2	Monetised - negligible Familiarisation costs for licensing authorities.	Monetised - £29.0m The estimated savings to businesses of not having to pay to renew their licences.
	Non-monetised Costs to licensing authorities in communicating the changes in personal licenses.	Non-monetised Administrative savings for businesses as they will no longer have to check up on employees/remind them to renew PLs.

Source: HO modelling

Table presents the total quantified (best estimate) and unquantified benefits, discounted over 10 years. Net present values are calculated over 10 years.

63. The Government is committed to reducing unnecessary burdens on businesses. The process for personal licences is arguably overly onerous. The renewals process is, for example, more onerous than for driving licences. The current ten year renewal requires PLHs to reapply to the licensing authority, by paying a fee

and paying for and under-going a criminal records check. **Option 2** would remove this burden.

64. Consultation responses highlighted the risk that more personal licence holders may fail to declare their convictions to their licensing authority. If true, this could lead to more offences for failure to declare those convictions. However, in reality this is unlikely, as highlighted in the Risks section of this IA, the real deterrent against failing to notify the licensing authority is the threat of a police check of the premises. Since we are confident that police checks of licensed premises will remain constant, this deterrent will remain in place.

65. Option 2 produces a net present value, discounted over a ten year period, of **£29.0 million**.

I. Implementation

66. The Government intends to implement these changes via amendments to the provisions on renewing personal licences at section 117 of the Licensing Act 2003. A legislative slot is currently being sought. It is intended that the measure be brought into force before 2015.

J. Monitoring and evaluation

67. The duty to review all new policies after a minimum of five years would apply to this policy. MOJ and HM Courts Service would potentially wish to monitor the use of the courts and the prosecution of offences as part of a monitoring and evaluation plan.

K. Feedback

68. Feedback was sought on this policy as part of the public consultation on the Government's Alcohol Strategy including the potential impact on the licensing objectives. The Government has also sought technical input from licensing authorities, the police, the licensed trade and others.